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Finnish Banking Problems:
Handling and Prospects

Large Value Interbank Payments
and the Central Bank

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FINNISH BANKING PROBLEMS: HANDLING AND PROSPECTS

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RECESSION PRECIPITATES BANK PROBLEMS

After an extended period of rapid economic growth in the 1980s, the Finnish economy stagnated in 1990 and activity declined in the course of 1991. An important external factor contributing to these developments was the collapse of trade with the Soviet Union in 1991. Although exports started to recover in 1991 and grew by about 9 per cent on average in 1992, this was not enough to offset a sharp decline in domestic demand. Real GDP contracted by 6½ per cent in 1991 and by a further 3½ per cent in 1992. This unprecedented economic downturn led to a rapid decline in profitability, investment and employment. At the same time debt servicing grew burdensome, particularly in the domestic sector of the economy.

Interest rates remained high throughout the early 1990s. This partly reflected the high level of European interest rates in general. More significant, however, was speculation against the markka triggered by expectations of a devaluation, which kept interest rate differentials at a high level. In November 1991, the markka was devalued by 12.3 per cent. The effects on interest rates were short-lived, however, since expectations of a further devaluation soon reappeared and interest differentials widened again. By early September 1992, the pressure had become so intense that the Bank of Finland had to abandon the markka's fixed peg against the ECU and let the markka float. The markka immediately depreciated by some 12 per cent. By March 1993, the markka had lost nearly 30 per cent of its

value against the ECU, as compared with the situation prior to the November 1991 devaluation. This further weakened the financial position of the domestic sector of the economy.

Asset values already started to fall in 1989 under the impact of gradually tightening monetary conditions, contracting incomes and rising debt servicing levels. This was particularly evident in the real estate market. Subdued demand kept inflation down and asset prices falling in 1992 as well, despite the depreciation of the markka. Consequently, real rates of interest continued to rise and collateral values to fall.

PROBLEM ASSETS AND CREDIT LOSSES MOUNT

Together with plummeting profits and decelerating household incomes, the rising burden of debt service payments turned a steadily increasing share of banks' loan portfolios into non-performing assets. In 1991, some 1.5 per cent of outstanding bank loans had to be booked as losses. Banks' aggregate profit before extraordinary items became negative for the first time in the post-war period. These developments, as well as the basic rea-

sons underlying them, are not unlike those in, for example, the other Nordic countries.

Reflecting the economic developments, banks' performance deteriorated further in 1992. The stock of banks' non-performing loans grew during 1992 from FIM 42 billion to as high as FIM 75 billion by the end of the year.¹ Of this amount, some FIM 22 billion (4.8 per cent of total lending) was booked as credit losses. Non-performing loans caused a sharp decline in banks' net interest income, which was also squeezed by shifts of deposits out of low-cost, tax-exempt accounts into higher yielding accounts. Given the relatively low level of the Bank of Finland's base rate, to which almost half of all outstanding markka loans were linked, such shifts could not be offset by corresponding increases in lending rates. Consequently, banks' losses before extraordinary items increased from almost FIM 5 billion in 1991 to nearly FIM 22 billion in 1992 (Table 1).

¹ A loan is recorded as non-performing when the payment of interest or repayment of principal is in arrears by more than three months. Similarly, a bank guarantee is included in the stock of non-performing assets if the underlying liability arises.

TABLE 1. FINANCIAL RESULTS OF THE FINNISH DEPOSIT BANKS, 1988-1992, BILLION FIM

	1988	1989	1990	1991	1992
All deposit banks					
Income from financial operations	13.2	14.0	16.5	15.2	11.9
Other income	9.3	10.4	10.0	10.3	12.5
Total income	22.5	24.4	26.5	25.5	24.4
Expenses	14.1	16.5	17.9	18.7	19.3
- staff costs	7.3	8.4	9.1	8.9	8.5
Credit and guarantee losses	1.1	1.8	2.5	7.6	22.0
Operating profit	7.3	6.1	6.1	-0.8	-16.9
Depreciation	2.5	2.9	3.7	4.0	4.8
Profit before extraordinary items, appropriations and taxes	4.8	3.2	2.4	-4.8	-21.7

Reflecting the allocation of lending during the boom years of the late 1980s, some 40 per cent of non-performing assets relate to construction, real estate and retail trade. Households account for some 20 per cent of the total and foreign engagements for some 15 per cent. Manufacturing is relatively unimportant, accounting for only 8 per cent of problem assets.

Worst hit were the savings banks, accounting for about half of the aggregate loss. This was because the savings banks had expanded their lending more than other banks during the boom years, which made for weaker-than-average loan quality. In addition, a significant part of savings banks' lending to the sectors mentioned above was denominated in foreign currencies, thus making many clients vulnerable to the depreciation of the markka.

SUPPORT OPERATIONS

The authorities took several steps to safeguard the stability of the banking system. Since they have already been described in some detail in a previous issue of the Bulletin² they will only be briefly summarized here. More attention will be paid to the steps that have been taken since then.

In March 1992, the Government decided to offer to provide the banking sector with a capital injection – in the form of preferred capital certificates – totalling FIM 8 billion in order to support the supply of bank credit to customers. At the same time, the capital injection was intended to help banks avoid seeking emergency support. This offer was taken up practically in full by the banks.

In April 1992, the Government Guarantee Fund was established to help ensure the stability of the banking system and secure the claims of both domestic and foreign depositors. The Fund was authorized to use up to FIM 20 billion for these pur-

poses. Some FIM 3 billion was used to support Skopbank in 1992. In addition, the Savings Bank of Finland (SBF) was provided with a capital injection of almost FIM 12 billion during the same year.

In September 1992, STS-Bank asked the Government Guarantee Fund for support since its assets posed a considerable risk to the solvency of the bank. STS-Bank was a relatively small commercial bank whose status had recently been changed from that of a savings bank. Like many savings banks it was encountering serious profitability problems related to credit losses and reductions in the value of real estate holdings.

As the owners of STS-Bank were unable to provide additional capital and the bank functioned in areas where excess banking capacity existed, it seemed to be unviable as an independent entity. The Fund therefore encouraged negotiations on a merger between STS-Bank and Kansallis-Osake-Pankki (KOP), a major commercial bank. In November, STS-Bank announced that it was going to merge with KOP. In the same context, KOP bought the majority of STS-Bank shares at a price close to the going market rate, but substantially below their nominal value.

The merger was negotiated in very close cooperation with the Government Guarantee Fund and under its auspices. The Fund assumed responsibility for a substantial part of the problem assets of STS-Bank, subject to subsequent parliamentary approval. The bank's bad assets were to be transferred for eventual disposal to a separate asset management company ("bad bank"), in which the Fund was to have a large majority holding while KOP was to provide administrative expertise.

In the event (see below), Parliament did not approve the creation of such a company, which meant that the provisional agreement could not be finalized as planned. The merger

has nevertheless taken place, though the exact terms of Fund involvement are currently being renegotiated. Results are expected very soon.

The immediate financial consequences of this merger for the Fund are fairly minor; the effects will be felt only gradually as losses from the problem assets taken over start to accumulate. The estimated final costs have not been included in the figures given here, since they depend crucially on the future development of asset prices.

RESOURCES USED

By the end of 1992, the Fund had used a total of some FIM 15 billion in various types of support to keep banks' capital ratios above the 8 per cent minimum set by the BIS. Together with the Government's nearly FIM 8 billion capital injection into the banking sector and the loss of FIM 5¼ billion incurred by the Bank of Finland in connection with the Skopbank operation (including about FIM 1 billion in lost interest earnings), a total of some FIM 28 billion had been provided to the banks by the end of 1992 in the form of capital and booked losses.

Most of the capital provided has taken the form of investments that can be counted towards Tier 1 capital (preferred capital certificates, shares). In addition, the Bank of Finland has loan claims of FIM 9½ billion outstanding from the Skopbank operation (Table 2). Thus, the total amount of funds tied up in bank support is about FIM 38 billion, almost 8 per cent of GDP.

REPRIVATIZATION EFFORTS

As a consequence of the need to provide bank support in a fair and effective manner, the authorities had acquired ownership of two banks of moderate size (Skopbank and SBF) by the end of 1992. Bank ownership is, of course, only incidental to any support programme, and the authorities seek to return ownership to private hands as soon as possible. Accordingly, a major

² See the article by Peter Nyberg in the November 1992 issue of the Bulletin.

TABLE 2. DISBURSEMENT OF PUBLIC BANK SUPPORT, 1991-1992, MILLION FIM

	Pre-ferred capital certificates	Bank of Finland	Government Guarantee Fund				Total
			Loans	Sub-ordi-nated loans	Pre-ferred capital certificates	Share capital	
1991 Skopbank		3 900 ¹					3 900
1992 Skopbank	580	9 900 ²			1 500	1 000 ³	12 980
Savings Banks	1 254		500	1 400	7 100	2 900	13 154
OKOBANK	422						422
Cooperative Banks	1 108						1 108
Postipankki	903						903
UBF	1 749						1 749
KOP	1 726						1 726
STS-Bank	170						170
Total	7 912	13 800	500	1 400	8 600	3 900	36 112

¹ Comprises a capital injection of FIM 2000 million and loans forgiven totalling FIM 1900 million.

² Comprises loans totalling FIM 9 500 million to Skopbank for transferring risks to the Bank of Finland's asset management companies Sponda and Scopulus (effect on capital adequacy FIM 760 million) plus a capital injection of FIM 400 million to Sponda and Scopulus. Excludes lost interest earnings totalling about FIM 1 billion by the end of 1992.

part of Fund activity in 1992 centred on negotiations aimed at selling off all or parts of these banks.

Talks to this end had already been initiated while Skopbank was in the hands of the Bank of Finland and those with the Union Bank of Finland (UBF) had reached quite an advanced stage. A deal, had it been struck, would have rendered possible cost reductions and a substantial pruning of the banks' joint branch network. However, in October 1992, the negotiations between the Fund and the UBF broke down owing to differences over price, risk-sharing and other considerations. More recently, exploratory talks have been under way concerning the possibility of merging both Skopbank and the SBF with KOP.

Some banks have proposed in public that the banks in government hands should be divided up among the rest of the banking sector. This idea has not been taken seriously by the authorities as the banks have not come up with any concrete proposals as to how this might be implemented. The debate did, however, lead to some leakage of deposits from the SBF.

NEW RESOURCES FOR BANK SUPPORT Problem greater than expected

The amount of funds the Government Guarantee Fund had to use to support the savings bank group in 1992 exceeded the projections made in the spring of 1992 by a substantial margin. Moreover, the performance of the economy was worse than anticipated as deflationary forces were stronger and growth in export markets weaker than expected. It was therefore considered prudent to increase the resources at the Fund's disposal, particularly as all but FIM 5 billion of the funds had been used or earmarked by the end of the year.

Also, the administration of bank support proved inadequate. According to its original charter, the Government Guarantee Fund had no full-time staff of its own. Staff was assigned from the Bank of Finland and the Banking Supervision Office to the extent needed. Furthermore, a very substantial amount of analytical work was done by staff not permanently assigned to Fund duties. As the number and complexity of bank problems increased it became ap-

parent that the Fund needed a stronger organization. Full-time staff would be necessary, even though staff from the Bank of Finland and the Banking Supervision Office continued to assist the Fund.

The original organization proved problematic in two other respects as well. First, representatives of the Bank of Finland and the Banking Supervision Office could not simultaneously act as owners of the troubled banks and perform their supervisory duties without a conflict of interest. Furthermore, the sheer scale of the support operations implied that the funds should be controlled by a body politically accountable to Parliament, ie by the Government.

Comprehensive reform proposed by the Government

To redress these shortcomings, the Government introduced a bill in Parliament in January 1993 providing for a comprehensive reform of the existing Act on the Government Guarantee Fund. The bill contained three main elements. First, the authorization of the Fund to grant support was to be raised from FIM 20 billion to FIM 50 billion. Second, the Fund was to be subordinated to the Government instead of Parliament and given permanent staff. Finally, the Fund was to be authorized to set up and own shares in asset management companies ("bad banks"), into which problem assets of banks in distress could be hived off.

Although there was a broad consensus in Parliament on the need to increase resources earmarked for bank support and the administrative reform also received wide support, the bill failed to obtain the required 5/6 majority.³ In fact, the main parlia-

³ According to the Finnish constitution, the transfer of budgetary authority away from Parliament must be passed in the same manner as an amendment to the constitution. Immediate ('urgent') enactment of a constitutional amendment, in turn, requires a qualified majority of 5/6 of all votes.

mentary groups agreed on the contents of the banking package after the idea of asset management companies had been dropped. However, the opposition refused to support the immediate enactment of the proposed amendment, as the Government was unwilling to commit itself to the expansionary fiscal policies being demanded by the opposition.

More funds authorized in a supplementary budget

After the rejection of the comprehensive bank support package, the Government asked Parliament to authorize an increase of FIM 20 billion in the amount available for bank support through a supplementary budget, which can be passed by a simple majority. Of the total, FIM 5 billion was earmarked for guarantees.

The amount was limited to FIM 20 billion because under supplementary budget procedure no more funds can be appropriated than can reasonably be expected to be used during the fiscal year. The actual need for funds in 1993 may, in fact, fall short of FIM 20 billion, as the authorization makes allowance for a number of worst-case assumptions about bank performance and the timing of support actions.

An important aspect of the new bill is that future support measures are to be decided upon by the Government, not by the Fund. In the budget bill, the Government nevertheless committed itself to apply the principles adopted by the Fund's Supervisory Board in October 1992. The bill was passed on 2 February.

New bill on administrative reform

In February 1993, the Government proposed an amendment to the Act on the Government Guarantee Fund that provided for a reform of the administration of bank support much

along the lines of the more comprehensive reform bill rejected in January. The amendment was approved on 23 February. Under the amendment, the number of board members has been reduced to five, only one of whom is a representative of a specified organization, the Ministry of Finance. The Bank of Finland and the Banking Supervision Office are no longer formally represented on the board. The links to the latter bodies have, however, been maintained by appointing permanent advisers to the board from both organizations. In addition, the Bank of Finland and the Banking Supervision Office will continue to assist the Fund.

As before, the board will be appointed by the Parliamentary Supervisory Board, which also retains its other supervisory functions. A manager and assistant manager will head a staff of some 20 persons. The new board was appointed in mid-March 1993.⁴

PARLIAMENT CLARIFIES COMMITMENT TO SUPPORT

In August 1992, the Government issued a statement in which it asserted that the stability of the Finnish banking system would be secured under all circumstances. This exceptionally strong and comprehensive declaration embodied the basic principle of the Finnish banking safety net: no systemic problem would be allowed to materialize.

When passing the amendment to the Act on the Government Guarantee Fund on 23 February 1993, Parliament unanimously approved a resolution endorsing and reaffirming the commitment of the Finnish authorities to safeguarding the stability of the banking system. The resolution reads as follows: "Parliament requires the state to guarantee that Finnish banks are able to meet their commitments on time under all circumstances. Whenever necessary, Parliament shall grant sufficient

appropriations and powers to be used by the Government for meeting such commitments."

The resolution is more explicit than the Government's declaration of 6 August 1992. It stresses that the entire political system stands behind the commitments made by the Finnish banks. It further asserts that, even though Parliament wishes to exercise control over the use of public funds through the normal budgetary procedure, it undertakes to grant all funds that might be needed to guarantee that banks can fulfil their commitments. The resolution is quite exceptional in Finnish parliamentary history.

OUTLOOK Near-term prospects for the banking sector

Macroeconomic performance continues to be characterized by highly disparate developments. Activity in many key domestic sectors remains severely depressed. This applies particularly to construction, real estate and retail trade. By contrast, manufacturing output increased rapidly in 1992, led by a strong rebound in exports. Although output data indicate that the economic recession may have started to bottom out, a clear turnaround is not evident yet. With the contraction in domestic demand, the external balance has been improving rapidly. Interest rates have declined and share prices have risen rapidly in the early months of 1993.

Given the depressed state of domestic demand and increased debt service burden of many firms with foreign-currency debt, the recent decline in interest rates will be insufficient to bring about any significant improvement in bank profitability in 1993. Credit losses will remain substantial and net interest income will continue to be squeezed. Consequently, banks will post very significant losses in 1993 as well.

In 1994, the banks' performance should improve markedly, though further losses are like-

⁴ See the item in the March 1993 issue of the Bulletin.

ly. A substantial share of bad debts will have been written off by then, and net interest income should have started to recover as a result of lower money market rates and – probably – higher margins. In addition, the rationalization measures now under way will show up in full in operating costs by 1994.

The degree of improvement will, however, depend very much on macroeconomic performance. A faster-than-expected recovery in the main export markets could provide a significant boost to overall activity in Finland, thereby improving the debt-servicing capacity of banks' customers. On the other hand, investment activity could be inhibited by insufficient credit supply. Although weak demand for credit has probably so far prevented a 'credit crunch' from unduly constraining investment, credit availability may become a significant factor when demand for credit starts to increase.

Structural issues

The present problems should encourage banks to speed up their rationalization efforts. Although the banks have already slashed the number of employees and the number of branches is also on the decline, more needs to be done. While it is impossible to determine precisely the size of a viable banking system in terms of the numbers of personnel and branches, a

comparison with some other countries suggests that Finland could cope with about one-third fewer banking resources than in 1991.

However, it is not entirely clear how this streamlining should and could be carried out. Clearly, given the overriding importance of maintaining the stability of the banking system, a *laissez faire* policy of letting the weakest banks exit through bankruptcy is precluded. The costs of bankruptcy are further raised by the lack of any upper limit on the size of insured domestic and foreign deposits in Finland. The undertaking made by the Finnish state to guarantee that all the banks' commitments will be met implies that only orderly restructurings can be accepted.

But even then, a large number of options exists. One is simply to cut the number of branches and personnel without changing the number of independent banks. This might be difficult to do sufficiently quickly. Alternatively, an unviable bank could be merged with a competitor or wound up by selling its assets to several banks and even non-banks. However, studies on economies of scale in banking do not suggest that this would necessarily result in the most efficient banking system.

Furthermore, the disappearance of major banks could significantly reduce competition ei-

ther nationally or locally or both. Increased market power would most likely show up in higher margins, and in the longer run in lesser efficiency. Competition from abroad and from other financial institutions could mitigate these effects somewhat, however.

Of course, the authorities have the power to decide on the fate of the institutions that have come to depend on the support of the Government Guarantee Fund. But other banks need to be persuaded to agree on the restructuring plans involving them. This has proved to be a matter of some importance in the practical work of the authorities, as reaching a solution that satisfies all the parties concerned is difficult and time-consuming.

These considerations have led to the decision not to rule out any restructuring alternative *a priori*. Thus, in addition to the aforementioned options, selling an institution dependent on support to a foreign buyer or keeping it in the hands of the Government for as long as it takes to effect a satisfactory privatization remain viable options.

7 April 1993

LARGE-VALUE INTERBANK PAYMENTS AND THE CENTRAL BANK

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In recent years, the soundness of large-value interbank payment systems has become a key public policy issue. Among the factors behind this development are the increased daily value of payment flows, the growing sophistication and turnover of financial products and opportunity costs associated with holding non-interest-earning demand deposits.

The payment process has also become more complex because of technological advances and increased emphasis on the efficient processing of payments and their underlying transactions. Furthermore, participants in the payment system have become increasingly aware of the credit and liquidity risks associated with the clearing and settling of large-value payments.

This article first examines the role of the central bank in the payment and settlement process of large-value interbank payments. It then goes on to explore the role of the central bank's reserve requirements in the conduct of monetary policy. Finally, the compatibility of the large-value interbank payment system with the monetary policy regime of the central bank is considered.

THE ROLE OF THE CENTRAL BANK IN THE LARGE-VALUE PAYMENT SYSTEM

The deposits held with banks by their customers are, together with bank deposits at the central bank, the monetary assets most frequently used to discharge payment obligations. The many thousands of payments that bank customers

8 make each day result in trans-

fers of balances between banks and therefore affect banks' positions with each other and with the central bank.

Banks also make their own payments in connection with carrying on the business of banking. These are often major sources of daily payment flows among banks. Banks can settle these interbank payments through accounts that they hold with each other. However, many interbank payments, especially large-value payments¹, are made through the transfer of balances on the books of the central bank.

The balances held with the central bank have special significance when used by commercial banks to settle their payments. Settlement – the final and unconditional transfer of value specified in the payment instruction – in central bank money is universally acceptable since the resulting deposit claim is free of default and liquidity risk (because of the central bank's status as a government institution).

Interbank funds transfers usually take place by debiting the remitting bank's current account with the central bank and crediting the current account of the receiving bank. However, the remitting bank is not usually required to have funds in its cur-

rent account sufficient to cover the transfer at the time it is made. Rather, the transfer must be covered by the end of the day.

If the central bank allows reserve balances to become negative during the day this gives rise to 'daylight overdrafts'², and it is these daylight overdrafts that have become a major concern for central banks running large-value interbank payment systems on behalf of the banks of their country.

DAYLIGHT OVERDRAFTS

In most cases the daylight overdraft is covered by incoming electronic funds from some other institution by the close of the day's business. But for a few minutes, or even hours, the bank's account is overdrawn. The daylight overdrafts of a single institution can amount to thousands of millions of markkaa during a business day (Chart 1).

Since the transfer of funds from a bank's current account with the central bank becomes final when the receiving institution is notified of the transfer, the central bank could not revoke the transfer if the remitting institution failed to cover its overdraft by the end of the day.

Thus the receiving institution would have its funds while the central bank would be left with the task of collecting the payment from the defaulting remitting bank. Credit risk in this case is borne by the central bank and possibly by the public.

¹ Today's modern payment systems are characterized by high volumes of large-value transactions, which arise, eg, from trading in financial instruments and their derivative products. The size of these individual transactions may be very large, often several hundred millions of markkaa, and the originators are banks and the big companies.

Although a precise distinction cannot be drawn between retail and large-value transfers, it has been estimated that the latter represent less than 1 per cent of the total volume and well over 50 per cent of the total value of fund transfers in OECD countries.

² The overdraft occurs when funds transferred electronically from a bank's reserve account with the central bank exceed the existing balance in the account, ie the balance falls below zero during the business day.

However, the practice of providing intraday credit as part of the payment process is nowadays recognized as a core banking function. Moreover, the availability of a final settlement vehicle that minimizes the time delay between the initiation of a payment instruction and its final settlement is becoming increasingly important.

It is now widely accepted that there is no substitute for a central bank's participating in or even operating such a mechanism. Yet, caution must be exercised to ensure that the central bank does not become the primary source of the intraday liquidity needed for a smoothly functioning payment system.

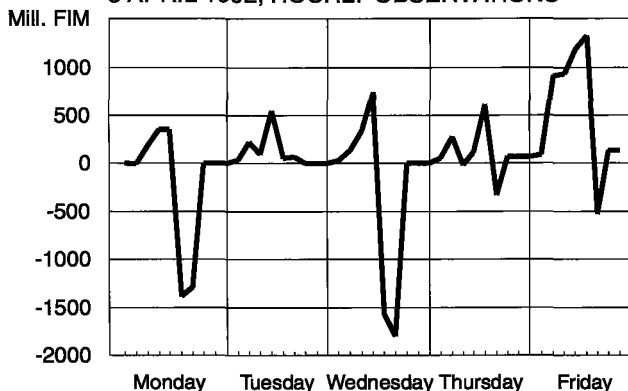
Payment system participants value intraday credit on electronic funds transfer networks because wire transfer payments and receipts are not perfectly synchronized. Intraday credit is an alternative to delaying payments until they are funded by receipts. In addition, it eliminates the necessity of holding clearing balances (bank reserves) large enough to cover all the expected outflows of funds.

