



BULLETIN

BANK OF FINLAND

November 1993 Vol. 67 No. 11

The Bank of Finland's
New Minimum Reserve System

Financing of Central Government
Debt and its Effects

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ISSN 0784-6509

Printed by Uusimaa Oy,
Porvoo 1993

THE BANK OF FINLAND'S NEW MINIMUM RESERVE SYSTEM

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FORMER CASH RESERVE AGREEMENTS

Minimum reserve requirements, or closely related arrangements, have long been an integral part of the monetary control procedures applied in most countries. Usually, central banks' regulatory powers in this respect are based on legislation. This was not the case in Finland until recently. Rather, the former minimum reserve arrangements, called cash reserves, were based on agreements between the Bank of Finland and the deposit banks.

The first cash reserve agreement between the Bank of Finland and the banks was signed in 1955. After that, new agreements or, in most cases, revisions of the former agreements were concluded in 1956, 1961, 1962, 1966, 1979, 1984 and 1990. Between 1970 and 1979, there was no cash reserve system in force in Finland. The typical duration of these agreements was relatively short, varying from less than one year to a few years.

Between 1955 and 1970, reserves were collected on the basis of the growth of bank deposits. Under the cash reserve agreements concluded from 1979 onwards, the reserve requirement was based on the stock of bank deposits. In the 1979 agreement, the reserve base was relatively narrow, covering only deposits of the public. In the 1984 agreement, the cash reserve requirement was extended to include foreign liabilities and the banks' money market funding. The 1990 agreement marked a return to the narrow base, ie the cash reserve requirement was imposed on deposits of the public only.

A basic feature of all these agreements was that the Bank of Finland was obliged to pay a relatively high rate of interest on cash reserves, which reduced the effectiveness of this instrument in curbing bank lending. Between 1955 and 1970, the interest rate was tied to the average interest rate on bank deposits. In the 1979 and 1984 agreements, the interest rate was tied within a narrow margin to the Bank of Finland's base rate.

Cash reserve agreements were typically negotiated in an environment where an increase in bank liquidity and consequent growth of bank lending were factors contributing to the overheating of the economy and a deteriorating balance of payments position. However, owing to considerable time lags in the negotiation process, new agreements did not usually come into force until the latter phase of the economic upswing was already well under way.

The major factor undermining the effectiveness of cash reserves as a monetary policy instrument was, however, the gradual abolition of capital controls during the 1980s. With free capital flows and a fixed exchange rate regime, the ability of the central bank to control the money stock becomes severely limited.

Despite these drawbacks, the Bank of Finland actively used the cash reserve system for monetary control purposes during the upswing of 1987-1989. By March 1989, the cash reserve requirement had been raised to the maximum of 8 per cent allowed by the agreement. However, the efficacy of the instrument was circumscribed by a continuous inflow of foreign

capital and by a fall in market interest rates towards the level paid on reserves. To curb the growth in bank lending, the Bank of Finland and the deposit banks signed an additional cash reserve agreement in January 1990, which obliged the banks to deposit non-interest-bearing cash reserves at the Bank of Finland in relation to the growth of lending by the banking group concerned.¹ By the beginning of 1990, the total amount of cash reserves collected by the Bank of Finland had reached a level of some FIM 26 billion.

THE 1990 AGREEMENT

When market interest rates rose during autumn 1989 the financial strain of cash reserves on the banks increased substantially. Another problem with the cash reserve system in force at that time was that, under the 1979 and 1984 agreements, the same reserve requirement was applied to all components of the total reserve base, ie to sight deposits, time deposits, money market instruments and foreign liabilities. Especially in the case of money market instruments and foreign liabilities, the threat of erosion of the base had become increasingly real with the integration of financial markets and the development of market instruments. To reduce the incentives to circumvent the regulations the Bank of Finland had already by the late 1980s excluded most foreign liabilities and money market instruments from the reserve base.

The last cash reserve agreement between the Bank of Fin-

¹ See the item in the March 1989 issue of the Bulletin.

land and the deposit banks was signed on 26 April 1990. In this agreement, it was acknowledged that highly efficient cash reserve systems were no longer possible in today's integrated financial markets without international harmonization of these systems. Under the 1990 agreement, the cash reserve requirement was based on domestic deposits outstanding at the end of each month. Foreign liabilities, certificates of deposit and bonds were excluded from the cash reserve requirement, which meant a reduction of some 10 per cent in comparison to the former cash reserve base. Effective July 1991, the maximum permissible cash reserve requirement was lowered from 8 per cent to 7 per cent of the cash reserve base.

The most important change in the 1990 agreement concerned the rate of interest payable on cash reserve deposits. Under the agreement, the rate of interest on cash reserves was set equal to the 3-month HELIBOR rate less 3 percentage points, but not less than 8 per cent. The rate of interest applied under the former agreement was the Bank of Finland's base rate less $\frac{1}{4}$ percentage point. The change in the basis for determining interest removed the interest rate risk for banks inherent in the former system, which, with the rise in market rates, had caused considerable strain on bank profitability.

THE NEW LAW ON MINIMUM RESERVES

During the winter of 1992–1993, market interest rates gradually fell from extremely high levels and, by February 1993, short-term interest rates were at around 9.0 per cent and were heading downwards. The fall in market interest rates made the existing cash reserve system problematic from the Bank of Finland's point of view, because, according to the 1990 agreement, the Bank of Finland

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was obliged to pay a minimum

interest rate of 8 per cent on cash reserves.

