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The Finnish Economy:
Are We on the Right Course?

Investment Activity – Boom, Bust
and Prospects for Recovery

Consolidation of Public Finances

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THE FINNISH ECONOMY: ARE WE ON THE RIGHT COURSE?*

by **Sirkka Hämäläinen**
Governor
Bank of Finland

The Finnish economy has had a rough ride over the last few years. The problems are, however, by no means unique – all the Nordic countries have gone through difficult adjustment processes in recent years, and the same kind of problems can be found elsewhere in the world.

The performance of the Finnish economy has been in striking contrast to the 1980s. But even if the 1980s appear good in terms of growth, it is there that the roots of our current problems are to be found. The rapid growth that took place then was unsustainable – domestic demand grew disproportionately and the increase in employment derived from an expansion of services, particularly services provided by the public sector. As a result, the structure of the economy developed unfavourably. The share of exports in total output declined by more than ten percentage points during the 1980s, from 33 per cent of GDP to just over 20 per cent.

It was only because of exceptionally fortunate external circumstances that this type of unbalanced growth could continue for such a long time. In the first half of the decade, Finland's trade with the former Soviet Union provided an important source of export income. When that source began to dry up, as oil prices fell and purchasing power in the Soviet Union declined, the Finnish economy experienced an exceptionally favourable terms-of-trade shock. Because of this boost to real income, and because real inter-

est rates had been negative throughout the 1970s and early 1980s, deregulation of financial markets was followed by a rapid expansion of lending, which in turn led to the debt problems we are facing today.

When it became evident at the turn of the decade that adjustment was necessary, many thought the economy was entering a normal downturn. This resulted in a costly delay in making the necessary changes in behaviour and policy.

But it is also true that the depth of the current recession in Finland is partly due to certain momentous changes that took place in our economic environment around the turn of the decade. To our misfortune, the unavoidable adjustment process coincided with a number of severe external shocks. One of these was the almost total collapse of eastern trade following the break-up of the Soviet Union. In western countries, demand was already slackening, especially in Finland's major export markets. Monetary conditions in Europe were also working against us. As a heavily indebted country, we were severely hit by the real interest rate shock. And on top of all that, excess global capacity emerged in the forest industries, which are still a key sector in Finland. Pulp and paper prices declined substantially, exerting a negative terms-of-trade shock on the economy.

As the severity of the situation has been more widely grasped, the need for adjustment has become more generally recognized. As a result, it has become easier to undertake measures needed to strengthen the structure of the economy. The last

eighteen months or so, in particular, have witnessed a major change in policy, in fact more than is generally appreciated. Finland has resolutely embarked on a policy course that is based on export-led growth and aimed at shifting resources from the domestic sector to the foreign sector of the economy.

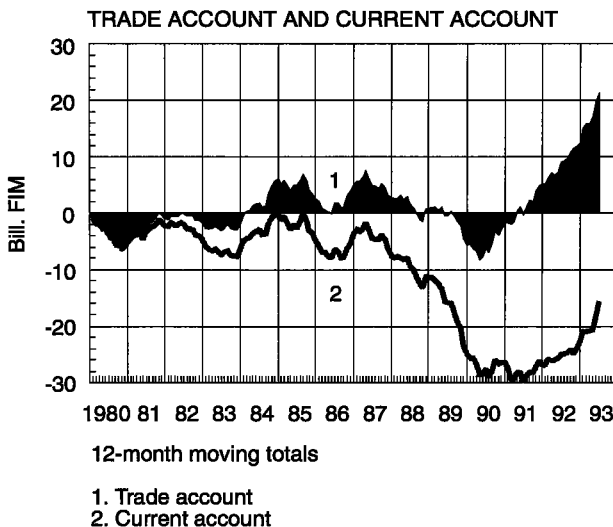
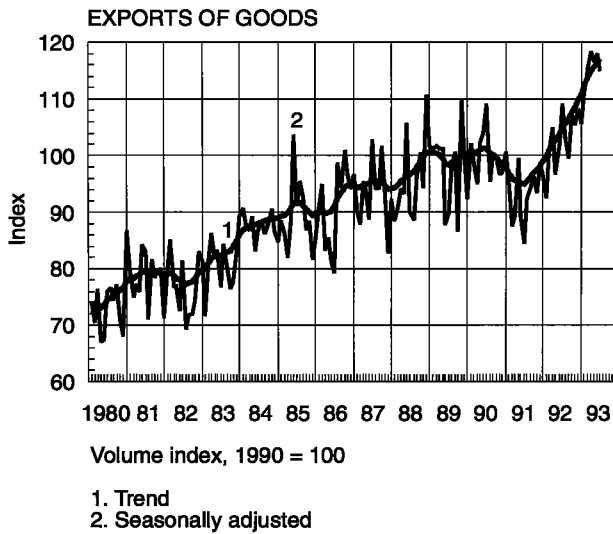
The growth of exports has been significant in spite of sluggish export demand – a reflection of the strong competitive position of Finnish industry. This is partly due to the depreciation of the exchange rate, but also to improvements in productivity and wage restraint. Productivity growth has been exceptionally high compared with past performance – about 8 per cent in manufacturing last year. It is also noteworthy that we have had two consecutive 'zero-increase' wage agreements – for 1992 and 1993 – and that the labour market parties have decided in principle on greater flexibility as regards minimum wages of young employees. The improved competitiveness and the favourable trend in exports are now clearly visible in the trade balance, which in June posted a surplus of FIM 21 billion for the last twelve months (Chart 1).

A shift in resource allocation calls for restrictive fiscal policies over the medium term. The groundwork for this has been laid by legislative reforms, which have enhanced the Government's powers in the area of fiscal policy. A constitutional reform has been enacted by which Parliament can now decide on spending cuts by a simple majority vote rather than a qualified majority as before. Another important change concerns the financing of local au-

* Based on a speech delivered by the Governor in Stockholm on 3 June 1993 at the Enskilda Nordic Seminar arranged by Skandinaviska Enskilda Banken.

CHART 1.

EXPORTS AND EXTERNAL BALANCE



thorities. Previously, the transfer of funds from central to local government was based on the cost-reimbursement principle. Under the new system, such transfers are based on fixed appropriations, which makes much more sense economically.

The Government has decided to bring down real public expenditure to its 1991 level by 1995. As this expenditure includes interest payments and unemployment-related outlays – both of which have increased sharply – the limit implies substantial cuts in other expenditure items. In October 1992, the Government announced specific measures to be taken to this end, part of which have now been implemented through legislation. Further measures were announced in March of this year, and in the same context the Government set the target of limiting the rise in the ratio of public debt to GDP to 70 per cent by 1997 (the current ratio is approximately 50 per cent). The measures to be taken in support of this target will be included in the budget proposal for 1994, due to be published in September 1993 (Chart 2).

Despite these measures, we will have to accept the fact that borrowing requirements will remain high in the coming years. This is an inevitable consequence of a strategy based on export-led growth since the export sector pays relatively little directly in the form of taxes. Only when domestic demand picks up will the budget start to strengthen. The same is true for employment. In these circumstances, there is a limit to how useful short-term cuts in public expenditure are in terms of improving the budget balance. But on the other hand, although the medium-term target that has been set is ambitious given the current situation, it will still not lead to fiscal balance by 1997. Therefore, if developments in international markets turn out to be better than we have projected in our baseline scenarios, all the extra room for manoeuvre

gained thereby should be used to achieve a more rapid improvement in the fiscal balance.

The taxation of capital income has been completely overhauled. All capital income is now subject to a 25 per cent flat rate. Previously, the system was much more unfavourable to investors and less competitive. Though some opportunities existed for earning tax-exempt capital income, the basic rule was that capital income was subject to the same (rather high) tax rates as other income. The reform levelled the playing field and will probably encourage households to invest in shares.

Another tax reform is the planned introduction of the value-added tax from the beginning of next year. This will broaden the indirect tax base to include services and will bring some relief to the export industry, which, under the current system, does not completely avoid paying some indirect taxes.

In addition to the reform of capital income taxation, the abolition of restrictions on foreign ownership of shares in Finnish companies will have – indeed has already had – a favourable effect on the equity market. The bond market and market for short-term government paper are developing rapidly at the present time. These markets have been thin because of the low level of central government debt in the past, but there will be plenty of debt to be traded in the future. The focus of money market transactions in Finland has been on bank certificates of deposit, but the situation is gradually changing and in the future the market for government securities will assume a dominant role. Large companies are already shifting into government bonds and Treasury bills. However, foreign investment in markka-denominated government securities and Finnish stocks has been held back by the uncertainty in the foreign exchange market.

But how and when will exports begin to be reflected in domestic activity? Exports have, in

fact, being doing very well for a couple of years now, exceeding previous highs, despite the collapse of Soviet trade and the international recession. There is, however, still considerable spare capacity owing to the previous investment boom and companies have incurred heavy debts. Therefore, the revival in domestic activity will probably still take some time.

Undoubtedly, the process would be helped along by low interest rates. Though interest rates have fallen substantially, they are, of course, still high in relation to our inflation target. Why do we not just cut interest rates, given the freedom provided by the floating exchange regime?

We are clearly constrained in this respect by the overhang of external debt. The large stock of foreign debt implies large open currency positions (Chart 3). Experience shows that under such circumstances currency flows become extremely sensitive to interest rate changes and exchange rate expectations. Reaching a new equilibrium may

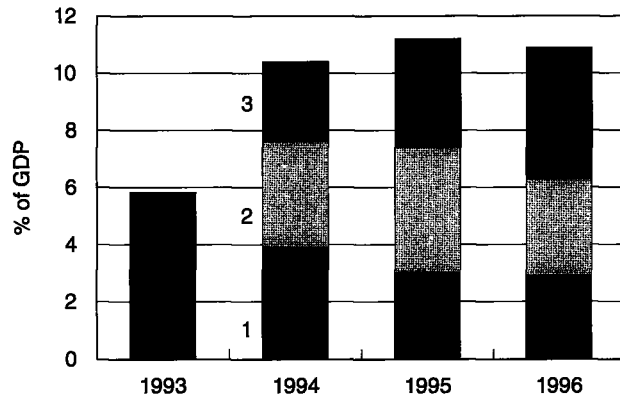
be inhibited if the exchange rate is expected to fall, because economic agents with open currency positions will rush to pay off their debt denominated in foreign currency.

Private debt has been reduced rapidly in the last two years, and in the early months of this year the process was especially rapid. As a counterpart to this, the central government has continued to accumulate foreign debt. The reduction in the foreign debt of the private sector is partly due to the consolidation of balance sheets and banking problems, but also reflects the increased uncertainty caused by the floating and depreciation of the markka. Many companies have incurred substantial losses in markka terms, and have therefore become extremely concerned about exchange rate risk.

Some two-thirds of central government debt is denominated in foreign currency. One important implication of this is that the debt cannot be financed by means of inflation. It also implies that future exchange rate devel-

CHART 2.

MEASURES TO IMPROVE THE CENTRAL GOVERNMENT FINANCIAL BALANCE

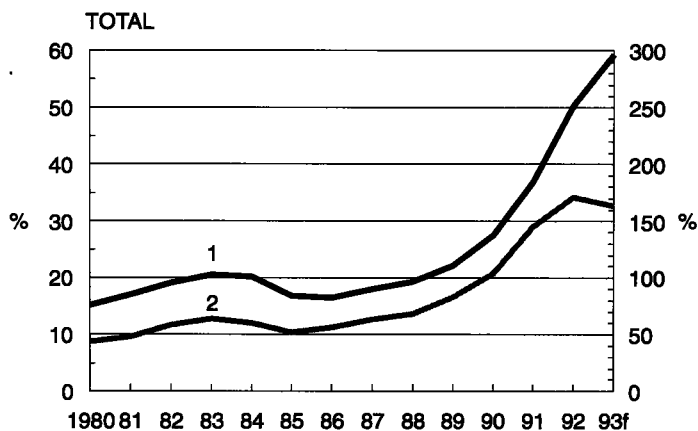


Cumulative impact, per cent of GDP

1. Decisions taken in 1991 - 1992
2. October 1992 package for 1994 onwards
3. March 1993 package and other decisions up to March 1993

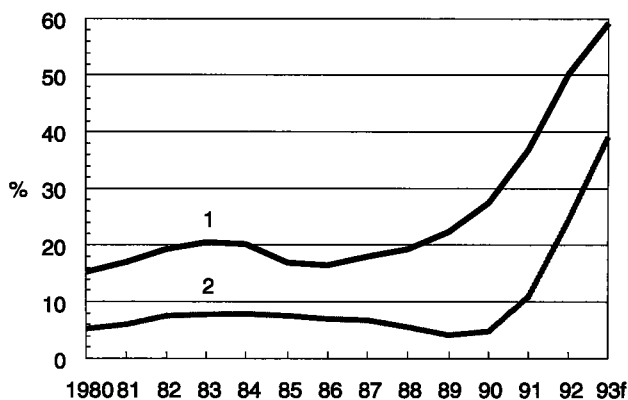
CHART 3.

NET FOREIGN DEBT



- 1. As a per cent of GDP (left scale)
- 2. As a per cent of current account receipts (right scale)

BY SECTOR, AS A PER CENT OF GDP



- 1. Total debt
- 2. General government debt

opments will have a substantial direct impact on the debt burden of the central government.

The Bank of Finland has attempted to influence expectations in the foreign exchange market through its monetary policy. The objective of monetary policy has not changed – it remains price stability. In spite of the shift to floating, the level of interest rates depends on economic fundamentals and on economic policies in general. Lowering the level of short-term interest rates too quickly would

jeopardize the objective of price stability – which would be reflected in long-term interest rates – and would reduce the credibility of economic policy in the eyes of investors and the general public.

The Bank has announced an explicit inflation target, which is to permanently stabilize the underlying inflation at about two per cent by 1995. Considering the extent of the markka's depreciation over the last two years and the fact that the competitive position of Finnish in-

dustry is now at a record-high level, the inflation target implies that the markka is likely to appreciate in the future, in addition to the strengthening that has taken place recently. It seems clear that Finland will not be able to maintain its price competitiveness indefinitely. The question is: What will be the process by which adjustment to a more normal competitive position takes place? If excessive cost increases can be avoided, then the process will involve an appreciation in the nominal exchange rate.

There has been some debate in Finland as to the realism of the inflation target. At the Bank of Finland, we have estimated that the import price shock caused to the economy by the markka's depreciation should lead to a slightly higher inflation rate this year and in 1994 but that the pressures will abate by 1995. The domestic component of inflation is likely to remain subdued in the medium term because of fiscal tightening and the continuing high level of unemployment. Past experience shows that inflationary pressures are most likely to come from export industries if and when their profitability increases excessively. But under a floating exchange rate regime this will cause an appreciation of the markka's exchange rate, thus dampening the inflationary effect.

A long-term objective of monetary policy is to re-fix the exchange rate. From the point of view of our integration policy, this is a natural aim. And, abstracting from ongoing adjustment problems, the fixed exchange rate regime is suitable to a small country that is highly dependent on foreign trade. But because of current economic imbalances, it is likely that it will take some time before the right circumstances exist for this. It would be risky to fix the rate as long as the markka is so grossly undervalued. Moreover, the disarray within the ERM is also something that must be taken into consideration. Realignments

have become so frequent that the role of the ERM may have profoundly changed, at least for the time being.

The outlook for the Finnish economy is one of a slow recovery of total output and employment. Exports are expected to go on growing at a brisk pace despite rather unfavourable demand conditions in international markets. In contrast, domestic demand will remain weak because of the need to pursue tight fiscal policies, the debt problem and the troubles in the banking sector. On the other hand, export-

led growth is just what is needed given the high level of foreign debt.

Maintaining price stability is, of course, of primary importance. Though it is most unlikely that inflationary pressures will be generated by the labour market, something must be done to alleviate the uncertainty associated with wage negotiations. In Finland pay rounds are all too frequently marked by dramatic events and deadlines, which are quite out of place in the current financial market environment.

Adjustment will take time, but the current trends are promising. Sooner or later the im-

provement in the external balance and in indebtedness will start to show up in the economy. Recent financial market developments are rather encouraging; market confidence has strengthened significantly. And experience shows that there is enough flexibility in the Finnish economy and in Finnish society to carry through the necessary adjustment process.

31 July 1993

INVESTMENT ACTIVITY – BOOM, BUST AND PROSPECTS FOR RECOVERY

by Heikki Hatanpää, MBA, MSc (Econ)
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Bank of Finland

The current severe recession in Finland has been marked by a substantial decline in investment activity. The investment ratio, ie investment as a per cent of GDP, has declined every year since 1990. In 1992 the volume of fixed investment was 37 per cent lower than in 1989 when investment activity was at its peak. Even though the sharp contraction in investment is due mainly to the overall recession in Finland and abroad, certain structural considerations suggest that part of the decline in investment could be of a more permanent nature.

During the recession, the volume of investment has contracted relatively uniformly throughout the private sector of the economy, and this development is expected to continue during the current year. In 1994 investment activity is likely to pick up somewhat in the export industries. In the domestic sector, the outlook for investment

recovery remains gloomy and therefore the volume of total investment could actually decline somewhat again next year.

THE INVESTMENT BOOM OF THE LATE 1980s

During the last few years of the 1980s, the volume of fixed investment grew at a brisk pace in Finland, as was the case in most of the other OECD countries (Chart 1). Stable economic growth and a favourable outlook were the prime factors contributing to the increase in capital formation. In Finland there were additional factors, partly shared with certain other OECD countries, which gave further impetus to investment growth.

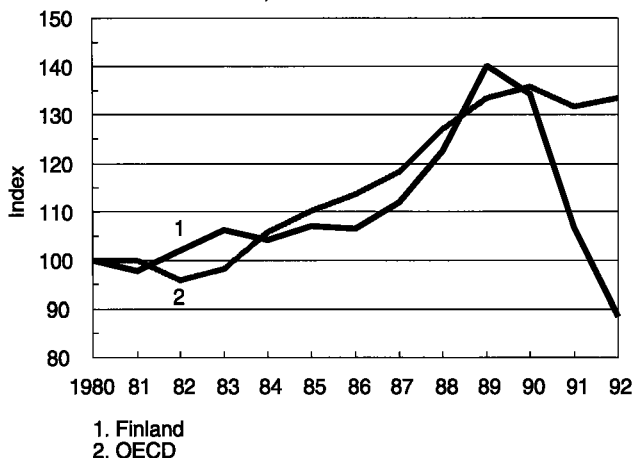
Financial deregulation, which took place in Finland somewhat later than in most of the other OECD countries, paved the way for an acceleration in investment growth, especially in the services sector, which had pre-

viously been subject to a greater degree of credit rationing than was the case in the manufacturing sector. Fuelled by general optimism and readily available (albeit rather expensive) financing, the volume of fixed investment surged towards the end of the 1980s and corporate sector debt increased (Chart 2A). The rise in domestic interest rates could not sufficiently restrain the investment boom as companies increasingly resorted to foreign financing, which was readily available at a lower nominal cost. As a result, the share of foreign currency-denominated loans in total corporate debt grew rapidly (Chart 2B). The credit expansion was accompanied by asset price inflation, which bloated collateral values and made possible the further expansion of debt-financed investment.