Until recently, most central banks provided this liquidity at no explicit cost.³ If something has value but is not priced, then it tends to be overused. Any lessening of the intraday credit risk will depend on the responsibility for the risk being shifted more onto the shoulders of the private sector or on increasing the costs to users of such credit. In both cases, private participants in the payment system would then have a greater incentive to reduce these risks.

Ideally, voluntary cooperation between banks aimed at modifying the timing of payment operations might be the best way to curb these risks. One serious risk that both bankers and

CHART 1.

DAYLIGHT OVERDRAFTS
IN A SELECTED BANK'S CURRENT ACCOUNT
WITH THE BANK OF FINLAND, 30 MARCH -
3 APRIL 1992, HOURLY OBSERVATIONS



regulators wish to avoid is having all banks delay releasing payments to each other until incoming funds have been received. The result of such a response would be a 'gridlock' in which no payments move until late in the day.

Central banks have adopted various risk-reduction policies for limiting the number of cases in which liquidity or solvency problems involving one of the participants in a large-value payment system might create system-wide risks. These include control of access, intraday credit limits, provision of collateral and pricing of intraday credit.⁴

BANK OF FINLAND'S INTERBANK FUNDS TRANSFER SYSTEM

The Bank of Finland's interbank funds transfer system has been operational since March 1991 and is used mainly for large-value interbank transactions and clearings as well as for transactions between the banks and the Bank of Finland. It is based on the final settlement of

individual (irrevocable) transactions on a gross basis in central bank money throughout the day.⁵

At the moment, 16 banks and five other institutions maintain current accounts at the Bank of Finland. The number of transactions in the current accounts amounts to approximately 1 000 per day, of which 300-350 are transactions between banks and the Bank of Finland. The average total value of current account entries resulting from interbank transactions amounts to FIM 20 billion per day. During the speculative attack against the markka in autumn 1991, the maximum total value rose to FIM 56 billion per day.⁶

When the new interbank system was established in 1991, the banks participating in the system had unlimited, uncollateralized daylight overdraft facilities. However, for a six-month

⁵ See also the article by Markku Malmkamäki in the September 1991 issue of the Bulletin.

⁶ Marianne Palva (1992), "Suomen Pankin sekkijärjestelmä ja maksuliikkeen clearing" (The Bank of Finland's interbank funds transfer system and clearing system), in Suomen maksu- ja selvitysjärjestelmät (Payment and Clearing Systems in Finland), Suomen Pankki A:84; English edition forthcoming.

⁴ Fees will be charged for daylight overdrafts in the accounts of the Federal Reserve from the beginning of April 1994.

³ In Switzerland, however, the central bank does not permit daylight overdrafts; a queuing facility defers execution of payments when no funds are available in the settlement accounts. This mechanism can be regarded as the equivalent of a zero limit on daylight overdrafts.

trial period beginning 1 March 1993, the banks' accounts at the Bank of Finland are subject to daylight overdraft limits.

Banks with access to central bank liquidity credit are required to put up collateral equivalent to 25 per cent of their overdraft limits. Financial institutions whose risks are not closely monitored by the central bank are subject to more stringent collateral requirements.⁷

The justification for the partial collateral requirement is that banks generally use only a small portion of their overdraft facility. Furthermore, it is judged that the efficient operation of the payment system requires the central bank to carry a share of the credit risk.

In accordance with the banks' own wishes, the combined daylight credit limits amount to FIM 18 billion. Prior to the commencement of the trial period, individual banks' daylight overdrafts amounted to no more than FIM 1–2.5 billion a day on average. The largest individual overdrafts were FIM 5–7 billion.

Although it is still too early to draw final conclusions about the effects of the new limits and collateral requirements on banks' use of daylight credit, it seems clear that there has been a reduction in the volume of daylight overdrafts. Furthermore, the limits have not caused any major problems for the smooth flow of payments.

RESERVE REQUIREMENTS AND MONETARY POLICY

In many countries banks are required to keep a certain minimum amount of reserves at the central bank. Originally, such reserve requirements were intended to ensure that banks had adequate liquidity, but they

⁷In Germany, Italy and Netherlands overdraft facilities have to be fully collateralized. In the new French system, a limited part of the overdraft facility will be uncollateralized. In Denmark, the central bank offers some uncollateralized intraday debt facilities.

soon began to assume increasing importance as a means of regulating bank liquidity and interest rates. The reserve requirements became a tool which could be used whenever necessary for tightening or easing monetary conditions.

Nowadays, however, bank liquidity can be regulated more flexibly by means of open market operations, so that mandatory reserve requirements are no longer necessary from this point of view.

As a result of these developments, central banks have been reducing or eliminating reserve requirements in an effort to make banks more competitive.⁸ However, most central banks still consider minimum reserve requirements to be an essential part of their monetary operating procedures. Although reserve requirements are no longer seen as a vehicle for directly controlling the money stock, they still have a role to play as a vehicle for facilitating control over short-term interest rates.

The interbank overnight interest rate, which is determined by the supply of and demand for reserves, is often used by central banks as an immediate (proximate) target for monetary policy.

In order to employ the interbank overnight rate as a proximate target, the central bank must be able to foresee and offset unwanted changes in short-term interest rates. This requires, first of all, that the central bank be able to strictly control the interbank supply of reserves over the short term, preferably on a daily basis.

Secondly, it must be possible to forecast banks' demand for reserves with great precision.⁹ Reserve requirements can be used to stabilize the demand for reserves in the interbank market and in this way

⁸For example, the Federal Reserve has lowered requirements on transactions deposits and eliminated requirements on time deposits. The central banks of Switzerland, New Zealand, Australia and Canada have eliminated their requirements.

strengthen the impact of monetary policy on short-term interest rates.¹⁰

In order to ensure the efficacy of monetary control, the terms applied to central bank credit generally stipulate that either no interest or only very low interest be paid on bank reserves held at the central bank. In contrast, the rate of interest which banks have to pay on reserves borrowed from the central bank is normally higher than market rates and binding limits are often placed on such borrowing.

These restrictions are aimed at preventing banks from using central bank credit for purposes other than the temporary smoothing of fluctuations in liquidity. Thus, the possibility of banks to borrow from the central bank does not nullify the latter's ability to affect the money supply through open market operations.

RESERVE REQUIREMENTS AND THE PAYMENT SYSTEM

As large-value payment systems are the key mechanism for the rapid transfer of bank reserves, it is important that the monetary regime and the design of payment systems are compatible with each other.

If the central bank imposes no reserve requirements on the banking system and pays no interest on reserves, privately determined clearing balances (bank reserves) held in accounts at the central bank tend to be close to zero.

⁹These requirements are much easier to satisfy in a floating exchange rate regime than in a fixed exchange rate one. Under fixed exchange rates, the central bank's intervention in the foreign exchange market can cause unexpected changes in the demand for reserves.

¹⁰This is especially true in systems which permit some flexibility in meeting minimum requirements. For example, in the USA the requirements do not have to be met daily; rather, a complicated 'two-week' rule is applied.

In order to be able to run a large-value payment system smoothly, the central bank would have to offer extensive daylight overdraft facilities for participants in the payment system. If there are strict limits on such overdrafts or if they have to be fully collateralized, a large-value payment system, in conjunction with a zero interest rate paid on reserves, could complicate the execution of monetary policy.

On the other hand, if the central bank pays interest on excess reserve balances, this could lead to a much larger reserve base being held voluntarily at the central bank. In that case, the central bank might run a large-value system for transferring these balances with little or no provision of central bank credit. An effective monetary regime and an efficient large-value system would then be compatible with each other.

The general trend in reserve systems has been to attempt to increase the banks' holdings of free reserves so as to reduce liquidity risk and dampen interest rate fluctuations. The means used to achieve this, in addition to paying interest on excess reserves, has been to limit access to borrowed reserves through quotas, administrative sanctions, penalty interest rates and collateral requirements.

THE BANK OF FINLAND'S LIQUIDITY SYSTEM

The Bank of Finland's call money facility was replaced by a new liquidity system on 3 July 1992. The liquidity system comprises call money deposits and liquidity credits. Under the arrangement, banks can make call money deposits at the Bank of Finland or obtain liquidity credit, the maturity of which can be alternatively 1, 7, 14, 21 or 28 days.

Interest rates on both call money deposits and liquidity credits are tied to the Bank of Finland's tender rate. The tender rate is determined in the Bank's

variable- or fixed-rate tenders for one-month instruments

In a variable-rate tender, the banks make bids or offers in terms of both the interest rate and amounts of liquidity. The tender rate is then determined as the weighted average of the accepted bids or offers. In fixed-rate tenders, the Bank of Finland sets the tender rate in advance and the banks make bids or offers for amounts only. So far, the Bank of Finland has made use primarily of variable-rate tenders.

One of the basic ideas underlying the new liquidity system is to induce banks to keep free reserves, i.e. call money deposits, at the Bank of Finland in sufficient quantities for them to be used to dampen interest rate fluctuations and reduce liquidity risk. The first step taken to further the attainment of this goal was to raise the call money deposit rate closer to the level of market rates.

Even more important, access to the borrowing facility was tightened by lengthening the maturity of liquidity credit, as compared to the former call money facility. In principle, the cost of liquidity credit can be made so expensive as to induce banks to eliminate their intraday credit by the end of the day. Failure to do so would mean that the remaining debt would be converted into expensive liquidity credit.

The maturity of liquidity credit is not, however, independent of the prevailing environment. For example, in a floating exchange rate regime, maturities can be shorter than in a fixed exchange rate regime because the necessary automatic responses of short-term interest rates to currency flows are of a smaller magnitude in the former case.

Although from the viewpoint of effective interest rate policy short maturities could be applied to liquidity credit in a floating exchange rate environment, this might not necessarily be expedient. If the interest rate margin on liquidity credit is not widened substantially at the same time as maturities are lengthened, banks will have less incentive to hold sufficient call money deposits. A fall in the average amount of free reserves would reduce the stability of the demand for reserves and increase both the fluctuation of the overnight interest rate and liquidity risk.

The parameters of the liquidity system must be adjusted not only from the standpoint of effective interest rate policy but also in the light of the quantity of reserves held by banks and the behaviour of the overnight market. The new liquidity system, in which the call money deposit rate is higher and the maturity of liquidity credit longer than be-

CHART 2.

BANKS' CALL MONEY DEPOSITS AT THE BANK OF FINLAND, MONTHLY AVERAGES

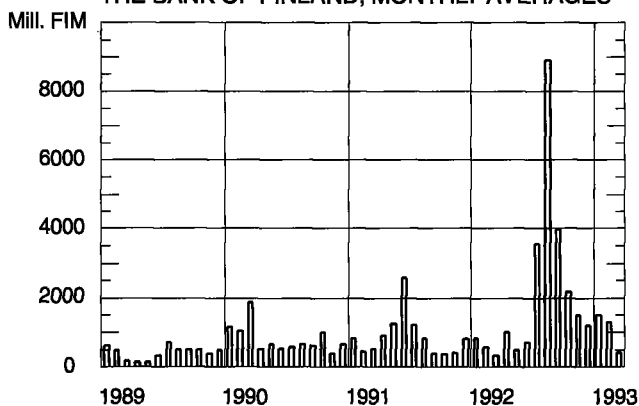
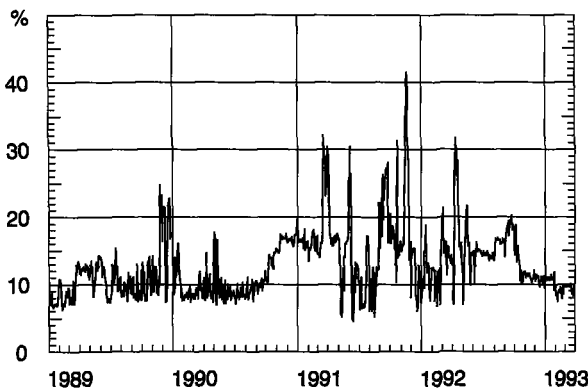


CHART 3.

INTERBANK OVERNIGHT RATE,
DAILY OBSERVATIONS



fore, has significantly increased the level of free reserves in banks' current accounts with the Bank of Finland (Chart 2). In the period from the start of the markka's float to the end of February 1993, the banks' average call money deposits have amounted to FIM 1–1.5 billion.

This can be compared with the old system, where, for example, in the period January–June 1992, the corresponding figure was only some FIM 700 million. Furthermore, the degree of fluctuation in the interbank overnight interest rate appears to have subsided since the new system was put into operation (Chart 3).

CONCLUSIONS

The Bank of Finland has taken the first steps to reduce risk in its interbank funds transfer system by imposing limits and col-

lateral requirements on intraday credit. The future of the system depends now on the willingness of commercial banks to incur these costs. The central bank will, however, have to bear a share of the burden by supplying intraday credit on reasonable terms.

One aim in modifying the Bank of Finland's liquidity system was to induce banks to hold larger amounts of free reserves in their current accounts at the Bank of Finland. This would help the Bank to run the interbank funds transfer system more safely. The results so far in this respect have been largely positive.

5 April 1993

ITEMS

**DECISION ON
STS-BANK**

On 8 April 1993, the Government Guarantee Fund approved the principles in accordance with which STS-Bank's problem loans, totalling approximately FIM 3 430 million, will be managed. These loans will remain on the books of STS-Bank while its other business operations will be transferred to Kansallis-Osake-Pankki (KOP). The Fund will be responsible for 90 per cent and KOP for 10 per cent of the credit losses and management costs arising in connection with the problem loans. Credit losses are estimated to amount to almost FIM 2 500 million.

As the amount of STS-Bank's problem assets has turned out to be substantially greater than previously estimated, KOP will pay a sum of FIM 75 million to the Fund as part of the risk distribution related to the arrangement.

STS-Bank will pay back the state capital support of FIM 170 million it received earlier and the security fund of the commercial banks and Postipankki Oy will transfer its assets, totalling approximately FIM 342 million, to the Government Guarantee Fund.

STS-Bank will continue to function as a commercial bank but will focus exclusively on the management of the problem loans. All other assets will be transferred to KOP. KOP will retain ownership of STS-Bank but the Government Guarantee Fund will exercise actual control of the bank under a separate agreement. The aim is to implement the arrangement in May 1993. In this context, the name of the bank and its articles of association will be changed to correspond to the change in the bank's activities.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM APRIL 1992 TO MARCH 1993

1992

APRIL

Interest on cash reserve deposits.

As part of the financial support package for the banking sector, the Parliamentary Supervisory Board raises the rate of interest payable on the banks' cash reserve deposits at the Bank of Finland by one percentage point with effect from 1 April. The new rate is 3-month HELIBOR less two percentage points, not however less than 8 per cent.

Call money credit rate. On 5 April, the Parliamentary Supervisory Board extends the powers of the Bank of Finland to set interest rates. The maximum call money credit rate is raised from 50 per cent to 80 per cent.

The Government Guarantee Fund.

The law establishing the Government Guarantee Fund is approved by Parliament on 30 April. The purpose of the fund is to help ensure the stability of deposit banking and secure depositors' claims. The fund is authorized to use up to FIM 20 billion for these purposes.

Decisions on possible support measures by the fund are taken by the representatives of the Ministry of Finance, the Banking Supervision Office and the Bank of Finland on the board of the fund.

MAY

Base rate. As part of the financial support package for the banking sector, the Parliamentary Supervisory Board raises the Bank of Finland's base rate by one percentage point to 9.5 per cent with effect from 1 May. As a

result of this decision, the banks are allowed to raise the rate of interest on loans that are tied to the base rate by one percentage point, but the Bank of Finland recommends that the rise should not be applied to rates that are already 12 per cent or more. Owing to an amendment to the law on the tax relief of deposits and bonds, the base-rate rise does not apply to interest rates on tax-exempt deposits.

JUNE

Government Guarantee Fund becomes new owner of Skopbank.

On 12 June, the Parliamentary Supervisory Board approves a deal whereby Scopulus Oy, owned by the Bank of Finland, sells its holdings of Skopbank shares and preferred capital certificates to the Government Guarantee Fund.

Government offer of capital for banks.

Based on the decision by the Government in March to make available FIM 8 billion for investment in banks' core capital, the Government makes a formal offer of investment to the banks on 17 June. Capital will be offered to Finnish deposit banks according to their size, as measured by risk-weighted assets and off-balance-sheet commitments calculated according to BIS standards. The capital will be available at two dates, either in August or in December, depending on the preference of the bank.

Government Guarantee Fund supports the Savings Bank of Finland.

On 26 June, the Government Guarantee Fund decides to grant capital support amounting to FIM 5.5

billion and a guarantee of FIM 1.7 billion to the Savings Bank of Finland. The latter will be established in autumn 1992 by merging 41 savings banks.

JULY

The system for regulating bank liquidity changes.

The Bank of Finland decides to replace the existing call money facility by a new system for regulating the supply of bank liquidity with effect from 1 July. The new system differs from that applied hitherto in that deposit and borrowing rates are closer to market interest rates and move in line with changes in market rates. In addition, the Bank of Finland may, at its discretion, extend the maturity of liquidity credit from one day up to four weeks.

Central banks of Finland and EC countries

strengthen cooperation. The central banks of the European Communities and the Bank of Finland decide on 15 July to strengthen their monetary cooperation. The primary means of achieving this is a network of credits available whenever necessary to support the foreign exchange reserves.

AUGUST

Government offer of capital.

Fifty-three savings banks and four commercial banks (Kansallis-Osake-Pankki, Postipankki, Skopbank and STS-Bank) accept, by 14 August, the offer of capital made by the Government. The total amount of capital raised is FIM 4.6 billion.

SEPTEMBER

Floating of the markka. On 8 September, the Bank of Finland decides to temporarily float the markka because of continuing pressure against the currency in the foreign exchange market. The decision is taken with the consent of the Government in accordance with the Currency Act.

OCTOBER

Tax-exempt deposits. On 16 October, the law on the tax relief of deposits and bonds is amended to grant tax-exempt status to 36-month fixed-rate deposits providing the interest rate on them is not more than the Bank of Finland's base rate less one percentage point and they are made between 1 September 1992 and 31 December 1993. The tax-exempt status of 24-month deposits is extended to apply to deposits made up to the end of 1994.

Cash reserve requirement. The Bank of Finland raises the banks' cash reserve requirement from 3.7 per cent to 4.0 per cent of the cash reserve base at end-September.

Termination of payments agreement. The payments agreement between Finland and Bulgaria is terminated on 16 October. Immediately after this, the effecting of clearing payments is discontinued, the clearing accounts are closed and there is a changeover to the use of convertible currencies in trade between the two countries.

NOVEMBER

Amendment to the Currency Act. On 13 November, section 2 of the Currency Act is amended so as to enable the Government, on the basis of a proposal of the Bank of Finland, to authorize the Bank to abandon the limits on the markka's range of fluctuation for an indefinite period. In addition, the Government can cancel such authorization, after taking into consideration the

conditions prevailing in the money and foreign exchange markets. Prior to making the decision, the Government must request the opinion of the Bank of Finland on the matter.

Decision to continue the floating of the markka. On 13 November, the Government, in accordance with the amendment to the Currency Act, decides to authorize the Bank of Finland to continue the floating of the markka.

Letter of intent between the Government Guarantee Fund and Kansallis-Osake-Pankki. On 24 November, Kansallis-Osake-Pankki buys the majority shareholding in STS-Bank Ltd from the STS Foundation. On the same date, the Government Guarantee Fund and Kansallis-Osake-Pankki sign a letter of intent on the establishment of an asset management company ("bad bank") for the management of STS-Bank's bad loans. The agreement is conditional on the Act on the Government Guarantee Fund being amended to permit the establishment of such a company.

Cash reserve requirement. The Bank of Finland raises the banks' cash reserve requirement from 4.0 per cent to 4.5 per cent of the cash reserve base at end-October.

Till-money credits. The Bank of Finland revises the base amounts, the share of banks' till-money holdings which is not financed by the Bank of Finland under the till-money credit arrangement. The combined total of base amounts is raised to 20 per cent of currency in circulation with the public. The combined total of the banks' base amounts rises by FIM 597 million and amounts to FIM 1 791 million as from the last business day in November.

DECEMBER

Government offer of capital to banks. Two commercial banks (Union Bank of Finland and Okobank), 14 savings

banks and 57 cooperative banks accept, by 16 December, the offer of capital made by the Government. The total amount of capital raised in this context is FIM 3.3 billion.

Government Guarantee Fund grants support to Skopbank and the Savings Bank of Finland. The Government Guarantee Fund decides, on 22 December, to grant capital support totalling FIM 1.5 billion to Skopbank and, on 30 December, to grant capital support totalling FIM 4.7 billion to the Savings Bank of Finland.

Cash reserve requirement. The Bank of Finland raises the banks' cash reserve requirement from 4.5 per cent to 5.0 per cent of the cash reserve base at end-November.

1993

JANUARY

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 9.5 per cent to 8.5 per cent with effect from 1 January.

Cash reserve requirement. The Bank of Finland raises the banks' cash reserve requirement from 5.0 per cent to 5.5 per cent of the cash reserve base at end-December.

Interest on cash reserve deposits. The Bank of Finland decides to lower the rate of interest paid on cash reserve deposits as from 1 January in accordance with the current cash reserve agreement. The new interest rate will be 3 percentage points below three-month HELIBOR, however not less than 8 per cent.

Swap agreement between the Nordic central banks. The Nordic central banks decide to revise and substantially enlarge their agreement on short-term currency support, which has been in force since 1 January 1984. The revised agreement enters into force on 1 January for an indefinite period.

New legislation on foreign ownership.

The 1939 Restriction Act is repealed at the end of December, and new legislation lifting the restrictions on foreign ownership of Finnish companies enters into force on 1 January. The new legislation also liberalizes the acquisition of real estate by foreigners.

FEBRUARY

Monetary policy. The Bank of Finland specifies the guidelines in accordance with which monetary policy will be conducted over the next few years. The aim is to stabilize the rate of inflation, measured by the annual rise in consumer prices, permanently at two per cent by 1995. Inflation will be measured by the consumer price index; however, changes due to public charges, taxes and developments in housing prices will not be taken into account in monetary policy.

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 8.5 per cent to 7.5 per cent with effect from 15 February.

Finnish State guarantees banks' operations. On 23 February, Parliament unanimously approves a resolution requiring the Finnish State to guarantee that Finnish banks meet their commitments under all circumstances. At the same time, Parliament undertakes to grant the Government whatever funds and powers might be necessary for this purpose.

MARCH

Organization of the Government Guarantee Fund. The internal organization of the Government Guarantee Fund is changed on 11 March. The changes are designed to improve the Fund's prerequisites for providing bank support. The

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

LAND, CLIMATE AND POPULATION

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

Finland has a population of 5 055 700 (1 January 1993) and an average population density of 16.6 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 502 000 inhabitants, Espoo (Esbo) 178 850, Tampere (Tammerfors) 175 300, Turku (Åbo) 160 200 and Vantaa (Vanda) 159 300.

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

FORM OF GOVERNMENT

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

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

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

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

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

Of the 17 ministerial posts in the present Government appointed in April 1991, 8 are held by the Centre Party, 6 by the National Coalition Party, 2 by the Swedish People's Party and 1 by the Christian League. The Prime Minister is Mr Esko Aho of the Centre Party.

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

INTERNATIONAL RELATIONS

Finland became a member of the BIS in 1930, the IMF in 1948, the IBRD in 1948, GATT in 1950, the UN in 1955, the Nordic Council in 1955, the IFC in 1956, IDA in 1960, EFTA in 1961, the ADB in 1966, the OECD in 1969, the IDB in 1977, the AfDB in 1982, the MIGA in 1988 and the Council of Europe in 1989.