Owing to the interest rate clause in the 1990 agreement, the cash reserve system could, at the extreme, have become a financial subsidy from the Bank of Finland to the banking sector and an obstacle to the exercise of monetary control. To rectify the situation the Bank of Finland proposed negotiations on a completely new minimum reserve system to the banks. However, after a few rounds of negotiations, it became evident that, in today's competitive environment, it was no longer possible to reach a unanimous decision on the subject among the banks. Therefore, in May 1993, the Bank of Finland submitted a draft law to the Government providing for an amendment to the Regulations for the Bank of Finland that would give the Bank of Finland a mandate to collect minimum reserves.

The bill amending the Regulations for the Bank of Finland was approved by Parliament in late June and entered into force on 30 June 1993. In the same context, the name of the law was changed to the Act on the Bank of Finland. According to the Act, the Bank of Finland is entitled to require a deposit bank, a credit institution or a branch of a foreign credit institution in Finland (mandatory reserve holder) to hold non-interest-bearing minimum reserves at the Bank of Finland not exceeding 5 per cent of the mandatory reserve holder's liabilities. The Bank of Finland determines the principles for calculating the reserve and issues other requirements and conditions necessary for the application of the minimum reserve system.

In the event that the mandatory reserve holder is unable to meet the minimum reserve obligation within the time set by the Bank of Finland, the mandatory reserve holder is required to pay annual penalty interest on the deficient part of the reserve to the Bank of Finland at a rate which is 5 percentage points above the highest rate of inter-

est payable on central bank credit (liquidity credit) at the time in question.

THE NEW MINIMUM RESERVE SYSTEM

On the basis of the amended law, the Bank of Finland introduced a new minimum reserve system on 1 July 1993. Even in today's highly competitive banking environment, a minimum reserve policy still has a useful role to play as an instrument of monetary control. The reserve requirement helps to stabilize movements in monetary and credit aggregates in the economy. Since no interest is paid on 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.

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. Contrary to many other countries, cash balances held by banks are not deductible from the required minimum reserves in Finland.

The reserve requirement was set on the basis of the monetary aggregates employed by the Bank of Finland. There were two major reasons for this choice. First, with the floating of the markka, monetary aggregates have become important as a guideline for the implementation of monetary policy and as an information variable for the anchoring of price expectations. Secondly, by imposing reserve requirements on a broad monetary aggregate, relatively low reserve ratios could be applied. With low percentages, the

minimum reserve requirements lead to fewer distortions in competition and provoke fewer attempts to circumvent the regulations.

The required reserve ratio 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 deposits included in the narrow measure of money (M1) the requirement is 2.0 per cent. For items included in the broad measure of money (M2), but not in M1, the requirement is 1.5 per cent, while for items included in the broadest aggregate (M3), but not in M2, the requirement is 1.0 per cent.

The minimum reserve is calculated monthly on the basis of the reserve base on the last day

of each calendar month and the mandatory reserve holder is required to deposit an amount of funds corresponding to its reserve requirement at the Bank of Finland by the last business day of the following calendar month.

The minimum reserve deposits are held in special accounts at the Bank of Finland, not in the banks' current accounts, which means that prescribed balances have to be held on a daily basis. Therefore, the banks cannot use their minimum reserves as working balances. Banks are, however, allowed to use their minimum reserve deposits as collateral for central bank credit.

The minimum reserve 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. At present, 14 commercial banks, 41 savings banks and 307 cooperative banks are subject to the minimum reserve requirements.² The total volume of deposits amounts to FIM 6.3 billion.

2 November 1993

² A major reorganization of the Finnish banking sector took place on 22 October 1993, when the Savings Bank of Finland was sold to the country's four leading banks: Kansallis-Osake-Pankki, Postipankki, Union Bank of Finland and Okobank. See the item in this issue of the Bulletin.

FINANCING OF CENTRAL GOVERNMENT DEBT AND ITS EFFECTS

by **Tapio Korhonen**, Head of Office
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In the early 1990s, the central government's financial position deteriorated rapidly and moved to a large deficit with extensive effects on the financial markets and the monetary policy environment.¹ To compensate for the rapid repayment of private foreign loans, the government has borrowed heavily abroad but its borrowing in the domestic market has also grown sharply. The government's increased recourse to borrowing in the domestic market represents some kind of 'normalization' of market conditions as understood in an international sense: securities markets now operate largely on the basis of government paper where before they had to rely on risky instruments issued or guaranteed by banks.

BUILD-UP OF GOVERNMENT DEBT AND DEBT PROBLEMS OF THE PRIVATE SECTOR

At the end of September 1993, outstanding gross government debt totalled FIM 254 billion (Table). Just three years earlier, at the end of 1990, it stood at only FIM 54 billion, ie slightly more than 10 per cent of GDP. Of this amount, FIM 29 billion was markka-denominated debt and FIM 25 billion foreign currency-denominated debt. In 1991, the debt began to grow sharply and since then, the government borrowing requirement has increased very rapidly. Net

drawings of new debt this year are forecast to amount to 17–18 per cent of GDP and the total debt at the end of the year to just under 60 per cent of GDP. In markka terms, the net drawings will amount to more than FIM 80 billion this year. Although the government borrowing requirement is estimated to start decreasing next year, the ratio of debt to GDP is forecast to rise to about 80 per cent in the medium term.

Practically all of the government's outstanding foreign currency debt, which amounted to FIM 159 billion at the end of September 1993, has been raised in the international bond market. The major part of this debt is denominated in European currencies; the US dollar and Japanese yen together account for only just over one-fifth of the total. In this respect, the currency composition of the debt differs from that of the private sector, where dollar-denominated debt still accounts for about one-third of the total. Markka-denominated government bonds have

been sold to foreign investors through the secondary market to the value of FIM 20 billion, largely during the current year. Thus, slightly more than 10 per cent of the government's foreign debt is markka-denominated.