Another driving force behind the investment boom was the favourable trend in the terms of trade during the latter part of the 1980s, which improved the profitability of the corporate sector. A significant part of the terms-of-trade benefits "leaked" rather rapidly into the household sector, helping to maintain the vigorous growth of domestic demand and the high level of investment activity in the services sector. In 1989, at the height of the investment boom, investment volume in the services sector expanded by over 44 per cent. A substantial portion of the increase in domestic demand was channelled into housing construction, boosting the volume, which had been remarkably stable during the early part of the 1980s, by 37 per cent between 1987 and 1989. The construction boom was fed by the generous tax treatment of interest payments

CHART 1.

GROSS FIXED CAPITAL FORMATION,
VOLUME INDEX, 1980 = 100



on housing loans, which combined with very high marginal tax rates on income to make debt financing very attractive.

In manufacturing industries the volume of fixed investment grew considerably slower than in other sectors of the economy during the investment boom of the 1980s. However, there were some significant changes in the internal composition of capital formation in the manufacturing industries, which partly accounted for their falling share in total fixed investment. If the investment ratio is calculated with research and development outlays and foreign direct investment included, manufacturing investment activity during the 1980s takes on a considerably different appearance (Chart 3).

CONTRACTION IN INVESTMENT DURING THE EARLY YEARS OF THE 1990s

Investment activity peaked in the second half of 1989. Since then, it has declined at a rapid pace. The downturn was triggered when increases in the cost of capital ended the credit-driven inflation in asset prices. External factors accelerated the contraction in investment activity when, in the second half of 1990, the volume of Finnish exports started to decline due to the deteriorating outlook for western export markets. The major external blow came in 1991 when trade with the Soviet Union collapsed. The currency market turbulence in 1991 and 1992 also had negative effects on business investment: first, via increased financing costs due to high interest rates and then through exchange rate losses, which caused an unexpected increase in companies' financial leverage, thus reducing the financial leeway and risk-taking ability that are necessary for making major investments.

Every year since 1990, the volume of private investment has fallen quite uniformly in all major sectors of the economy. In 1992 the volume of business investment was about 46 per cent

CHART 2A.

CORPORATE DEBT

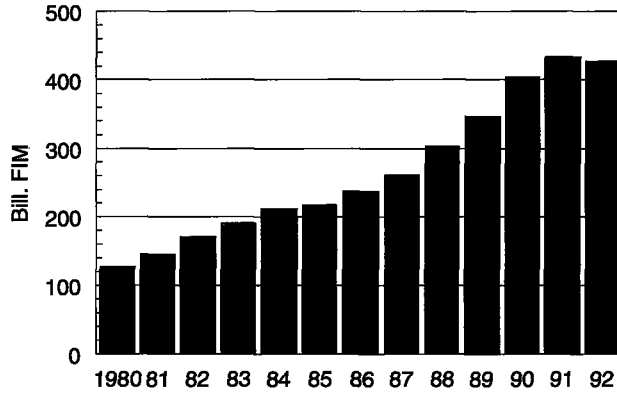


CHART 2B.

FOREIGN CURRENCY DEBT, PER CENT OF TOTAL CORPORATE DEBT

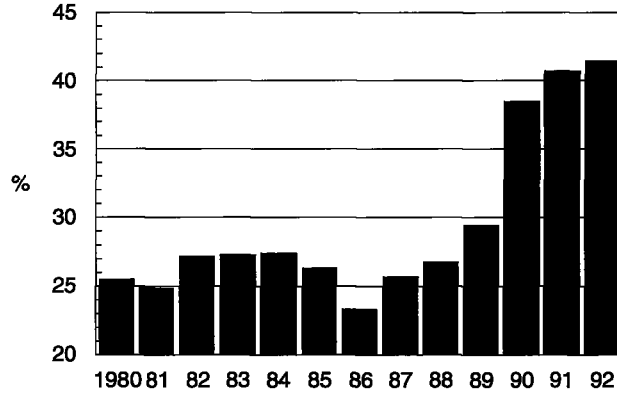
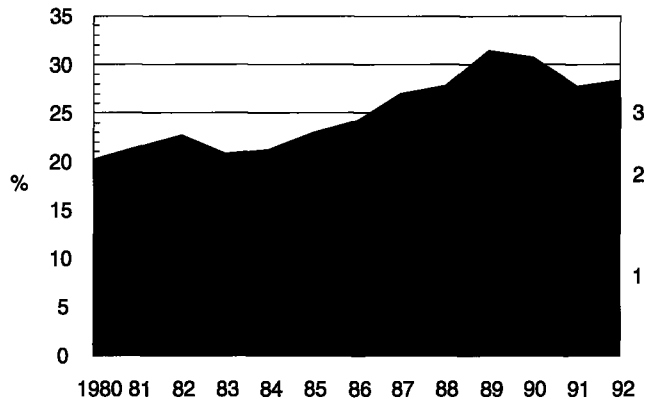


CHART 3.

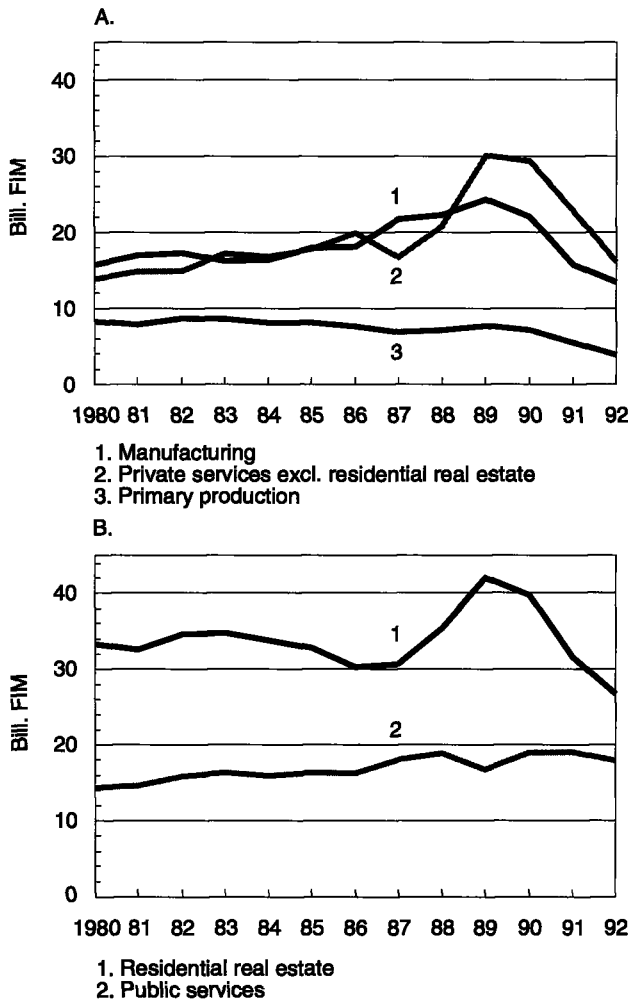
INVESTMENT RATIO IN MANUFACTURING, CURRENT PRICES



- 1. Fixed investment
- 2. Research and development outlays
- 3. Foreign direct investment

CHART 4.

INVESTMENT VOLUME BY SECTOR,
1990 PRICES



lower than in 1989. During the same time period, the investment volume in the services sector plunged by over 46 per cent. The contraction of investment in manufacturing and primary production was of a corresponding magnitude: 44 and 49 per cent, respectively. Despite the high degree of government involvement, the volume of housing construction fell by as much as 36 per cent. While private investment has fallen drastically three years in a row, the volume of public sector investment actually increased in 1990 and 1991. In 1992 investment

volume contracted also in the public sector (Charts 4A and 4B)

OUTLOOK FOR INVESTMENT RECOVERY

Investment activity can be expected to pick up first in the major exporting industries, namely the forest and metal and engineering industries, where the volume of production has been increasing since the fourth quarter of 1991. The growth has been brought on by increased exports, which are largely attributable to the improved price competitiveness resulting main-

ly from the weakening of the markka and moderate wage developments. Lower interest rates and good export performance are improving the outlook for investment recovery in the main export industries. Despite these positive developments, there are only weak signs of investment recovery, as there are also several factors present which are impeding the recovery.

The increase in exports has only moderately raised the capacity utilization rates in many manufacturing industries because of the countering effect of weakening domestic demand. Another factor slowing the investment recovery is the weakness in export price developments, especially in the forest industries. As a result, the profitability of many companies has been improving only slowly. Moreover, the process of restoring balance sheets to health will take some time, and during that time the larger investment projects will remain largely on hold.

According to the investment inquiry conducted by the Bank of Finland in April-May 1993, companies' expectations regarding future investment remain quite cautious, even in the export industries (Table 1). For 1993 investment volume in the metal and engineering industries is expected to increase already by one-quarter, but the forest industries anticipate a decline in investment of another 40 per cent. According to the inquiry, the metal and engineering industries expect the growth in investment volume to continue in 1994 but the investment intentions of companies in the forest industries indicate a slight decline in planned fixed investment again in 1994.

The more domestically-oriented manufacturing industries, such as the food and beverage industry, the textile and clothing industry and especially the construction-related non-metallic mineral products industries, have not benefited from the increased export demand but have suffered from ex-

change rate losses and weak demand on home markets. Therefore, in these industries the need to increase production capacity is less and financial possibilities weaker than in export industries. The investment outlook there remains gloomy. In the other manufacturing industries, the volume of fixed investment is expected to decline by as much as one-quarter both in 1993 and in 1994. Before we can look forward to a substantial investment recovery in these sectors, there must be a clear cyclical turnaround in the domestic sector of the economy.

On the whole, manufacturing industries' investment plans point to a slight decline also in 1994. However, taking into consideration the underestimation typical of the inquiry results at this stage, it is likely that some increase in investment activity will take place in 1994.

In the services sector, the medium-term investment outlook remains very weak. Current capacity there is sufficient for several years into the future, with only minimal replacement and maintenance investment needs even in the event of a strong rebound in domestic demand (Chart 5). However, it should be kept in mind that this sector includes many widely differing industries, so an overall evaluation can be misleading. For example, transportation and communications are less dependent on domestic economic activity. The prospects here depend to a greater extent on the fortunes of the main exporting industries. The same applies to energy. However, the recovery of investment in the services sector is likely to lag considerably behind the recovery in manufacturing investment.

Housing construction is hurt by falling disposable income, less favourable tax treatment of construction (introduction of the VAT) and interest payments on housing loans, as well as the high level of unemployment and increased uncertainty about the future. The steep plunge in housing prices seems to be

TABLE 1. SUMMARY OF INVESTMENT INQUIRY RESULTS

1 Annual percentage change in volume of fixed investment 1992-94

	Planned		
	1992	1993	1994
By industrial sector			
Forest industries	-15	-40	-4
Metal and engineering industries	-24	25	23
Other manufacturing	-6	-28	-23
MANUFACTURING	-14	-25	-4
ENERGY AND WATER SUPPLY	-7	7	-9
TOTAL INDUSTRY (incl. mining)	-11	-17	-5
By type of investment			
Building investment	-16	-15	-8
Investment in machinery and equipment	-9	-18	-4

2 Annual percentage change in outlays on research and development in manufacturing 1992-94

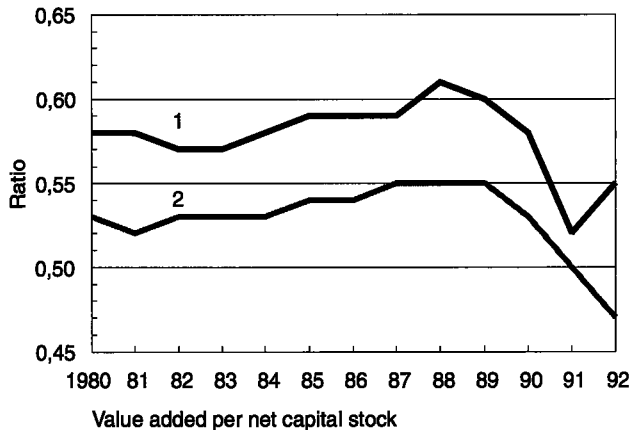
	Planned		
	1992	1993	1994
	Percentage change	Percentage change	Percentage change
Forest industries	16	7	-1
Metal and engineering industries	51	30	6
Other manufacturing	-16	11	8
MANUFACTURING	14	20	5

3 Capacity utilization rates in manufacturing 1992-94, semi-annual, per cent

	1992		1993		1994	
	I	II	I	II	I	II
Forest industries	80	81	86	87	89	89
Metal and engineering industries	82	82	83	83	86	87
Other manufacturing	79	80	78	81	82	83
MANUFACTURING	80	81	82	84	85	86

CHART 5.

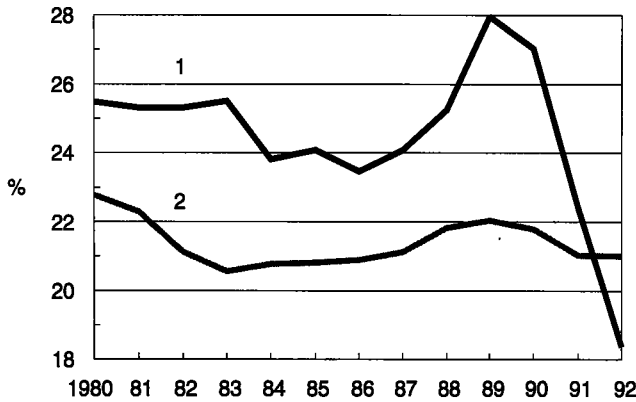
OUTPUT/CAPITAL RATIO



1. Manufacturing
2. Private services excl. residential real estate

CHART 6.

INVESTMENT RATIO



Fixed investment per GDP,
current prices, current exchange rates

- 1. Finland
- 2. OECD

bottoming out, but relative to construction costs, prices remain low and the majority of current construction activity is sustained by government subsidy. With no clear improvement in sight, prospects for a recovery in housing construction remain weak.

PERMANENTLY LOWER INVESTMENT RATIOS?

Previously, Finland's investment ratio was one of the highest among the OECD countries. But during the current recession the investment ratio has declined rapidly, and in 1992 it was lower than the OECD average (Chart 6). This sharp fall is due mainly to cyclical factors; however, there are also many structural trends and medium-term constraints which reduce the likelihood that the investment ratio will rebound quickly to pre-recession levels.

Changes in the structure of exports are likely to have a negative impact on investment ratios, as the fastest growing sectors of the export industries (eg the electrical equipment industry) are considerably less capital-intensive than are the major traditional export industries. Higher real interest rates

tracts, and this will enable companies to utilize the existing capital stock more efficiently thus reducing the need for capacity expansion through fixed investment.

Foreign indebtedness places a constraint on investment recovery, especially in the domestic sector of the economy. Although the current account deficit is rapidly improving, substantial surpluses are required during the latter part of the decade in order to reduce the foreign debt to a more manageable level. This will restrain any potential expansion in domestic demand for a period of many years.

Due to geographical factors and the high capital-intensiveness of the major industries, the investment ratio in Finland could exceed the OECD average also in the future. However, in light of the long-term structural trends and medium-term constraints, it seems unlikely that the investment ratio in Finland will recover quickly to its pre-recession level.

28 July 1993

brought on by deregulation and less preferential tax treatment of investments will reduce the number of investment projects that offer profitable prospects.

Finnish companies' financial leverage has traditionally been high. The recession and the exchange rate losses have increased indebtedness to record levels. High leverage makes companies more vulnerable to adverse shocks and it restricts their investment possibilities. Finnish companies need to strengthen their capital structures to a considerable extent, even beyond pre-recession standards. In order to reduce indebtedness, there must be an adjustment period during which borrowing, and thus investment, are restrained.

The high level of unemployment, generally projected to persist for many years to come, puts downward pressure on labour costs and reduces firms' incentive to substitute capital for labour. Instead, companies are likely to some degree to substitute labour for capital, which means that the investment ratio is likely to decline. The high unemployment is also likely to increase flexibility in working hours and employment con-

CONSOLIDATION OF PUBLIC FINANCES

by **Martti Hetemäki**, Dr Pol Sc
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In 1990, the growth of the Finnish economy came to a halt and, in 1991 and 1992, real GDP contracted by about 10 per cent in all. The slump in economic activity has led to a sharp deterioration in the financial position of the public sector. Central government expenditure has grown dramatically and tax receipts have started to decline (Chart 1).

Three factors have been behind the increase in central government borrowing requirements. First, a steep rise in the unemployment rate from some 3.5 per cent in 1989 to about 17 per cent in 1993 has swollen expenditure related to the management of unemployment. The fiscal cost in terms of tax revenue foregone and the financing of unemployment security amounts to more than 5 per cent of annual GDP.

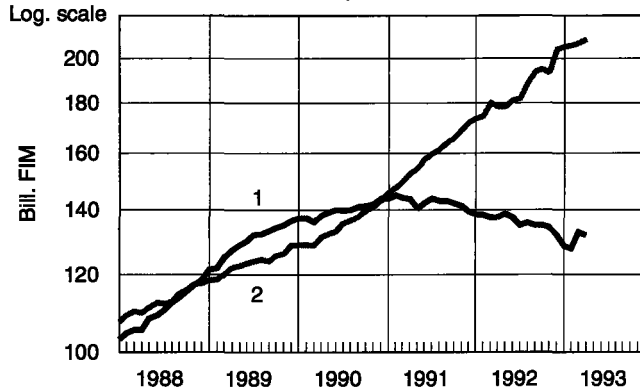
The second factor is financial investments in the form of capital injections to safeguard the profitability and solvency of the banking sector. In 1992, state aid to the banking sector amounted to some FIM 20 billion, or about 4 per cent of GDP.

The third factor is interest payments on government debt, which in 1993 will amount to about 3 per cent of GDP.

With the rapid increase in central government indebtedness, the ratio of public debt to GDP has risen to the average level for the other OECD countries. By the end of this year, the ratio of Finland's gross government debt to total output is estimated to exceed the limit of 60 per cent laid down in the Maastricht treaty as one of the criteria for participation in EMU (Chart 2).

CHART 1.

CENTRAL GOVERNMENT REVENUE AND EXPENDITURE, BILLION FIM

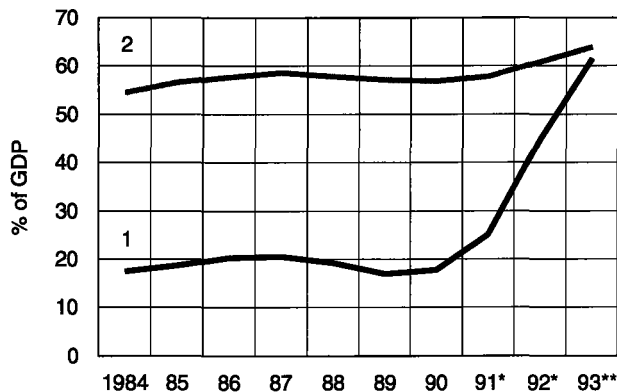


12-month moving total, plotted at the last month

1. Revenue
2. Expenditure, excluding net lending

CHART 2.