Having abolished most quantitative restrictions on foreign trade in 1957, Finland first took part in European free trade arrangements under the auspices of EFTA in 1961. Imports from the USSR were also progressively freed from customs duties. Finland's free trade agreement with the EEC entered into force in 1974 and agreements for the removal of trade barriers were concluded with several eastern European countries as well. In spring 1992, Finland signed the agreement on the European Economic Area (EEA) between the member countries of EFTA and the European Community, and submitted her application for membership of the European Community. Citizens of the five Nordic countries, Denmark, Finland, Iceland, Norway and Sweden, have enjoyed a common labour market, a passport union and reciprocal social security benefits since the mid-1950s.

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

THE ECONOMY

Output and employment. Of the gross domestic product of FIM 440 billion in basic values in 1991, 3 % was generated in agriculture and fishing, 2 % in forestry, 21 % in industry, 8 % in construction, 10 % in trade, restaurants and hotels, 8 % in transport and communications, 4 % in finance and insurance, 22 % in other private services and 21 % by producers of government services. Of total employment of 2.3 million persons in 1991, 8 % were

engaged in primary production, 29 % in industry and construction and 63% in services.

In 1991, expenditure on the gross domestic product in purchasers' values amounted to FIM 503 billion and was distributed as follows: net exports -0.6 % (exports 21.8 %, imports -22.4 %), gross fixed capital formation 23 %, private consumption 55 % and government consumption 24 %. Finland's gross tax ratio (gross taxes in relation to GDP) was 37 % and the net tax ratio (net taxes in relation to GDP) 20 %, which is about the average for OECD countries.

Average annual (compounded) growth of real GDP was 4.7 % in the period 1950-59, 5.0 % in 1960-69, 3.7 % in 1970-79, 3.7 % in 1980-89 and 4.0 % in 1990-91. Finland's GDP per capita in 1991 was USD 24 800.

Foreign trade. OECD countries absorb the bulk of Finnish merchandise exports. In 1988-92, their share was, on average, 78.1 per cent, of which the share of EC countries was 47.7 percentage points and that of EFTA countries 20.2 percentage points. Over the same period, Finland's exports to East European countries (including the Soviet Union) accounted for 14.4 per cent and the rest of the world for 9.6 per cent. The regional distribution of Finland's merchandise imports has been quite similar to that of exports.

In 1992, the share of forest industry products in total merchandise exports was 38 %, the share of metal and engineering products 43 % and the share of other goods 19 %. Raw materials and intermediate goods (incl. crude oil) accounted for 62 % of merchandise imports, fuels for 4 %, investment goods for 14 % and consumption goods for 22 %.

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

The annual growth increment totals 79 million cubic metres and the total drain calculated on the basis of commercial fellings was 43 million cubic metres in 1991.

Energy. In 1991, gross consumption of primary energy amounted to 30 Mtoe, of which industry accounted for 44 %, heating for 22 %, transportation for 14 % and other purposes for 20 %. The sources of primary energy in 1991 were as follows: oil 29 %, coal 12 %, nuclear power 15 %, hydro-electric power, peat and other indigenous

sources 30 %, others 14 %. Compared internationally (1990), Finland's consumption of 5.8 toe (OECD definition) per capita was 1.8 times higher than the average in European OECD countries. The self-sufficiency rate (including nuclear power) in Finland was 39 %, as compared with 60 % in western Europe on average.

FINANCE AND BANKING

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

The Central Bank. The Bank of Finland (Suomen Pankki – Finlands Bank), founded in 1811, operates under the supervision of the Parliamentary Supervisory Board, the nine members of which are entrusted with overall supervision of the Bank and certain specific decisions such as fixing the Bank's base rate and the limits for other rates. The Governor and a maximum of five other Members of the Board of Management are appointed by the President of the Republic. The Board manages all affairs not expressly entrusted to the Parliamentary Supervisory Board, including the terms of banks' central bank finance, open market operations, intervention in the foreign exchange market and determination of the external value of the currency within the fluctuation limits. The powers vested in the Bank and its independence of the Government make the Bank of Finland one of the world's stronger central banks. In practice, the Bank liaises closely with the Government, so as to coordinate economic policy. The Bank of Finland has a head office in Helsinki and 8 branch offices in other towns.

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

Financial market. Of the total stock of FIM 776 billion in outstanding domestic credit at the end of 1991, 62 % was provided by deposit banks 3 % by private mortgage banks, 17 % by insurance companies, 4 % by other private credit institutions, 4 % by public financial institutions and 9 % by the state, local authorities and social security funds. There are no quantitative restrictions or interest rate limitations on lending. Regulation of bank lending rates was progressively relaxed earlier in the 1980s and finally abolished in 1986.

In the money market, 75 % of the instruments, which totalled approximately FIM 158 billion at end-1992, were negotiable instruments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds raised through bank trust departments and non-negotiable bank debt instruments make up the bulk of non-negotiable instruments. In its open market operations, the Bank of Finland deals in bank certificates of deposit and also issues its own certificates of deposit.

There are 63 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 64 billion (at end-1992). Two foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1992 totalled FIM 162 billion; government bonds made up 27 % of the total. Turnover on the Stock Exchange in 1992 amounted to FIM 26 billion; the share of shares and subscription rights in the total was approximately 40 %.



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1. THE BALANCE SHEET OF THE BANK OF FINLAND

1.1 THE BALANCE SHEET OF THE BANK OF FINLAND,

MILL. FIM

	1992		1993		
	31 Dec.	8 March	15 March	23 March	31 March
ASSETS					
Gold and foreign currency claims	29 517	27 993	26 784	28 001	27 534
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	564	660	663	658	655
IMF reserve tranche	1 732	1 989	1 997	1 981	1 974
Convertible currencies	25 041	23 164	21 944	23 182	22 725
Other foreign claims	4 867	4 927	4 930	4 918	4 916
Markka subscription to Finland's IMF quota	4 464	4 464	4 464	4 464	4 464
Term credit	404	463	467	455	452
Claims on financial institutions	14 595	13 761	15 833	12 390	12 861
Liquidity credits	1 585	1 687	1 298	890	171
Certificates of deposit	3 930	2 144	1 651	1 103	898
Securities with repurchase commitments	4 408	4 785	7 745	5 259	6 671
Term credits	100	-	-	-	500
Till-money credits	2 872	3 511	3 511	3 511	2 994
Bonds	1 462	1 396	1 389	1 389	1 389
Other claims on financial institutions	238	238	238	238	238
Claims on the public sector	2 446	2 121	2 121	1 954	1 954
Loans to the Government Guarantee Fund	1 000	668	668	500	500
Total coinage	1 446	1 453	1 453	1 454	1 454
Claims on corporations	1 458	1 416	1 406	1 405	1 397
Financing of domestic deliveries (KTR)	747	705	695	694	686
Other claims on corporations	711	711	711	711	711
Other Assets	10 925	9 617	9 617	9 619	9 618
Loans for stabilizing the money market	9 474	9 474	9 474	9 474	9 474
Accrued items	1 298	-	-	-	-
Other assets	153	143	143	145	144
Capitalized expenditures and losses due to safeguarding the stability of the money market	1 700	1 700	1 700	1 700	1 700
Total	65 509	61 535	62 392	59 987	59 979
LIABILITIES					
Foreign currency liabilities	101	206	227	203	204
Convertible currencies	101	206	227	203	204
Other foreign liabilities	7 764	5 641	5 646	5 637	5 632
IMF markka accounts	4 464	4 464	4 464	4 464	4 464
Allocations of special drawing rights	1 026	1 178	1 183	1 173	1 169
Other foreign liabilities	2 274	-	-	-	-
Notes and coin in circulation	14 508	13 860	13 769	13 666	13 720
Notes	13 209	12 573	12 485	12 381	12 436
Coin	1 299	1 286	1 284	1 285	1 284
Certificates of deposit	4 880	10 290	11 500	9 010	10 270
Liabilities to financial institutions	20 000	14 839	15 159	15 775	14 728
Call money deposits	2 135	32	352	968	29
Term deposits	4 700	-	-	-	-
Cash reserve deposits	13 165	14 806	14 806	14 806	14 698
Other liabilities to financial institutions	-	1	1	1	1
Liabilities to the public sector	90	91	91	102	102
Cheque accounts	72	4	4	15	1
Deposits of the Government Guarantee Fund	18	87	87	87	101
Other liabilities to the public sector	-	-	-	-	-
Liabilities to corporations	3 362	2 613	2 603	2 559	2 519
Deposits for investment and ship purchase	3 362	2 613	2 603	2 559	2 519
Other liabilities	4 399	164	157	157	157
Accrued items	4 242	-	-	-	-
Other liabilities	156	164	157	157	157
Valuation account and reserves	4 642	8 067	7 475	7 114	6 883
Capital accounts	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Profit/loss for the accounting year	-	-	-	-	-
Total	65 509	61 535	62 392	59 987	59 979

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

MILL. FIM

End of period	Foreign sector									Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convert-ible cur-ri-en-cies, net	Convert-ible reserves, total (1+2+3+4)	Tied cur-ri-en-cies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabil-ities	Net claims (10-11)
	1	2	3	4	5	6	7	8	9	10	11	12
1988	2 128	1 120	940	24 373	28 561	945	29 506	1 117	30 623	1 128	1 903	- 775
1989	2 179	966	950	18 780	22 875	- 564	22 312	440	22 752	1 137	5 325	- 4 188
1990	2 180	791	783	33 451	37 205	- 882	36 324	- 364	35 960	1 314	1 321	- 7
1991	2 180	932	1 136	29 336	33 584	33	33 616	- 412	33 204	1 375	3	1 372
1992	2 180	564	1 732	24 940	29 416	- 7	29 416	- 2 897	26 519	2 446	90	2 356
1992												
March	2 180	1 198	1 201	28 522	33 101	24	33 124	- 532	32 592	1 383	4	1 379
April	2 180	1 199	1 242	22 981	27 602	21	27 622	- 540	27 082	1 387	4	1 383
May	2 180	1 045	1 235	27 547	32 007	17	32 025	- 545	31 480	1 397	4	1 393
June	2 180	1 007	1 200	26 724	31 111	14	31 125	- 538	30 587	2 920	4	2 916
July	2 180	942	1 280	27 033	31 435	8	31 443	- 526	30 917	2 904	4	2 900
Aug.	2 180	861	1 195	18 830	23 066	0	23 066	- 2 449	20 617	4 404	4	4 400
Sept.	2 180	1 001	1 328	22 470	26 979	- 7	26 970	- 11 206	15 764	8 480	38	8 442
Oct.	2 180	1 025	1 360	29 610	34 175	-	34 175	- 11 797	22 378	8 507	51	8 456
Nov.	2 180	552	1 908	33 474	38 114	-	38 114	- 2 858	35 256	1 466	6 173	- 4 707
Dec.	2 180	564	1 732	24 940	29 416	-	29 416	- 2 897	26 519	2 446	90	2 356
1993												
Jan.	2 180	595	1 829	27 247	31 851	-	31 852	- 661	31 191	2 449	92	2 357
Feb.	2 180	655	1 972	23 778	28 585	-	28 585	- 710	27 875	2 121	90	2 031
March	2 180	655	1 974	22 521	27 330	-	27 330	- 716	26 614	1 954	102	1 852

End of period	Domestic financial sector						Corporate sector				
	Term claims on deposit banks	Liquidity position of deposit banks, net ¹	Cash reserve deposits of deposit banks	Till-money credits to deposit banks	Other claims on financial institutions, net	Net claims (13+14+15+16+17)	Claims in the form of special financing	Special deposits and other items, net	Net claims (19+20)	Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	13	14	15	16	17	18	19	20	21	22	23
1988	7 187	335	- 19 039	2 920	3 733	- 4 864	2 823	- 6 579	- 3 756	11 550	1 130
1989	33 230	- 531	- 25 506	3 310	2 248	12 751	2 000	- 10 604	- 8 604	13 129	-
1990	9 411	- 418	- 17 401	3 427	2 317	- 2 664	1 477	- 9 724	- 8 247	14 555	-
1991	11 882	- 2 206	- 10 361	3 528	2 003	4 846	1 086	- 6 854	- 5 768	14 528	8 880
1992	3 738	- 550	- 13 165	2 872	1 700	- 5 405	747	- 2 651	- 1 904	14 508	4 880
1992											
March	3 508	- 219	- 9 783	3 521	1 925	- 1 048	995	- 5 287	- 4 292	14 243	13 030
April	11 306	- 1 997	- 9 856	3 917	1 899	5 269	967	- 4 513	- 3 546	13 822	16 450
May	8 562	- 750	- 9 851	3 709	1 923	3 593	946	- 3 775	- 2 829	13 787	20 600
June	10 380	- 152	- 9 773	3 483	1 882	5 820	904	- 4 022	- 3 118	13 896	21 790
July	14 304	- 7 507	- 9 812	3 654	1 818	2 457	882	- 3 851	- 2 969	13 790	19 350
Aug.	15 914	- 13 405	- 9 772	3 534	1 794	- 1 935	861	- 3 527	- 2 666	13 562	6 930
Sept.	13 354	- 811	- 9 762	3 450	1 758	7 989	832	- 3 412	- 2 580	13 459	13 720
Oct.	5 520	- 219	- 10 421	3 432	1 748	60	807	- 3 315	- 2 508	13 493	12 540
Nov.	9 211	1 875	- 11 900	2 778	1 737	3 701	787	- 3 238	- 2 451	14 062	14 885
Dec.	3 738	- 550	- 13 165	2 872	1 700	- 5 405	747	- 2 651	- 1 904	14 508	4 880
1993											
Jan.	6 804	- 3 732	- 14 734	3 023	1 665	- 6 974	728	- 2 072	- 1 344	14 906	6 710
Feb.	7 448	- 690	- 14 806	3 511	1 639	- 2 898	710	- 1 915	- 1 205	13 840	7 220
March	8 069	142	- 14 698	2 994	1 626	- 1 867	686	- 1 808	- 1 122	13 720	10 270

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

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

2.1 BANKS' LIQUIDITY POSITION AT THE BANK OF FINLAND, MILL. FIM

Average of daily observations	Call money deposits	Liquidity credits ¹	Liquidity position, net ¹ (1-2)
	1	2	3
1988	621	127	494
1989	416	369	47
1990	806	132	674
1991	881	985	-103
1992	2 103	437	1 666
1992			
March	327	102	225
April	1 008	1 323	-315
May	486	141	345
June	715	45	669
July	3 540	26	3 514
Aug.	8 895	0	8 894
Sept.	3 974	1 687	2 287
Oct.	2 191	876	1 314
Nov.	1 512	296	1 215
Dec.	1 193	640	553
1993			
Jan.	1 511	594	917
Feb.	1 305	23	1 282
March	416	1 008	-592

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

2.2 THE BANK OF FINLAND'S CASH RESERVE SYSTEM

End of period	Cash reserve deposits	of which: additional deposits	Ordinary cash reserve requirement	Additional requirement
	mill. FIM		%	
	1	2	3	4
1988	19 039	.	7.6	.
1989	25 506	3 159	8.0	1.1
1990	17 401	.	7.0	.
1991	10 361	.	4.0	.
1992	13 165	.	5.0	.
1992				
April	9 856	.	3.7	.
May	9 851	.	3.7	.
June	9 773	.	3.7	.
July	9 812	.	3.7	.
Aug.	9 772	.	3.7	.
Sept.	9 762	.	3.7	.
Oct.	10 421	.	4.0	.
Nov.	11 900	.	4.5	.
Dec.	13 165	.	5.0	.
1993				
Jan.	14 734	.	5.5	.
Feb.	14 806	.	5.5	.
March	14 698	.	5.5	.
April	..	.	5.5	.

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1-2-3)
	1	2	3	4
1988	13 840	19 190	-16 850	11 500
1989	131 110	3 855	99 245	28 010
1990	163 326	26 379	160 797	-23 850
1991	109 568	30 380	81 969	-2 781
1992	76 230	137 940	-49 457	-12 253
1992				
March	2 000	9 420	-5 290	-2 130
April	11 310	17 310	-9 200	3 200
May	6 630	15 240	1 930	-10 540
June	8 200	14 860	-6 600	-60
July	11 700	13 300	-9 798	8 198
Aug.	6 520	7 650	-14 659	13 529
Sept.	4 300	19 920	-5 930	-9 690
Oct.	1 760	10 740	-2 060	-6 920
Nov.	8 030	7 570	-1 980	2 440
Dec.	12 070	5 680	3 040	3 350
1993				
Jan.	5 490	5 400	3 890	-3 800
Feb.	6 500	8 340	-260	-1 580
March	10 470	12 750	4 660	-6 940

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

During period	Intervention in the foreign exchange market			Spot transactions related to forward contracts, net	Central government's foreign exchange transactions, net
	Spot purchases	Spot sales	Forward exchange intervention = change in forward exchange position		
	1	2	3	4	5
1991	35 120	-69 940	-14 820	12 820	12 260
1992	20 050	-70 640	-1 650	390	45 060
1992					
Feb.	-	-4 000	4 280	-4 240	7 150
March	50	-250	1 200	-1 200	1 250
April	2 960	-16 650	-2 790	1 650	6 040
May	3 870	-	500	-320	930
June	1 480	-2 380	2 530	3 390	5 370
July	470	-5 790	1 450	-1 590	3 760
Aug.	110	-17 700	-6 110	6 350	3 170
Sept.	-	-20 880	-14 860	11 610	2 800
Oct.	5 870	-	670	-2 210	3 510
Nov.	4 530	-	6 190	-6 610	13 020
Dec.	-	-2 990	5 100	-5 710	-1 200
1993					
Jan.	-	-9 390	-440	-580	12 660
Feb.	-	-8 830	3 600	-2 000	7 870

2.5 FORWARD EXCHANGE MARKET, MILL. FIM

End of period	Banks' forward positions with					
	Domestic companies			Foreign banks, net	Bank of Finland, net	Total, net (3+4+5)
	Forward exchange bought by banks	Forward exchange sold by banks	Net (1-2)			
	1	2	3	4	5	6
1988	16 488	1 543	14 946	9 086	-377	23 654
1989	10 531	3 563	6 967	8 031	205	15 204
1990	11 609	4 979	6 631	10 100	-6 098	10 633
1991	33 004	36 352	-3 348	2 550	8 953	8 155
1992	39 195	32 939	6 256	-11 197	7 133	2 192
1992						
Feb.	31 502	25 516	5 987	2 441	3 774	12 202
March	27 850	22 720	5 130	5 216	2 937	13 283
April	29 812	27 586	2 227	-423	5 815	7 619
May	29 457	24 458	4 999	408	5 531	10 938
June	28 942	28 750	192	4 412	807	5 411
July	27 567	29 494	-1 927	4 013	1 328	3 414
Aug.	25 399	34 767	-9 368	421	7 933	-1 014
Sept.	34 168	45 232	-11 065	-9 827	20 158	-734
Oct.	37 048	38 820	-1 771	-10 681	17 921	5 469
Nov.	40 986	35 550	5 436	-11 623	11 617	5 430
Dec.	39 195	32 939	6 256	-11 197	7 133	2 192
1993						
Jan.	35 125	32 711	2 414	-9 056	6 433	-209
Feb.	33 968	32 896	1 072	-8 308	2 585	-4 651

3. RATES OF INTEREST

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

Average of daily observations	Inter-bank overnight rate	HELIBOR				Bank of Finland rates		
		1 month	3 months	6 months	12 months	Liquidity credit rate ¹	Call money deposit rate	Base rate
	1	2	3	4	5	6	7	8
1988	8.47	9.77	9.97	10.16	10.50	11.50	7.04	7.63
1989	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67
1990	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50
1991	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50
1992	13.32	13.49	13.27	13.08	12.96	14.90	7.41	9.17
1992								
March	14.27	12.95	12.38	12.08	11.99	15.00	4.00	8.50
April	17.24	15.94	14.21	13.38	13.04	15.00	4.00	8.50
May	14.39	14.05	13.73	13.28	13.10	15.00	4.00	9.50
June	13.58	13.58	13.70	13.83	13.76	15.00	4.00	9.50
July	13.47	13.45	13.96	14.19	14.07	14.37	12.13	9.50
Aug.	15.02	15.25	15.09	14.97	14.69	16.84	14.65	9.50
Sept.	16.65	17.79	16.41	15.29	14.71	19.15	13.43	9.50
Oct.	12.23	13.34	13.37	13.32	13.39	14.69	8.96	9.50
Nov.	10.66	11.04	11.50	11.63	11.72	12.03	8.03	9.50
Dec.	10.20	10.55	10.68	10.70	10.70	11.69	7.69	9.50
1993								
Jan.	10.20	10.53	10.64	10.63	10.57	11.49	7.49	8.50
Feb.	8.47	9.16	9.19	9.22	9.30	10.34	6.34	8.00
March	9.13	8.99	8.90	8.69	8.62	9.96	5.96	7.50

¹ Call money credit rate until 2 July 1992.

3.2 THE BANK OF FINLAND'S LIQUIDITY FACILITY

	The Bank of Finland's tender rate, %	Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	Call money deposits: interest rate margin, %-points
	1	2	3	4
1992				
July	13.37	July +1.00	7	-1.00
Aug.	15.84	Aug. +1.00	14	-2.00
Sept.	18.15	Sept. +1.00	14	-5.00
Oct.	13.69	Oct. +1.00	7	-3.00
Nov.	11.03	Nov. +1.00	7	-3.00
Dec.	10.69	Dec. +1.00	7	-3.00
1993				
Jan.	10.49	Jan. +1.00	7	-3.00
Feb.	9.34	Feb. +1.00	7	-3.00
March	8.96	March +1.00	7	-3.00
8 March	8.95			
22 March	8.97			
25 March	8.98			

3.3 WEIGHTED EURORATES AND COMMERCIAL ECU INTEREST RATE, PER CENT

Average of daily observations	ECU	3 currencies	Commercial ECU
	3 months		
	1	2	3
1988	6.9	6.0	6.9
1989	9.3	8.4	9.3
1990	10.5	9.1	10.4
1991	10.1	8.5	9.9
1992	10.4	7.8	10.6
1992			
March	10.3	8.2	10.2
April	10.3	8.2	10.2
May	10.2	8.1	10.2
June	10.4	8.0	10.5
July	10.7	7.9	10.8
Aug.	10.9	8.0	11.1
Sept.	11.0	7.5	11.6
Oct.	10.3	7.2	11.1
Nov.	9.9	7.3	10.4
Dec.	10.3	7.2	10.9
1993			
Jan.	9.9	6.8	10.1
Feb.	9.9	6.6	9.6
March	9.3	6.4	9.2

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

Average for period	Lending						Markka deposits and other markka funding					
	New credits				Average lending rate	Of which: Commercial banks	24-month tax-exempt deposits ¹	36-month tax-exempt deposits ¹	Other tax-exempt deposits, max. rate of interest ¹	Average rate of interest on deposits	Average rate of interest on other funding	Average rate of interest on markka funding
	Cheque account and post-al giro credits	Bills of exchange	Loans	New lending, total								
	1	2	3	4	5	6	7	8	9	10	11	12
1988	10.22	12.27	10.50	10.72	9.88	9.74	8.00	.	3.75	5.24	9.80	6.20
1989	12.97	13.47	11.58	12.07	10.56	10.40	7.50	.	4.50	5.67	11.92	7.37
1990	13.24	15.62	13.33	13.85	11.84	11.61	7.50	.	4.50	6.43	13.55	8.41
1991	13.63	15.88	13.40	13.84	12.08	11.80	7.50	.	4.50	7.10	13.22	8.97
1992	14.04	15.86	13.32	13.75	12.46	12.13	7.50	8.50	4.50	7.41	12.84	9.14
1992												
Feb.	13.79	15.58	12.96	13.47	12.00	11.76	7.50	.	4.50	7.21	12.15	8.67
March	14.21	15.73	13.36	13.81	11.97	11.70	7.50	.	4.50	7.23	12.32	8.77
April	12.31	16.24	13.75	14.06	12.08	11.76	7.50	.	4.50	7.33	13.09	9.16
May	15.34	15.59	13.82	14.22	12.50	12.21	7.50	.	4.50	7.42	12.95	9.12
June	15.17	15.47	14.04	14.39	12.61	12.29	7.50	.	4.50	7.42	12.94	9.15
July	15.96	16.19	14.06	14.56	12.63	12.29	7.50	.	4.50	7.55	12.94	9.26
Aug.	16.21	16.56	14.33	14.81	12.81	12.52	7.50	.	4.50	7.71	13.64	9.68
Sept.	16.56	16.94	14.52	15.00	13.01	12.72	7.50	8.50	4.50	7.80	14.39	10.03
Oct.	16.70	16.29	13.76	14.29	12.87	12.43	7.50	8.50	4.50	7.66	13.11	9.41
Nov.	14.18	15.74	13.10	13.47	12.70	12.26	7.50	8.50	4.50	7.41	12.26	8.99
Dec.	12.63	14.99	11.64	11.98	12.34	11.93	7.50	8.50	4.50	7.06	11.78	8.62
1993												
Jan.*	12.06 ²	15.36 ²	12.25 ²	12.38 ²	11.89	11.68	6.50	7.50	4.50	6.56	11.18	8.04
Feb.*	7.60	14.78	11.34	11.32	11.33	11.15	5.50	6.50	4.50	6.05	10.51	7.53

¹ End of period.