At the beginning of 1991, Finland's total net foreign debt was still less than 30 per cent of GDP. The private sector's net foreign debt was higher than this since the public sector had a net claim on the rest of the world, ie the government's foreign debt was smaller than the Bank of Finland's foreign exchange reserves.

The amount of foreign debt and its breakdown by borrower sector have undergone drastic changes in the course of the past few years (Chart 1). The markka value of Finland's foreign debt has risen sharply because of the current account deficit and, in particular, because of the depreciation of the markka. Of Finland's net foreign debt (incl. direct investment and the effect of forward contracts), only about one-fifth is markka-

TABLE. CENTRAL GOVERNMENT DEBT¹

	1990		1991		1992		1993	
	Stock	Net change	Stock	Net change	Stock	Net change	Stock	
MARKKA-DENOMINATED DEBT								
Long-term debt	29.2	11.1	40.3	18.9	59.2	36.0	95.2	
of which: public bonds	29.2	5.8	35.0	9.4	44.4	26.1	70.6	
Treasury notes and bills	–	5.2	5.2	9.6	14.8	9.9	24.6	
FOREIGN CURRENCY-DENOMINATED DEBT								
of which: bonds	24.8	14.0	43.6	49.6	106.4	39.9	159.1	
	20.9	13.6	38.7	49.4	100.2	34.2	145.4	
TOTAL	54.0	25.0	83.9	69.0	165.6	75.9	254.3	

¹ The outstanding gross government debt does not include liabilities to the State Pension Fund (which amounted to FIM 9.7 billion at the end of September 1993). Nor does it include some minor items, such as liability for coinage, which are included in the calculation of debt according to the EMU criteria, for instance. The debt consists of the debt in budgetary finances and that of various funds, which accounts for just over 10 per cent of the total.

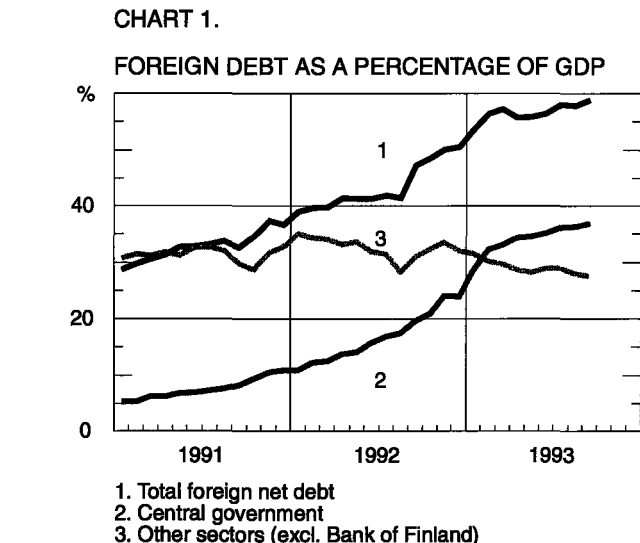
¹ For recent articles on central government finances, see 'Consolidation of public finances' by Martti Hetemäki in the August 1993 issue of the Bulletin and 'Budget proposal for 1994' by Chris-Marie Rasi and 'Fiscal policy measures for improving central government finances' by Martti Lehtonen, both in the October 1993 issue of the Bulletin.

denominated. Measured by the Bank of Finland's trade-weighted currency index, the exchange rates of foreign currencies have risen by about 30 per cent on average since the November 1991 devaluation; those of the main debt currencies have, however, risen by notably more – the US dollar and the deutschmark have each appreciated by 40–50 per cent and the Japanese yen by over 80 per cent. In early 1993, net foreign debt, measured at current exchange rates, rose to over 55 per cent of GDP; it has subsequently settled at around this level following the stabilization of the markka's exchange rate and the disappearance of the current account deficit. The foreign debt to GDP ratio is one of the highest amongst the OECD countries, although this partly reflects the present undervaluation of the markka.

This increase in the markka value of foreign debt has placed a heavy strain on the corporate sector. In particular, for companies in the domestic-oriented industries, which recklessly resorted to foreign currency borrowing in the late 1980s, the development has been devastating. (By contrast, the household sector has scarcely any foreign debt, largely because private persons were not allowed to raise foreign currency loans until autumn 1991.) Foreign currency loans have caused large credit losses to banks. Since 1990, almost half of companies' and banks' net foreign debt has been paid back, measured in foreign currency terms. But, because of exchange rate changes, the markka value of companies' outstanding foreign currency debt has decreased by only about 15 per cent.

GOVERNMENT BORROWING ABROAD AND FOREIGN EXCHANGE RESERVES

The corporate sector's debt repayments have, together with the current account deficit, maintained strong pressures in



the foreign exchange markets in recent years, at a time when the recession in the Finnish economy has required low interest rates. During the period since September 1992 that the markka has been floating, the Bank of Finland has allowed short-term interest rates to decline gradually to the average level prevailing in Europe, ie close to German rates. Long-term interest rates have also fallen, and the interest rate differential vis-à-vis German rates has narrowed to about one and a half percentage points. Under these conditions, the markka has tended to weaken at times and has had to be supported by sales of foreign exchange.