RATIO OF PUBLIC DEBT TO GDP IN FINLAND AND OECD EUROPE



1. Finland
2. OECD Europe

Sources: OECD, Ministry of Finance

STRUCTURAL AND CYCLICAL COMPONENTS OF GENERAL GOVERNMENT DEFICITS

The general government financial balance turned into deficit in 1991; in 1992 the deficit reached 8.9 per cent of GDP and this year it is expected to be 11.6 per cent of GDP. Calculations based on assumed trend growth of potential output indicate that the increase in the deficit is almost entirely due to the increase in the cyclical component of the deficit. For example, the OECD reported in its latest Economic Outlook (June 1993) that the cyclical component of the general government financial deficit in Finland was 7.9 per cent of GDP in 1992. Given that the total deficit was 8.9 per cent of GDP, this would imply that the structural deficit was only 1 per cent of GDP. The figure for the structural deficit is based on estimates of public revenue and expenditure that are consistent with potential output. Depending on the assumed growth rate of potential output and given that in 1993 real GDP is expected to be about 10 per cent lower than in 1989, output is currently some 15–20 per cent below its potential.

The estimates of potential output, and hence the structural deficit figures, are, however, very uncertain. Furthermore, structural public deficit calculations, which are based on potential output, omit the possibly structural nature of the unemployment problem, the increased interest payments on public debt and the effects on tax revenue of changes in the structure of demand. In the following, an attempt is made to assess the contribution of these three non-cyclical factors to the growth of the general government deficit.

Medium-term scenarios by the Ministry of Finance indicate that if annual GDP growth were close to 4 per cent, unemployment would fall only gradually from the current 17–18 per cent to about 12–13 per cent in 1997.

14 Of the 12–13 per cent unem-

ployment in 1997, possibly some 8–9 per cent could be called structural unemployment. Given that a one percentage increase in the unemployment rate is estimated to weaken the general government financial balance by about FIM 2.5 billion, or by about 1/2 per cent of GDP, structural unemployment of 8–9 per cent would contribute some 4 percentage points to the general government deficit/GDP ratio.

Another factor that makes the decomposition of the public sector deficit into cyclical and structural components difficult is interest payments on public debt. As can be seen from Chart 2, gross public debt in relation to GDP was less than 20 per cent in 1990. The debt ratio is expected to reach 60 per cent at the end of this year and then keep on increasing until 1996–97. Given that the average interest rate on public debt is close to 10 per cent, this implies that interest payments on gross public debt, which were less than 2 per cent of GDP just a few years ago, will be at least 6 per cent of GDP in the near future. Hence, given that in the medium term interest income from public lending and public financial investments is unlikely to grow faster than interest expenditure, the increase in net debt interest payments is likely to contribute some 4 percentage points to the general government deficit/GDP ratio. This and the increase in the structural component of unemployment together account for about 8 percentage points of the rise in the general government deficit/GDP ratio.

A third factor contributing to the structural public deficit problem is the change in the composition of final demand between exports and domestic demand. In Finland, as in other countries, exports generate directly relatively little tax revenue compared to domestic demand. This is partly because exports are not subject to value-added tax. In 1990, when the general government still had a small surplus, the share of ex-

ports in GDP was 23.1 per cent and in 1991 it was 22.3 per cent. As a result of strong export growth, the export share is expected to reach 33 per cent in 1994, a level corresponding to the situation in the early 1980s. According to the model projections of the Ministry of Finance, the share of exports in GDP will continue increasing in the medium term. This implies that the share of tax revenue in GDP will fall markedly from its level a few years ago even if tax rates and tax laws are unchanged. Therefore, cyclical deficit calculations, which are based on the past share of tax revenue in potential output, underestimate the structural deficit.

On the whole, taking into account the increase in interest payments on public debt, the rise in structural unemployment and the change in the composition of final demand in the 1990s, the public deficit is largely structural in nature. As a consequence, a reduction in the public deficit requires measures that will result in permanent expenditure savings. It is equally evident, however, that a return to sustained economic growth also has a key role to play in the consolidation of public finances.

STABILIZATION OF PUBLIC INDEBTEDNESS DEPENDS CRUCIALLY ON ECONOMIC GROWTH

The aim of economic policy has been to restore the necessary conditions for economic growth and high employment. In particular, this has involved efforts to consolidate the country's financial position by bringing a halt to the rapid build-up of foreign debt. This is judged to be an essential requirement for the sustainable growth of domestic demand and employment. Economic recovery would prove short-lived if the financial balance of the economy were to weaken again.

After widening continuously since the mid-1980s, the current

account deficit levelled off in 1992, and the current account is expected to swing back into surplus in 1994. The reduction in the country's external indebtedness will create room for the expansion of domestic demand and the economy as a whole. A reduction in unemployment and an easing in the plight of the banking sector are closely bound up with economic growth. Without a recovery of output, no new jobs can be created and the problems of the banking sector cannot be resolved.

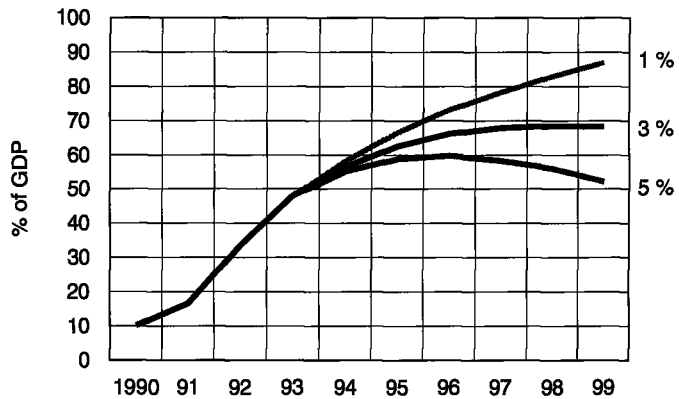
Stabilizing the growth of central government indebtedness is crucially dependent on economic growth, even if the effects of the reduced need for outlays on unemployment and support to the banking sector resulting from faster economic growth are not taken into consideration. Chart 3 shows developments in the ratio of central government debt to GDP when the economy is assumed to grow by one, three and five per cent a year, respectively. The chart is based on the assumption that the volume of central government expenditure (including interest payments but excluding aid to the banking sector) remains at its 1991 level in the period 1994-99 and that aid totalling FIM 35 billion is disbursed to the banking sector in the period 1993-96. It should be noted that this expenditure growth, which is consistent with the goals set by the Government, implies negative volume growth in non-interest expenditure.

RISKS ATTACHED TO THE GROWTH OF CENTRAL GOVERNMENT INDEBTEDNESS

The rapid growth of central government indebtedness is particularly worrying for three reasons. First, unlike, for example, Sweden, Belgium or Italy, the bulk of Finland's central government debt is denominated in foreign currency. A necessary condition for the repayment of

CHART 3.

RATIO OF CENTRAL GOVERNMENT DEBT TO GDP UNDER DIFFERENT ASSUMPTIONS FOR ANNUAL VOLUME GROWTH OF GDP



foreign currency loans is that the private sector earns foreign exchange in sufficient quantities so that the central government can purchase it in order to be able to service its foreign currency debt. In those European countries where public indebtedness has been particularly high (eg Belgium and Italy), the ability of the authorities to control indebtedness has been facilitated precisely by the fact that the saving of the private sector has compensated for the growth of public indebtedness. Thus developments in the current account and in the net external debt of the economy have been kept under control.

Secondly, earlier the accumulation of central government debt was partly tempered by inflation through a reduction in the real value of outstanding debt and the operation of fiscal drag. Moreover, considerable leeway was available to the authorities for discretionary increases in taxes. Given the fact that debt is largely denominated in foreign currency and capital can move freely, relief can no longer be obtained from these mechanisms.

Thirdly, in taking on new debt, greater attention must now be paid to the threat of an upward spiral in debt given the high level of real interest rates. International real interest rates

are expected to remain at a historically high level. This primarily reflects the fact that savings always end up by being channelled to where they earn the best return and that the global imbalance between saving and investment is likely to underpin a high level of interest rates for a long time to come.

CONSOLIDATION OF CENTRAL GOVERNMENT FISCAL POSITION

During the prolonged period of rapid economic growth in the 1980s, the activities of the public sector and public transfers were increased in a way that would have led to the emergence of financial difficulties even if the economy had not run into the present crisis. Among other things, the expansion of the public sector was inconsistent with the prospect of upward pressures on spending caused by an ageing population and with goals of cutting taxation.

Today's heavy tax burden tends to inhibit economic growth, and there is a clear need to lower the level of taxation in the economy. Likewise, the ongoing process of economic integration is generating pressures for cuts in the taxation of both consumption and earned income. Without such cuts, Fin-15

land's overall ratio of taxes to GDP threatens to rise to a very high level by international standards because the funding of mandatory pension schemes will require a rapid increase in pension contributions in the coming years.

In February 1992, the Government announced a medium-term budgetary framework for the period 1993–95 aimed at returning the volume of central government expenditure to its 1991 level by 1995. In March 1993, the Government set the additional target of stabilizing central government indebtedness by 1997 and limiting the rise in the ratio of debt to GDP to 70 per cent. The attainment of these goals requires that substantial expenditure cuts already be included in the budget for 1994.

SUMMARY AND CONCLUSIONS

The Finnish public sector has a serious deficit problem, which is to a large extent structural in nature. The ratio of central government debt to GDP is estimated to rise to about 50 per cent this year, compared with just 10 per cent at the start of the decade.

To restore balance to the central government budget, the Government has set the goal of bringing down the volume of central government expenditure (including interest payments but excluding aid provided to the banking sector) to its 1991 level by 1995. Another key goal of the Government is to stabilize the ratio of central government debt to GDP at 70 per cent by 1997.

Besides permanent cuts in spending, the consolidation of

central government finances is closely bound up with the recovery of economic growth. With the correction of the current account imbalance, the way is now being prepared for an upturn in domestic demand and in the economy as a whole. Though the high debt levels of companies and households together with weak economic developments in Europe will curb the recovery, the conditions exist for achieving a reasonable growth performance. The improvement in the external balance, the good cost competitiveness of exports and lower interest rates both at home and abroad are also creating conditions conducive to a pick-up in domestic demand, particularly investment.

20 July 1993

MINIMUM RESERVE SYSTEM INTRODUCED ON 1 JULY 1993

The Bank of Finland has introduced a minimum reserve system to replace the former cash reserve system, which was based on an agreement between the central bank and the banks. The adoption of the new system became possible following the approval by Parliament of a law amending the Regulations for the Bank of Finland; the law entered into force on 30 June 1993.

Under the minimum reserve system, the banks are required to hold a given percentage, prescribed by the Bank of Finland, of their funding as non-interest-bearing deposits at the Bank.

The minimum reserve system will help to enhance the efficacy of the Bank of Finland's instruments of monetary control. The reserve requirement will stabilize movements in money and credit in the economy. Since no interest is paid on minimum reserves, the cost to the banks of holding reserves increases when the level of interest rates rises and decreases when the level of interest rates falls. Thus, the minimum reserves automatically increase the efficiency of monetary policy even though the required reserve ratio remains unchanged. The efficiency of the system can be further enhanced by changing the reserve requirement when economic and monetary conditions so require.

In many cases, a minimum reserve system offers a more expedient way than open-market operations of sterilizing the increase in money supply caused by a rise in foreign exchange reserves. Following the shift to a

floating exchange rate, the Bank of Finland now pays greater attention to the creation of money in the banking system. The minimum reserve system will facilitate this task by improving the Bank's possibilities to influence bank lending and thereby developments in the money supply.

The reserve requirement has been set on the basis of the monetary aggregates employed by the Bank of Finland. The percentage is calibrated according to the composition of bank funding; the more liquid the item concerned the higher is the reserve requirement applied to it. For liquid deposits the requirement is 2.0 per cent. For other deposits the requirement is 1.5 per cent and for other domestic liabilities the requirement is 1.0 per cent.

The requirement was applied for the first time to the reserve base for June, and the corresponding deposits had to be made by the end of July. The total volume of deposits amounted to FIM 6.3 billion.

MEASURES FOR DEVELOPING THE MARKET IN GOVERNMENT SECURITIES

On 15 June 1993, the Bank of Finland decided on measures designed to foster trade in government securities. These measures are aimed at improving the functioning of the market in government securities and thereby the functioning of the financial markets as a whole. The efficient functioning of the bond market is a key issue as regards the performance of the Finnish economy over the next few years.

The focus of the measures is on enhancing the operating conditions of primary dealers, who are committed to maintaining a market in government securities. The main measures are as follows:

The Bank has begun to hold weekly auctions of repos (repurchase agreements) with the primary dealers. The instruments used in the auctions are government and Bank of Finland securities.

The Bank may, at its discretion, grant primary dealers access to intraday credit, which must be fully collateralized by the recipient.

The Bank of Finland is prepared, in exceptional circumstances, to extend special short-term financing to those securities broking firms which operate as primary dealers but which are not banks.

The Bank has, together with the State Treasury Office, defined the minimum requirements that must be met in order to acquire and retain primary dealer status.

SUPPLEMENTARY BUDGET

The third supplementary budget for 1993 was approved by Parliament in June. It consists mainly of increases in statutory outlays. Central government expenditure is set to increase by a further FIM 5.9 billion, which is more than 3 per cent of the amount originally budgeted. Of this sum, nearly 3 billion has been earmarked for unemployment benefits, which will reach a notably higher level than originally estimated. A sum of FIM 2.2 billion has been set aside for outlays related to cen-

tral government debt. More than half of this sum will be used to cover increased interest payments on foreign debt caused by exchange rate changes. The rest of the appropriations mainly consist of agricultural support related to the agricultural income agreement.

As tax revenue is estimated to increase by only about FIM 0.2 billion in the supplementary budget, nearly all the additional expenditure will be covered by new borrowing. A total of about FIM 73.4 billion has now been budgeted to cover the deficit in 1993. This is equivalent to nearly 15 per cent of estimated GDP for this year.

FINLAND'S BALANCE OF PAYMENTS, JANUARY-JUNE 1993

Current account

The current account showed a deficit of FIM 7.3 billion in January - June of this year, FIM 7.8 billion less than in the corresponding period a year ago. The main contributions to the improvement came from an increase in the trade surplus and a decrease in the deficit on the services account. The improvement in the current account, however, continues to be restrained by the growth in net interest expenditure.¹

Goods. Compiled on a balance-of-payments basis, the trade account posted a surplus of FIM 12.8 billion, FIM 8.7 billion more than for the first half of 1992. The value of goods exports grew by 23 per cent. The sharpest increase was registered for the exports of the wood products and basic metals industries. The value of imports rose by 7 per cent. Imports of raw materials and intermediate goods recorded the strongest growth, whereas imports of consumer goods fell by 4 per cent.

¹ Estimated reinvested earnings from direct investment included in the current account will be revised in the current account data for January-September, to be published on 28 October 1993.

MAJOR BALANCE OF PAYMENTS ITEMS IN JANUARY-JUNE 1993, MILLIOM FIM¹

	Receipts	Expenditure	Net
Trade (exports fob, imports cif)	64 240	51 254	12 986
Adjustment items	-888	-750	-138
Trade account	63 352	50 504	12 848
Transport	4 689	2 251	2 438
Travel	2 908	4 446	-1 538
Other services	4 851	8 257	-3 407
Services account	12 448	14 954	-2 506
GOODS AND SERVICES ACCOUNT	75 800	65 458	10 342
Investment income	5 428	20 997	-15 569
Unrequited transfers	1 382	3 007	-1 626
Other	2 260	2 733	-473
A.CURRENT ACCOUNT	84 869	92 195	-7 326
	Change in assets	Change in liabilities	Net
Loans	981	10 993	11 974
Direct investment	-3 366	1 110	-2 256
Portfolio investment	-2 014	32 565	30 551
Other long-term capital	-40	-786	-827
B.LONG-TERM CAPITAL ACCOUNT	-4 439	43 882	39 442
BASIC BALANCE (A+B)			32 117
Trade credits	-3 238	2 568	-670
Short-term capital of banks	-11 959	-8 565	-20 524
Other short-term capital	909	-6 448	-5 539
Errors and omissions			-372
C.SHORT-TERM CAPITAL ACCOUNT			-27 105
OVERALL BALANCE (A+B+C)			5 011
Change in the foreign exchange reserves of the Bank of Finland			-5 011

Assets: increase -, decrease +
Liabilities: increase +, decrease -

¹ Preliminary figures.

Services. The deficit on the services account totalled FIM 2.5 billion, down by FIM 1.4 billion from the corresponding period a year ago. The surplus on the transport account grew slightly. The services account improved substantially as a result of a marked narrowing of the deficit on the travel account; travel receipts increased by 10 per cent and travel expenditure decreased by 20 per cent. The deficit on the other services account remained unchanged.

Investment. Investment expenditure abroad amounted to FIM 21.0 billion, while investment income from abroad totalled FIM 5.4 billion. Investment expenditure abroad was FIM 2.9 billion more than a year earlier.

Capital account

Capital movements continued to be heavy during the first half of the year. Net exports of capital by the private sector amounted to about FIM 32 bil-

lion, while net imports of capital by the central government amounted to about FIM 46 billion. Net imports of capital totalled FIM 12.3 billion. The Bank of Finland's foreign exchange reserves increased by FIM 5.0 billion and stood at FIM 36.9 billion at the end of June.

Loans. Net drawings of long-term loans amounted to FIM 11.0 billion. Imports of foreign loan capital by the central government totalled FIM 5.7 billion and imports by companies FIM 3.0 billion. Banks' loan claims fell by FIM 1.8 billion.

Direct investment. Finnish direct investment abroad totalled FIM 3.4 billion in net terms, approximately three times as much as in January–June last year. Net foreign direct investment in Finland amounted to FIM 1.1 billion.

Portfolio investment. Net sales of Finnish securities abroad totalled FIM 32.6 billion. Bonds accounted for FIM 30.0 billion and shares for FIM 2.6 billion. The central government raised finance abroad totalling FIM 40.1 billion through sales of bonds. By contrast, repayments of bonds issued abroad by companies, banks and other financial institutions exceeded new issues. Finnish investment in foreign securities increased by FIM 2.0 billion.

Short-term capital. Net exports of short-term capital amounted to FIM 27.1 billion. A large part of this amount – about FIM 20 billion – was due to banks' repayments of short-term external liabilities and an increase in banks' short-term foreign assets.

Net foreign debt

Finland's net foreign debt amounted to FIM 264.0 billion at the end of June. Net long-term debt amounted to 277.0 billion and net short-term assets totalled FIM 13.0 billion. During the first six months of 1993, Finland's total net debt grew by FIM 25.1 billion. Of this amount, exchange rate changes and other valuation items² accounted for

FIM 17.4 billion. The central government's share of total net foreign debt was almost 63 per cent, totalling FIM 165.5 billion at the end of June.