² The January 1993 figures for new credits are affected by the fact that loans transferred from STS-Bank Ltd to Kansallis-Osake-Pankki were booked as new lending.

3.5 YIELDS ON BONDS AND DEBENTURES, PER CENT

Period	Reference rates calculated by the Bank of Finland		Taxable government bonds		Taxable public issues	Taxfree public issues
	3 years	5 years	5 years	10 years		
	1	2	3	4	5	6
1988	10.7	10.8	10.6	.	10.6	7.8
1989	12.2	12.0	12.1	.	11.9	8.1
1990	13.7	13.5	13.2	.	13.3	9.2
1991	12.3	12.2	11.9	.	12.6	10.0
1992	13.1	13.0	12.1	11.5 ¹	13.8	9.9
1992						
Feb.	12.1	12.0	11.2	.	12.7	9.8
March	12.1	12.1	11.3	.	12.4	9.8
April	12.8	12.7	11.9	.	12.8	9.8
May	13.0	12.9	11.8	.	13.0	9.8
June	13.3	13.2	12.2	.	14.2	10.2
July	13.6	13.3	12.1	.	14.1	10.5
Aug.	14.3	14.0	12.8	.	14.5	10.4
Sept.	15.0	14.7	13.3	.	15.3	10.1
Oct.	14.3	14.2	13.0	.	15.3	9.9
Nov.	12.8	12.9	12.0	12.0	14.7	9.4
Dec.	11.7	11.8	10.9	11.0	13.2	9.5
1993						
Jan.	11.4	11.6	10.7	10.9	12.2	8.6
Feb.	10.5	10.7	9.9	10.3	12.1	8.0

¹ November and December only.

4. RATES OF EXCHANGE

4.1 MIDDLE RATES, FIM

Average of daily quotations	New York	Montreal	London	Dublin	Stockholm	Oslo	Copenhagen	Frankfurt aM	Amsterdam	Brussels	Zurich	Paris
	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEF	1 CHF	1 FRF
	1	2	3	4	5	6	7	8	9	10	11	12
1988	4.187	3.405	7.446	6.377	0.6829	0.6424	0.6220	2.3842	2.1185	0.11390	2.8631	0.7029
1989	4.290	3.624	7.032	6.082	0.6654	0.6213	0.5869	2.2818	2.0226	0.10890	2.6243	0.6725
1990	3.823	3.277	6.808	6.325	0.6459	0.6110	0.6181	2.3664	2.1002	0.11447	2.7576	0.7024
1991	4.046	3.533	7.131	6.511	0.6684	0.6236	0.6322	2.4380	2.1634	0.11841	2.8208	0.7169
1992	4.483	3.706	7.875	7.636	0.7714	0.7222	0.7444	2.8769	2.5552	0.13973	3.2000	0.8486
1992												
March	4.533	3.802	7.814	7.278	0.7522	0.6954	0.7032	2.7279	2.4236	0.13256	3.0051	0.8036
April	4.495	3.783	7.895	7.270	0.7538	0.6962	0.7039	2.7280	2.4233	0.13258	2.9655	0.8066
May	4.402	3.672	7.975	7.256	0.7540	0.6962	0.7033	2.7162	2.4129	0.13196	2.9529	0.8079
June	4.290	3.587	7.945	7.269	0.7544	0.6967	0.7069	2.7238	2.4178	0.13235	3.0051	0.8091
July	4.077	3.420	7.824	7.292	0.7545	0.6966	0.7107	2.7356	2.4261	0.13279	3.0576	0.8106
Aug.	3.985	3.350	7.734	7.289	0.7540	0.6962	0.7120	2.7462	2.4358	0.13328	3.0659	0.8096
Sept.	4.439	3.635	8.209	8.066	0.8271	0.7653	0.7904	3.0602	2.7170	0.14848	3.4724	0.8993
Oct.	4.695	3.771	7.791	8.340	0.8410	0.7774	0.8218	3.1725	2.8180	0.15398	3.5775	0.9350
Nov.	5.048	3.982	7.714	8.394	0.8140	0.7805	0.8263	3.1812	2.8281	0.15465	3.5330	0.9404
Dec.	5.136	4.034	7.969	8.570	0.7457	0.7710	0.8395	3.2477	2.8890	0.15784	3.6137	0.9526
1993												
Jan.	5.419	4.242	8.304	8.863	0.7475	0.7885	0.8699	3.3561	2.9850	0.16307	3.6685	0.9899
Feb.	5.830	4.622	8.387	8.641	0.7747	0.8352	0.9247	3.5526	3.1565	0.17228	3.8416	1.0488
March	5.972	4.790	8.716	8.810	0.7720	0.8527	0.9441	3.6258	3.2254	0.17604	3.9274	1.0673

Average of daily quotations	Rome	Vienna	Lisbon	Reykjavik	Madrid	Athens	Tallinn	Tokyo	Melbourne	ECU Commercial	SDR
	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 GRD	1 EEK	1 JPY	1 AUD	1 XEU	1 XDR
	13	14	15	16	17	18	19	20	21	22	23
1988	0.00322	0.3391	0.0291	0.0980	0.0359	..	..	0.03266	3.288	4.944	5.61826
1989	0.00313	0.3242	0.0273	0.0758	0.0362	..	..	0.03116	3.398	4.719	5.49375
1990	0.00319	0.3363	0.0268	0.0656	0.0375	..	..	0.02647	2.988	4.864	5.18345
1991	0.00326	0.3464	0.0280	0.0684	0.0389	0.0224	..	0.03008	3.152	5.003	5.53082
1992	0.00364	0.4088	0.0332	0.0778	0.0438	0.0235	0.4060	0.03546	3.289	5.798	6.31247
1992											
March	0.00363	0.3877	0.0317	0.0760	0.0432	0.0239	..	0.03412	3.438	5.580	6.19184
April	0.00362	0.3875	0.0320	0.0759	0.0433	0.0231	..	0.03368	3.428	5.586	6.16396
May	0.00361	0.3860	0.0326	0.0755	0.0434	0.0230	..	0.03369	3.328	5.581	6.11371
June	0.00360	0.3869	0.0328	0.0752	0.0433	0.0224	..	0.03381	3.246	5.583	6.05642
July	0.00361	0.3888	0.0323	0.0744	0.0430	0.0220	..	0.03245	3.039	5.585	5.88609
Aug.	0.00362	0.3901	0.0318	0.0739	0.0428	0.0220	..	0.03155	2.890	5.582	5.80390
Sept.	0.00380	0.4346	0.0348	0.0819	0.0455	0.0244	..	0.03620	3.208	6.092	6.46534
Oct.	0.00358	0.4509	0.0356	0.0838	0.0446	0.0243	..	0.03876	3.359	6.197	6.73373
Nov.	0.00370	0.4522	0.0357	0.0840	0.0444	0.0244	..	0.04075	3.483	6.247	7.00171
Dec.	0.00364	0.4615	0.0362	0.0817	0.0455	0.0246	0.4060	0.04141	3.542	6.359	7.13363
1993											
Jan.	0.00364	0.4771	0.0373	0.0849	0.0473	0.0251	0.4195	0.04333	3.652	6.576	7.46369
Feb.	0.00377	0.5049	0.0390	0.0898	0.0497	0.0267	0.4441	0.04824	3.970	6.904	7.99711
March	0.00375	0.5153	0.0392	0.0918	0.0507	0.0270	0.4532	0.05103	4.225	7.034	8.24353

4.2 MARKKA VALUE OF THE ECU AND CURRENCY INDICES

Average of daily observations	Markka value of the ECU FIM/ECU	Currency indices, 1982=100		
		Trade-weighted currency index	Payments currency index	MERIM index
	1	2	3	4
1988	4.96108	102.0	101.7	104.7
1989	4.73670	98.4	99.1	102.8
1990	4.85697	97.3	96.8	97.3
1991	5.00580	101.4	101.4	102.8
1992	5.80140	116.4	115.7	117.3
1992				
March	5.57515	112.9	113.2	115.0
April	5.58563	112.9	113.0	114.5
May	5.58167	112.7	112.2	113.6
June	5.58600	112.6	111.4	112.8
July	5.58744	111.9	109.6	110.3
Aug.	5.58723	111.5	108.8	109.1
Sept.	6.13433	122.6	120.0	120.8
Oct.	6.22713	124.6	123.6	125.3
Nov.	6.25533	125.2	126.2	129.2
Dec.	6.36242	125.0	126.8	129.8
1993				
Jan.	6.57212	128.9	131.3	134.7
Feb.	6.89952	135.6	138.8	143.9
March	7.03656	138.2	141.6	147.4

5. OTHER DOMESTIC FINANCING

5.1 BANK FUNDING FROM THE PUBLIC, MILL. FIM

End of period	Cheque and giro deposits	Transaction deposits	Time deposits	Other deposits	Markka deposits, total (1+2+3+4)	Foreign currency deposits	Total deposits (5+6)	Other funding	Total funding (7+8)
	1	2	3	4	5	6	7	8	9
1988	25 473	76 958	121 670		224 102	4 643	228 745	28 844	257 589
1989	28 942	85 396	125 748		240 085	7 358	247 444	35 298	282 742
1990	30 953	96 176	124 930		252 058	6 818	258 876	38 835	297 711
1991	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
1992	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
1991									
Dec.	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
1992									
Jan.	32 780	84 701	123 513	19 094	260 087	12 274	272 361	54 706	327 068
Feb.	29 417	86 031	123 652	18 666	257 767	12 350	270 117	56 202	326 319
March	30 899	87 563	123 296	18 185	259 943	11 805	271 748	54 436	326 184
April	30 762	86 090	124 087	18 119	259 058	12 665	271 722	59 353	331 076
May	30 791	84 805	123 555	17 922	257 073	11 441	268 514	60 635	329 148
June	33 330	84 552	122 504	17 714	258 101	10 418	268 519	62 836	331 355
July	32 419	83 953	122 788	18 003	257 163	10 665	267 828	62 293	330 121
Aug.	33 067	83 283	122 056	17 976	256 381	11 525	267 906	60 054	327 961
Sept.	30 779	82 078	120 918	18 662	252 436	15 698	268 134	61 377	329 510
Oct.	34 447	82 734	119 726	19 659	256 566	15 429	271 995	59 666	331 661
Nov.	34 675	82 763	118 536	19 613	255 587	14 807	270 394	61 800	332 194
Dec.	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530

5.2 BANK LENDING TO THE PUBLIC, MILL. FIM

End of period	Cheque account and postal giro credits	Bills of exchange	Loans	Markka lending, total (1+2+3)	Foreign currency credits	Total lending (4+5)
	1	2	3	4	5	6
1988	11 358	5 920	234 268	251 545	50 235	301 780
1989	15 270	5 650	257 768	278 688	73 176	351 864
1990	19 152	5 777	260 790	285 720	103 134	388 853
1991	18 037	4 712	262 859	285 609	107 714	393 323
1992	16 045	3 335	252 163	271 544	95 168	366 712
1991						
Dec.	18 037	4 712	262 859	285 609	107 714	393 323
1992						
Jan.	17 450	4 167	262 309	283 926	107 075	391 001
Feb.	17 650	4 099	262 813	284 563	105 703	390 266
March	17 215	3 996	260 983	282 194	102 701	384 895
April	17 407	3 927	259 782	281 116	101 104	382 220
May	17 403	3 916	259 295	280 613	99 035	379 649
June	17 344	3 899	257 990	279 234	96 635	375 869
July	16 959	3 848	257 777	278 583	95 334	373 917
Aug.	17 249	3 719	256 976	277 944	92 605	370 550
Sept.	17 366	3 610	256 359	277 335	103 654	380 989
Oct.	16 738	3 538	255 133	275 409	100 976	376 385
Nov.	16 545	3 449	254 411	274 405	101 162	375 567
Dec.	16 045	3 335	252 163	271 544	95 168	366 712

5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL.FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M ₁	M ₂ (1+4+5)	M ₃
		Claims on the central government	Claims on the public	Total (2+3)				
	1	2	3	4	5	6	7	8
1988	-40 670	-15 356	353 681	338 325	-63 387	111 259	234 268	256 947
1989	-59 049	-18 691	408 344	389 653	-79 084	124 295	251 519	272 603
1990	-82 881	-19 072	453 720	434 648	-85 385	141 524	266 383	291 045
1991	-86 555	-6 516	470 852	464 336	-102 540	130 644	275 241	310 924
1992*	..	..	..	..	..	134 829	274 011	310 733
1992*								
Feb.	-86 492	-4 895	470 980	466 085	-108 021	125 875	271 572	306 696
March	-87 007	-5 201	467 987	462 785	-102 093	128 701	273 685	311 738
April	-83 331	-4 726	465 590	460 864	-104 416	127 554	273 117	315 983
May	-83 053	-4 327	463 477	459 151	-104 706	126 652	271 391	311 877
June	-75 847	-2 899	459 867	456 968	-108 783	128 496	272 338	314 149
July	-70 776	-3 718	457 463	453 745	-111 703	127 189	271 265	314 330
Aug.	-65 517	-1 835	456 178	454 342	-118 708	126 771	270 118	311 644
Sept.	-70 526	4 256	454 777	459 032	-122 318	123 157	266 188	307 307
Oct.	-66 406	5 737	451 432	457 170	-119 914	128 012	270 850	313 340
Nov.	-65 532	-8 253	448 726	440 473	-105 066	128 610	269 875	312 343
Dec.	..	..	..	..	..	134 829	274 011	310 733
1993*								
Jan.	..	..	..	..	..	138 846	275 995	315 224
Feb.	..	..	..	..	..	136 775	273 288	307 345

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

End of period	Foreign currency-denominated debt				Markka-denominated debt				Total central government debt (4+8)	Out-standing lending	Cash funds
	Bonds	Other bonds and debentures	Long-term promissory notes	Total (1+2+3)	Public bonds	Other long-term liabilities	Treasury notes and bills	Total (5+6+7)			
	1	2	3	4	5	6	7	8	9	10	11
1988	20 202	1 804	4 273	26 279	24 243	5 272	2 290	31 805	58 084	41 011	15 858
1989	18 505	852	3 429	22 786	24 126	5 750	250	30 126	52 912	43 499	21 248
1990	20 917	732	3 144	24 793	23 982	8 263	-	32 245	57 038	48 121	23 114
1991	38 703	2 437	2 506	43 646	31 018	12 208	5 180	48 406	92 052	55 165	15 956
1992	100 244	3 669	2 474	106 387	40 578	13 555	14 762	68 895	175 282	..	..
1992											
Feb.	45 885	2 904	2 466	51 255	32 232	12 205	6 430	50 867	102 122	56 567	17 967
March	47 575	2 843	2 401	52 819	32 629	12 199	7 201	52 029	104 848	57 571	18 423
April	53 972	2 837	2 383	59 192	32 814	11 614	7 257	51 685	110 877	58 103	17 029
May	55 006	2 861	2 376	60 243	33 881	11 460	8 257	53 598	113 841	58 649	21 068
June	60 146	3 099	2 166	65 411	34 316	11 460	10 384	56 160	121 571	59 244	20 284
July	63 957	3 063	1 641	68 661	35 193	11 460	10 658	57 311	125 972	59 810	22 293
Aug.	66 790	3 050	1 630	71 470	34 862	11 460	11 901	58 223	129 693	60 172	20 510
Sept.	79 848	3 579	2 209	85 636	36 152	11 460	12 193	59 805	145 441	60 940	21 269
Oct.	84 008	3 599	2 549	90 156	37 427	11 460	14 533	63 420	153 576	61 672	22 952
Nov.	85 971	3 704	2 599	92 274	38 928	11 460	14 716	65 104	157 378	61 743	22 448
Dec.	100 244	3 669	2 474	106 387	40 578	13 555	14 762	68 895	175 282	..	..
1993											
Jan.	116 428	7 343	2 607	126 378	41 597	13 555	16 900	72 052	198 430	..	..
Feb.	130 937	8 155	4 440	143 532	44 537	13 598	20 397	78 532	222 064	..	..

5.5 MARKKA BOND MARKET

A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1988	3 027	8 418	6 889	268	61	7 861	6 522	4 280	18 663
1989	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
1990	4 640	17 891	4 420	490	1 007	17 234	607	10 607	28 447
1991	7 277	25 737	11 073	1 320	-	30 160	-	15 247	45 407
1992*	6 984	15 122	12 965	2 674	4	23 936	-	13 812	37 749
1992*									
Feb.	770	1 455	-	450	-	1 405	-	1 270	2 675
March	442	953	235	310	-	1 445	-	494	1 940
April	53	1 318	-	570	4	144	-	1 801	1 945
May	1 087	598	3 724	121	-	4 565	-	966	5 531
June	1 242	726	215	42	-	1 071	-	1 154	2 225
July	399	10	-	86	-	50	-	445	495
Aug.	18	1 445	175	20	-	1 620	-	38	1 657
Sept.	2	964	190	77	-	231	-	1 002	1 233
Oct.	1 371	692	2 966	208	-	3 307	-	1 930	5 237
Nov.	140	1 556	430	120	-	1 996	-	250	2 246
Dec.	1 065	4 559	-	600	-	2 178	-	4 046	6 224
1993*									
Jan.	624	1 050	1 766	276	-	2 776	-	940	3 716
Feb.	471	1 178	3 480	283	-	4 760	-	652	5 412

B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1988	19 195	42 892	28 953	1 413	292	32 028	30 054	30 663	92 745
1989	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
1990	23 522	59 756	28 812	1 756	1 298	52 273	22 970	39 902	115 145
1991	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
1992*	26 617	82 319	44 005	5 237	3 358	89 534	13 917	58 085	161 536
1991									
IV	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
1992*									
I	26 650	77 864	36 796	3 555	3 724	80 892	15 977	51 720	148 589
II	26 383	80 295	37 744	4 306	3 721	83 427	15 314	53 707	152 449
III	26 079	80 658	39 579	4 457	3 720	86 058	14 329	54 106	154 493
IV	26 617	82 319	44 005	5 237	3 358	89 534	13 917	58 085	161 536

C) TURNOVER, MILL. FIM

During period	Interbank	Between banks and customers	Primary dealers' transactions in benchmark government bonds		
			Purchases from other primary dealers	Purchases from others	Sales to others
	1	2	3	4	5
1988	..	..	.	.	.
1989	6 500	9 660	.	.	.
1990	5 401	6 058	.	.	.
1991	3 343	29 134	.	.	.
1992	18 221	58 594 [†]	10 744	12 156	13 354 [†]
1992					
March	636	3 608	.	.	.
April	2 480	2 493	.	.	.
May	360	1 618	.	.	.
June	846	1 848	.	.	.
July	859	2 604	.	.	.
Aug.	3 756	5 058	3 574	2 130	1 798
Sept.	3 272	7 360	2 930	2 566	2 218
Oct.	1 918	8 934 [†]	1 600	2 059	3 171 [†]
Nov.	1 481	8 642 [†]	1 270	2 469	3 201 [†]
Dec.	1 460	8 073	1 370	2 932	2 966
1993					
Jan.	2 566	10 760	2 350	3 889	4 923
Feb.	2 762	14 290	2 690	4 909	7 933
March	3 760	15 481	3 400	5 482	8 300

5.6 HELSINKI STOCK EXCHANGE

Average of daily observations	Share prices									Turnover ¹ , mill. FIM		
	HEX index (28 Dec., 1990=1000)									Shares and subscription rights	Bonds and debentures	Total
	All-share index	By ownership			By industry							
		Re-stricted	Non-re-stricted	Banks and finance	Insurance and investment	Manu-facturing	Of which:					
	1	2	3	4	5	6	7	8	9	10	11	12
1988	1 692	1 727	1 473	1 825	1 371	1 705	1 591	1 629	2 013	31 734	5 718	37 452
1989	1 827	1 850	1 689	1 958	1 528	1 818	1 728	1 748	2 061	33 160	7 375	40 536
1990	1 330	1 322	1 393	1 260	1 182	1 374	1 435	1 281	1 472	15 521	4 550	20 071
1991	962	949	1 062	901	898	1 003	1 075	1 076	1 020	6 339	1 315	7 655
1992	772	759	868	425	467	942	1 123	1 206	890	10 277	15 377	25 654
1992												
March	858	845	959	595	612	991	1 159	1 204	941	581	41	622
April	805	791	907	530	552	941	1 124	1 171	878	418	23	441
May	849	838	929	542	538	1 014	1 202	1 317	950	674	104	778
June	788	776	877	411	474	972	1 182	1 298	904	606	511	1 118
July	722	710	811	345	425	901	1 082	1 210	835	406	902	1 308
Aug.	639	628	719	286	343	803	969	1 120	728	313	898	1 211
Sept.	576	564	667	205	250	750	944	1 085	653	614	1 449	2 062
Oct.	651	637	747	227	289	852	1 017	1 184	791	1 233	2 208	3 441
Nov.	809	796	905	344	429	1 033	1 184	1 311	1 012	1 474	2 562	4 037
Dec.	845	829	959	329	424	1 096	1 203	1 296	1 127	2 521	6 543	9 064
1993												
Jan.	875	.	.	314	422	1 143	1 158	1 331	1 214	1 803	4 114	5 917
Feb.	913	.	.	348	449	1 187	1 246	1 378	1 250	2 268	4 461	6 730
March	994	.	.	429	483	1 295	1 437	1 417	1 371	3 019	5 354	8 374

¹ During period.