Particularly in the early months of this year, the government placed debt mainly in foreign markets, largely because of expected private repayments. From early December 1992 to the end of April 1993, the government's net foreign borrowing amounted to over FIM 50 billion. This heavy borrowing coincided with a time when the outlook for the Finnish economy was perhaps at its weakest. There were some doubts about Finland's creditworthiness and the leading credit rating agencies lowered Finland's ratings. The Republic of Finland had to pay a risk pre-

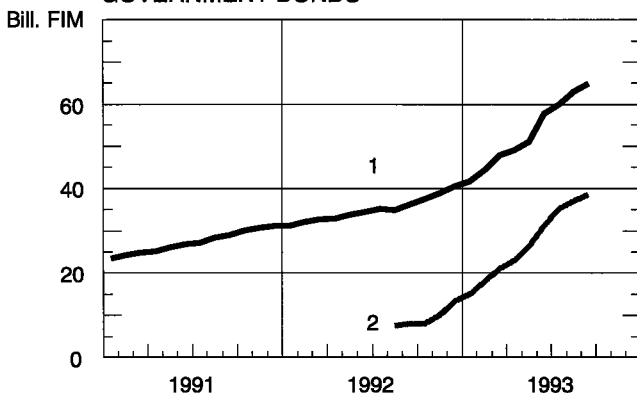
mium which was more than half a percentage point higher than that of the top-rated borrowers.

As a result of these borrowings, the currency reserve position stabilized in the spring. The government's outstanding foreign debt rose to more than 35 per cent of GDP. Though this percentage is projected to grow somewhat further, the government's foreign borrowing is expected to fall rapidly in the next few years. This is mainly attributable to the improvement in the current account, which is swinging into a clear surplus. Thus a financial surplus is emerging in the private sector which, in principle, is sufficient to cover the government's borrowing requirement.

Forecasts of key balance of payments components point to a marked improvement in the foreign exchange position in the not too distant future, in which case the markka will tend to appreciate and the foreign exchange reserves to increase (if the Bank of Finland "leans against the wind"). Moreover, the more favourable outlook for overall economic performance and the restraint recently shown by the central government in its borrowing abroad have led to a clear improvement in the terms obtained by the government in its foreign borrowing.

CHART 2.

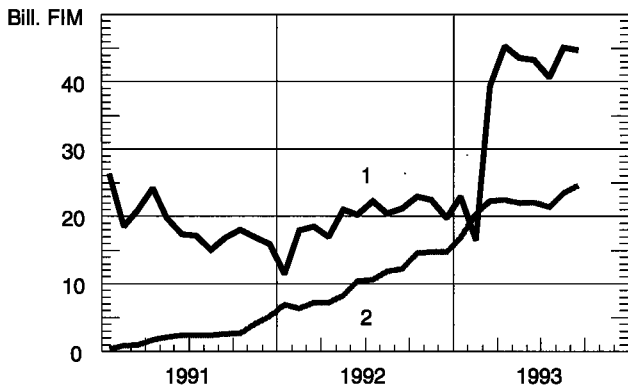
GOVERNMENT BONDS



1. Markka-denominated bonds issued by the central government
2. Of which: benchmark bonds

CHART 3.

CENTRAL GOVERNMENT'S SHORT-TERM ASSETS AND LIABILITIES



1. Cash funds
2. Treasury bills

the foreign exchange market to the value of FIM 26 billion, which was mainly related to the intermediation of currencies imported by the government. In countries where currencies imported by the government go directly to the foreign exchange market, such intervention by the central bank is unnecessary.

CHANGES IN THE GOVERNMENT'S DOMESTIC BORROWING AND THE MONEY MARKET

In the course of this year, the government's markka-denominated debt has – like its foreign currency debt – increased by over 50 per cent. There has been a steady increase in the amounts outstanding of both bonds and Treasury bills. The outstanding amount of government bonds issued to the public was FIM 65 billion at the end of September and that of Treasury bills FIM 25 billion (Charts 2 and 3). Since the government budget deficit is forecast to decline only slowly in the next few years and new debt is increasingly being placed in the domestic market, the outstanding amount of these assets can be expected to continue growing strongly in the future, at least by FIM 30–40 billion annually.

A few years ago, Finland's traditionally very thin bond market was dominated by bonds issued or guaranteed by banks. Even as late as the end of 1980s, the interest rate on these bonds was approximately the same as that on government bonds. In 1990–91, the interest rate differential widened to about half a percentage point, but, with the worsening crisis in the banking sector in 1992, it occasionally rose to as high as one and a half percentage points. At that time, trading in private bonds in the secondary market practically ceased altogether. Recently, however, the interest rate differential has settled again at just over half a percentage point.

The sale of bonds abroad in recent times has not led to a corresponding increase in capital flows because a large part of the markka risk related to bonds is likely to have been hedged by foreign investors in the forward market thereby partially offsetting the support to the markka provided by such sales.

In Finland, the currencies raised by the government abroad are sold directly to the Bank of Finland, so that this capital inflow is not reflected in the foreign exchange market in the usual way, ie in the form of in-

creased supply which strengthens the markka. These currencies find their way into the market only gradually through the Bank of Finland's intervention operations. However, the government immediately withdraws the markka proceeds of its currency sales to the Bank of Finland, so that there is an immediate increase in liquidity. Of course, this increase is usually neutralized by the Bank's money market operations.

For instance, in the first quarter of this year, the Bank of Finland sold spot exchange in

Hence, government debt instruments have gained, at least for the time being, a quite dominant position in the bond market. The market has evolved and become more active following the introduction of the primary dealer system for benchmark government bonds in August 1992.² Initially, only two benchmark bonds were quoted but now their number has grown to five, with maturities ranging from just under two years to over 10 years. Because of benchmark bonds, trading in the secondary market has increased manyfold and currently amounts to FIM 20–30 billion a month.