FINANCIAL SUPERVISION TO BE SET UP AS A SEPARATE UNIT OF THE BANK OF FINLAND

On 28 May 1993, Parliament passed the Financial Supervision Act. Under the Act, supervision of financial markets and market participants is to be conducted by a separate unit called Financial Supervision functioning in connection with the Bank of Finland. This new supervisory body will combine the supervisory activities of the present Banking Supervision Office and the Bank of Finland and will commence activities on 1 October 1993. The supervision of insurance and pensions institutions will remain under the Ministry of Social Affairs and Health.

Mr Jorma Aranko, director general of the Banking Supervision Office, has been appointed head of Financial Supervision. Mr Esko Ollila, member of the Board of Management of the Bank of Finland, has been elected chairman of the board of Financial Supervision. The head of Financial Supervision will serve as vice-chairman of the board. Mr Seppo Kiviniemi of the Ministry of Finance will be the third board member. In addition, Mr Tarmo Pukkila will serve as an auxiliary member of the board as representative of the Ministry of Social Affairs and Health.

OLD NOTES AND COINS CEASE TO BE LEGAL TENDER FROM 1 JANUARY 1994

The Parliamentary Supervisory Board has decided to annul

² In addition to exchange rate changes, the amount of outstanding liabilities and assets is affected, *inter alia*, by changes in securities prices and by credit losses.

the validity of banknotes of the 1945–1980 types with effect from 1 January 1994. The Ministry of Finance has made a corresponding decision concerning coins in markka and penni denominations issued before the 1963 currency reform as well as the 20, 5 and 1 penni coins, aluminium-bronze 50 and 10 penni coins and aluminium 10 penni coins issued after the 1963 reform. After the end of this year, a creditor will not be obliged to accept these notes or coins if they are offered in settlement of a debt.

The Bank of Finland will redeem these notes and coins at their face value for a period of ten years starting from the date the decision takes effect.

Of the notes currently in circulation, only notes of type 1986 issued in 1986 and 1987 and notes of type 1986 Litt. A issued in 1991 will be legal tender from the beginning of 1994. Likewise, only cupro-nickel 50 and 10 penni coins issued in 1990 and coins in markka denominations issued after the 1963 currency reform will be legal tender from that date.

Notes and coins issued before the 1963 currency reform will cease to be legal tender because their denominations are expressed in old markkaa, that is, their value in terms of current money is one hundredth part of their face value. These notes and coins have been used only sporadically in payments since the 1960s.

Notes of types 1963, 1975–77 and 1980 will cease to be legal tender because their security features do not meet current technological standards. Virtually all of these notes have already been withdrawn from circulation.

The validity of coins in penni denominations issued after the 1963 reform is being annulled so as to improve the reliability of vending machines and at the same time reduce the risk of coins of many different kinds being confused with each other. This step complies with international practice.

Under the new Currency Act which came into force on 1 May 1993, decisions to annul the validity of notes are made by the Parliamentary Supervisory Board and decisions to annul the validity of coins by the Ministry of Finance.

Decisions to annul the validity of notes have been made on two previous occasions during Finland's independence. In 1943 the validity of notes older than the 1922 type was annulled and in 1945 the validity of notes older than the 1945 type was annulled. No such decisions have been made before concerning coins.

In early autumn, a campaign will be organized to provide the public with detailed information on the old notes and coins which will cease to be legal tender.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM AUGUST 1992 TO AUGUST 1993

1992

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.

MAY

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 7.5 per cent to 7.0 per cent with effect from 17 May.

21

Cash reserve requirement.

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

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

JUNE**Cash reserve requirement.**

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

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

Market in government securities.

On 15 June, the Bank of Finland announces measures designed to promote the functioning of the market in government securities by improving the operating conditions of primary dealers. Among other things, the Bank starts to hold weekly repo auctions in government and Bank of Finland securities for the primary dealers. In addition, the Bank may, at its discretion, grant intraday credit to primary dealers and special short-term financing to non-bank primary dealers.

JULY**Introduction of minimum reserve system.**

In June, an amendment to the Regulations for the Bank of Finland enters into force providing for a mandatory minimum reserve system. On 30 June, the Bank decides to terminate the existing cash reserve agreement with the banks and replace it by the minimum reserve system. Deposit banks and branches of foreign credit institutions are required to hold 2.0 per cent of

their liquid deposits, 1.5 per cent of their other deposits and 1.0 per cent of their other domestic liabilities as non-interest-bearing minimum reserves at the Bank of Finland. The system is applied for the first time to the reserve base for June and the corresponding deposits are to be made by the end of July.

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

AUGUST

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



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-Ugrian group of languages, which also includes Estonian and Hungarian.

FORM OF GOVERNMENT

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

The legislative power of the country is exercised by Parliament and the President of the Republic. The supreme executive power is vested in the President, who is elected for a period of six years. The President for the current term, 1 March 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 cooperation programmes channel assistance via international organizations and, bilaterally, to a number of African, Asian and Latin American countries.

THE ECONOMY

Output and employment. Of the gross domestic product of FIM 414 billion in basic values in 1992, 3 % was generated in agriculture and fishing, 2 % in forestry, 22 % in industry, 6 % in construction, 12 % in trade, restaurants and hotels, 9 % in transport and communications, 3 % in finance and insurance, 18 % in other private services and 22 % by producers of government services. Of total employment of 2.1

million persons in 1992, 9 % were engaged in primary production, 27 % in industry and construction and 64 % in services.

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

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

Foreign trade. OECD countries absorb the bulk of Finnish merchandise exports. In 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 38 million cubic metres in 1992.

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

sources 31 %, others 16 %. Compared internationally (1990), Finland's consumption of 5.8 toe (OECD definition) per capita was 1.8 times higher than the average in European OECD countries. The self-sufficiency rate (including nuclear power) in Finland was 39 %, as compared with 60 % in western Europe on average.

FINANCE AND BANKING

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

The Central Bank. The Bank of Finland (Suomen Pankki - Finlands

Bank), founded in 1811, operates under the supervision of the Parliamentary Supervisory Board, the nine members of which are entrusted with overall supervision of the Bank and certain specific decisions such as fixing the Bank's base rate and the limits for other rates. The Governor and a maximum of five other Members of the Board 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 7 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 July	15 July	23 July	30 July
ASSETS					
Gold and foreign currency claims	29 517	37 930	38 081	36 390	35 083
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	564	646	657	660	661
IMF reserve tranche	1 732	1 854	1 885	1 896	1 899
Convertible currencies	25 041	33 251	33 359	31 653	30 342
Other foreign claims	4 867	5 316	5 323	5 329	5 337
Markka subscription to Finland's IMF quota	4 464	4 862	4 862	4 862	4 862
Term credit	404	455	462	468	475
Claims on financial institutions	14 595	5 272	5 263	5 572	6 671
Liquidity credits	1 585	—	58	294	418
Certificates of deposit	3 930	212	212	212	778
Securities with repurchase commitments	4 408	3 550	3 503	3 576	3 985
Term credits	100	—	—	—	—
Till-money credits	2 872	—	—	—	—
Bonds	1 462	1 272	1 252	1 252	1 252
Other claims on financial institutions	238	238	238	238	238
Claims on the public sector	2 446	1 396	1 396	1 396	1 396
Treasury notes and bills	—	—	—	—	—
Loans to the Government Guarantee Fund	1 000	—	—	—	—
Total coinage	1 446	1 396	1 396	1 396	1 396
Claims on corporations	1 458	3 409	3 404	3 403	3 399
Financing of domestic deliveries (KTR)	747	602	597	596	592
Other claims on corporations	711	2 807	2 807	2 807	2 807
Other assets	10 925	7 725	7 725	7 730	7 733
Loans for stabilizing the money market	9 474	7 587	7 587	7 587	7 587
Accrued items	1 298	—	—	—	—
Other assets	153	138	138	143	146
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	62 749	62 892	61 520	61 319
LIABILITIES					
Foreign currency liabilities	101	186	187	186	185
Convertible currencies	101	186	187	186	185
Other foreign liabilities	7 764	5 990	6 009	6 016	6 018
IMF markka accounts	4 464	4 862	4 862	4 862	4 862
Allocations of special drawing rights	1 026	1 129	1 148	1 154	1 156
Other foreign liabilities	2 274	—	—	—	—
Notes and coin in circulation	14 508	13 729	13 673	13 544	13 553
Notes	13 209	12 436	12 381	12 252	12 262
Coin	1 299	1 292	1 292	1 292	1 291
Certificates of deposit	4 880	28 228	27 828	25 176	18 956
Liabilities to financial institutions	20 000	129	355	1 279	6 607
Call money deposits	2 135	129	354	1 278	343
Term deposits	4 700	—	—	—	—
Minimum reserve deposits	13 165	—	—	—	6 262
Other liabilities to financial institutions	—	0	1	1	2
Liabilities to the public sector	90	184	183	183	150
Cheque accounts	72	5	5	5	3
Deposits of the Government Guarantee Fund	18	178	178	178	147
Other liabilities to the public sector	—	—	—	—	—
Liabilities to corporations	3 362	2 349	2 339	2 337	2 332
Deposits for investment and ship purchase	3 362	2 349	2 339	2 337	2 332
Other liabilities	4 399	161	153	150	154
Accrued items	4 242	—	—	—	—
Other liabilities	156	161	153	150	154
Valuation account and reserves	4 642	6 030	6 399	6 885	7 599
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	62 749	62 892	61 520	61 319

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

MILL. FIM

End of period	Foreign sector								Public sector			
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies, net	Convertible reserves, total (1+2+3+4)	Tied currencies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabilities	Net 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	-	29 416	- 2 897	26 519	2 446	90	2 356
1992												
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
April	2 180	615	1 842	29 986	34 623	-	34 624	- 678	33 946	2 639	59	2 580
May	2 180	634	1 819	29 778	34 411	-	34 410	- 692	33 718	2 416	64	2 352
June	2 180	650	1 866	32 156	36 852	-	36 851	- 699	36 152	1 396	591	805
July	2 180	661	1 899	30 157	34 897	-	34 898	- 681	34 217	1 396	150	1 246

End of period	Domestic financial sector						Corporate sector				
	Term claims on deposit banks	Liquidity position of deposit banks, net ¹	Minimum reserve deposits of deposit banks ²	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											
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
April	2 688	- 815	- 14 599	2 747	1 608	- 8 371	662	- 1 744	- 1 082	13 834	13 490
May	5 359	- 3 395	- 11 790	2 750	1 591	- 5 485	643	392	1 035	13 870	16 190
June	4 275	945	-	-	1 556	6 776	608	428	1 036	13 864	28 367
July	4 763	75	- 6 262	-	1 488	64	592	475	1 067	13 553	18 956

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

² Cash reserve deposits prior to 1 July 1993.

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

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

Average of daily observations	Call money deposits	Liquidity credits'	Liquidity position, net' (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			
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
April	629	390	239
May	763	186	577
June	1 032	387	645
July	981	518	462

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

2.2 THE BANK OF FINLAND'S MINIMUM RESERVE SYSTEM²

End of period	Reserve requirement			Cash reserve requirement, %	Deposits, mill. FIM Total
	On liquid deposits, %	On other deposits, %	On domestic debt capital, %		
	1	2	3	4	5
1988	.	.	.	7.6	19 039
1989	.	.	.	9.1	25 506
1990	.	.	.	7.0	17 401
1991	.	.	.	4.0	10 361
1992	.	.	.	5.0	13 165
1992					
July	.	.	.	3.7	9 812
Aug.	.	.	.	3.7	9 772
Sept.	.	.	.	3.7	9 762
Oct.	.	.	.	4.0	10 421
Nov.	.	.	.	4.5	11 900
Dec.	.	.	.	5.0	13 165
1993					
Jan.	.	.	.	5.5	14 734
Feb.	.	.	.	5.5	14 806
March	.	.	.	5.5	14 698
April	.	.	.	5.5	14 599
May	.	.	.	4.5	11 790
June	.	.	.	-	.
July	2.0	1.5	1.0	.	6 262

² Cash reserve system prior to 1 July 1993

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1-2-3)
	1	2	3	4
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	- 60 417 ^r	- 1 293 ^r
1992				
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	- 2 420 ^r	2 880 ^r
Dec.	12 070	5 680	- 2 560 ^r	8 950 ^r
1993				
Jan.	5 490	5 400	3 890	- 3 800
Feb.	6 500	8 340	- 260	- 1 580
March	10 470	12 750	660 ^r	- 2 940 ^r
April	5 870	11 310	1 450 ^r	- 6 890 ^r
May	4 250	21 140	- 775	- 16 115
June	4 041	22 169	- 19 911	1 783
July	7 070	12 260	- 18 300	13 110

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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	20 870	- 70 640	- 1 650	390	45 060
1992					
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
March	-	- 7 470	- 3 920	4 030	2 690
April	3 610	- 3 010	4 510	- 1 650	10 820
May	5 220	- 2 090	2 410	- 2 300	660
June	6 040	- 1 010	1 220	- 1 600	- 1 690

2.5 FORWARD EXCHANGE MARKET, MILL. FIM

End of period	Banks' forward positions with					Total, net (3+4+5)
	Domestic companies		Foreign banks, net	Bank of Finland, net		
	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						
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
March	33 115	34 059	- 944	- 10 187	9 815	- 1 316
April	36 298	33 616	2 682	- 11 158	7 460	- 1 016
May	36 027	31 763	4 264	- 6 992	4 144	1 416
June	36 401	26 908	9 493	- 5 785	2 204	5 912

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								
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
April	8.93	8.85	8.73	8.57	8.44	9.85	5.85	7.50
May	8.48	8.41	8.25	8.14	7.97	9.42	5.42	7.26
June	7.77	7.70	7.62	7.57	7.55	8.72	4.72	7.00
July	7.45	7.31	7.27	7.22	7.12	8.31	4.31	6.73

¹ Call money credit rate until 2 July 1992.

3.2 THE BANK OF FINLAND'S LIQUIDITY FACILITY

The Bank of Finland's tender rate, %	Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	Call money deposits: interest rate margin, %-points	Average of daily observations	ECU AND COMMERCIAL ECU INTEREST RATE, PER CENT		
					ECU	3 currencies	Commercial ECU
1	2	3	4	1	2	3	
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		
April	8.85	April	+1.00	7	-3.00		
May	8.42	May	+1.00	7	-3.00		
June	7.72	June	+1.00	7	-3.00		
July	7.31	July	+1.00	7	-3.00		
1 July	7.50						
9 July	7.20						
22 July	7.30						

3.3 WEIGHTED EURORATES AND COMMERCIAL ECU INTEREST RATE, PER CENT

Average of daily observations	ECU AND COMMERCIAL ECU INTEREST RATE, PER CENT		
	ECU	3 currencies	Commercial ECU
	1	2	3
1988	6.9	6.0	6.9
1989	9.3	8.4	9.7
1990	10.5	9.1	10.0
1991	10.1	8.5	9.5
1992	10.4	7.8	10.6
1992			
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
April	8.6	6.3	8.9
May	7.9	6.1	7.9
June	7.6	6.1	7.5
July	7.7	5.9	7.8

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

Average for period	Lending						Markku deposits and other markku 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 markku funding
	Cheque account and postal giro credits	Bills of exchange	Loans	New lending, total								
	1	2	3	4	5	6	7	8	9	10	11	12
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												
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.	11.87	15.36	12.32	12.53	11.89	11.68	6.50	7.50	4.50	6.56	11.18	8.04
Feb.	12.07	14.78	11.34	11.68	11.33	11.15	5.50	6.50	4.50	6.05	10.51	7.53
March	11.35	14.50	10.93	11.29	11.07	10.84	5.50	6.50	4.50	5.87	10.04	7.30
April	10.82	14.23	10.29	10.60	10.89	10.62	5.50	6.50	4.50	5.74	9.72	7.11
May	9.78	14.23	10.13	10.40	10.56	10.27	5.00	6.00	2.50	4.90	9.42	6.43
June	5.59	13.88	9.51	9.44	10.35	10.06	5.00	6.00	2.50	4.75	9.08	6.18

¹ End of period.

3.5 YIELDS ON BONDS AND DEBENTURES, PER CENT

Period	Reference rates calculated by the Bank of Finland		Taxable government bonds		Taxable public issues	Taxfree public issues
	3 years	5 years	5 years	10 years	5	6
	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						
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
March	9.7	10.0	9.4	9.9	11.4	7.6
April	9.6	10.0	9.3	9.8	11.0	7.8
May	9.2	9.6	8.9	9.5	11.0	6.7
June	8.8	9.2	8.4	9.0	9.3	6.7

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	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												
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
April	5.597	4.435	8.646	8.551	0.7519	0.8268	0.9131	3.5076	3.1212	0.17038	3.8346	1.0371
May	5.479	4.317	8.493	8.321	0.7484	0.8067	0.8888	3.4137	3.0432	0.16604	3.7865	1.0126
June	5.549	4.339	8.394	8.212	0.7489	0.7961	0.8793	3.3664	3.0017	0.16381	3.7713	1.0001
July	5.778	4.506	8.638	8.150	0.7262	0.7906	0.8698	3.3682	2.9954	0.16313	3.8123	0.9897

Average of daily quotations	Rome	Vienna	Lisbon	Reykjavik	Madrid	Athens	Tullian	Tokyo	Melbourne	ECU Commercial	SDR
	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 GRD	1 IEEK	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											
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
April	0.00364	0.4985	0.0378	0.0886	0.0484	0.0256	0.4384	0.04982	3.985	6.830	7.90874
May	0.00371	0.4851	0.0362	0.0868	0.0453	0.0250	0.4267	0.04970	3.826	6.672	7.76351
June	0.00370	0.4784	0.0354	0.0858	0.0438	0.0249	0.4208	0.05172	3.747	6.582	7.82674
July	0.00365	0.4786	0.0345	0.0806	0.0430	0.0248	0.4210	0.05365	3.913	6.564	8.03185

4.2 MARKKA VALUE OF THE ECU AND CURRENCY INDICES

Average of daily observations	Markka value of the ECU FIM/ECU	Currency indices, 1982=100		
		Trade-weighted currency index	Payments currency index	MERM Index
	1	2	3	4
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				
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
April	6.83031	134.0	136.2	141.6
May	6.67350	131.7	133.5	139.3
June	6.58470	130.9	133.2	140.1
July	6.57241	131.0	134.6	142.2

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
1992									
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
1993									
Jan.	36 386	90 643	112 861	21 500	261 390	15 643	277 033	62 732	339 766
Feb.	34 514	90 871	111 873	21 643	258 901	16 995	275 896	67 225	343 122
March	36 713	88 594	110 246	21 576	257 130	16 498	273 627	67 271	340 898
April	34 626	88 277	109 522	21 839	254 264	15 708	269 972	64 776	334 747
May	36 856	86 814	108 988	22 119	254 776	14 521	269 297	77 373	346 670

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
1992						
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
1993						
Jan.	15 948	3 017	251 227	270 192	96 543	366 735
Feb.	16 086	2 944	251 618	270 647	97 973	368 621
March	15 718	2 894	251 528	270 140	95 576	365 717
April	15 326	2 891	251 556	269 774	88 604	358 378
May	15 198	2 848	251 553	269 599	85 075	354 675

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*	- 68 099	81	439 937	440 018	- 97 909	134 829	274 011	310 733
1992*								
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.	- 68 099	81	439 937	440 018	- 97 909	134 829	274 011	310 733
1993*								
Jan.	- 58 784	- 103	441 263	441 160	- 106 350	138 722	276 026	315 321
Feb.	- 55 354	- 997	443 883	442 886	- 114 185	136 779	273 346	307 399
March	- 52 886	- 162	445 947	445 785	- 121 904	135 990	270 994	311 305
April	- 41 746	271	431 871	432 142	- 121 662	134 069	268 734	308 513
May	- 39 870	687	430 307	430 993	- 121 897	134 801	269 227	307 799
June	..	..	..	..	..	135 411	269 952	307 217

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	61 671	19 781
1992											
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	63 517	19 781
1993											
Jan.	116 428	7 343	2 607	126 378	41 597	13 555	16 900	72 052	198 430	55 762	22 958
Feb.	130 937	8 155	4 440	143 532	44 537	13 598	20 397	78 532	222 064	56 236	16 444
March	135 192	8 185	4 422	147 799	47 824	13 593	22 315	83 732	231 531	57 126	39 402
April	139 909	7 834	4 221	151 964	49 146	12 897	22 570	84 613	236 577	57 691	45 211
May	139 488	8 701	4 209	152 398	51 126	12 771	22 014	85 911	238 309	..	43 522
June	139 102	9 018	4 263	152 383	57 718	12 770	22 126	92 614	244 997	..	..