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, feb	Trans- port receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Invest- ment income	Trans- fers and other income	Current account receipts (6+7+8)	Imports of goods, dif	Trans- port ex- pend- iture	Travel ex- pend- iture	Other services ex- pend- iture	
	1	2	3	4	5	6	7	8	9	10	11	12	13	
1988	91 313	7 026	4 280	6 132	17 438	108 750	9 377	4 415	122 543	91 232	3 338	7 907	7 390	
1989	98 265	7 662	4 497	6 277	18 436	116 701	10 212	3 652	130 565	104 400	3 869	8 969	8 759	
1990	99 750	8 347	4 650	6 081	19 077	118 827	12 739	4 461	136 027	101 967	4 363	10 766	9 503	
1991*	91 100	7 508	5 044	5 636	18 189	109 289	10 003	5 120	124 412	86 348	3 974	11 089	11 011	
1992*	105 583	8 402	5 894	7 268	21 564	127 147	6 771	5 606	139 525	93 422	4 217	10 772	13 044	
1990														
III	22 902	2 189	1 598	1 186	4 973	27 875	2 607	1 104	31 587	23 063	1 054	2 912	2 089	
IV	26 010	2 078	1 188	1 728	4 994	31 004	3 642	1 130	35 776	26 765	1 277	2 760	2 974	
1991*														
I	21 947	1 759	915	1 462	4 136	26 084	3 022	1 242	30 348	22 015	968	2 592	2 833	
II	21 204	1 850	1 256	1 282	4 389	25 593	2 376	1 323	29 293	20 895	1 019	2 583	2 599	
III	22 749	2 030	1 629	1 274	4 932	27 681	2 557	1 233	31 471	20 526	1 020	2 899	2 439	
IV	25 199	1 869	1 244	1 618	4 731	29 931	2 047	1 322	33 300	22 912	967	3 014	3 139	
1992*														
I	24 738	1 902	1 136	1 718	4 756	29 494	2 494	1 305	33 293	22 755	1 045	2 703	3 400	
II	26 409	2 111	1 470	1 595	5 175	31 585	1 487	1 329	34 400	24 222	1 078	2 793	2 966	
III	24 804	2 319	1 937	1 744	6 001	30 805	1 375	1 423	33 603	20 755	1 063	2 835	3 148	
IV	29 632	2 070	1 351	2 212	5 633	35 265	1 415	1 549	38 229	25 690	1 031	2 441	3 529	
During period	Services ex- pend- iture, total (11+12 +13)	Imports of goods and services (10+14)	Invest- ment ex- pend- iture	Trans- fers and other ex- pend- iture	Current account ex- pend- iture (15+16 +17)	Trade account (1-10)	Trans- port (2-11)	Travel (3-12)	Other services (4-13)	Services account (20+21 +22)	Goods and services account (19+23)	Invest- ment income, net (7-16)	Trans- fers and others, net (8-17)	Current account (24+25 +26)= (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1988	18 634	109 866	17 033	6 975	133 874	80	3 689	-3 627	-1 258	-1 196	-1 116	-7 656	-2 560	-11 331
1989	21 596	125 996	21 882	7 561	155 439	-6 134	3 793	-4 471	-2 482	-3 160	-9 294	-11 670	-3 910	-24 874
1990	24 632	126 599	26 973	8 967	162 540	-2 218	3 984	-6 117	-3 422	-5 555	-7 772	-14 234	-4 506	-26 513
1991*	26 074	112 421	28 674	10 013	151 108	4 752	3 534	-6 044	-5 374	-7 885	-3 132	-18 671	-4 893	-26 696
1992*	28 033	121 455	30 582	10 265	162 302	12 161	4 185	-4 878	-5 775	-6 468	5 693	-23 810	-4 659	-22 777
1990														
III	6 054	29 117	6 415	2 132	37 665	-161	1 136	-1 314	-903	-1 082	-1 243	-3 808	-1 028	-6 078
IV	7 011	33 776	7 141	2 289	43 206	-755	801	-1 572	-1 246	-2 017	-2 772	-3 499	-1 159	-7 430
1991*														
I	6 394	28 408	7 642	2 973	39 023	-67	791	-1 677	-1 371	-2 257	-2 325	-4 620	-1 731	-8 676
II	6 201	27 096	7 805	2 161	37 063	309	831	-1 326	-1 317	-1 812	-1 503	-5 429	-838	-7 771
III	6 358	26 884	6 716	2 190	35 790	2 223	1 010	-1 270	-1 165	-1 425	797	-4 159	-957	-4 319
IV	7 121	30 033	6 510	2 689	39 232	2 288	902	-1 770	-1 521	-2 389	-102	-4 463	-1 367	-5 931
1992*														
I	7 148	29 904	8 357	3 164	41 425	1 982	857	-1 567	-1 682	-2 393	-410	-5 864	-1 859	-8 133
II	6 837	31 059	7 661	2 417	41 136	2 188	1 033	-1 323	-1 372	-1 662	526	-6 174	-1 088	-6 736
III	7 046	27 801	6 909	2 420	37 130	4 049	1 256	-898	-1 404	-1 045	3 004	-5 534	-997	-3 528
IV	7 001	32 691	7 654	2 264	42 610	3 942	1 039	-1 090	-1 318	-1 368	2 573	-6 239	-715	-4 381

6.2 CAPITAL ACCOUNT¹, MILL. FIM

During period	Imports of long-term capital				Exports of long-term capital					Long-term capital account (5-10)	Basic balance	
	Direct investment in Finland	Portfolio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Portfolio investment abroad	Loans	Other long-term capital			Total (6+7+8+9)
	1	2	3	4	5	6	7	8	9	10	11	12
1988	2 218	14 355	3 062	85	19 720	10 919	1 248	3 931	292	16 390	3 331	- 8 001
1989	2 095	14 756	8 608	79	25 538	13 327	180	5 323	273	19 103	6 435	- 18 439
1990	3 010	22 656	19 674	169	45 509	12 471	577	- 499	294	12 843	32 666	6 153
1991*	- 997	38 004	12 945	561	50 512	4 303	- 371	838	101	4 871	45 641	18 945
1992*	807	36 954	4 333	- 157	41 937	4 369	189	2 065	344	6 967	34 970	12 193
1990												
III	85	6 702	2 518	- 26	9 279	2 640	284	- 2 963	10	- 29	9 308	3 230
IV	2 024	6 330	3 261	103	11 718	5 054	416	- 1 348	128	4 250	7 468	38
1991*												
I	116	7 776	3 602	- 267	11 228	1 199	- 16	17	165	1 365	9 863	1 188
II	99	16 668	3 779	484	21 030	1 171	- 434	589	- 19	1 307	19 723	11 952
III	- 435	10 402	2 775	- 61	12 681	1 330	434	- 520	- 2	1 242	11 440	7 121
IV	- 777	3 157	2 788	404	5 573	603	- 354	753	- 44	957	4 615	- 1 316
1992*												
I	464	3 923	- 979	794	4 202	1 613	186	302	273	2 374	1 829	- 6 304
II	35	12 917	487	- 392	13 047	156	1 144	- 266	29	1 062	11 985	5 249
III	- 49	5 336	771	- 1	6 056	1 018	- 997	1 008	80	1 109	4 947	1 419
IV	357	14 777	4 054	- 557	18 631	1 582	- 143	1 020	- 36	2 422	16 209	11 829

During period	Imports of short-term capital				Exports of short-term capital				Errors and omissions	Short-term capital account (16-20+21)	Overall balance excl. reserve movements (12+22)	Change in central bank's foreign exchange reserves
	Short-term capital imports of authorized banks	Trade credits	Other short-term capital	Total (13+14+15)	Short-term capital exports of authorized banks	Trade credits	Other short-term capital	Total (17+18+19)				
	13	14	15	16	17	18	19	20	21	22	23	24
1988	10 950	- 399	- 811	9 740	2 331	644	1 995	4 971	3 415	8 183	183	- 183
1989	4 285	1 627	3 679	9 592	1 462	475	710	2 647	5 533	12 478	- 5 961	5 961
1990	16 258	1 119	- 1 357	16 020	- 2 290	- 1 254	1 244	- 2 300	- 9 381	8 939	15 092	- 15 092
1991*	- 13 133	817	- 1 301	- 13 617	6 261	957	3 285	10 503	- 1 229	- 25 349	- 6 404	6 404
1992*	- 28 341	8 967	11 116	- 8 259	- 504	4 362	5 665	9 524	- 3 659	- 21 442	- 9 249	9 249
1990												
III	- 1 155	- 201	517	- 838	- 729	- 34	238	- 525	- 857	- 1 170	2 059	- 2 059
IV	- 11 196	- 6	- 1 088	- 12 290	- 13 404	- 34	- 467	- 13 905	- 241	1 374	1 412	- 1 412
1991*												
I	18 038	- 1 035	2 367	19 370	22 472	- 602	3 978	25 847	2 187	- 4 290	- 3 102	3 102
II	- 10 815	3	- 605	- 11 416	515	- 516	1 972	1 971	- 786	- 14 173	- 2 221	2 221
III	- 16 261	392	- 583	- 16 453	- 3 091	1 048	1 869	- 174	2 252	- 14 026	- 6 905	6 905
IV	- 4 094	1 456	- 2 481	- 5 118	- 13 635	1 027	- 4 534	- 17 141	- 4 883	7 140	5 824	- 5 824
1992*												
I	- 2 010	306	3 490	1 786	- 4 134	959	1 720	- 1 455	1 422	4 663	- 1 641	1 641
II	- 9 527	4 056	416	- 5 056	- 1 612	1 198	- 3 259	- 3 674	- 4 916	- 6 298	- 1 049	1 049
III	- 11 092	1 556	12 295	2 759	6 064	336	322	6 722	- 3 621	- 7 585	- 6 165	6 165
IV	- 5 712	3 049	- 5 085	- 7 748	- 822	1 870	6 881	7 930	3 456	- 12 222	- 394	394

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

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

End of period	Long-term liabilities					Long-term assets					Long-term debt, net (5-10)
	Direct investment in Finland	Portfolio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Portfolio investment abroad	Loans	Other long-term capital	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
1988	12 673	68 957	33 117	915	115 662	24 199	8 223	19 417	2 484	54 323	61 339
1989	16 093	82 313	40 110	994	139 510	33 234	7 680	24 572	2 757	68 243	71 267
1990	18 651	98 399	51 744	4 630	173 424	43 931	7 184	25 595	5 487	82 196	91 228
1991*	17 443	148 446	69 681	5 427	240 997	53 285	7 561	27 707	6 161	94 713	146 283
1992*	18 250	214 180	85 050	6 347	323 827	65 840	9 108	33 400	7 629	115 976	207 851
1990											
III	16 741	90 866	54 362	1 060	163 029	39 321	7 330	24 996	2 923	74 570	88 459
IV	18 651	98 399	51 744	4 630	173 424	43 931	7 184	25 595	5 487	82 196	91 228
1991*											
I	18 714	113 555	56 270	4 234	192 773	45 383	7 307	25 856	5 914	84 459	108 313
II	18 760	130 670	61 363	4 741	215 534	46 808	6 917	26 904	6 061	86 690	128 844
III	18 273	136 365	63 708	4 718	223 064	48 391	7 385	25 837	5 934	87 547	135 517
IV	17 443	148 446	69 681	5 427	240 997	53 285	7 561	27 707	6 161	94 713	146 283
1992*											
I	17 907	155 836	70 591	6 513	250 847	54 898	8 053	28 992	6 738	98 681	152 166
II	17 942	164 855	69 038	6 061	257 896	55 054	9 242	27 836	6 503	98 635	159 261
III	17 893	188 562	77 476	6 652	290 584	64 258	8 654	30 798	7 109	110 818	179 765
IV	18 250	214 180	85 050	6 347	323 827	65 840	9 108	33 400	7 629	115 976	207 851

End of period	Short-term liabilities					Short-term assets					Short-term liabilities, net (16-21)	Debt, net (11+22)	Net interest and dividend expenditure	Net interest and dividend expenditure in relation to current account receipts
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits	Other short-term liabilities	Total (12+13+14+15)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits	Other short-term assets	Total (17+18+19+20)				
	12	13	14	15	16	17	18	19	20	21	22	23	24	25
1988	3 341	83 828	11 070	9 039	107 278	32 037	32 108	16 041	4 789	84 975	22 303	83 642	7 933	6.5
1989	3 558	88 751	12 697	12 883	117 889	25 113	33 569	16 516	5 666	80 864	37 024	108 291	10 453	8.0
1990	3 922	106 548	13 466	13 864	137 801	39 506	27 190	14 372	6 608	87 676	50 125	141 353	13 130	9.7
1991*	3 149	100 837	14 233	14 703	132 921	35 922	36 727	15 845	10 578	99 072	33 849	180 132	15 734	12.7
1992*	7 849	86 864	23 207	22 653	140 573	33 966	43 603	20 717	15 464	113 751	26 822	234 673	20 210	14.5
1990														
III	4 071	117 679	13 468	12 544	147 763	38 454	44 683	15 297	7 325	105 759	42 004	130 463	3 532	11.2
IV	3 922	106 548	13 466	13 864	137 801	39 506	27 190	14 372	6 608	87 676	50 125	141 353	3 223	9.0
1991*														
I	3 399	127 305	12 323	17 232	160 259	37 748	48 792	13 766	11 366	111 672	48 587	156 901	3 886	12.8
II	2 889	117 997	12 318	17 498	150 702	36 023	50 406	13 271	13 753	113 453	37 249	166 092	4 695	16.0
III	2 826	100 908	12 710	16 703	133 147	29 006	47 064	14 326	15 153	105 549	27 599	163 116	3 424	10.9
IV	3 149	100 837	14 233	14 703	132 921	35 922	36 727	15 845	10 578	99 072	33 849	180 132	3 729	11.2
1992*														
I	3 185	102 919	14 506	18 439	139 048	35 429	32 960	16 974	12 796	98 158	40 890	193 056	4 964	14.9
II	3 242	91 661	18 587	18 157	131 646	33 516	32 786	18 120	9 106	93 528	38 118	197 379	5 274	15.3
III	14 067	88 898	20 166	21 248	144 379	29 484	43 316	18 946	9 907	101 652	42 727	222 492	4 634	13.8
IV	7 849	86 864	23 207	22 653	140 573	33 966	43 603	20 717	15 464	113 751	26 822	234 673	5 339	14.0

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

End of period	Long-term liabilities					Total (1+2+3+4+5)	Long-term assets					Long-term liabilities, net (6-12)	
	Corporate sector	Banks	Other financial institutions	Central government	Other		Corporate sector	Banks	Other financial institutions	Central government	Other		Total (7+8+9+10+11)
	1	2	3	4	5	6	7	8	9	10	11	12	13
1988	46 471	27 427	14 339	26 926	499	115 662	25 093	21 607	3 573	3 101	949	54 323	61 339
1989	58 009	40 199	17 665	23 063	574	139 510	34 828	26 048	2 313	3 517	1 537	68 243	71 267
1990	65 553	56 394	21 694	29 174	610	173 424	45 372	28 423	2 075	4 279	2 047	82 196	91 228
1991*	79 266	69 014	35 626	56 377	713	240 997	57 457	27 619	2 092	4 752	2 794	94 713	146 283
1992*	87 108	68 054	48 523	118 081	2 061	323 827	72 817	30 708	3 122	6 034	3 296	115 976	207 851
1990													
III	62 837	54 562	21 377	23 580	673	163 029	39 882	27 193	1 763	3 772	1 960	74 570	88 459
IV	65 553	56 394	21 694	29 174	610	173 424	45 372	28 423	2 075	4 279	2 047	82 196	91 228
1991*													
I	71 346	58 048	26 532	36 123	724	192 773	47 427	28 015	2 114	4 651	2 252	84 459	108 313
II	77 127	65 685	33 213	38 814	696	215 534	49 671	27 523	2 093	5 040	2 362	86 690	128 844
III	77 071	66 742	34 196	44 332	723	223 064	51 407	26 843	2 109	4 655	2 534	87 547	135 517
IV	79 266	69 014	35 626	56 377	713	240 997	57 457	27 619	2 092	4 752	2 794	94 713	146 283
1992*													
I	80 395	67 432	36 032	65 370	1 617	250 847	59 636	28 516	2 271	5 367	2 890	98 681	152 166
II	78 074	61 908	37 685	78 534	1 695	257 896	60 153	28 119	2 265	5 147	2 951	98 635	159 261
III	84 246	66 370	39 131	98 824	2 012	290 584	69 216	30 385	2 422	5 528	3 268	110 818	179 765
IV	87 108	68 054	48 523	118 081	2 061	323 827	72 817	30 708	3 122	6 034	3 296	115 976	207 851

7. FOREIGN TRADE

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

During period	Exports, feb	Imports, cif	Balance (1-2)
	1	2	3
1988	92 902	92 118	784
1989	99 784	105 516	-5 732
1990	101 327	103 027	-1 700
1991*	92 842	87 744	5 098
1992*	107 471	94 988	12 483
1992*			
Feb.	8 282	7 769	513
March	9 327	8 155	1 172
April	8 742	8 432	310
May	9 098	8 094	1 004
June	9 019	8 097	922
July	7 972	6 754	1 218
Aug.	7 615	6 871	744
Sept.	9 658	7 489	2 169
Oct.	10 200	8 756	1 444
Nov.	10 532	8 740	1 792
Dec.	9 441	8 613	828
1993*			
Jan.	9 242	6 566	2 676
Feb.	10 243	9 033	1 210

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

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1988	121	130	145	122	119
1989	121	144	156	126	123
1990	125	138	154	128	120
1991*	114	115	154	131	118
1992*	124	112	164	145	113
1992*					
III	114	124	155	129	120
IV	130	139	154	133	116
1991*					
I	110	117	154	131	118
II	107	112	153	130	118
III	113	109	156	132	119
IV	124	118	157	135	116
1992*					
I	118	112	162	142	114
II	125	118	162	143	113
III	117	102	163	142	115
IV	133	116	171	154	111

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, feb					Imports by use of goods, cif				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
1988	7 567	30 474	8 450	29 225	17 186	45 791	7 533	17 274	20 828	692
1989	7 416	32 513	8 844	32 682	18 329	51 786	8 310	20 606	24 055	759
1990	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
1991*	6 984	29 695	10 539	29 188	16 436	42 505	9 399	13 973	21 195	672
1992*	7 892	32 587	12 172	35 741	19 079	49 514	9 745	13 348	20 826	1 555
1992*										
Feb.	641	2 589	1 089	2 302	1 661	3 864	608	1 285	1 894	118
March	654	2 756	1 179	3 091	1 647	4 265	660	1 055	2 077	98
April	746	2 798	1 068	2 571	1 559	4 300	710	1 401	1 902	119
May	712	2 567	1 074	3 183	1 562	4 118	909	1 429	1 610	28
June	679	2 643	967	3 155	1 575	4 548	742	1 162	1 538	107
July	504	2 393	761	3 122	1 192	3 463	776	907	1 538	70
Aug.	530	2 336	919	2 335	1 495	3 660	690	752	1 552	217
Sept.	687	2 914	1 026	3 244	1 787	4 129	546	903	1 789	122
Oct.	797	3 186	1 027	3 331	1 859	4 498	1 064	1 199	1 890	105
Nov.	770	3 010	1 205	3 789	1 758	4 809	1 058	1 039	1 755	79
Dec.	644	2 949	870	3 421	1 557	4 280	1 300	1 122	1 534	377
1993*										
Jan.	706	2 677	1 048	3 253	1 558	3 683	547	884	1 390	62
Feb.	776	3 069	1 134	3 259	2 005	4 347	1 095	1 661	1 850	80

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, fob				Imports, cif			
	1992 *		1993 * January		1992 *		1993 * January	
	MILL. FIM	Percentage share	MILL. FIM	Percentage change from the corresponding period of the previous year	MILL. FIM	Percentage share	MILL. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	88 347	82.2	6 853	10.2	75 180	79.1	4 961	-13.0
OECD Europe	78 566	73.1	6 010	7.1	62 972	66.3	3 919	-15.9
Of which:								
Austria	1 368	1.3	98	-3.0	1 162	1.2	49	-38.3
Belgium and Luxembourg	2 785	2.6	213	-1.5	2 688	2.8	170	-14.9
Denmark	3 858	3.6	324	3.2	3 192	3.4	189	-24.5
France	7 204	6.7	508	1.5	4 382	4.6	303	-4.0
Germany	16 806	15.6	1 282	3.3	16 085	16.9	882	-20.6
Italy	4 302	4.0	321	12.1	3 425	3.6	233	-8.9
Netherlands	5 628	5.2	466	9.7	3 458	3.6	243	-12.7
Norway	3 775	3.5	287	23.6	3 825	4.0	287	-14.1
Spain	2 842	2.6	209	-1.1	1 167	1.2	94	-32.4
Sweden	13 771	12.8	1 049	4.9	11 133	11.7	670	-17.4
Switzerland	1 921	1.8	137	-11.0	1 842	1.9	119	-8.2
United Kingdom	11 519	10.7	863	14.3	8 213	8.6	486	-15.8
Other OECD	9 781	9.1	843	38.9	12 209	12.9	1 041	0.0
Of which:								
Canada	751	0.7	84	129.8	616	0.6	56	44.4
Japan	1 370	1.3	109	-15.8	5 202	5.5	457	4.4
United States	6 365	5.9	519	45.7	5 792	6.1	485	-9.9
Non- OECD European countries	7 310	6.8	702	13.1	9 681	10.2	878	16.3
Of Which:								
Russia	3 020	2.8	368	..	6 725	7.1	676	..
Other countries	11 814	11.0	1 687	126.4	10 127	10.7	728	-4.8
Of which:								
OPEC countries	1 927	1.8	189	88.7	1 497	1.6	22	-82.6
TOTAL	107 471	100.0	9 242	21.8	94 988	100.0	6 566	-9.0
Of which:								
EC countries	57 150	53.2	4 352	6.5	44 801	47.2	2 781	-15.6
EFTA countries	20 959	19.5	1 579	5.7	18 033	19.0	1 128	-16.8

8. DOMESTIC ECONOMIC DEVELOPMENTS

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

(seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4	5	6	7	8	9
1988	209 956	75 190	81 839	11 446	9 062	387 493	105 897	118 405	374 985
1989	218 775	77 117	95 178	11 234	14 056	416 360	107 552	128 834	395 078
1990	219 293	80 525	88 429	12 720	13 992	414 959	109 236	127 735	396 460
1991*	211 181	82 338	68 465	12 701	6 723	381 408	101 932	112 277	371 063
1992*	199 052	82 250	57 944	11 533	8 486	359 265	111 186	112 755	357 696
1990									
III	54 798	20 203	21 081	3 123	3 569	102 774	26 534	30 373	98 935
IV	54 187	20 314	21 187	3 183	3 409	102 281	26 327	30 909	97 699
1991*									
I	53 328	20 426	19 487	3 150	2 829	99 220	25 261	29 529	94 951
II	52 957	20 540	17 089	3 526	1 685	95 796	24 272	27 117	92 951
III	52 830	20 637	16 181	3 181	784	93 613	26 721	28 182	92 152
IV	52 067	20 735	15 708	2 845	1 424	92 778	25 678	27 448	91 009
1992*									
I	51 229	20 444	15 375	2 995	1 557	91 601	27 243	28 675	90 170
II	49 790	20 533	15 203	2 995	2 132	90 653	28 296	29 126	89 822
III	49 442	20 600	14 411	2 746	2 232	89 430	27 406	27 392	89 443
IV	48 591	20 674	12 955	2 797	2 565	87 582	28 241	27 562	88 261

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1985=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manufacturing	Wood and paper industries	Metal and engineering industries	Other manufacturing	Energy and water supply
	(100.0)	(1.6)	(87.9)	(16.8)	(30.0)	(41.4)	(16.5)
	1	2	3	4	5	6	7
1988	110.9	108.8	111.0	113.1	114.5	107.6	110.1
1989	114.6	117.9	115.0	116.6	121.5	109.6	110.5
1990	114.2	115.7	114.4	114.6	122.0	108.7	112.9
1991*	104.1	106.4	102.4	104.7	104.9	99.7	117.6
1992*	107.5	115.9	106.1	109.6	115.7	97.7	117.4
1992*							
Jan.	103.1	109.0	101.2	105.0	104.6	96.7	116.1
Feb.	104.5	112.3	103.3	110.8	108.4	95.8	114.7
March	106.3	120.9	105.2	108.9	114.2	97.1	115.9
April	108.0	114.4	106.7	107.3	117.6	99.0	118.2
May	108.0	139.7	106.9	110.5	116.4	98.4	112.9
June	110.5	173.2	108.9	109.2	119.1	99.1	111.4
July	108.7	117.3	108.1	103.6	123.2	100.8	109.8
Aug.	109.3	106.3	108.6	110.4	123.1	97.9	112.6
Sept.	105.6	106.8	105.7	112.2	113.2	96.3	115.3
Oct.	109.6	91.6	107.3	112.8	117.1	98.6	127.8
Nov.	108.9	106.7	106.1	112.9	116.0	96.5	129.4
Dec.	107.4	92.8	105.5	111.7	115.8	96.2	124.7
1993							
Jan.	109.4	105.3	107.9	119.2	118.6	94.9	120.6