Traditionally, the Bank of Finland has not intervened in the bond market nor does it plan to start undertaking any large-scale operations in the market. However, in June 1993, the Bank of Finland introduced weekly repo auctions for primary dealers in benchmark government bonds. The amount of financing approved in these auctions has usually been quite small, though at its highest it has amounted to FIM 0.5 billion.

Up to now, the Finnish money market, which emerged in the late 1980s, has been dominated by certificates of deposit (CDs) issued by the banks and the Bank of Finland. Both this year and last year, the total amount of CDs outstanding has varied at around the FIM 100 billion level. Even though the outstanding amount of Treasury bills still accounts for only about one-quarter of bank CDs, they have gained an important position in the money market, in particular in maturities ranging from six months to one year.

Small amounts of Treasury bills were outstanding as early as the 1980s, and it was agreed then that they would be priced in the market at the same price as bank and Bank of Finland CDs.

However, a differential has gradually opened up and nowadays most banks quote clearly distinct bids for Treasury bills and CDs. Recently, the differential has been just under half a percentage point.

Benchmark government bonds and short-term Treasury bills are issued by the State Treasury at its weekly tenders. The maturity of Treasury bills issued is about six months or one year.

The outstanding amount of Treasury bills is still not large enough for them to replace lower-rated bank CDs as the main money market instrument. The Bank of Finland's operations in the money market are still carried out mainly in the form of transactions based on bank CDs. However, it is quite conceivable that the market for Treasury bills will expand over the next few years and that Treasury bills could become a key money market instrument.

GOVERNMENT CASH FUNDS

In Finland, the government has traditionally held such large amounts of cash funds that it has not had to resort to borrowing in the money market at times of seasonal and temporary fluctuations. Previously, this would not even have been possible because the domestic money market was thin and the government did not have flexible financing channels.

Because of last winter's heavy borrowing, in particular, the government has held exceptionally large cash funds for a large part of this year (Chart 3). The total amount of cash funds was close to the level of about FIM 20 billion around the beginning of the year but since then it has fluctuated at a level of just over FIM 40 billion for most of the time.

By international standards, the government's cash holdings are fairly large. At the end of the 1980s, they corresponded to about half of government debt; now they account for almost

one-fifth. In proportion to GDP, the funds amount to almost 10 per cent, ie if they were deducted from the debt, the government debt ratio would still be about 50 per cent. In addition, the central government's lending amounts to over 10 per cent of GDP.

The Bank of Finland has not played an important role in the management of government cash funds and has not extended credit to the government, except in connection with some special funding arrangements. One recent such example was the credit provided to the Government Guarantee Fund for handling the banking sector crisis in Finland. However, this credit has already been paid back. Amendments to legislation formally abolishing the government's right to central bank financing are currently being drafted.

In the 1980s, the bulk of cash funds was usually placed with Postipankki, which is owned by the state. Nowadays, only a minor amount of funds, needed for day-to-day transactions, is kept on deposit in the government's giro accounts. For several years now, the State Treasury has invested the bulk of the funds – 1992 and 1993, more than 95 per cent – in money market instruments. Thus, the central government acts both as a borrower and as a major investor in the money market.

MEDIUM-TERM OUTLOOK

In recent years, fairly drastic structural measures have been taken to achieve savings in government spending; for example, the 1994 deficit will be reduced by about FIM 30 billion as compared with what it would have been without these measures. Furthermore, the bulk of the deficit is cyclical by nature. If, as forecast, the economy recovers over the next few years, the deficits will decrease markedly. Nevertheless, the government's large debt seems likely to become a long-term phenomenon. 9

² For details, see 'The primary dealer system in Finland' by Kristina Rantalainen in the February 1993 issue of the Bulletin and 'Structural diversification in the Finnish securities markets' by Markku Malkamäki in the September 1993 issue of the Bulletin.

If, as forecast, the current account posts a series of large surpluses for several years ahead, the government will not need to borrow such large amounts from abroad in the future. The share of the debt denominated in foreign currencies – which now makes up 60 per cent of the total debt – could then be reduced considerably. In future, the breakdown of government borrowing into domestic and foreign borrowing will depend, among other things, on what effects government bor-

rowing is desired to have on the foreign exchange reserves and liquidity in the domestic money market. On the other hand, it is quite obvious that the government's domestic debt will remain much larger than we have been accustomed to for a long time to come. Thus an active market for government debt instruments will become a permanent feature of Finnish financial markets.

Nevertheless, the government's foreign currency debt will, for several years, remain so

large that the government will not be able to eliminate it by inflating the markka. This is likely to help stabilize the monetary policy environment over the coming years.

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ITEMS

FINLAND'S BALANCE OF PAYMENTS, JANUARY-SEPTEMBER 1993

Current account

The current account showed a deficit of FIM 7.3 billion for the first nine months of this year, FIM 10.6 billion less than in the corresponding period a year ago. The main contribution to the improvement came from the trade in goods, which recorded a surplus of FIM 7.8 billion in the third quarter.

Goods. Compiled on a balance-of-payments basis, the trade account posted a surplus of FIM 20.8 billion, FIM 12.3 billion more than in January-September 1992. The value of goods exports grew by 25 per cent. The sharpest increase was registered for the exports of the metal product and machinery industries. The value of imports rose by 10 per cent. Imports of raw materials and intermediate goods grew by 12 per cent, whereas imports of consumer goods fell by 2 per cent.

Services. The deficit on the services account totalled FIM 2.5 billion, down by FIM 2.4 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 12 per cent and travel expenditure decreased by 18 per cent. The deficit on the other services account remained unchanged.