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	15 043	12 965	2 674	4	23 858	-	13 812	37 671
1992*									
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	1 478	430	120	-	1 918	-	250	2 168
Dec.	1 065	4 559	-	600	-	2 178	-	4 046	6 224
1993*									
Jan.	624	592	1 766	276	-	2 318	-	940	3 258
Feb.	471	850	3 480	283	-	4 432	-	652	5 085
March	871	691	3 944	656	13	5 025	-	1 149	6 174
April	504	226	1 835	89	-	2 144	-	509	2 653
May	3 280	1 380	2 761	407	-	4 374	-	3 454	7 828
June	3 132	968	6 658	157	-	7 469	-	3 446	10 915

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
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
1993*									
I	27 751	82 188	51 244	6 092	3 029	98 524	12 097	59 683	170 304

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					
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
April	2 073	12 289	1 840	4 409	7 048
May	2 165	14 069	2 114	4 977	8 328
June	2 539	21 079	2 115	5 810	7 307
July	4 886	18 701	4 725	7 990	10 211

5.6 HELSINKI STOCK EXCHANGE

Average of daily observations	Share prices									Turnover ¹ , mill. FIM		
	HEX Index (28 Dec., 1990=1000)									Shares and subscription rights	Bonds and debentures	Total
	All-share index	By ownership			By industry							
		Re-stricted	Non-re-stricted	Banks and finance	Insurance and investment	Manufacturing	Of which:					
	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	1 332	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												
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
April	1 091	.	.	464	551	1 419	1 478	1 566	1 535	3 019	3 260	6 279
May	1 200	.	.	575	602	1 542	1 637	1 748	1 644	4 451	4 805	9 257
June	1 132	.	.	508	600	1 461	1 569	1 597	1 570	1 906	4 118	6 024
July	1 241	.	.	579	631	1 618	1 720	1 659	1 808	2 810	2 855	5 665

¹ During period.

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, fob	Transport receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Investment income	Transfers and other income	Current account receipts (6+7+8)	Imports of goods, cif	Transport expenditure	Travel expenditure	Other services expenditure
	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	5 336	124 628	86 348	3 974	11 089	11 011
1992*	105 732	8 602	6 089	7 640	22 331	128 063	5 519	5 920	139 501	93 561	4 305	10 962	13 369
1991													
I	21 947	1 759	915	1 462	4 136	26 084	3 022	1 289	30 395	22 015	968	2 592	2 833
II	21 204	1 850	1 256	1 282	4 389	25 593	2 376	1 421	29 391	20 895	1 019	2 583	2 599
III	22 749	2 030	1 629	1 274	4 932	27 681	2 557	1 268	31 506	20 526	1 020	2 899	2 439
IV	25 199	1 869	1 244	1 618	4 731	29 931	2 047	1 359	33 337	22 912	967	3 014	3 139
1992*													
I	24 763	1 992	1 159	1 679	4 830	29 593	2 119	1 367	33 078	22 781	986	2 725	3 422
II	26 431	2 140	1 493	1 659	5 291	31 722	1 109	1 374	34 205	24 259	1 048	2 813	3 039
III	24 799	2 316	1 958	1 900	6 174	30 973	1 018	1 480	33 470	20 757	1 108	2 853	3 242
IV	29 740	2 154	1 480	2 402	6 036	35 776	1 273	1 699	38 748	25 764	1 163	2 572	3 666
1993*													
I	30 489	2 225	1 269	2 628	6 122	36 610	3 015	1 654	41 280	25 592	1 138	2 310	4 392
II	32 863	2 465	1 639	2 223	6 326	39 189	2 413	1 987	43 590	24 912	1 113	2 136	3 866

During period	Services expenditure, total (11+12+13)	Imports of goods and services (10+14)	Investment expenditure	Transfers and other expenditure	Current account expenditure (15+16+17)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account and services account (20+21+22)	Goods account (19+23)	Investment income, net (7-16)	Transfers 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	10 529	151 624	4 752	3 534	-6 044	-5 374	-7 885	-3 132	-18 671	-5 192	-26 996
1992*	28 636	122 197	30 390	10 347	162 934	12 171	4 297	-4 873	-5 729	-6 305	5 866	-24 871	-4 428	-23 432
1991														
I	6 394	28 408	7 642	3 020	39 070	-67	791	-1 677	-1 371	-2 257	-2 325	-4 620	-1 731	-8 676
II	6 201	27 096	7 805	2 259	37 161	309	831	-1 326	-1 317	-1 812	-1 503	-5 429	-838	-7 771
III	6 358	26 884	6 716	2 524	36 124	2 223	1 010	-1 270	-1 165	-1 425	797	-4 159	-1 257	-4 618
IV	7 121	30 033	6 510	2 725	39 268	2 288	902	-1 770	-1 521	-2 389	-102	-4 463	-1 367	-5 931
1992*														
I	7 133	29 914	8 456	3 124	41 494	1 981	1 006	-1 566	-1 743	-2 302	-321	-6 337	-1 758	-8 416
II	6 899	31 159	7 408	2 381	40 947	2 172	1 092	-1 320	-1 380	-1 608	563	-6 299	-1 007	-6 742
III	7 203	27 960	6 774	2 402	37 136	4 042	1 208	-895	-1 342	-1 029	3 013	-5 756	-922	-3 666
IV	7 400	33 164	7 752	2 440	43 356	3 976	991	-1 092	-1 264	-1 365	2 611	-6 478	-741	-4 608
1993*														
I	7 839	33 431	10 387	3 083	46 901	4 897	1 087	-1 041	-1 763	-1 718	3 179	-7 372	-1 429	-5 621
II	7 115	32 027	10 610	2 657	45 294	7 951	1 352	-497	-1 643	-788	7 163	-8 197	-670	-1 704

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	37 284	14 840	825	51 952	4 240	-372	1 052	101	5 022	46 931	19 935
1992*	1 007	36 623	5 951	479	44 060	2 869	317	3 461	304	6 951	37 109	13 677
1991												
I	116	7 881	3 994	-493	11 499	1 183	-16	184	165	1 516	9 983	1 308
II	99	16 050	4 888	585	21 621	1 155	-433	694	-19	1 397	20 224	12 453
III	-435	10 416	2 747	114	12 843	1 315	434	-522	-2	1 225	11 617	6 999
IV	-777	2 937	3 211	619	5 989	587	-356	697	-44	883	5 106	-825
1992*												
I	514	4 023	-160	795	5 172	1 238	182	621	273	2 313	2 859	-5 557
II	85	12 934	428	-261	13 186	-219	1 142	121	187	1 231	11 955	5 213
III	1	5 303	726	259	6 289	643	-882	1 117	182	1 060	5 229	1 563
IV	407	14 362	4 957	-314	19 412	1 207	-125	1 602	-337	2 347	17 066	12 458
1993*												
I	168	15 397	9 340	-384	24 521	1 659	2 981	-688	-105	3 847	20 674	15 053
II	942	17 168	1 653	-402	19 361	1 707	-967	-293	146	593	18 768	17 064

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	-13 436	399	-1 301	-14 338	6 261	882	3 285	10 427	-1 574	-26 339	-6 404	6 404
1992*	-29 022	7 757	10 660	-10 606	-567	4 115	6 597	10 145	-2 175	-22 926	-9 249	9 249
1991												
I	18 274	-1 105	2 367	19 536	22 472	-628	3 978	25 821	1 876	-4 410	-3 102	3 102
II	-10 919	-68	-605	-11 592	515	-495	1 970	1 990	-1 092	-14 674	-2 221	2 221
III	-16 407	340	-583	-16 650	-3 091	1 027	1 869	-195	2 550	-13 905	-6 905	6 905
IV	-4 383	1 232	-2 481	-5 632	-13 635	977	-4 531	-17 189	-4 908	6 649	5 824	-5 824
1992*												
I	-2 542	458	3 694	1 610	-4 134	1 005	1 723	-1 405	901	3 916	-1 641	1 641
II	-9 587	3 971	433	-5 184	-1 612	1 165	-3 403	-3 850	-4 928	-6 262	-1 049	1 049
III	-11 212	1 163	12 280	2 230	6 064	222	176	6 461	-3 497	-7 729	-6 165	6 165
IV	-5 681	2 165	-5 747	-9 263	-885	1 723	8 100	8 938	5 350	-12 851	-394	394
1993*												
I	-3 202	291	-5 985	-8 897	14 868	1 442	-1 311	14 999	3 149	-20 747	-5 694	5 694
II	-5 363	2 278	-463	-3 548	-2 909	1 797	402	-711	-3 522	-6 359	10 706	-10 706

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	143 685	75 772	5 827	242 728	53 560	7 430	27 907	6 161	95 057	147 671
1992*	19 000	209 738	94 796	7 919	331 452	62 500	9 115	34 072	7 670	113 357	218 095
1991											
I	18 714	110 303	60 239	4 116	193 373	45 453	7 312	25 970	5 914	84 649	108 723
II	18 760	126 800	66 420	4 725	216 704	46 947	6 923	27 125	6 061	87 056	129 648
III	18 273	132 499	68 747	4 877	224 395	48 601	7 392	26 056	5 934	87 983	136 412
IV	17 443	143 685	75 772	5 827	242 728	53 560	7 430	27 907	6 161	95 057	147 671
1992*											
I	18 093	150 937	77 762	6 768	253 560	54 270	7 900	29 179	6 738	98 087	155 473
II	18 316	160 383	76 021	6 441	261 161	53 522	9 089	28 025	6 648	97 284	163 877
III	18 455	183 866	85 068	7 290	294 678	61 822	8 618	31 039	7 397	108 876	185 802
IV	19 000	209 738	94 796	7 919	331 452	62 500	9 115	34 072	7 670	113 357	218 095
1993*											
I	19 168	252 408	114 518	8 233	394 327	70 474	12 408	35 615	8 324	126 821	267 506
II	20 110	258 886	111 909	7 363	398 268	68 316	11 426	33 238	8 285	121 265	277 003

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	99 502	13 798	14 703	131 152	35 922	36 727	15 840	10 545	99 034	32 118	179 788	15 734	12.7
1992*	7 849	84 253	21 654	22 274	136 030	33 966	43 534	21 004	16 732	115 236	20 795	238 890	19 571	14.1
1991														
I	3 399	126 600	12 237	17 232	159 468	37 748	48 792	13 813	11 336	111 690	47 778	156 502	3 886	12.8
II	2 889	117 188	12 160	17 498	149 735	36 023	50 406	13 339	13 721	113 489	36 245	165 893	4 695	16.0
III	2 826	99 953	12 500	16 703	131 982	29 006	47 064	14 371	15 121	105 561	26 421	162 833	3 424	10.9
IV	3 149	99 502	13 798	14 703	131 152	35 922	36 727	15 840	10 545	99 034	32 118	179 788	3 729	11.2
1992*														
I	3 185	100 961	14 224	18 439	136 808	35 429	32 960	17 009	12 765	98 163	38 645	194 117	5 011	15.1
II	3 242	89 647	18 219	18 157	129 265	33 516	32 786	18 124	8 932	93 358	35 907	199 784	4 973	14.5
III	14 067	86 647	19 406	21 248	141 367	29 484	43 316	18 835	9 575	101 210	40 158	225 960	4 430	13.2
IV	7 849	84 253	21 654	22 274	136 030	33 966	43 534	21 004	16 732	115 236	20 795	238 890	5 156	13.3
1993*														
I	5 836	86 430	21 918	19 833	134 018	31 998	60 816	23 133	16 377	132 323	1 695	269 201	6 472	15.7
II	6 173	78 525	24 142	17 099	125 939	41 889	56 929	24 604	15 532	138 955	-13 015	263 988	7 297	16.7

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

End of period	Long-term liabilities						Long-term assets						Long-term liabilities, net (6-12)
	Corporate sector	Banks	Other financial institutions	Central government	Other	Total (1+2+3+4+5)	Corporate sector	Banks	Other financial institutions	Central government	Other	Total (7+8+9+10+11)	
	1	2	3	4	5	6	7	8	9	10	11	12	13
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	79 212	70 795	35 623	56 377	721	242 728	57 749	27 641	2 121	4 752	2 794	95 057	147 671
1992*	91 575	70 253	49 128	118 081	2 415	331 452	70 609	30 730	3 096	5 627	3 296	113 357	218 095
1991													
I	71 221	58 776	26 529	36 123	724	193 373	47 585	28 021	2 140	4 651	2 252	84 649	108 723
II	76 980	67 005	33 210	38 814	696	216 704	49 995	27 536	2 122	5 040	2 362	87 056	129 648
III	76 925	68 223	34 193	44 332	723	224 395	51 794	26 862	2 138	4 655	2 534	87 983	136 412
IV	79 212	70 795	35 623	56 377	721	242 728	57 749	27 641	2 121	4 752	2 794	95 057	147 671
1992*													
I	80 836	69 700	36 029	65 370	1 624	253 560	58 994	28 538	2 298	5 367	2 890	98 087	155 473
II	79 011	64 232	37 681	78 534	1 703	261 161	58 755	28 141	2 290	5 147	2 951	97 284	163 877
III	85 805	68 903	39 127	98 824	2 020	294 678	67 223	30 407	2 451	5 528	3 268	108 876	185 802
IV	91 575	70 253	49 128	118 081	2 415	331 452	70 609	30 730	3 096	5 627	3 296	113 357	218 095
1993*													
I	102 168	72 685	54 550	162 000	2 925	394 327	78 528	35 140	3 180	6 259	3 714	126 821	267 506
II	102 784	69 663	51 382	171 676	2 762	398 268	76 549	31 571	3 299	6 535	3 311	121 265	277 003

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*			
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.	9 433	6 564	2 870
Feb.	10 434	9 031	1 404
March	11 445	10 368	1 077
April	11 350	9 658	1 692
May	11 402	7 768	3 634
June	10 177	7 752	2 425

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*					
1990 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
1993*					
I	135	107	175	166	106

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	Investment goods	Consumer goods	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*											
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	1 749	3 683	547	884	1 390	60	
Feb.	776	3 069	1 134	3 259	2 196	4 347	1 095	1 661	1 850	78	
March	898	3 438	1 213	3 914	1 982	4 650	889	2 841	1 917	71	
April	964	3 403	1 306	3 747	1 930	5 438	705	1 345	2 065	105	
May	1 017	3 120	1 111	4 237	1 917	4 548	511	1 040	1 603	66	
June	928	2 929	966	3 701	1 653	4 272	1 029	904	1 479	68	

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, feb				Imports, cif			
	1992*		1993* January-June		1992*		1993* January-June	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	88 347	82.2	49 475	13.7	75 180	79.1	40 749	7.0
OECD Europe	78 566	73.1	42 936	9.0	62 972	66.3	33 181	4.4
Of which:								
Austria	1 368	1.3	708	3.7	1 162	1.2	566	2.6
Belgium and Luxembourg	2 785	2.6	1 524	8.7	2 688	2.8	1 371	0.8
Denmar	3 858	3.6	2 117	10.7	3 192	3.4	1 593	-0.8
France	7 204	6.7	3 419	-18.7	4 382	4.6	2 252	10.7
Germany	16 806	15.6	8 729	2.5	16 085	16.9	9 099	12.1
Italy	4 302	4.0	2 343	10.6	3 425	3.6	1 895	5.5
Netherlands	5 628	5.2	3 389	22.9	3 458	3.6	1 844	9.0
Norway	3 775	3.5	2 036	15.9	3 825	4.0	2 412	38.1
Spain	2 842	2.6	1 889	30.3	1 167	1.2	625	-5.9
Sweden	13 771	12.8	7 186	4.4	11 133	11.7	5 143	-10.2
Switzerland	1 921	1.8	1 008	8.0	1 842	1.9	948	0.8
United Kingdom	11 519	10.7	6 930	28.3	8 213	8.6	4 236	-1.2
Other OECD	9 781	9.1	6 540	58.8	12 209	12.9	7 568	20.6
Of which:								
Canada	751	0.7	542	52.0	616	0.6	313	6.4
Japan	1 370	1.3	915	31.0	5 202	5.5	3 019	14.9
United States	6 365	5.9	4 190	67.4	5 792	6.1	4 009	31.2
Non-OECD European countries	7 310	6.8	5 418	51.4	9 681	10.2	5 405	25.1
Of which:								
Russia	3 020	2.8	2 461	67.5	6 725	7.1	3 944	33.6
Other countries	11 814	11.0	9 347	87.8	10 127	10.7	4 986	-7.2
Of which:								
OPEC countries	1 927	1.8	1 424	72.6	1 497	1.6	216	-65.4
TOTAL	107 471	100.0	64 241	23.4	94 988	100.0	51 140	7.1
Of which:								
EC countries	57 150	53.2	31 498	9.2	44 801	47.2	24 016	5.7
EFTA countries	20 959	19.5	10 997	6.6	18 033	19.0	9 101	1.0

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									
IV	54 124	20 321	21 209	3 153	3 502	102 309	26 389	31 028	97 670
1991									
I	53 354	20 457	19 387	3 230	2 983	99 412	24 882	29 422	94 872
II	53 075	20 497	17 138	3 553	1 720	95 984	23 956	27 008	92 931
III	52 754	20 645	16 207	3 133	490	93 230	27 240	28 196	92 274
IV	51 998	20 739	15 732	2 784	1 529	92 783	25 854	27 651	90 986
1992*									
I	51 248	20 493	15 247	3 101	1 837	91 925	26 673	28 500	90 098
II	49 927	20 474	15 267	3 001	2 264	90 932	27 893	28 979	89 846
III	49 340	20 607	14 448	2 683	1 799	88 876	28 132	27 423	89 585
IV	48 538	20 677	12 982	2 748	2 587	87 531	28 489	27 853	88 167
1993*									
I	48 530	19 511	12 981	2 312	2 901	86 234	30 658	28 508	88 384