8.3 INDICATORS OF DOMESTIC SUPPLY AND DEMAND, 1985=100

(seasonally adjusted figures)

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
1988	116.7	113.0	108.6	106.0	113.4	110.6	135.0	110.6
1989	124.2	117.0	130.3	132.9	137.6	125.2	161.4	115.3
1990	119.9	111.7	127.3	124.8	161.7	122.1	144.6	116.5
1991*	101.2	103.9	103.9	94.4	127.7	109.9	102.1	110.9
1992*	87.9	93.8	79.5	72.9	76.9	86.6	84.3	108.9
1991*								
Dec.	94.8	100.2	..	..	..	..	..	108.9
IV	95.3	101.9	89.9	78.2	97.7	100.8	110.6	108.9
1992*								
Jan.	97.0	104.4	..	..	..	..	..	107.8
Feb.	88.6	98.9	..	..	..	..	..	108.4
March	91.9	97.2	..	..	..	..	..	109.9
April	89.4	96.4	..	..	..	..	..	108.8
May	83.5	93.2	..	..	..	..	..	108.1
June	95.3	94.4	..	..	..	..	..	109.6
July	89.9	92.0	..	..	..	..	..	110.0
Aug.	83.1	89.5	..	..	..	..	..	108.8
Sept.	87.2	93.4	..	..	..	..	..	109.1
Oct.	84.8	91.2	..	..	..	..	..	108.6
Nov.	81.4	85.8	..	..	..	..	..	108.6
Dec.	82.2	89.3	..	..	..	..	..	108.8
I	92.5	100.2	88.2	82.9	92.5	96.5	87.4	108.7
II	89.4	94.7	83.9	81.7	78.1	91.6	106.2	108.8
III	86.7	91.6	82.0	75.0	85.0	83.5	63.9	109.3
IV	82.8	88.8	67.9	53.9	52.3	74.7	79.6	108.7

8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors				Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index	
		Private Total	Of which: Manufacturing (SIC 3)	Central government	Local government			Non-profit institutions	Domestic goods		Imported goods	Exported goods		Home market goods
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1988	124.7	124.6	122.7	128.8	122.0	128.0	112.6	101.5	104.9	89.1	101.7	103.8	100.7	116.3
1989	135.7	136.5	133.8	137.4	132.1	137.1	120.0	107.3	111.3	92.6	107.8	110.5	106.4	125.5
1990	148.2	148.8	146.8	149.8	144.7	150.0	127.3	110.9	115.7	93.6	110.0	110.4	109.8	134.5
1991¹	157.6	158.3	156.2	157.9	154.8	158.9	132.6	111.2	115.8	94.2	109.9	108.7	110.4	137.3
1992¹	160.5	160.8	159.7	161.1	158.6	162.4	136.0	112.4	115.6	100.9	112.6	113.4	112.3	134.9
1991¹														
IV	159.6	160.1	158.3	159.9	157.3	161.4	133.6	111.1	115.4	95.6	110.3	109.0	110.8	137.3
1992¹														
Feb.	..	..	..	..	..	..	135.0	112.0	115.6	99.0	111.4	111.6	111.3	136.5
March	..	..	..	..	..	..	135.4	112.1	115.6	99.2	111.5	111.7	111.4	136.5
April	..	..	..	..	..	..	135.9	112.3	115.8	99.8	112.0	112.0	112.0	135.5
May	..	..	..	..	..	..	136.0	112.3	115.7	99.9	112.5	112.6	112.4	134.8
June	..	..	..	..	..	..	136.3	112.3	115.7	100.0	112.8	113.2	112.6	133.7
July	..	..	..	..	..	..	136.1	112.2	115.9	99.0	112.9	113.2	112.8	134.0
Aug.	..	..	..	..	..	..	135.9	112.0	115.7	98.6	112.4	111.8	112.7	133.7
Sept.	..	..	..	..	..	..	136.4	112.2	115.2	101.3	113.2	115.0	112.3	134.5
Oct.	..	..	..	..	..	..	136.9	113.3	115.7	104.3	113.8	115.9	112.8	134.7
Nov.	..	..	..	..	..	..	137.1	113.4	115.5	105.5	114.1	116.7	112.8	134.4
Dec.	..	..	..	..	..	..	136.8	113.4	115.5	105.9	114.0	115.9	113.0	134.0
I	160.0	160.5	159.3	160.5	158.0	161.8	135.0	111.9	115.5	98.9	111.3	111.6	111.2	136.5
II	160.6	161.1	160.2	160.9	158.4	162.3	136.1	112.3	115.7	99.9	112.4	112.6	112.3	134.7
III	160.3	160.6	159.2	161.3	158.6	162.6	136.2	112.2	115.6	99.6	112.8	113.3	112.6	134.0
IV	160.9	161.1	160.0	161.6	159.5	163.0	136.9	113.4	115.6	105.2	113.9	116.2	112.9	134.3
1993¹														
Jan.	..	..	..	..	..	..	138.2	113.9	115.8	107.1	114.4	116.5	113.4	134.9
Feb.	..	..	..	..	..	..	138.6	115.3	116.6	109.8	115.9	118.9	114.5	134.8

¹ Preliminary figures for columns 1—6.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status			By industry			Unemployed	Unemployment rate
				Self-employed	Wage and salary earners	Agriculture and forestry	Industry	Construction	Service industries		
		1000 persons									
%											%
	1	2	3	4	5	6	7	8	9	10	11
1988	68.4	2 546	2 431	368	2 062	238	553	188	1 452	116	4.6
1989	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5
1990	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4
1991	67.4	2 533	2 340	340	2 000	197	502	179	1 461	193	7.6
1992	66.1	2 502	2 174	325	1 849	188	454	150	1 382	328	13.1
1992											
Feb.	66.5	2 513	2 226	324	1 901	196	469	179	1 382	287	11.4
March	66.6	2 516	2 222	329	1 893	197	461	154	1 410	294	11.7
April	65.8	2 486	2 193	327	1 866	186	457	150	1 399	294	11.8
May	66.1	2 501	2 192	332	1 860	189	453	154	1 395	310	12.4
June	66.3	2 508	2 188	331	1 857	191	454	156	1 387	321	12.8
July	65.8	2 491	2 164	326	1 838	185	453	146	1 380	327	13.1
Aug.	66.5	2 518	2 163	330	1 833	187	446	150	1 380	355	14.1
Sept.	65.7	2 489	2 145	321	1 825	186	456	150	1 354	344	13.8
Oct.	66.0	2 501	2 135	320	1 815	181	454	132	1 368	366	14.6
Nov.	66.2	2 510	2 125	315	1 810	176	441	141	1 367	385	15.3
Dec.	65.4	2 478	2 095	310	1 784	181	435	135	1 345	384	15.5
1993											
Jan.	65.7	2 493	2 091	304	1 786	177	436	125	1 353	402	16.1
Feb.	65.7	2 493	2 075	313	1 761	170	420	127	1 357	418	16.8

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

During period	Revenue						Expenditure				
	Direct taxes	Indirect taxes	Other taxes and similar revenue	Other revenue	Revenue before financial transactions (1+2+3+4)	Redemptions of loans granted by the state	Revenue before borrowing (5+6)	Consumption	Transfers and subsidies	Of which:	
										Local government	Other domestic sectors
	1	2	3	4	5	6	7	8	9	10	11
1987	29 454	57 312	491	12 391	99 648	2 482	102 129	29 419	59 498	26 456	30 964
1988	35 339	66 348	473	13 629	115 789	2 557	118 346	32 266	65 502	29 757	33 108
1989	39 397	76 458	471	15 990	132 316	3 926	136 241	35 082	72 008	33 244	35 715
1990	42 611	77 364	953	18 423	139 351	4 260	143 611	41 535	81 190	37 646	40 313
1991	41 054	73 251	1 136	19 182	134 624	4 442	139 069	45 085	101 220	42 297	55 160
1991											
Nov.	3 296	6 173	229	1 763	11 461	711	12 172	3 728	10 423	4 263	5 979
Dec.	3 876	6 691	66	2 636	13 270	418	13 688	3 927	10 463	3 857	5 844
1992											
Jan.	2 963	5 805	98	867	9 733	10	9 743	4 311	8 447	3 360	4 963
Feb.	2 854	6 461	84	1 098	10 497	7	10 504	4 000	8 004	3 387	4 449
March	- 420	5 048	227	2 355	7 210	2 041	9 251	3 889	9 055	3 808	4 542
April	4 629	5 583	119	2 373	12 704	83	12 787	4 022	9 590	3 818	5 394
May	3 068	5 722	131	2 012	10 933	32	10 965	3 782	9 010	3 658	5 183
June	4 310	5 615	135	2 097	12 157	339	12 496	4 390	8 760	4 005	4 514
July	3 662	6 074	275	1 234	11 245	78	11 323	5 073	7 975	3 469	4 319
Aug.	3 422	5 938	130	1 528	11 018	393	11 411	3 483	8 170	3 413	4 553
Sept.	3 091	5 663	117	1 510	10 381	137	10 517	3 887	8 179	3 440	4 575
Oct.	2 896	5 336	136	1 448	9 816	187	10 003	4 169	9 599	3 498	5 933
Nov.	2 984	5 925	110	1 751	10 770	704	11 474	3 806	9 072	3 463	5 492

During period	Expenditure					Financial balance			
	Fixed investment	Other expenditure	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)
1987	7 089	4 732	100 738	5 672	106 410	- 1 090	- 4 280	7 604	3 324
1988	7 565	5 614	110 946	6 529	117 476	4 842	870	2 417	3 287
1989	8 393	5 343	120 826	7 566	128 390	11 490	7 851	- 4 009	3 842
1990	5 962	4 927	133 614	9 319	142 934	5 737	678	1 201	1 879
1991	5 370	6 368	158 044	13 328	171 372	- 23 420	- 32 304	25 659	- 6 645
1991									
Nov.	458	327	14 936	1 012	15 947	- 3 475	- 3 775	5 865	2 089
Dec.	526	892	15 809	798	16 607	- 2 539	- 2 920	- 211	- 3 131
1992									
Jan.	340	846	13 944	792	14 737	- 4 211	- 4 994	1 161	- 3 833
Feb.	314	168	12 486	839	13 324	- 1 989	- 2 820	7 885	5 065
March	378	1 355	14 677	3 305	17 981	- 7 467	- 8 730	3 545	- 5 185
April	394	684	14 690	683	15 374	- 1 986	- 2 587	5 474	2 887
May	400	366	13 558	826	14 385	- 2 625	- 3 420	3 216	- 203
June	476	1 006	14 632	2 574	17 205	- 2 475	- 4 709	8 162	3 453
July	398	479	13 925	683	14 608	- 2 680	- 3 285	5 185	1 900
Aug.	387	331	12 371	7 005	19 375	- 1 353	- 7 964	4 133	- 3 831
Sept.	442	816	13 324	4 950	18 275	- 2 943	- 7 758	5 267	- 2 491
Oct.	439	1 229	15 436	937	16 373	- 5 620	- 6 370	8 365	1 995
Nov.	410	102	13 390	1 010	14 400	- 2 620	- 2 926	15 124	12 199

NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

GENERAL

Source

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

Symbols used

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

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

NOTES AND EXPLANATIONS TO TABLES

1 THE BALANCE SHEET OF THE BANK OF FINLAND

Table 1.2 Domestic financial sector. Term claims on deposit banks (Column 13) = bank certificates of deposit held by the Bank of Finland + securities with repurchase commitments. Liquidity position of deposit banks, net (Column 14): see explanation to Table 2.1. Other claims on financial institutions, net (Column 17) = bonds + other claims on financial institutions - other liabilities to financial institutions. *Corporate sector.* Special deposits and other items, net (Column 20) = bonds: other + other claims on corporations - deposits for investment and ship purchase - other liabilities to corporations.

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

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

Table 2.2 The cash reserve requirement is reported for the month by the end of which the deposit must be made with the Bank of Finland. The requirement is announced at the end of the previous month and is determined on the basis of the cash reserve base for that month. The rate of interest paid on cash reserve deposits is 3 percentage points less than three-month HELIBOR (from April to December 1992 2 percentage points) but at least 8 per cent. A supplementary cash reserve agreement was applied from April 1989 to end-1990. The (non-interest-bearing) additional deposits made under this agreement varied according to the bank or group of banks concerned, the amounts being based on the rate of growth in lending.

Table 2.3 Money market instruments are the instruments used by the Bank of Finland in its money market opera-

tions. Matured money market instruments, net, comprise both instruments purchased and sold. Money market transactions are recorded according to trade dates.

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

Table 2.5 As from the beginning of 1990, the statistics on the forward exchange market are based on data on individual contracts against the Finnish markka as reported by banks (excluding Columns 5 and 6). The statistics cover all authorized banks and contracts. The rates of exchange used in the statistics are the forward rates on the contract date.

3 RATES OF INTEREST

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

Table 3.2 The Bank of Finland's tender rate (column 1) is determined in tenders held by the Bank of Finland, in which the banks are asked to make bids or offers for money market instruments with a maturity of one month. The tender rate is the weighted average of accepted bids or offers, expressed as a simple annual interest rate. If, when requesting bids or offers, the Bank of Finland announces an acceptable interest rate (fixed-rate tender), the tender rate is the same as the rate announced by the Bank. The monthly figure for the tender rate is the arithmetic average of calendar day figures.

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

Table 3.3 The rates shown are based on the lending rates quoted for

the respective currencies in the Euro-market. ECU (Column 1): the weights of the ECU basket. 3 currencies (Column 2): DEM 60, USD 30 and GBP 10 per cent.

Table 3.4 Lending. New credits (Columns 1-4): rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts. Annual rates are arithmetic averages of monthly observations until 1987 after which they are weighted by loan amounts. Average lending rates (Columns 5 and 6) are all weighted by loan amounts. As from January 1989, the loans of Postipankki Ltd have been included in the commercial banks' outstanding stock of loans. *Deposits.* 24-month and 36-month tax-exempt deposits (Columns 7 and 8): from May (September) 1992, 24-month (36-month) deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less two percentage points (one percentage point). In the period from January 1989 to April 1992, 24-month deposits (Column 7) were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less one percentage point. Other tax-exempt deposits (Column 9): from May 1992, deposits other than 24-month or 36-month deposits are tax-exempt if they carry a maximum rate of interest as prescribed by law. The maximum rate was set at 4.5 per cent. In the period from January 1989 to April 1992, deposits other than 24-month deposits were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less 4 percentage points. All markka deposits (Column 10): the stock of deposits comprises all markka deposits by the public. The monthly and annual average rates of interest are weighted by deposit amounts. Other funding (Column 11): CDs outstanding + promissory notes + bonds. The average rate of interest is weighted by amounts. Total markka funding (Column 12); markka deposits by the public + banks' other markka funding. The rate of interest is weighted by amounts.

Table 3.5 Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered rates for taxable, fixed-rate bonds quoted daily by the five largest banks. Yields on taxable government bonds (Columns 3 and 4) are calculated by the Bank of Finland in a similar fashion. Until January 1992, the yield on 5-year taxable government bonds (Column 3) was calculated on a bullet bond due on 15 March 1994 with a coupon rate of 13 per cent. From February 1992 onwards the yield is calculated on a bullet bond due on 15 January 1999 with a coupon rate of 11 per cent. The yield on 10-year taxable government bonds (Column 4) is calculated on a housing bond (bullet) due on 15 March 2002 with a coupon rate of 10.75 per cent. The yield on taxable public issues (Column 5) is calculated as the arithmetic mean of yields on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon S25

loans, bonds with equity warrants and convertible debentures) issued by all issuers except the central government with a remaining maturity of between 3 and 6 years. The yield on taxfree public issues (Column 6) is calculated as the arithmetic mean of yields on fixed-rate public bonds with a remaining maturity of between 4 and 5 years. The Bank of Finland calculates the yields for columns 5 and 6 once a week on the basis of the trading quotations of the Helsinki Stock Exchange. Monthly observations are the averages of weekly observations and annual observations the averages of monthly observations.

4 RATES OF EXCHANGE

Table 4.2 FIM/ECU (Column 1): The markka value of the ECU is calculated as the sum of the dollar amounts of the currencies in the ECU valued at current market rates, for which daily quotations at noon Finnish time are used. The midpoint was FIM 4.87580 from 7 June to 14 November 1991, and FIM 5.55841 from 15 November 1991 to 7 September 1992, and the fluctuation limits were ± 3 per cent around the midpoint. Since 8 September 1992 the markka has been floating. Trade-weighted currency index (Column 2): The weights are moving averages of the shares of (currently) 14 countries in Finland's foreign merchandise trade (only convertible currencies are included). The payments currency index (Column 3): The weights are moving averages of shares of payments currencies (14 convertible currencies) in Finland's foreign trade. The MERM index (Column 4): The weights are fixed 1977 weights computed on the basis of the IMF's world trade model; 14 currencies are included in this index.

5 OTHER DOMESTIC FINANCING

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

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

Table 5.3 Foreign assets, net (Column 1) = the Bank of Finland's foreign claims + banks' foreign claims (incl. foreign claims of banks' foreign branches) - the Bank of Finland's foreign liabilities - banks' foreign liabilities (incl. foreign liabilities of banks' foreign branches). *Domestic credit*. Claims on the central government, net (Column 2) = the Bank of Finland's claims on the central government + banks' claims on the central government - the central government's deposits with the Bank of Finland and Postipankki - loans granted from state funds through banks. Claims on the public (incl. local government), (Column 3) = the Bank of Finland's claims on the private sector + banks' claims on the private sector (loans to the public, bonds and debentures (excl. government bonds and bank debentures), claims on other financial institutions, shares held by banks). Other items, net (Column 5) = capital accounts and other items of the Bank of Finland (incl. private sector time deposits with the Bank of Finland) + capital accounts of deposit banks + unclassified assets and liabilities of deposit banks, net (bank debentures, bank CDs held by the public, other market funding and foreign currency deposits by the public). M_1 (Column 6) = currency in circulation - banks' till money + markka cheque and postal giro account deposits and transactions account deposits held by the public. M_2 (Column 7) = M_1 + quasi-money (markka time deposits held by the public, excl. deposits with the Bank of Finland). M_3 (Column 8) = M_2 + bank CDs held by the public.

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

Table 5.5 Source: Table B: Statistics Finland from the beginning of 1991. Tables A and B include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland. Table C includes transactions in markka-denominated bonds outside the Helsinki Stock Exchange. Interbank transactions (Column 1) and transactions (purchases and sales) between banks and customers (Column 2) are transactions by the banks entitled to central bank financing. The State Treasury and, at this stage, the five largest banks (Kansallis-Osake-Pankki, Okobank, Postipankki, Skopbank and Union Bank of Finland have agreed on a market making arrangement for

benchmark government bonds with effect from 1 August 1992. Transactions (purchases) between primary dealers (Column 3) comprise transactions in benchmark government bonds between the banks that have signed the market making agreement. Purchases and sales between banks and others (Columns 4 and 5) consist of transactions in benchmark government bonds between primary dealers and other parties. Other parties refer to all parties that are not primary dealers.

Table 5.6 Source: The Helsinki Stock Exchange.

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

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

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

Table 6.3 Net foreign debt (Columns 1-23) at the end of a period is classified in the same way as the corresponding data on changes in the capital account (Table 6.2). The items included in net foreign debt have been translated into markkaa using the spot rates for each date. Thus the figures include the impact of changes in exchange rates.

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

7 FOREIGN TRADE

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

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

the import unit value index multiplied by one hundred.

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

8 DOMESTIC ECONOMIC DEVELOPMENTS

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

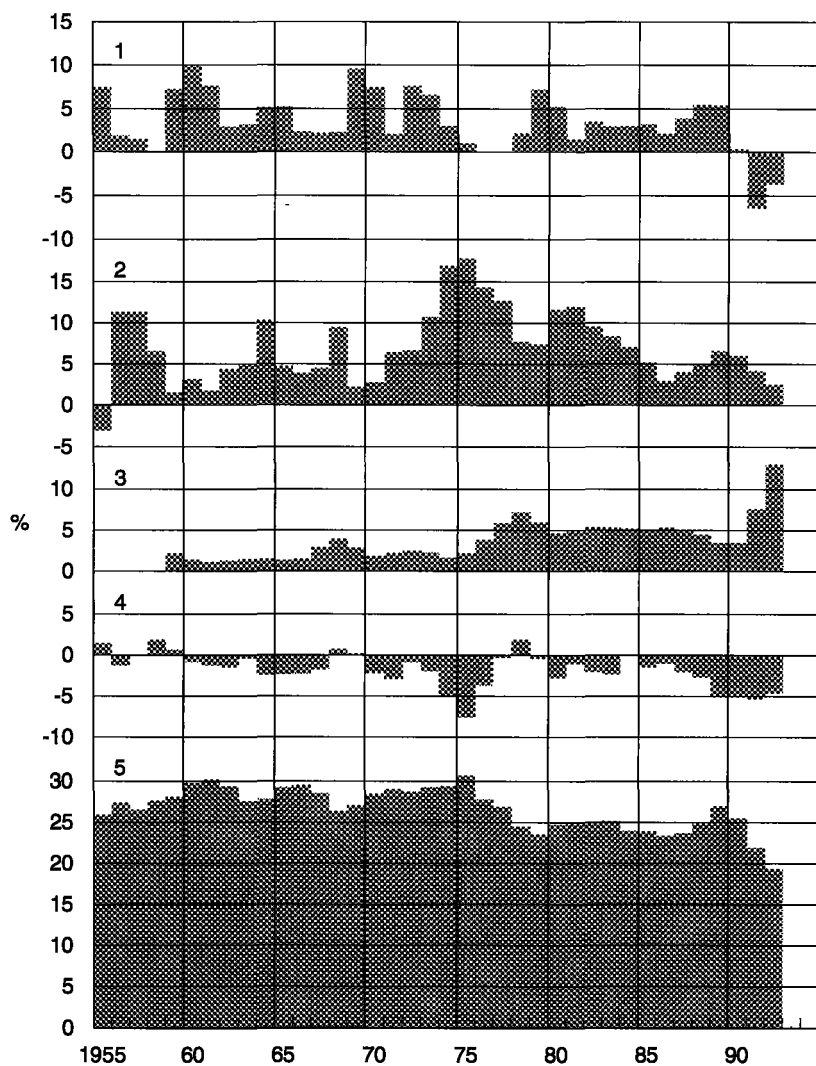
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

Table 8.4 The consumer price index (Column 7) was revised as from January 1988. Both the weights and the methods of calculation were changed (see the item in the March 1988 issue of the Bulletin). The base year is 1985.

Table 8.6 Source: Ministry of Finance.