Investment income. Investment expenditure abroad amounted to FIM 28.2 billion, while investment income from abroad totalled FIM 6.0 billion.

MAJOR BALANCE OF PAYMENTS ITEMS IN JANUARY-SEPTEMBER 1993, MILLION FIM¹

	Receipts	Expenditure	Net
Trade (exports fob, imports cif)	96 788	76 078	20 710
Adjustment items	-1 227	-1 285	59
Trade account	95 561	74 793	20 769
Transport	7 243	3 212	4 031
Travel	5 318	6 919	-1 601
Other services	7 530	12 501	-4 972
Services account	20 091	22 632	-2 541
GOODS AND SERVICES ACCOUNT	115 652	97 425	18 227
Investment income	6 012	28 202	-22 190
Unrequited transfers	1 999	4 344	-2 345
Other	3 378	4 390	-1 011
A.CURRENT ACCOUNT	127 041	134 360	-7 319
	Change in assets	Change in liabilities	Net
Loans	1 002	16 081	17 082
Direct investments	-3 250	1 159	-2 091
Portfolio investment	-1 076	34 897	33 821
Other long-term capital	-678	-1 318	-1 996
B.LONG-TERM CAPITAL ACCOUNT	-4 002	50 819	46 817
BASIC BALANCE (A+B)			39 498
Trade credits	-3 510	5 215	1 704
Short-term capital of banks	-24 701	-18 346	-43 047
Other short-term capital	-2 749	-4 705	-7 454
Errors and omissions			3 243
C.SHORT-TERM CAPITAL ACCOUNT			-45 554
OVERALL BALANCE (A+B+C)			-6 056
Change in the foreign exchange reserves of the Bank of Finland			6 056

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

¹ Preliminary figures.

Investment expenditure abroad was FIM 4.4 billion more than a year earlier.

Capital account

There was a net capital inflow of about FIM 1 billion in the first nine months of 1993. Im- 11

ports of capital by the central government amounted to FIM 47 billion in net terms, while companies in the private sector repaid their net foreign liabilities. The central government's capital imports were, however, modest in the third quarter of the year. The Bank of Finland's foreign exchange reserves decreased by FIM 6.1 billion in January-September, because the net capital inflow did not cover the current account deficit. The Bank of Finland's foreign exchange reserves stood at FIM 26.9 billion at the end of September.

Loans. Net drawings of long-term loans amounted to FIM 16.1 billion. Imports of foreign loan capital by the central government totalled FIM 5.7 billion and imports by banks and other financial institutions FIM 8.8 billion. Banks' long-term loan assets fell by FIM 2.5 billion.

Direct investment. Finnish direct investment abroad totalled FIM 3.3 billion in net terms, as against FIM 1.2 billion in the first nine months of last year. Net foreign direct investment in Finland amounted to FIM 1.2 billion.

Portfolio investment. Net sales of Finnish securities abroad totalled FIM 34.9 billion. Sales abroad of shares in Finnish companies amounted to FIM 9.3 billion in net terms; sales were concentrated in the third quarter of the year. Net sales of Finnish bonds abroad totalled FIM 25.6 billion.

Short-term capital. Net exports of short-term capital totalled FIM 45.6 billion. A large part of this amount was due to repayments of banks' short-term foreign liabilities (FIM 18.3 billion) and to an increase in banks' short-term foreign assets (FIM 24.7 billion).

Net foreign debt

Finland's net foreign debt amounted to FIM 276.7 billion at the end of September. Net long-term liabilities amounted to FIM 300.6 billion and net short-term assets totalled FIM 23.9 billion.

During the first nine months of 1993, Finland's total net debt grew by FIM 36.9 billion, of which exchange rate changes and other valuation items¹ accounted for FIM 32.8 billion. The central government's share of total net foreign debt was unchanged at 63 per cent, totalling FIM 173.6 billion at the end of September.

¹ In addition to exchange rate changes, the amount of outstanding liabilities and assets is affected by changes in securities prices and credit losses.

STOCK OF DIRECT INVESTMENT AND DIRECT INVESTMENT EARNINGS IN FINLAND'S BALANCE OF PAYMENTS IN 1992

According to the Bank of Finland's direct investment survey, earnings from Finnish direct investment abroad and from foreign direct investment in Finland showed a net negative balance of FIM 3.9 billion for Finland in 1992. This represented 17 per cent of Finland's current account deficit for the year. Losses on Finnish direct investment abroad were up by FIM 1.6 billion and earnings on foreign direct investment in Finland were down by FIM 0.2 billion compared with the previous year.

At the end of 1992, the book value, ie stock, of Finnish direct investment abroad exceeded the corresponding value of foreign direct investment in Fin-

land by FIM 42.4 billion. The stock of Finnish direct investment abroad increased by FIM 8.1 billion in 1992. Net direct investment abroad totalled FIM 7.6 billion, but because of negative reinvested earnings of FIM 5.8 billion, the net capital outflow amounted to FIM 1.8 billion. FIM 6.3 billion of the increase in the value of the stock of direct investment abroad was due to exchange rate changes and other value changes. The stock of foreign direct investment in Finland increased by FIM 1.8 billion.

Finnish direct investment abroad

Stock of investment. According to the survey, the stock of Finnish enterprises' investments in their subsidiaries and associates abroad amounted to FIM 61.7 billion at the end of 1992, of which the share of investments in shareholders' equity was FIM 47.4 billion. Manufacturing companies accounted for FIM 48.3 billion of the total. The most important manufacturing sector as regards both direct investors and direct investment enterprises was metal and engineering. Enterprises in the finance and insurance sector had direct investments abroad totalling FIM 8.0 billion. Nearly half of the total stock of direct investment was located in the EC area.