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1990=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)	(1.3)	(89.6)	(16.8)	(31.3)	(41.8)	(9.1)
	1	2	3	4	5	6	7
1988	97.1	94.1	97.1	98.7	93.8	99.0	97.5
1989	100.3	101.9	100.5	102.3	99.6	100.8	97.9
1990	100.2	99.8	100.2	100.1	100.4	100.1	100.0
1991	91.2	91.3	89.9	91.5	85.6	92.6	103.6
1992*	92.6	91.2	91.5	94.8	90.9	90.6	103.2
1992*							
May	93.2	107.0	93.0	97.2	90.9	92.0	96.8
June	95.0	126.4	94.2	95.2	94.2	91.8	99.5
July	93.6	84.0	93.6	91.4	97.7	93.0	97.1
Aug.	94.1	82.1	93.5	97.0	95.6	90.7	99.4
Sept.	91.6	98.0	91.4	97.2	89.4	89.8	101.9
Oct.	93.6	82.8	91.6	95.8	89.3	92.1	112.0
Nov.	93.5	88.1	91.1	97.1	88.7	90.0	113.3
Dec.	91.0	77.5	89.0	95.1	87.6	88.2	110.3
1993*							
Jan.	93.2	88.6	92.0	105.5	91.3	87.2	104.7
Feb.	93.9	85.8	92.5	99.9	94.8	89.3	104.5
March	94.4	88.2	92.9	99.4	96.2	87.7	111.0
April	96.8	89.4	96.4	103.0	101.4	89.3	105.4
May	93.1	82.4	93.1	103.4	96.7	85.5	97.6

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	110.7
1992*	87.9	93.8	79.5	73.8	76.2	87.5	84.6	108.1
1992*								
April	89.4	96.4	..	..	..	..	..	108.5
May	83.5	93.2	..	..	..	..	..	107.4
June	95.3	94.4	..	..	..	..	..	108.9
July	89.9	92.0	..	..	..	..	..	109.0
Aug.	83.1	89.5	..	..	..	..	..	107.3
Sept.	87.2	93.4	..	..	..	..	..	107.9
Oct.	84.8	91.2	..	..	..	..	..	107.0
Nov.	81.4	85.8	..	..	..	..	..	107.5
Dec.	82.2	89.3	..	..	..	..	..	107.4
I	92.5	100.2	89.3	83.8	92.4	98.6	88.2	108.6
II	89.4	94.7	84.4	82.8	78.3	92.0	107.3	108.3
III	86.7	91.6	80.7	75.4	83.1	81.0	64.3	108.1
IV	82.8	88.8	67.9	55.2	51.1	77.9	80.1	107.3
1993*								
Jan.	74.5	86.6	..	..	..	..	..	107.0
Feb.	82.3	94.0	..	..	..	..	..	108.1
March	87.5	92.7	..	..	..	..	..	107.5
April	80.0	89.6	..	..	..	..	..	107.5
I	81.5	91.1	56.7	59.9	44.8	58.9	117.4	107.5

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 (SIC3)	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
1991	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	160.6	160.9	159.9	160.6	159.1	162.4	136.0	112.4	115.6	100.9	112.6	113.4	112.3	134.9
1992¹														
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	160.1	160.5	159.4	160.3	158.1	161.7	135.0	111.9	115.5	98.9	111.3	111.6	111.2	136.5
II	160.6	161.1	160.2	160.4	158.7	162.1	136.1	112.3	115.7	99.9	112.4	112.6	112.3	134.7
III	160.4	160.5	159.3	160.7	159.5	162.7	136.2	112.2	115.6	99.6	112.8	113.3	112.6	134.0
IV	161.2	161.4	160.8	161.0	160.3	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
March	..	..	..	..	..	..	138.8	116.2	117.1	112.4	116.9	120.5	115.2	134.7
April	..	..	..	..	..	..	139.3	116.4	117.3	112.4	117.4	121.0	115.7	135.2
May	..	..	..	..	..	..	139.4	116.1	116.8	112.7	117.3	121.6	115.4	135.3
June	..	..	..	..	..	..	139.2	116.1	117.1	111.8	117.2	120.7	115.6	135.5
I	161.8	162.0	161.8	161.6	160.9	163.3	138.5	115.1	116.5	109.8	115.7	118.6	114.4	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	Agri-culture and forestry	Industry	Con-struction	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												
June	66.4	2 513	2 190	330	1 860	194	456	156	1 383	323	12.9	
July	65.8	2 491	2 164	326	1 838	186	453	146	1 379	327	13.1	
Aug.	66.5	2 518	2 164	330	1 834	187	445	151	1 381	353	14.0	
Sept.	65.6	2 488	2 146	321	1 825	186	455	150	1 355	342	13.8	
Oct.	66.0	2 499	2 134	319	1 815	181	453	132	1 368	365	14.6	
Nov.	66.2	2 509	2 125	315	1 810	177	441	142	1 365	384	15.3	
Dec.	65.3	2 477	2 093	311	1 783	181	435	135	1 342	384	15.5	
1993												
Jan.	65.7	2 492	2 089	306	1 783	177	436	125	1 350	403	16.2	
Feb.	65.7	2 492	2 074	316	1 758	170	423	129	1 352	419	16.8	
March	65.1	2 474	2 050	312	1 738	180	429	131	1 310	424	17.1	
April	65.4	2 487	2 055	320	1 735	179	427	129	1 320	432	17.4	
May	65.3	2 480	2 052	320	1 732	175	432	130	1 316	427	17.2	
June	64.7	2 460	2 010	302	1 707	167	420	130	1 292	450	18.3	

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
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
1992	34 312	69 541	1 512	21 251	126 616	5 054	131 669	49 207	105 184	42 990	59 180
1992											
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
Dec.	853	6 371	-50	2 978	10 152	1 043	11 195	4 395	9 323	3 671	5 263
1993											
Jan.	-560	5 900 ^r	70	919	6 329 ^r	15	6 345 ^r	4 129	9 084	3 230	5 701
Feb.	3 730	4 446 ^r	240	1 257	9 673 ^r	113	9 785 ^r	3 869	7 807	3 347	4 273
March	2 456	6 205 ^r	127	3 496	12 284 ^r	2 119	14 403 ^r	4 145	9 295	3 698	5 440
April	3 875	4 926	93	2 657	11 551	98	11 649	3 835	9 436	4 055	5 278

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 (6-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)
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
1992	5 042	8 499	167 932	35 501	203 433	-41 316	-71 764	70 691	-1 071
1992									
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
Dec.	664	1 117	15 499	11 897	27 396	-5 347	-16 201	3 174	-13 027
1993									
Jan.	261	1 691	15 165	662	15 826	-8 836 ^r	-9 481 ^r	16 891	7 410 ^r
Feb.	290	842	12 808	1 289	14 097	-3 135 ^r	-4 312 ^r	15 636	11 324 ^r
March	313	2 248	16 001	3 211	19 211	-3 717 ^r	-4 808 ^r	9 245	4 437 ^r
April	306	1 554	15 131	2 060	17 191	-3 580	-5 542	12 592	7 050

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

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

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

Table 2.5 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): in the period from January 1989 to April 1992, deposits other than 24-month deposits were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less 4 percentage points. From May 1992, deposits other than 24-month or 36-month deposits are tax-exempt if they carry a maximum rate of interest as prescribed by law. The maximum rate was first set at 4.5 per cent. From 6 May 1993 it has been 2.5 per cent. All markka deposits (Column 10): the stock of deposits comprises all markka deposits by the public. The monthly and annual average rates of interest are weighted by deposit amounts. Other funding (Column 11): CDs outstanding + promissory notes + bonds. The average rate of interest is weighted by amounts. Total markka funding (Column 12): markka deposits by the public + banks' other markka funding. The rate of interest is weighted by amounts.

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

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

4 RATES OF EXCHANGE

Table 4.2 FIM/ECU (Column 1): The markka value of the ECU is calculated as the sum of the dollar amounts of the currencies in the ECU valued at current market rates, for which daily quotations at noon Finnish time are used. 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 the five largest banks (KOP, Okobank, Postipankki, Skopbank and Union Bank of Finland) agreed on a market making arrangement for benchmark government bonds with effect from 1 August 1992. Evli Securities Ltd was accepted as primary dealer with effect from 1 May 1993. The

primary dealers' quotes are published daily (page JVKD on Reuters). Purchases from and sales to others (Columns 4 and 5) consist of transactions in benchmark government bonds between primary dealers and other parties. Other parties refer to all parties that are not primary dealers.

Table 5.6 Source: The Helsinki Stock Exchange.

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

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

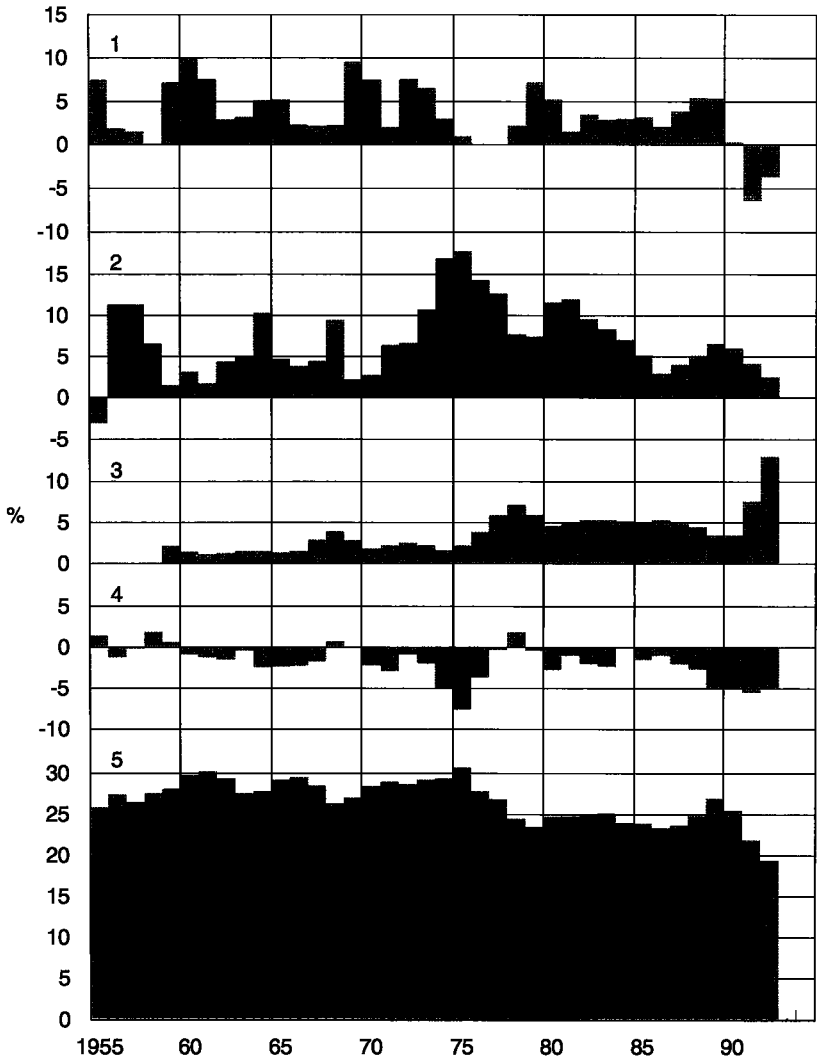
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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.

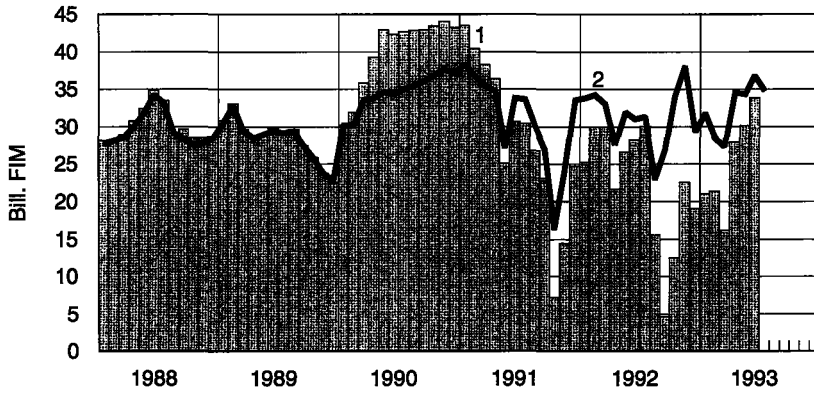
1. Long-term indicators	S28
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5. Banks' liquidity position with the Bank of Finland	S30
6. Liquidity management interest rates	S30
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11. Bank of Finland currency index and the markka value of the ECU	S32
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13. Daily spot rates for the markka against the pound sterling and the Swedish krona	S32
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15. Monthly spot rates for the markka against the pound sterling and the Swedish krona	S33
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17. Bank funding from the public	S34
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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



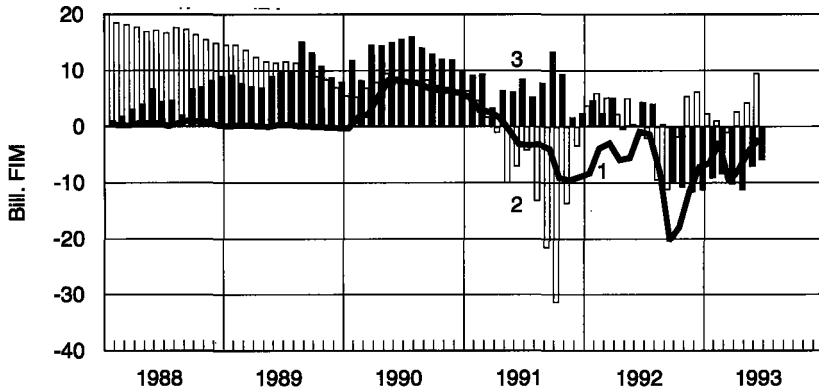
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



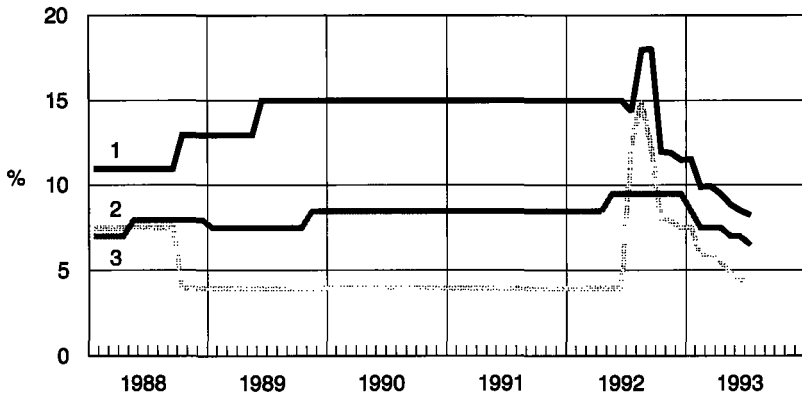
1. Foreign exchange reserves plus forward position
2. Foreign exchange reserves

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

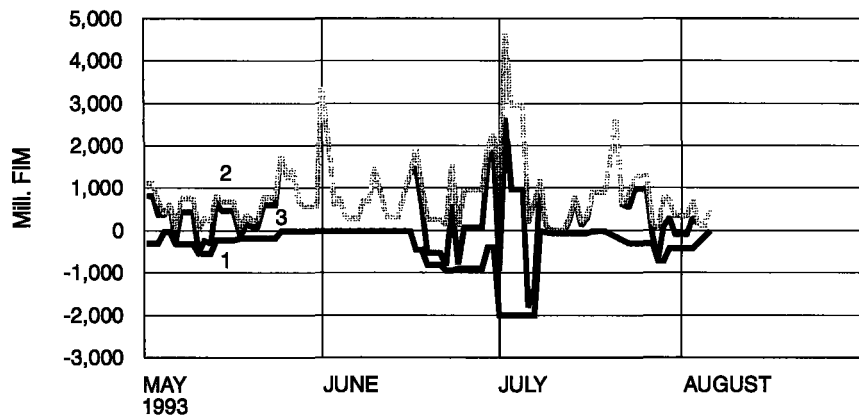
4. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



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

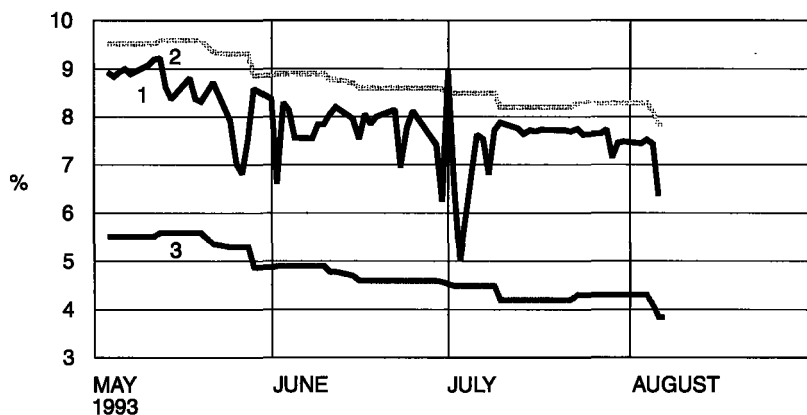
End-of-month observations

5. BANKS' LIQUIDITY POSITION WITH THE BANK OF FINLAND



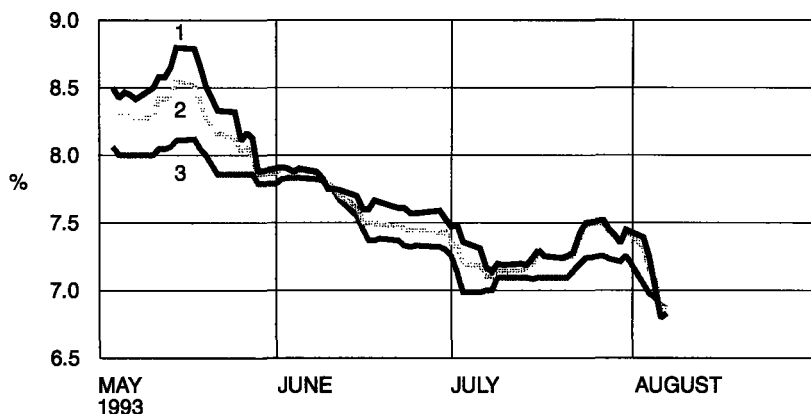
- 1. Liquidity credits (-)
- 2. Call money deposits
- 3. Net