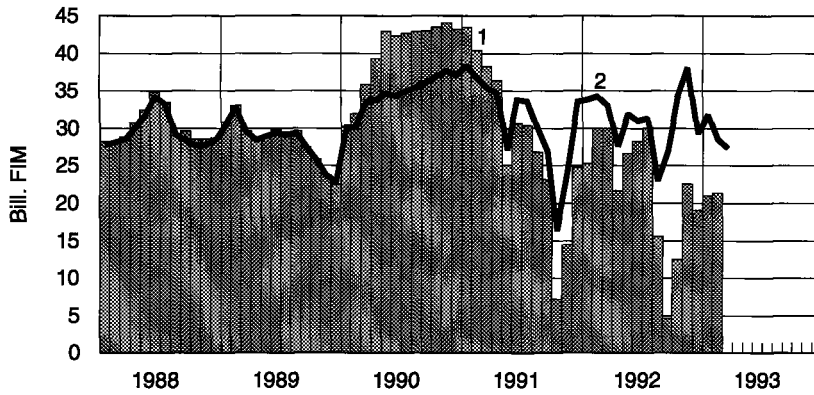
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Rates of interest applied by the Bank of Finland	S29
5. Banks' liquidity position with the Bank of Finland	S30
6. Liquidity management interest rates	S30
7. HELIBOR rates of interest, daily	S30
8. HELIBOR rates of interest, monthly	S31
9. Differential between Finnish and German interest rates	S31
10. Yields on bonds	S31
11. Bank of Finland currency index and the markka value of the ECU	S32
12. Daily spot rates for the markka against the Deutschmark and the US dollar	S32
13. Daily spot rates for the markka against the pound sterling and the Swedish krona	S32
14. Monthly spot rates for the markka against the Deutschmark and the US dollar	S33
15. Monthly spot rates for the markka against the pound sterling and the Swedish krona	S33
16. Banks' markka lending rates and markka funding rates	S33
17. Bank funding from the public	S34
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19. Money supply	S34
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21. Net interest and dividend expenditure	S35
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27. Production	S38
28. Fixed investment	S38
29. Employment and the unemployment rate	S39
30. Prices and wages	S39
31. Central government finances	S40

1. LONG-TERM INDICATORS



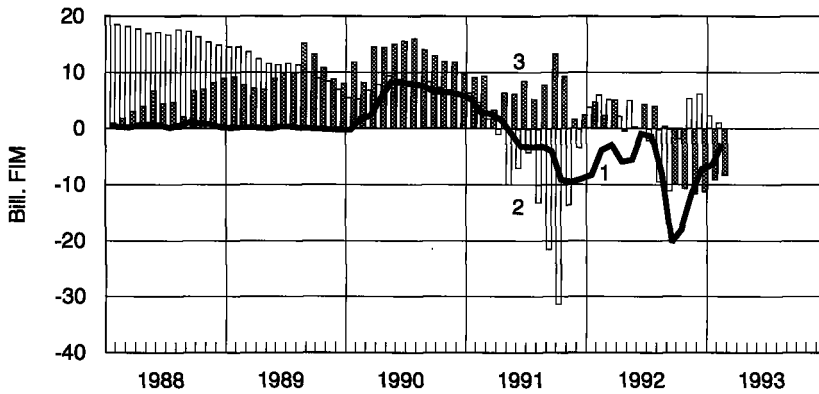
1. GDP change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



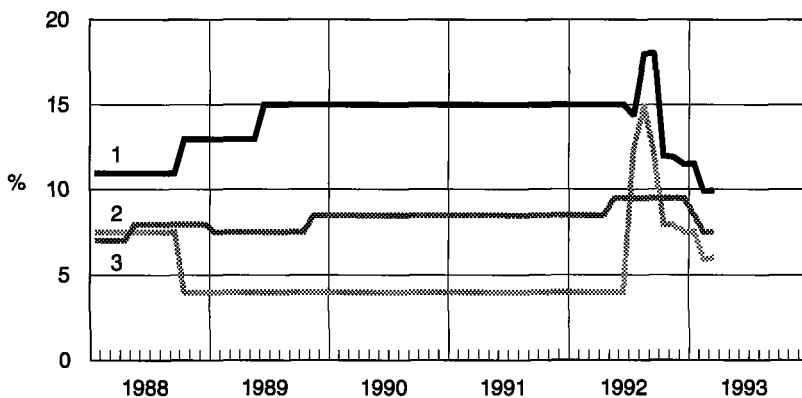
1. Foreign exchange reserves plus forward position
2. Foreign exchange reserves

3. FORWARD MARKET



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

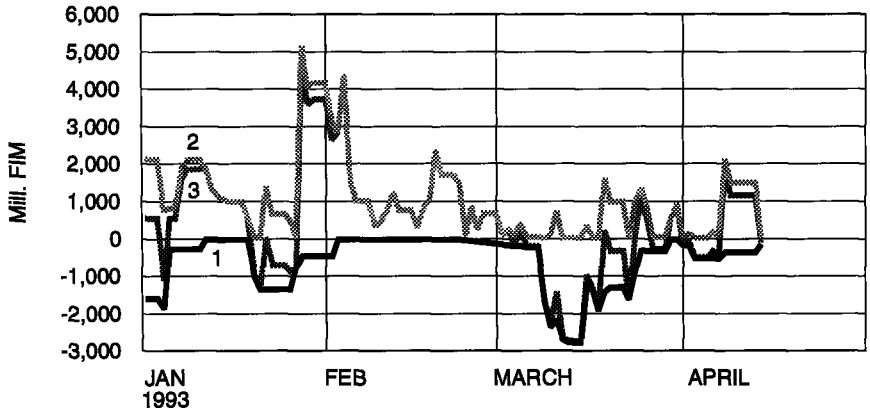
4. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



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

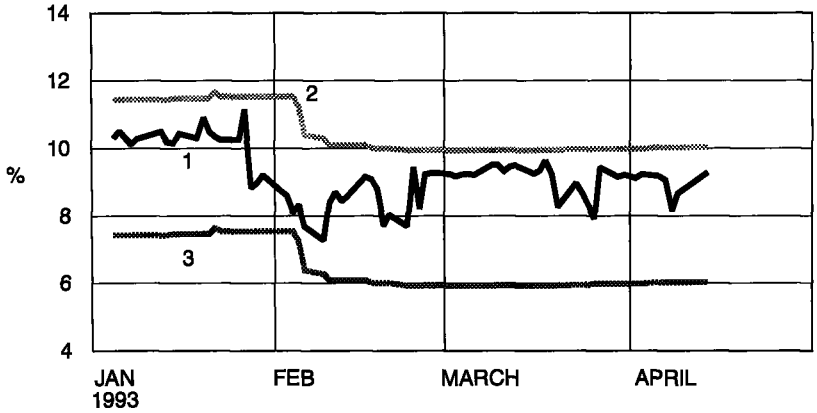
End-of-month observations

5. BANKS' LIQUIDITY POSITION WITH THE BANK OF FINLAND



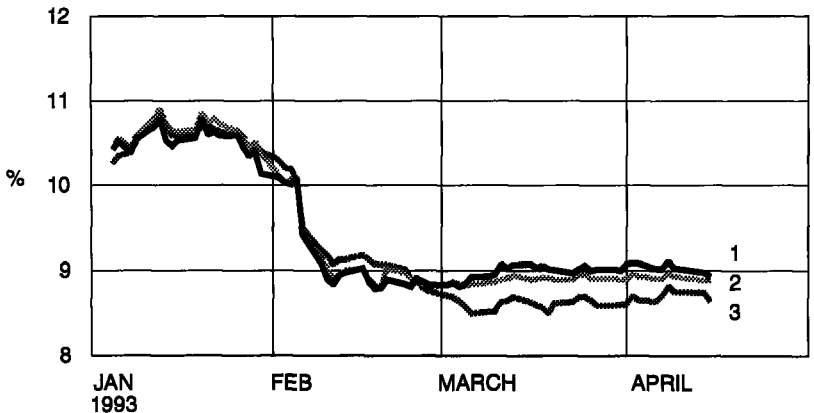
- 1. Liquidity credits (-)
- 2. Call money deposits
- 3. Net

6. LIQUIDITY MANAGEMENT INTEREST RATES



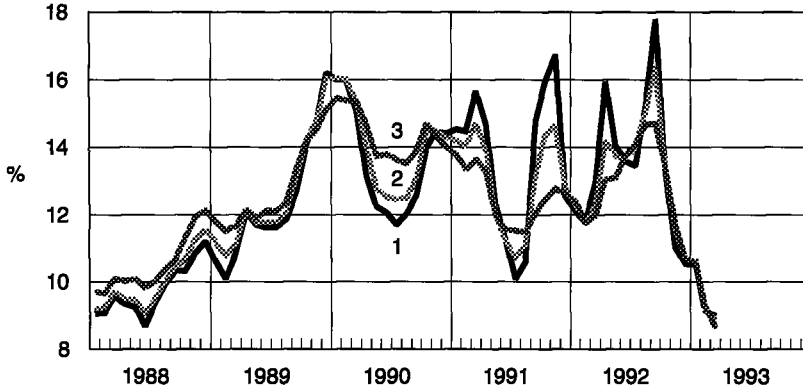
- 1. Inter-bank overnight rate
 - 2. Liquidity credit rate
 - 3. Call money deposit rate
- Daily observations

7. HELIBOR RATES OF INTEREST, DAILY



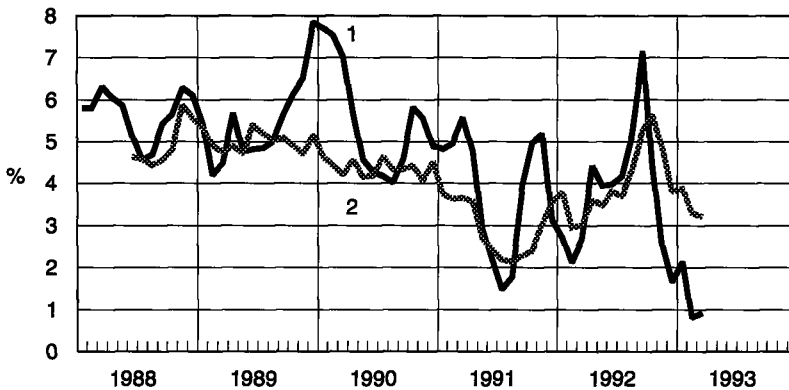
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

8. HELIBOR RATES OF INTEREST, MONTHLY



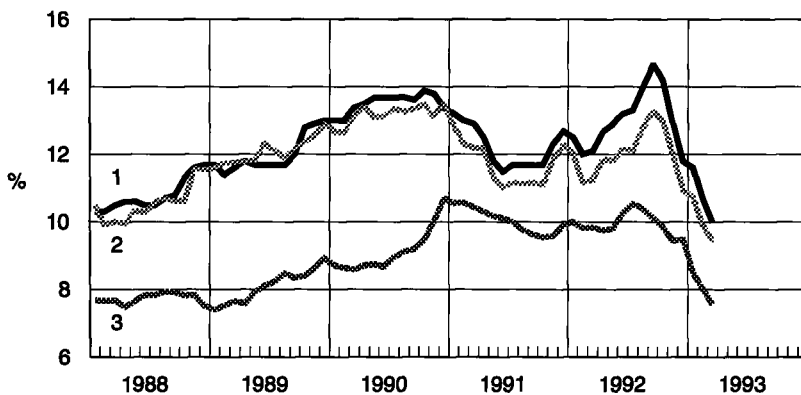
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

9. DIFFERENTIAL BETWEEN FINNISH AND GERMAN INTEREST RATES



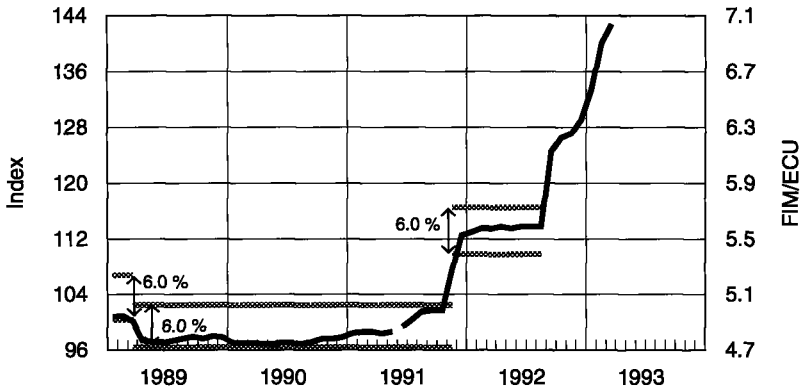
- 1. 3-month HELIBOR *minus* 3-month DEM eurorate
- 2. 5-year Finnish government bond yield *minus* 5-year German government bond yield

10. YIELDS ON BONDS



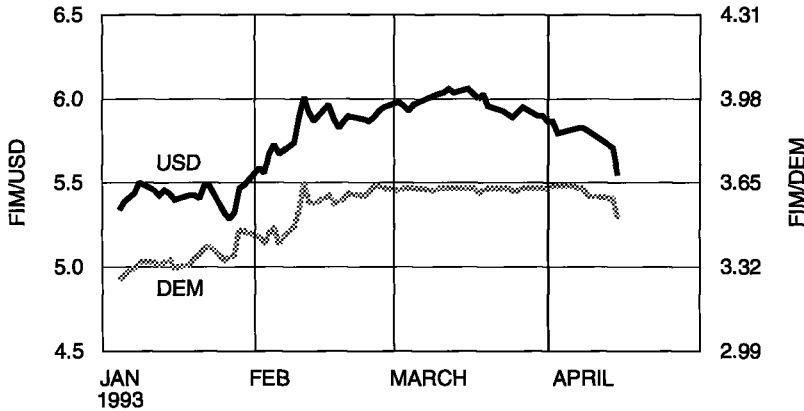
- 1. Bank of Finland's 5-year reference rate
- 2. Until April 1991, yield on (4-5 year) taxable government bonds
Since May 1991, yield on government bond due on 15 March 1996, coupon rate 11.75 per cent
- 3. Yield on (4-5 year) tax-free government bonds

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



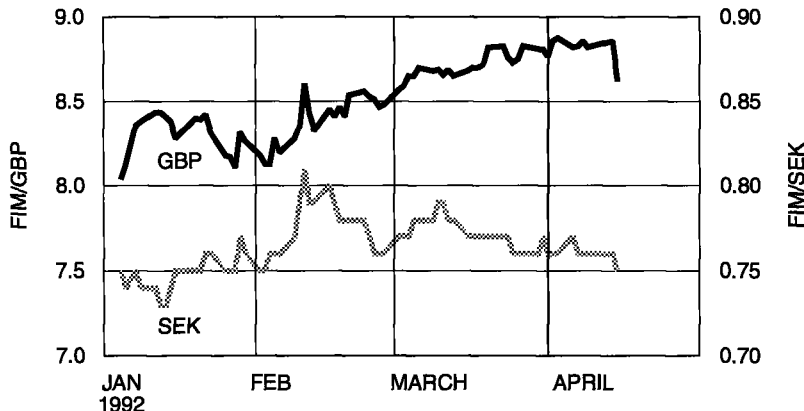
Until 7 June 1991, the Bank of Finland currency index. From 7 June 1991, the markka's exchange rate against the ECU, the fluctuation limits of which were 4.72953-5.02207 in the period 7 June - 14 November 1991, and 5.39166-5.72516 in the period 15 November 1991 - 7 September 1992. Since 8 September 1992,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

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



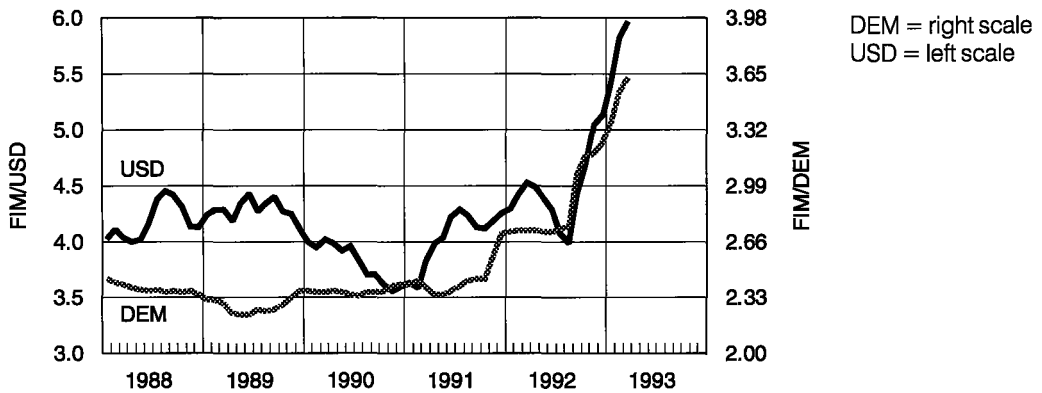
Middle rates
DEM = right scale
USD = left scale

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

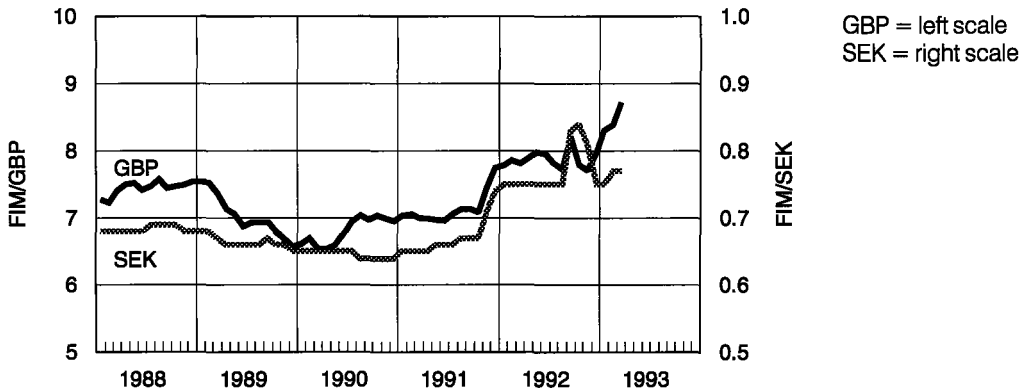


Middle rates
GBP = left scale
SEK = right scale

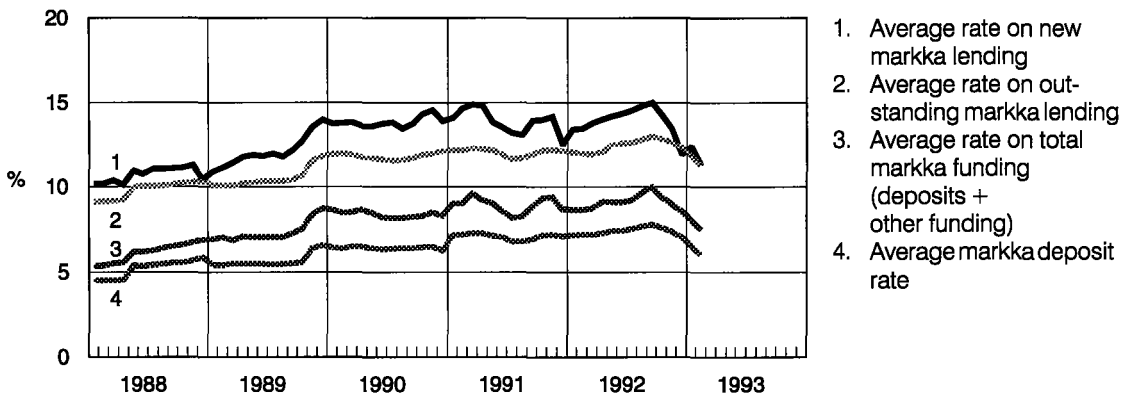
14. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE DEUTSCHMARK AND THE US DOLLAR



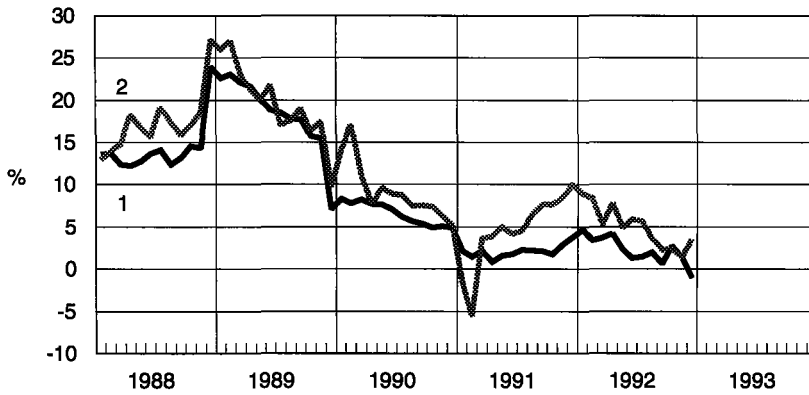
15. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE POUND STERLING AND THE SWEDISH KRONA



16. BANKS' MARKKA LENDING RATES AND MARKKA FUNDING RATES



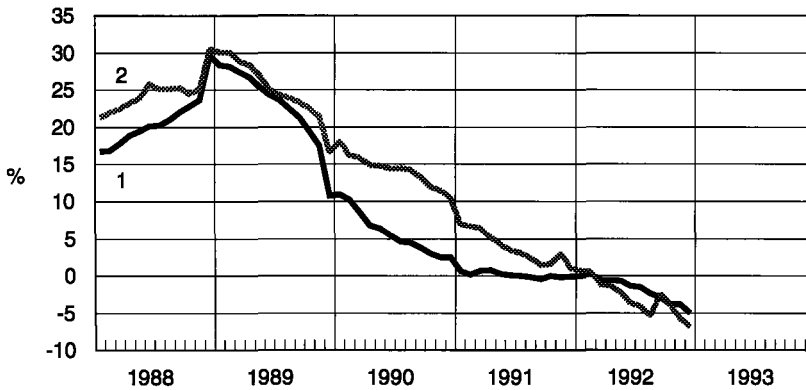
17. BANK FUNDING FROM THE PUBLIC



- 1. Markka deposits
- 2. Total funding

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

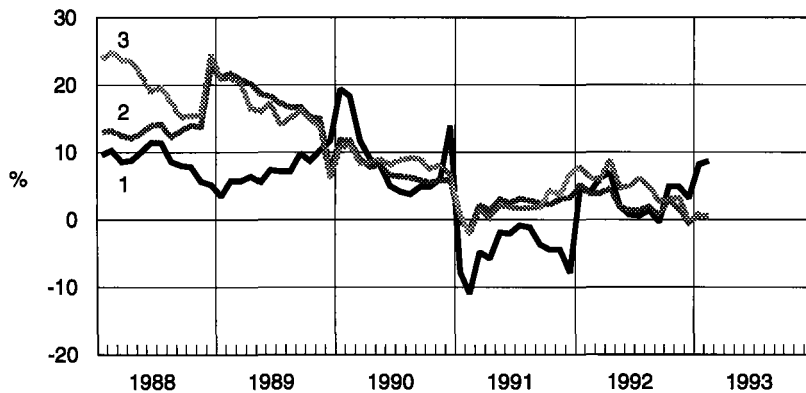
18. BANK LENDING TO THE PUBLIC



- 1. Markka lending
- 2. Total lending

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

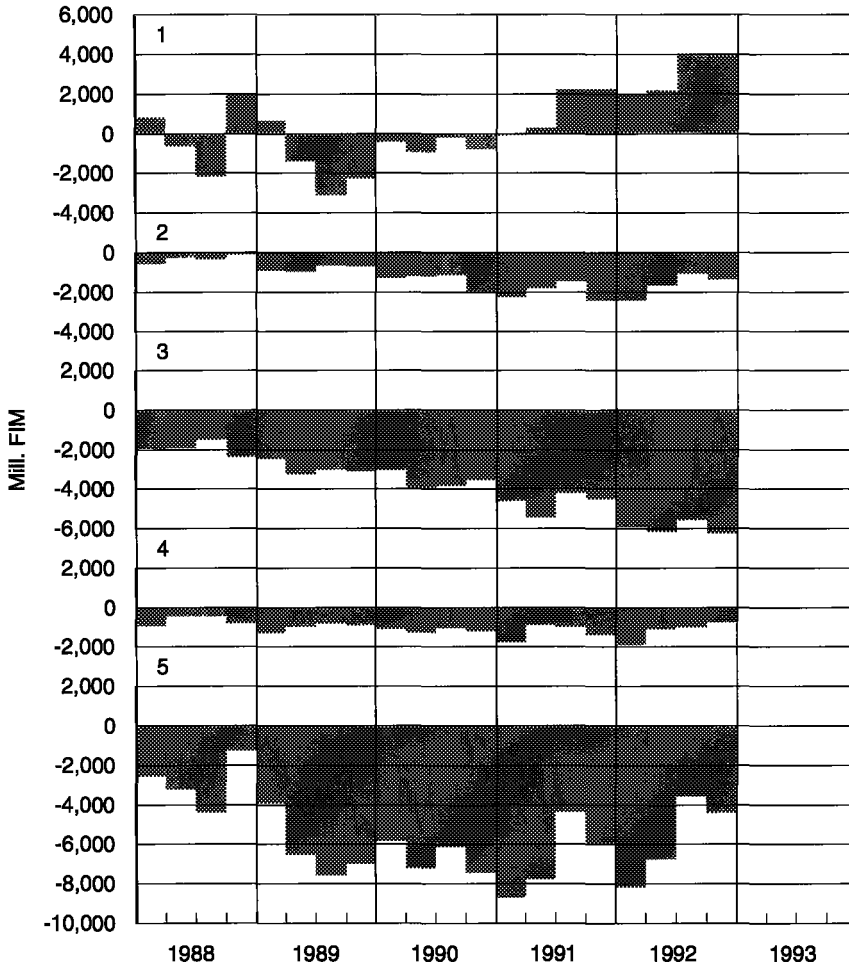
19. MONEY SUPPLY



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

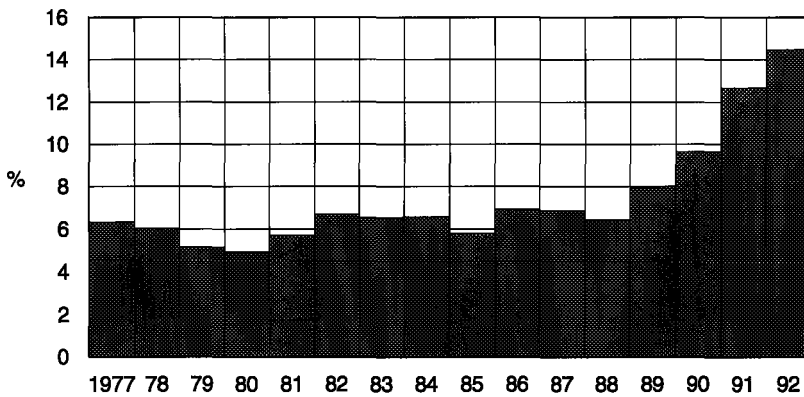
Change from the corresponding month of the previous year, per cent