Direct investment earnings. In 1992, Finland had negative direct investment earnings totalling FIM 3912 million. The losses of manufacturing com-

TABLE. DIRECT INVESTMENT EARNINGS AND DIRECT INVESTMENT STOCKS IN 1992, MILLION FIM

	Finnish direct investment abroad	Foreign direct investment in Finland
Dividends and interest	1 838	813
Reinvested earnings	-5 750	-756
Direct investment earnings, total	-3 912	57
Value of direct investment at end-year	61 659	19 260

panies amounted to FIM 2 699 million, those of enterprises in the finance and insurance sector to FIM 649 million and those of companies engaged in other sectors to FIM 564 million.

In the balance of payments, direct investment earnings are broken down into dividends and interest and reinvested earnings. Finnish companies repatriated FIM 1 263 million in the form of dividends and FIM 575 million in the form of interest from their foreign subsidiaries and associates. Finnish-owned companies had negative reinvested earnings totalling FIM 5 750 million. Hence, companies' retained earnings from previous years decreased, and as a result the stock of investment declined by a corresponding amount.

Finnish-owned manufacturing operations abroad. In 1992, the total turnover of Finnish manufacturing companies abroad was FIM 117.1 billion, of which the metal and engineering industries accounted for almost a half. Manufacturing companies employed 133 000 persons abroad during the year on average.

The survey indicates that the average profitability of Finnish-owned manufacturing companies, measured in terms of operating income, was higher than in the previous year. Operating income was 8 per cent of turnover. Measured in terms of net income, average profitability weakened in comparison with the previous year. Net losses were equivalent to 3 per cent of turnover in 1992.

According to the survey, the average profitability of the forest and chemical industries abroad improved in comparison with the previous year. Operating income was 15 per cent of turnover in the forest industries and 9 per cent in the chemical industries. Profitability in the metal and engineering industries, measured in terms of operating income, remained at the level of the previous year, ie 5 per cent.

In 1992, the EC area was the most profitable region for manu-

facturing as a whole, measured in terms of operating income. In the EFTA region, profitability remained at the level of the previous year, while in North America profitability improved slightly in comparison with the previous year.

There were sharp variations in profitability both across subsidiaries and associates as well as by sector and region. Some 50 per cent of all companies and sub-groups reported a net profit. Five companies or sub-groups together accounted for about one-quarter of total reported profits and losses.

Foreign direct investment in Finland

Stock of investment. According to the survey, the stock of investments by foreign enterprises in their subsidiaries and associates located in Finland was FIM 19.3 billion at the end of 1992, of which investment in shareholders' equity amounted to FIM 14.8 billion. Manufacturing companies accounted for 53 per cent of the direct investment stock, more than half of which was invested in the metal and engineering industries. The share of sales companies in the total direct investment stock was one-third. Investment by companies from the EFTA area accounted for almost half of the total stock.

Direct investment earnings. Direct investment earnings totalled FIM 57 million in 1992. Manufacturing companies had earnings amounting to FIM 649 million, whereas sales companies had negative earnings of FIM 493 million.

Foreign-owned companies remitted FIM 461 million in the form of dividends and FIM 352 million in the form of interest to their foreign investors. Foreign-owned enterprises' retained earnings from previous years decreased by FIM 756 million in 1992.

AMENDMENT TO THE ACT ON THE GOVERNMENT GUARANTEE FUND AND THE RELATED SUPPLEMENTARY BUDGET

The Act on the Government Guarantee Fund was amended in October so as to enable the Fund to own and administer shares in an asset management company, ie a company set up for the purpose of purchasing and administering the assets or liabilities of a bank subject to support measures taken by the Fund or the government. Under the amendment, the Fund may also own shares in other companies if this is judged necessary for safeguarding the bank's operations and the stability of the financial markets. The Fund is entitled to grant loans, guarantees or other financial support to the companies mentioned above.

Decisions on participation in the establishment and operations of asset management companies and on covering any losses that might arise in this connection are made by the Government, within the framework of the funds and powers granted for this purpose in the state budget. The relevant proposal is made to the Government by the board of management of the Government Guarantee Fund on the basis of a reasoned estimate of the cost-effectiveness of the measure and its value to the economy as a whole.

When passing the amendment, which entered into force on 15 October 1993, Parliament at the same time approved a related bill on the fourth supplementary budget for the current year. According to the bill, the appropriation of a maximum of FIM 20 billion for bank support included in the first supplementary budget may be used to cover the expenses and losses of asset management companies. Likewise, the guarantee authorization included in the appropriation may be used on behalf of asset management companies. At the same time, the 13

amount of the guarantee authorization was raised to a total of FIM 35 billion; the total amount earmarked in budget for bank support is consequently now FIM 50 billion.

SALE OF THE SAVINGS BANK OF FINLAND TO OTHER BANKS

On 22 October 1993, the Government approved the proposal of the Government Guarantee Fund for an arrangement whereby the Savings Bank of Finland (SBF) is to be sold to four buyers. Kansallis-Osake-Pankki, Postipankki Ltd, Union Bank of Finland Ltd and the cooperative banks designated by the Central Association of the Cooperative Banks will each buy one-quarter of the business operations of the SBF in the form of branch offices, after which they will purchase the share capital of the SBF at a nominal selling price. The total selling price of the SBF's assets to be sold to the buyer banks is FIM 5.6 billion.