6. LIQUIDITY MANAGEMENT INTEREST RATES



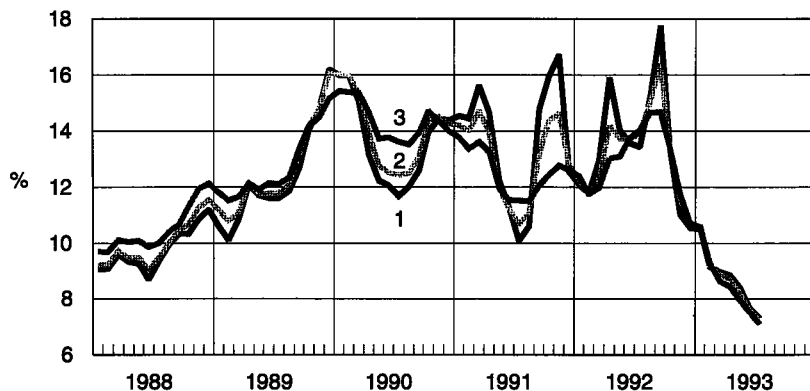
- 1. Inter-bank overnight rate
- 2. Liquidity credit rate
- 3. Call money deposit rate
- Daily observations

7. HELIBOR RATES OF INTEREST, DAILY



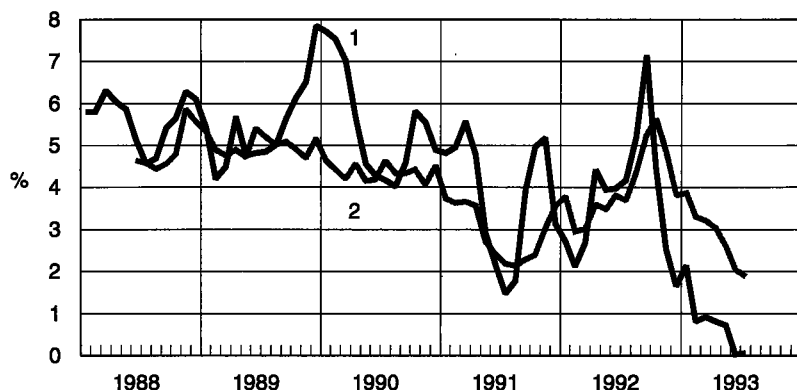
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

8. HELIBOR RATES OF INTEREST, MONTHLY



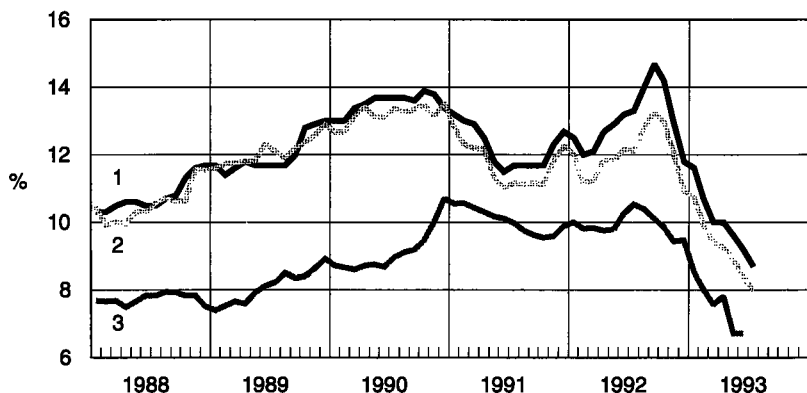
1. 1-month HELIBOR
2. 3-month HELIBOR
3. 12-month HELIBOR

9. DIFFERENTIAL BETWEEN FINNISH AND GERMAN INTEREST RATES



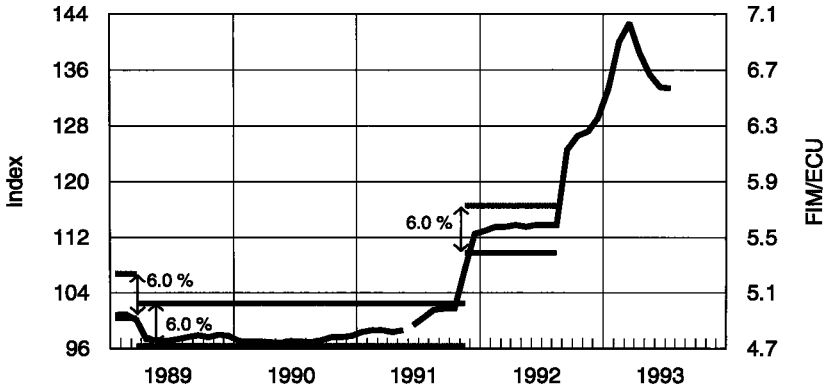
1. 3-month HELIBOR *minus* 3-month DEM eurorate
2. 5-year Finnish government bond yield *minus* 5-year German government bond yield

10. YIELDS ON BONDS



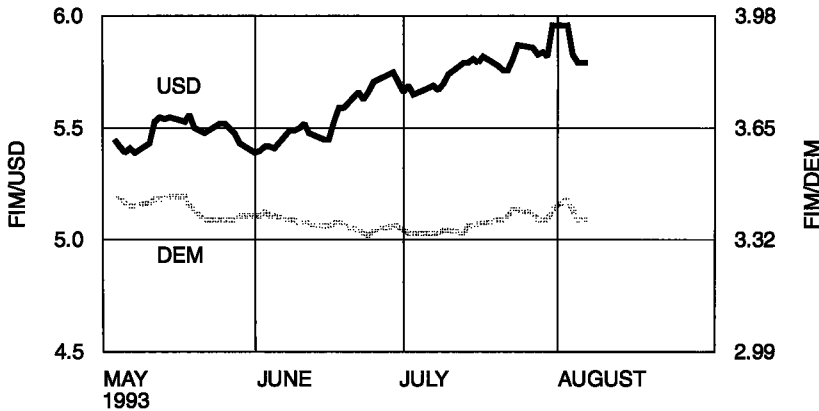
1. Bank of Finland's 5-year reference rate
2. Until April 1991, yield on (4-5 year) taxable government bonds
Since May 1991, yield on government bond due on 15 March 1996, coupon rate 11.75 per cent
3. Yield on (4-5 year) tax-free government bonds

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



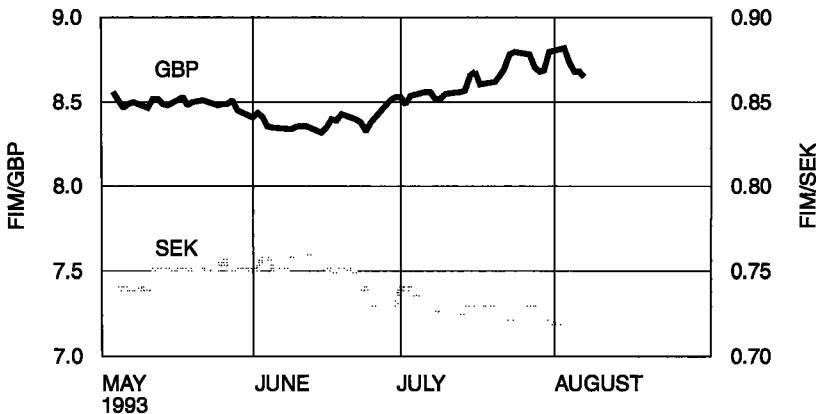
Until 7 June 1991, the Bank of Finland currency index. From 7 June 1991, the markka's exchange rate against the ECU, the fluctuation limits of which were 4.72953–5.02207 in the period 7 June – 14 November 1991, and 5.39166–5.72516 in the period 15 November 1991 – 7 September 1992. Since 8 September 1992,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

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



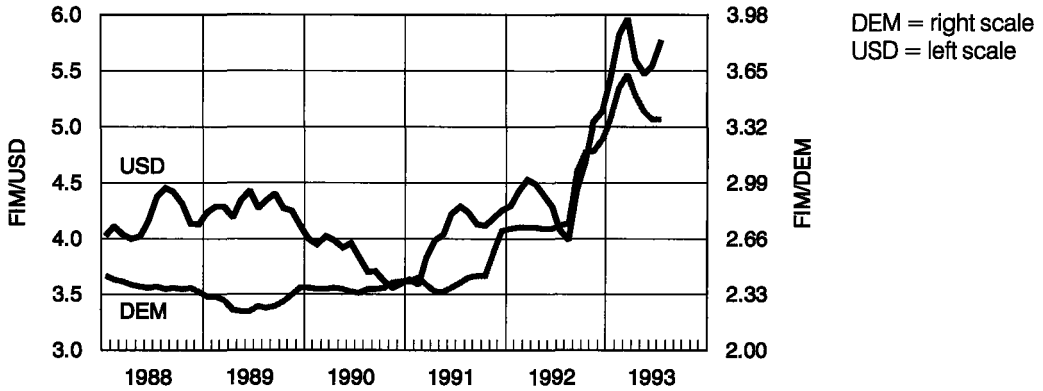
Middle rates
DEM = right scale
USD = left scale

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

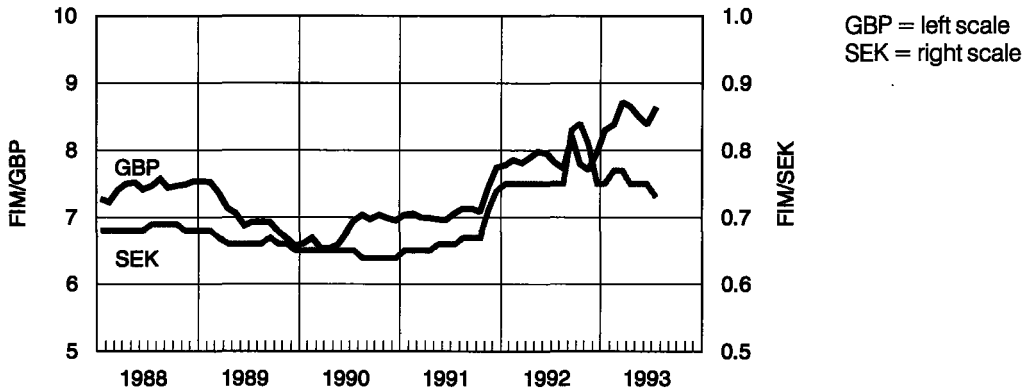


Middle rates
GBP = left scale
SEK = right scale

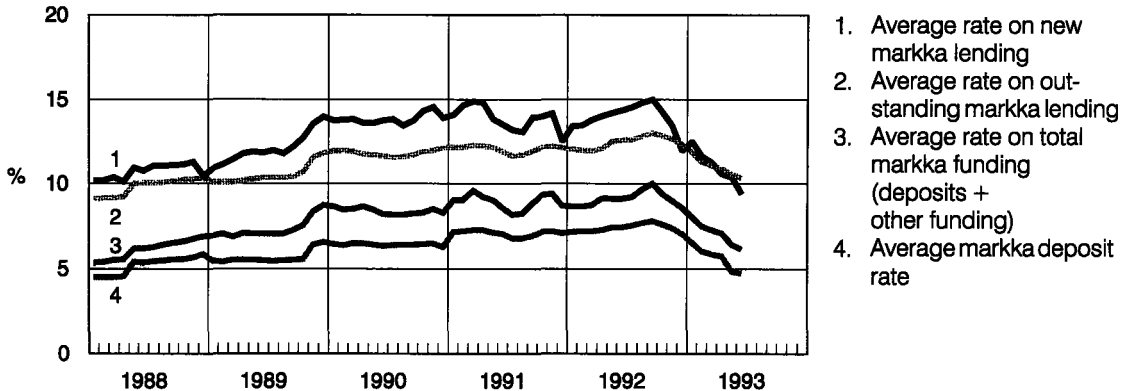
14. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE DEUTSCHMARK AND THE US DOLLAR



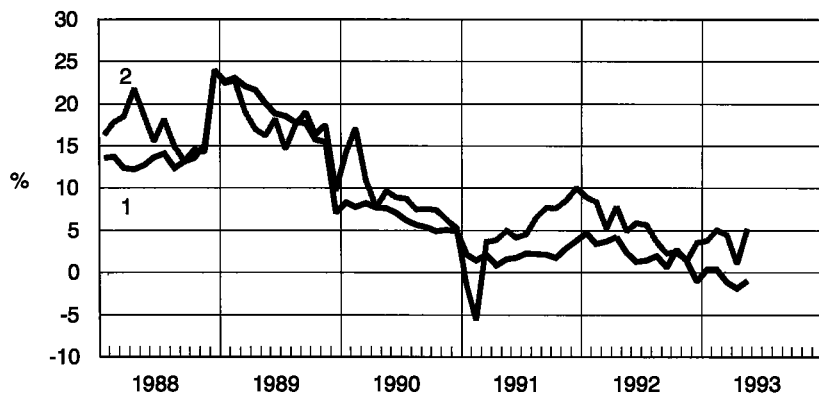
15. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE POUND STERLING AND THE SWEDISH KRONA



16. BANKS' MARKKA LENDING RATES AND MARKKA FUNDING RATES



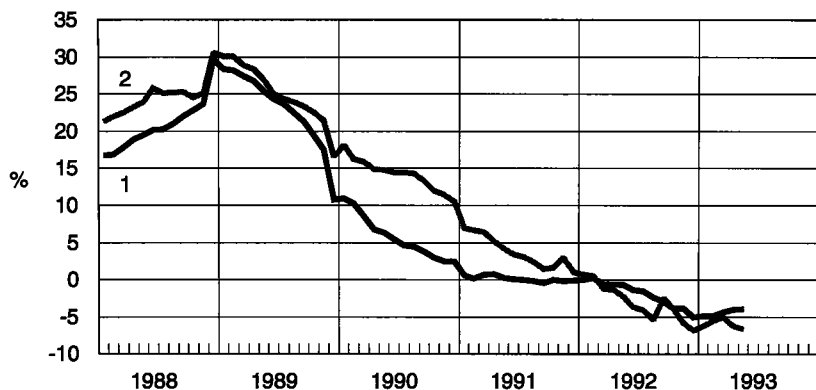
17. BANK FUNDING FROM THE PUBLIC



- 1. Markka deposits
- 2. Total funding

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

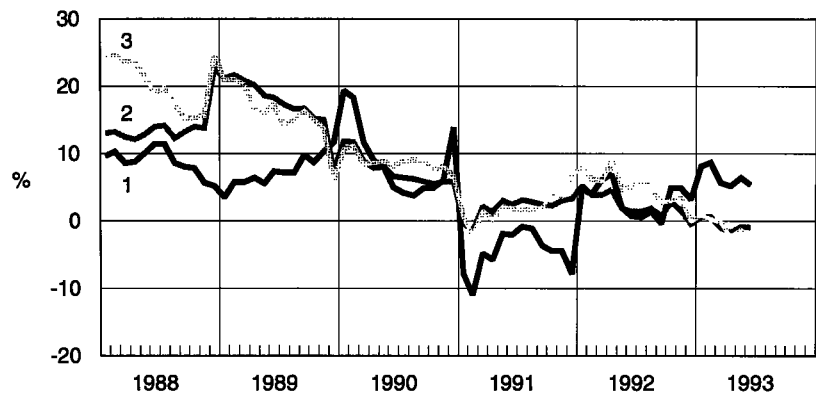
18. BANK LENDING TO THE PUBLIC



- 1. Markka lending
- 2. Total lending

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

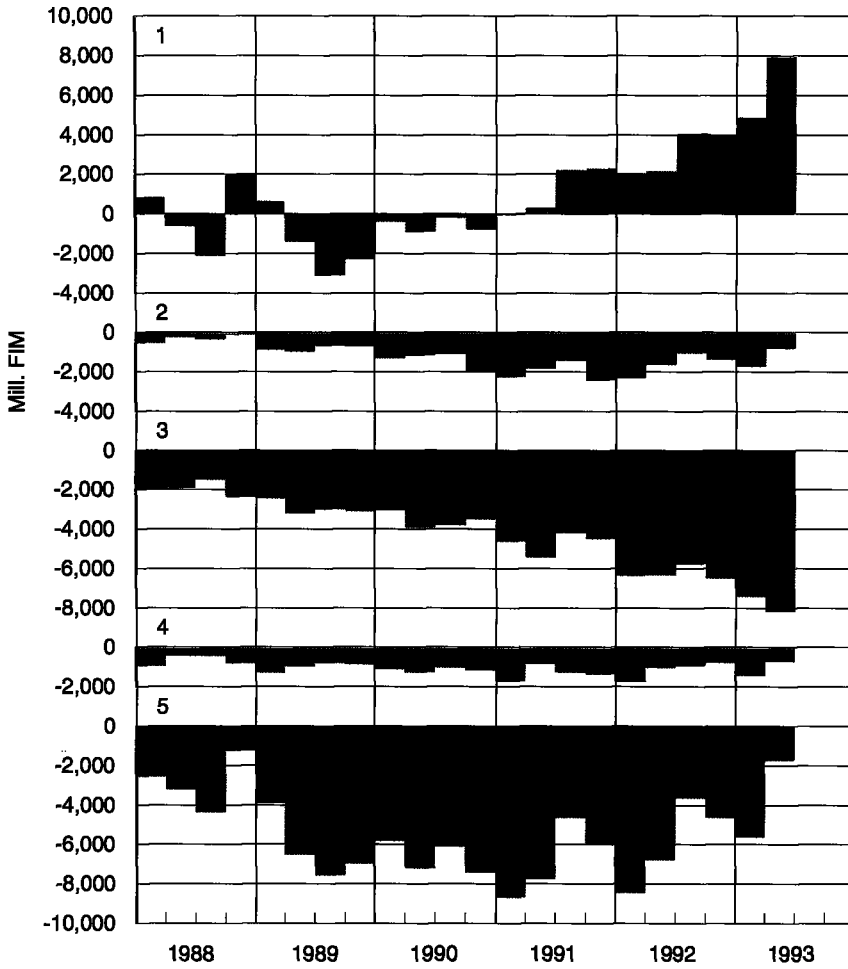
19. MONEY SUPPLY



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

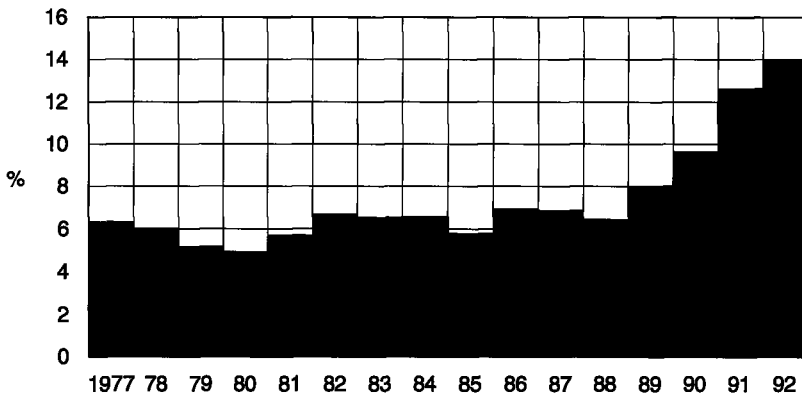
Change from the corresponding month of the previous year, per cent