20. CURRENT ACCOUNT



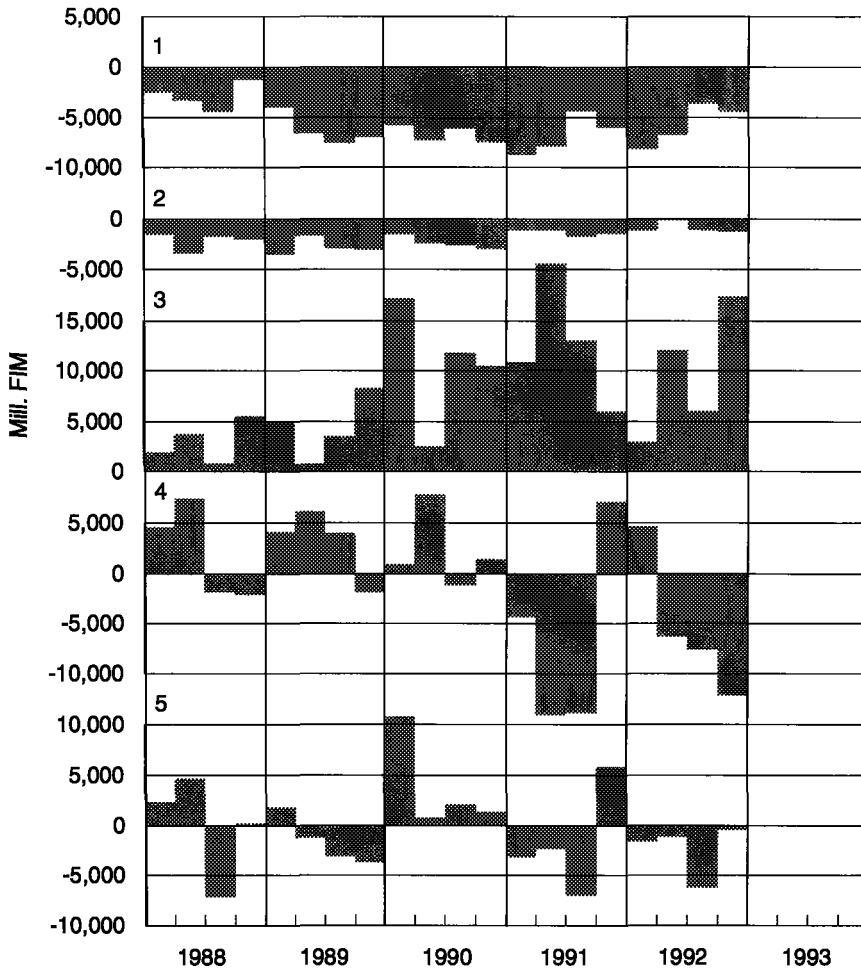
1. Trade account
2. Services account
3. Investment income account
4. Unrequited transfers account and other items, net
5. Current account

21. NET INTEREST AND DIVIDEND EXPENDITURE



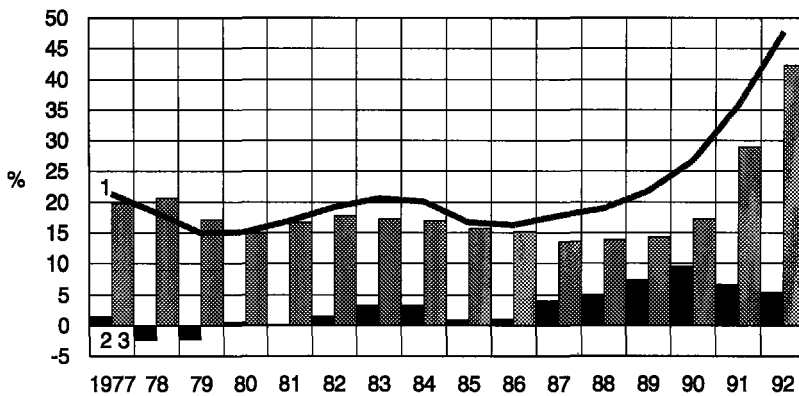
As a percentage of current account receipts

22. BALANCE OF PAYMENTS



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

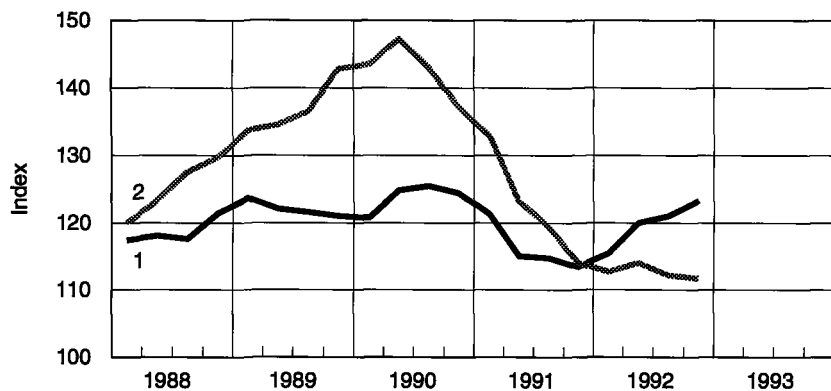
23. FOREIGN DEBT



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

As a percentage of GDP

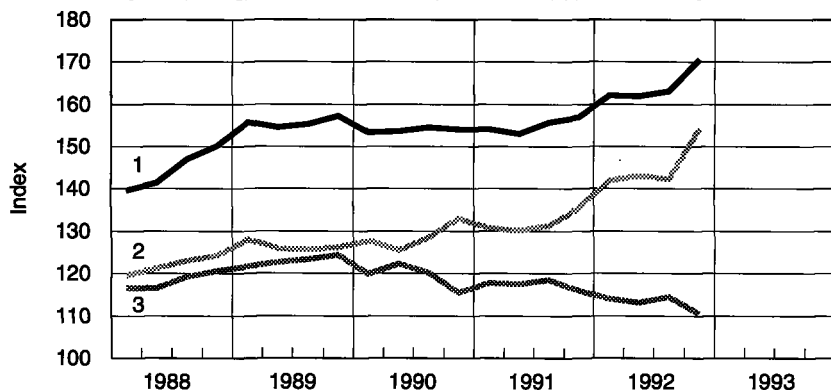
24. FOREIGN TRADE



- 1. Total exports
- 2. Total imports

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

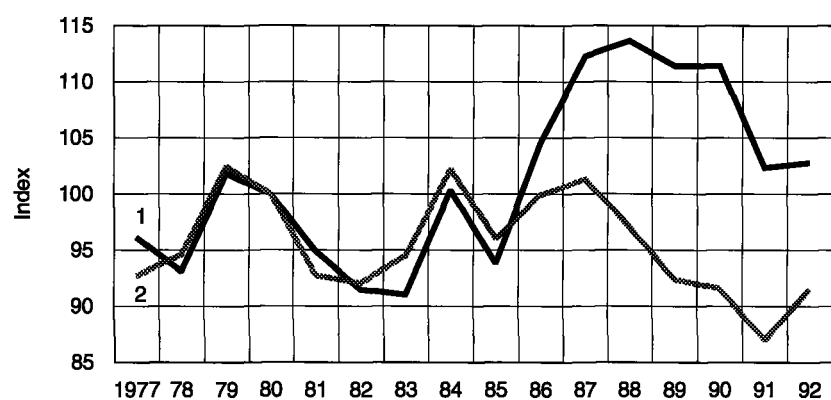
25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



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

1980 = 100

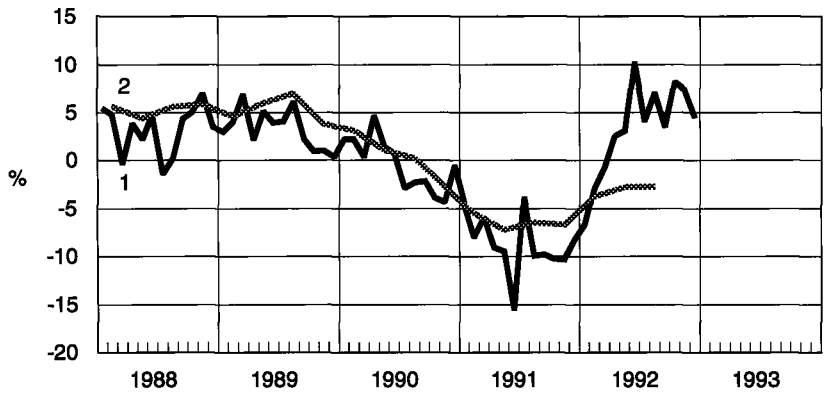
26. FINLAND'S EXPORT PERFORMANCE



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

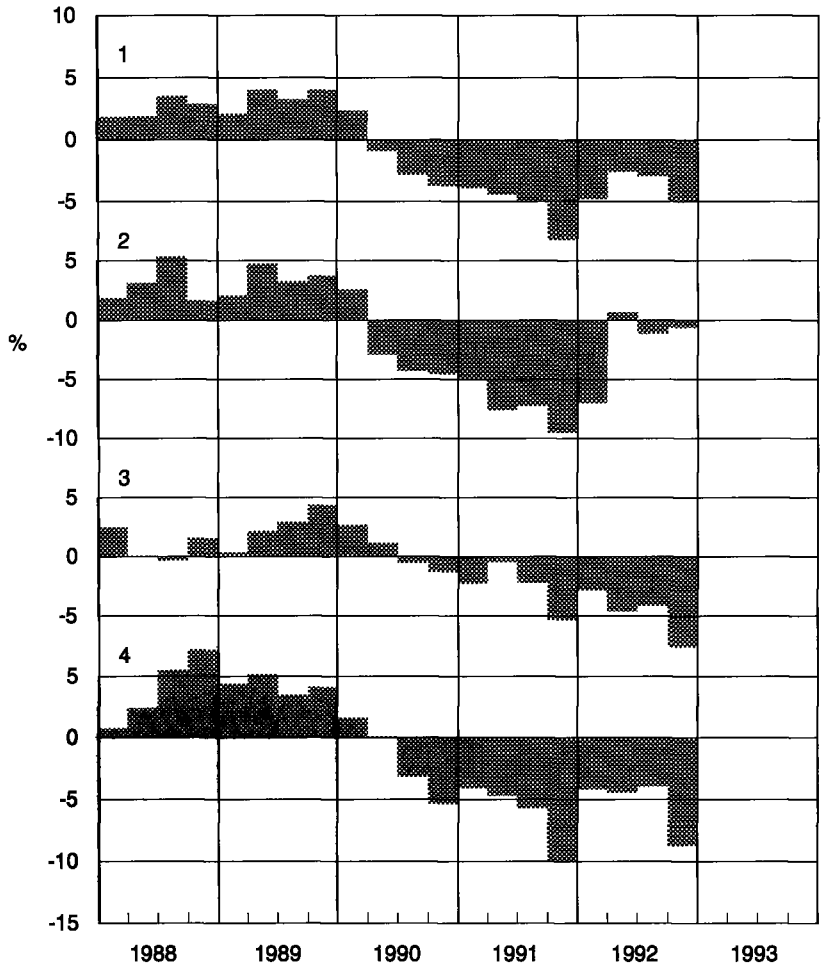
1980 = 100

27. PRODUCTION



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

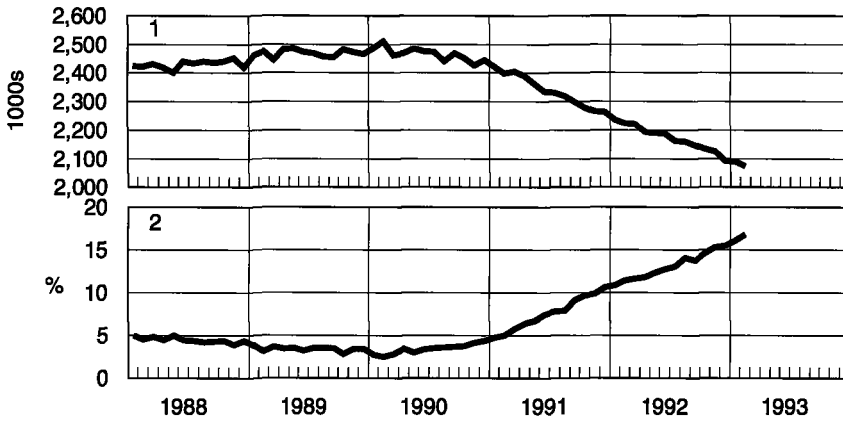
28. FIXED INVESTMENT



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

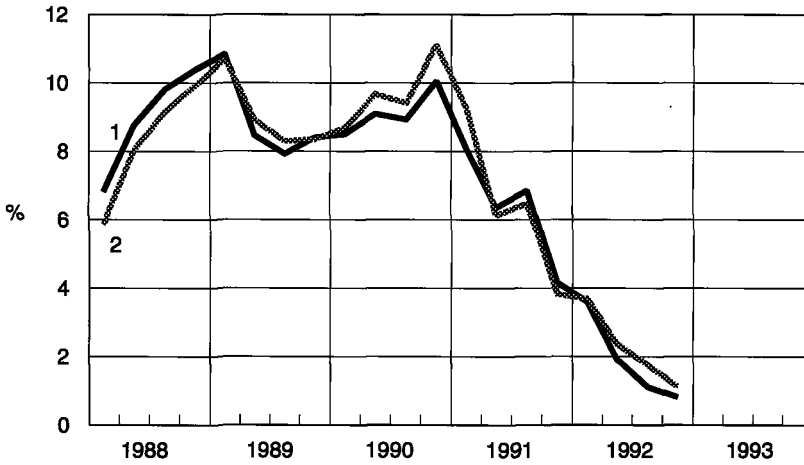
Volume changes calculated from four-quarter moving totals and plotted at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE



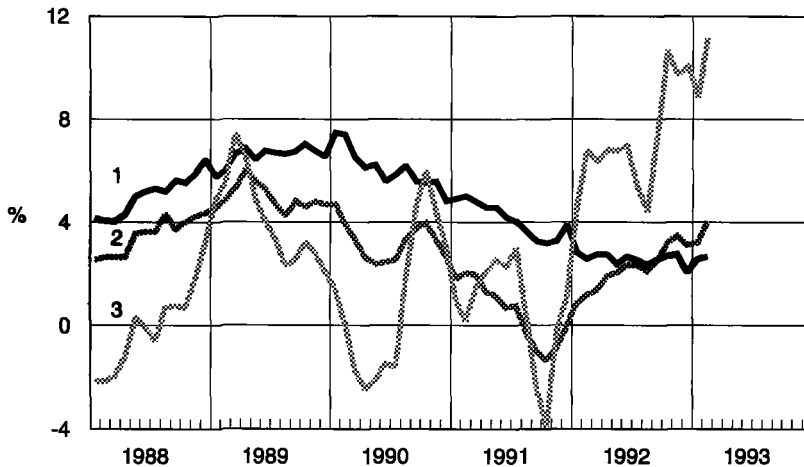
1. Employment, 1000 persons
2. Unemployment rate, per cent

30. PRICES AND WAGES



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

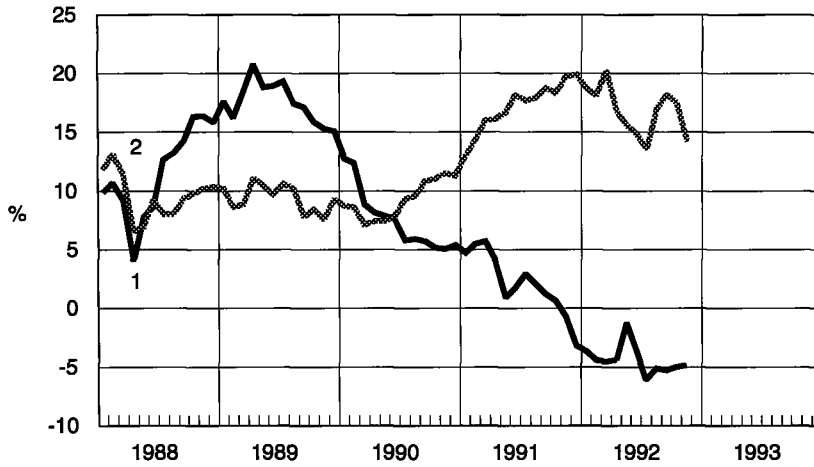
Change from the corresponding quarter of the previous year, per cent



1. Consumer price index
2. Wholesale price index
3. Import price index

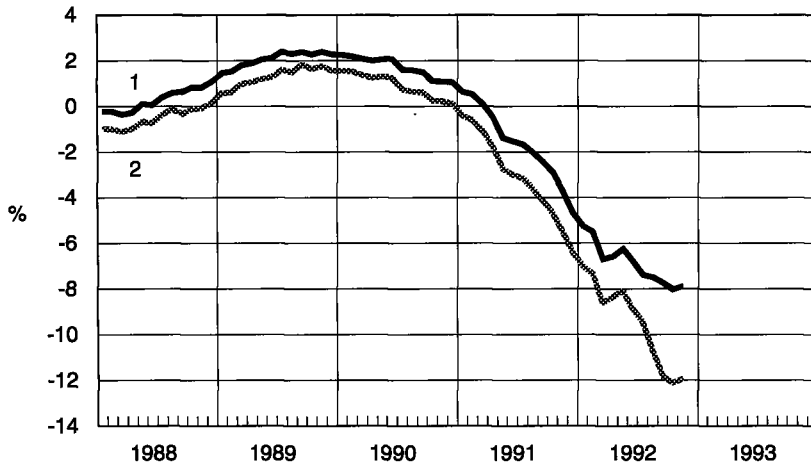
Change from the corresponding month of the previous year, per cent

31. CENTRAL GOVERNMENT FINANCES



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

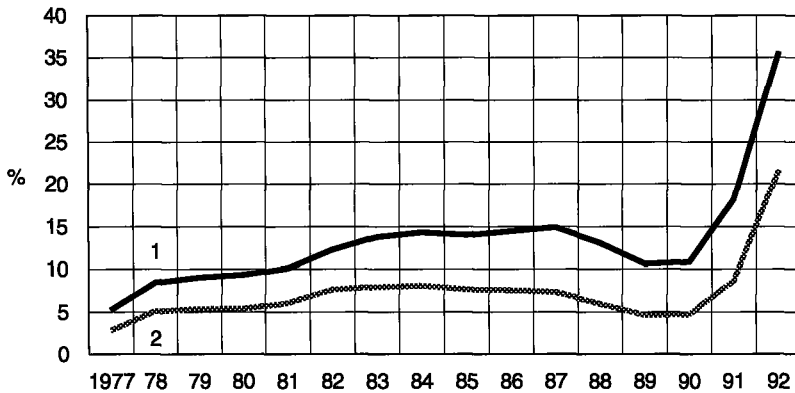
12-month changes calculated from 12-month moving totals and plotted at the last month, per cent



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

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

32. CENTRAL GOVERNMENT DEBT



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

As a percentage of GDP

BANK OF FINLAND

1 March 1993

THE PARLIAMENTARY SUPERVISORY BOARD

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JUSSI RANTA, Vice Chairman
SEPPO KÄÄRIÄINEN

ANNELI JÄÄTTEENMÄKI
TUULIKKI HÄMÄLÄINEN

ESKO SEPPÄNEN
MAURI MIETTINEN

JÖRN DONNER
KALEVI MATTILA

THE BOARD OF MANAGEMENT

SIRKKA HÄMÄLÄINEN, Chairman

HARRI HOLKERI

KALEVI SORSA

ESKO OLLILA

MATTI VANHALA

DIRECTOR

PENTTI KOMIKKO

UNITS

Accounting Department OSSI LEPPÄNEN

Administration Department URPO LEVO,
Building Manager BENGT PALMROOS

Central Bank Policy Department JOHNNY ÅKERHOLM

Data Processing Department RIITTA JOKINEN

Economics Department KARI PUUMANEN

Financial Markets Department
KAIJU KALLIO (ad interim),
Advisers: PETER NYBERG, RALF PAULI

Information ANTTI JUUSELA

Internal Audit Department TIMO MÄNNISTÖ

Legal Affairs ARNO LINDGREN

Market Operations Department MARKUS FOGELHOLM

Payments and Settlement Department RAIMO HYVÄRINEN

Payment Instruments Department ANTTI HEINONEN

Personnel Department ANTON MÄKELÄ,
Project Manager ANNELI SOINI

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Research Department HEIKKI KOSKENKYLÄ

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Statistical Services Department ESA OJANEN

Unit for Eastern European Economies KARI PEKONEN

Management Secretarial Staff HEIKKI T. HÄMÄLÄINEN,
Secretary to the Parliamentary Supervisory
Board and the Board of Management

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8 branches: Jyväskylä, Kotka, Kuopio, Lahti, Oulu, Tampere, Turku, Vaasa

SETEC OY

VELI TARVAINEN, Managing Director