20. CURRENT ACCOUNT



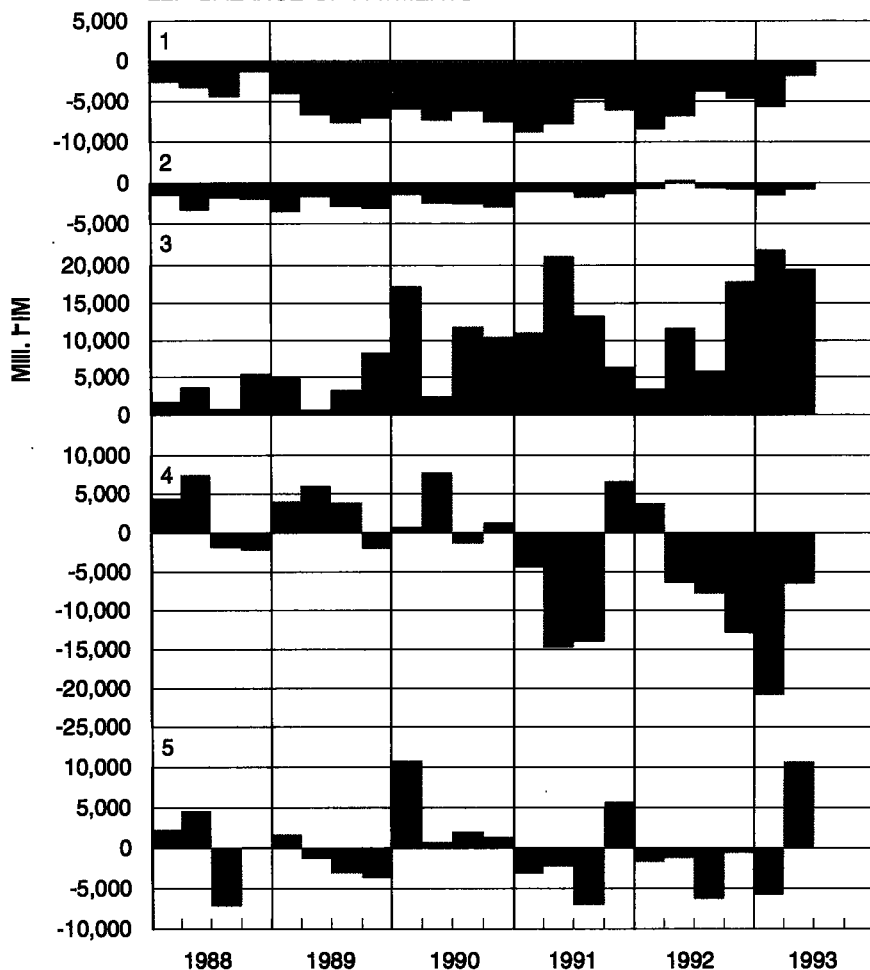
1. Trade account
2. Services account
3. Investment income account
4. Unrequited transfers account and other items, net
5. Current account

21. NET INTEREST AND DIVIDEND EXPENDITURE



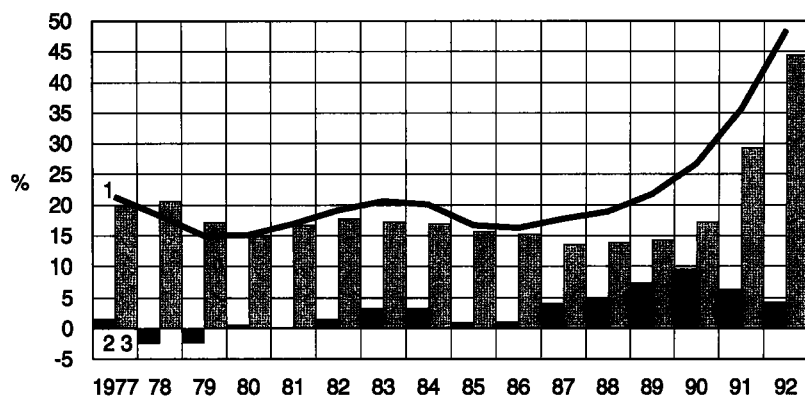
As a percentage of current account receipts

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

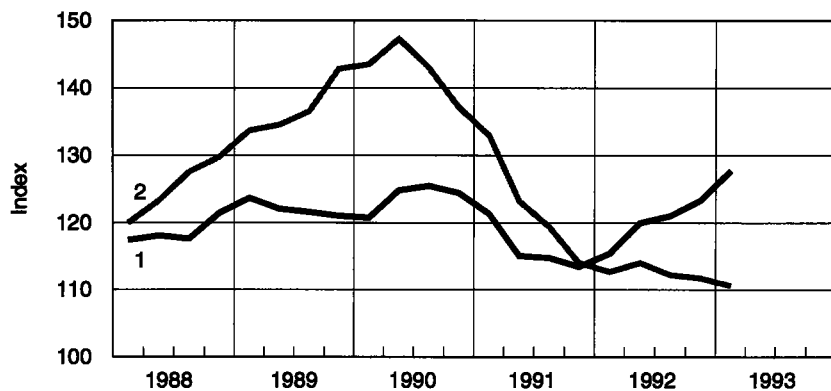
23. FOREIGN DEBT



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

As a percentage of GDP

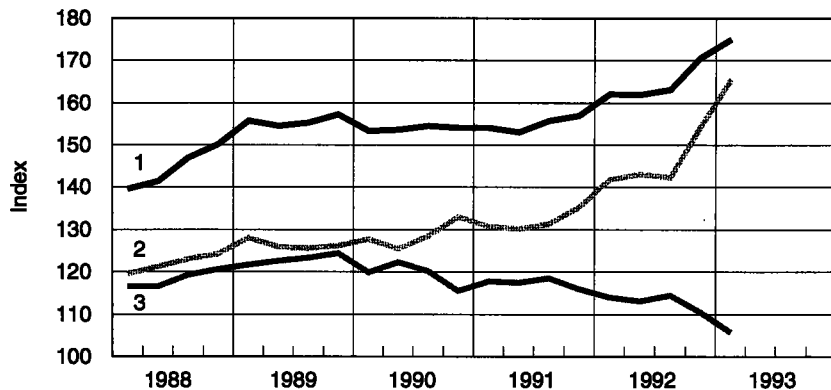
24. FOREIGN TRADE



1. Total exports
2. Total imports

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

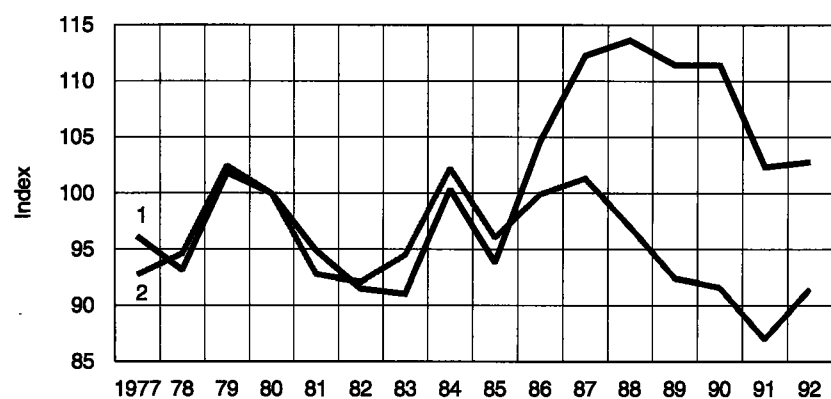
25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



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

1980 = 100

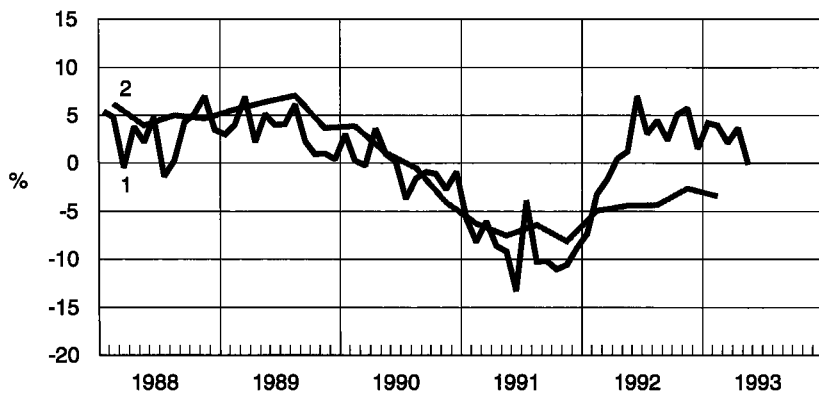
26. FINLAND'S EXPORT PERFORMANCE



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

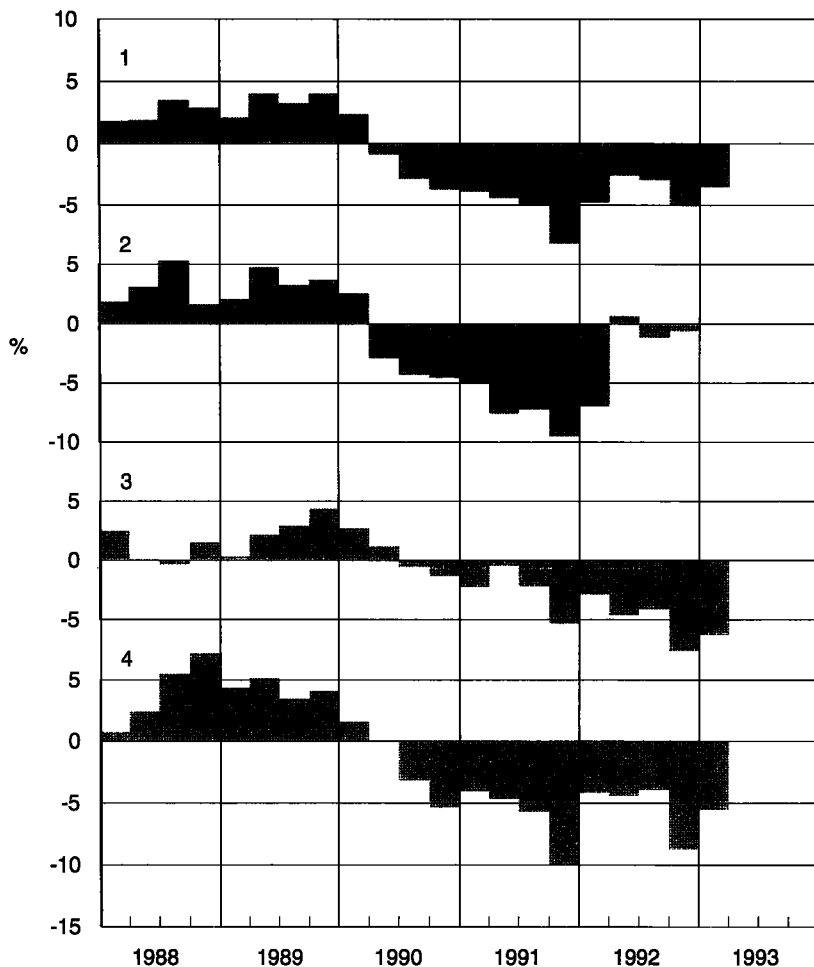
1980 = 100

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

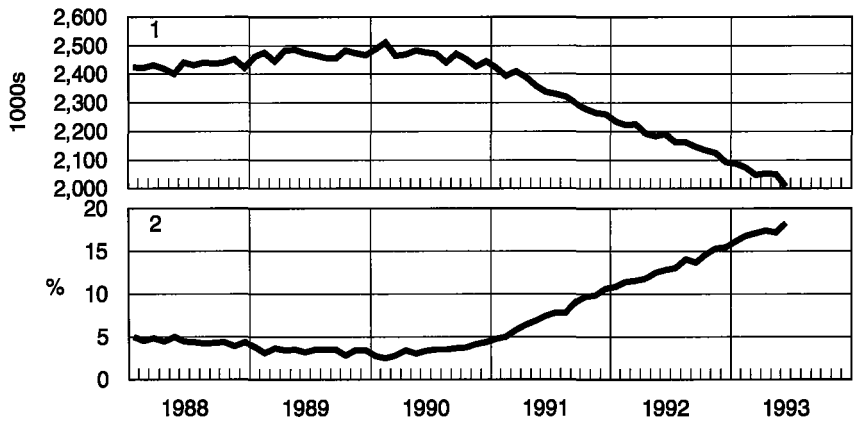
28. FIXED INVESTMENT



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

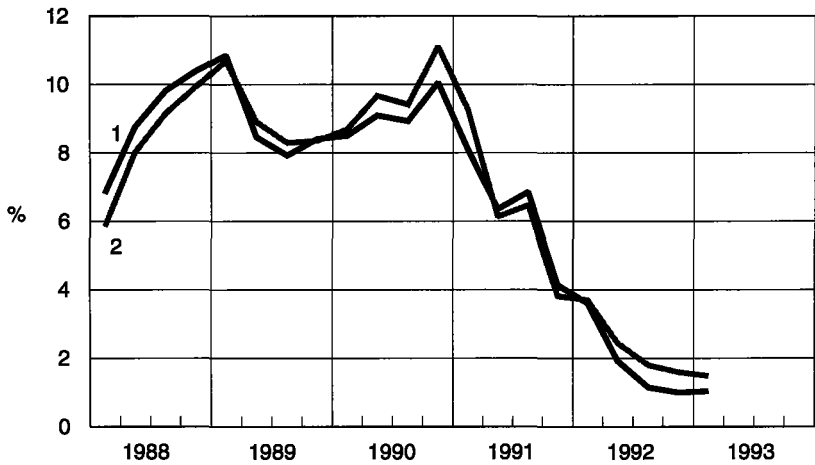
Volume changes calculated from four-quarter moving totals and plotted at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE



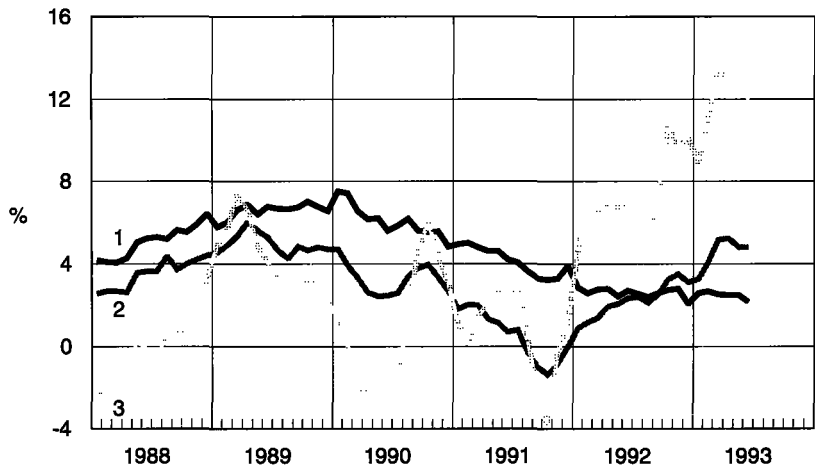
1. Employment, 1000 persons
2. Unemployment rate, per cent

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

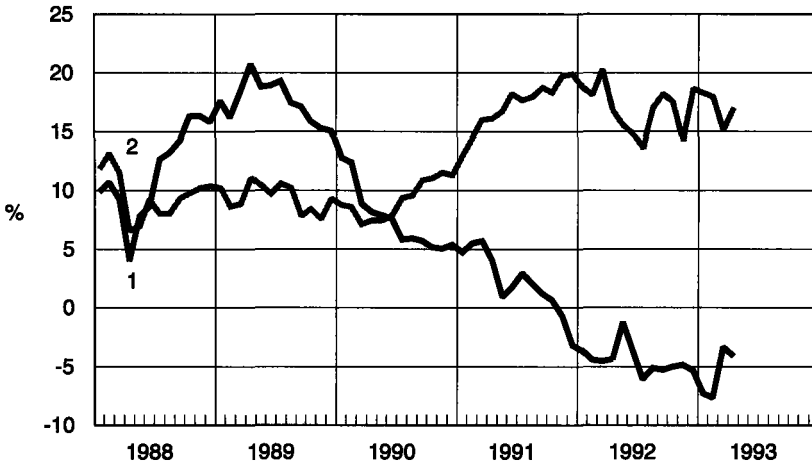
Change from the corresponding quarter of the previous year, per cent



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

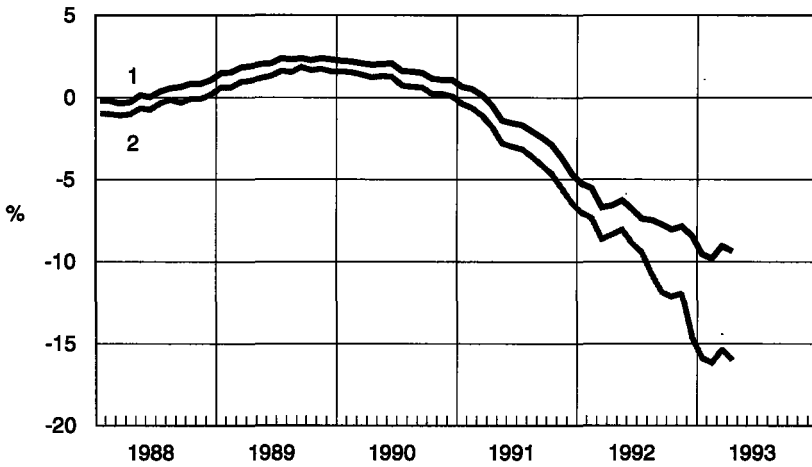
Change from the corresponding month of the previous year, per cent

31. CENTRAL GOVERNMENT FINANCES



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

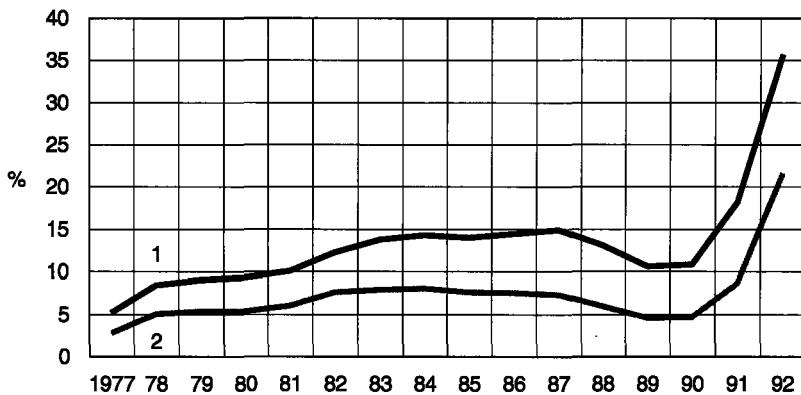
12-month changes calculated from 12-month moving totals and plotted at the last month, per cent



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 June 1993

THE PARLIAMENTARY SUPERVISORY BOARD

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JUSSI RANTA, Vice Chairman
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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 KOIVIKKO

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Administration Department URPO LEVO,
Building Manager BENGT PALMROOS

Central Bank Policy Department JOHNNY ÅKERHOLM

Data Processing Department JUHANI RAPELI
(ad interim)

Economics Department KARI PUUMANEN

Financial Markets Department
KAJU 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

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Statistical Services Department ESA OJANEN

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

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Jyväskylä, Kuopio, Lahti, Oulu, Tampere, Turku, Vaasa

SETEC OY

VELI TARVAINEN, Managing Director