The SBF's non-performing assets, which are estimated to amount to some FIM 26 billion, will be transferred to an asset management company owned by the Government Guarantee Fund. The SBF's real estate assets, whose total book value is about FIM 6 billion, will also be transferred to the company. The buyers will meet any such part of the asset management company's additional financing as cannot be covered by its equity capital. The government will guarantee the market-rate promissory notes to be issued by the asset management company and subscribed by the buyers.

The structuring of the SBF's operations will not entail any change in the position of Skopbank, nor will it weaken the position of those entities which provide funding for Skopbank, as the Finnish government guarantees the capacity of the Finnish banks to meet their commitments on time under all circumstances. The government re-

mains the principal owner of Skopbank, and the bank will continue to carry out its function as the central banking institution of the independent savings banks and to attend to its other customer relationships. The agreements and commitments concluded between the SBF and Skopbank will be terminated gradually.

20 MARKKA NOTE AND NEW COINS TO BE ISSUED

On 15 November 1993, the Bank of Finland issued a 20 markka banknote and new 10 and 1 markka coins. On the same day, a new 5 markka coin, a special issue of which was struck in 1992 in commemoration of the 75th anniversary of Finland's independence, was put into general circulation.

The 20 markka note has been designed by the graphic designer Erik Bruun and the new coin series by the sculptor Antti Neuvonen.

The designs of Finland's banknotes portray different periods in Finnish history. Like the 50 and 10 markka notes, the pictorial theme of the 20 markka note relates to Finland's period of independence. The portrait on the front of the note is that of the author Väinö Linna. Väinö Linna had a deep influence on his era and on Finns' conception of themselves and their more recent history. The back of the note shows a view of industrial Tampere at Tammerkoski.

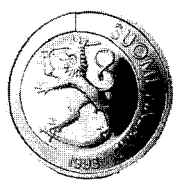
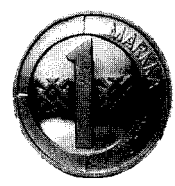
The 20 markka note is furnished with the same authentication elements as are found on the 50 and 100 markka notes: a watermark featuring a portrait, here that of Väinö Linna, and a security thread incorporating an iridescent hologram. The denomination of the note (20) is visible within the pages of the open book in the upper right-hand corner on the front when the note is tilted towards the light. Inside the circle of the zero of the big numeral, the text "SUOMENPANKKIFINLANDS-

BANK" is continuously repeated in microprint. The microprint can only be read with a magnifying glass.

The introduction of an entirely new series of Finnish coins, which was commenced in 1990, will be completed with the issue of the new coins. The aim of redesigning the coins was to simplify the series so as to make the coins and their denominations easy for everyone to recognize. The 1 markka coin depicts Finland's heraldic lion, the 5 markka coin the Saimaa ring seal and water lily leaves and the 10 markka coin the capercaillie and rowan leaves and berries.

The 1 and 5 markka coins are made of aluminium-bronze. The 10 markka coin has a dual-metal construction, comprising a centre of aluminium-bronze and an outer ring of cupro-nickel. This construction substantially increases the safety of the coin and the reliability of vending machines.

The 10 markka coin will in the course of time replace the 10 markka note. The note will gradually be withdrawn from circulation, but it will remain legal tender, as too will the 1 and 5 markka coins of the old type.



MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM NOVEMBER 1992 TO OCTOBER 1993

1992

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.

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.

Guarantee to the Union Bank of Finland and Kansallis-Osake-Pankki.

On 19 August, the Government makes a decision in principle to guarantee the acquisition of new equity capital by the Union Bank of Finland (UBF) and Kansallis-Osake-Pankki (KOP). The final decision is subject to approval by Parliament of the necessary revisions to the budgetary powers.

The guarantee to be given to the UBF covers the issue of preferred capital certificates up to FIM 1 billion and that to KOP the issue of preferred capital certificates and subordinated debentures up to a total of FIM 1.8 billion. In the case of preferred capital certificates, the guarantee applies to both

interest and principal and will remain in force for a maximum of 10 years.

The state will receive consideration against the guarantees, the probable value of which will cover the probable amount of expenses incurred by the state.

Support to the Savings Bank of Finland. On 19 August, the Government grants capital support totalling FIM 1 billion to the Savings Bank of Finland. Of this amount, FIM 250 million is used to increase the bank's share capital and FIM 750 million to purchase the bank's preferred capital certificates. As a result, the state's holding in the Savings Bank of Finland rises to 99 per cent.

OCTOBER

Establishment of asset management companies becomes possible. The Act on the Government Guarantee Fund is amended on 15 October so as to enable the Fund to own and administer shares in an asset management company, ie a company set up for the purpose of purchasing and administering the assets or liabilities of a bank subject to support measures taken by the Fund or the government.

Sale of the Savings Bank of Finland to other banks. On 22 October, the Government approves the proposal of the Government Guarantee Fund for an arrangement whereby the

Savings Bank of Finland (SBF) is to be sold to four buyers. Kansallis-Osake-Pankki, Postipankki Ltd, Union Bank of Finland Ltd and the cooperative banks designated by the Central Association of the Cooperative Banks will each buy one-quarter of the business operations of the SBF.

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, the Council of Europe in 1989 and the EBRD in 1991.

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 758 billion in outstanding

domestic credit at the end of 1992, 58 % was provided by deposit banks 3 % by private mortgage banks, 19 % by insurance companies, 3 % by other private credit institutions, 6 % by public financial institutions and 10 % 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 Oct.	15 Oct.	22 Oct.	29 Oct.
ASSETS					
Gold and foreign currency claims	29 517	26 640	26 200	27 776	29 465
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	564	678	669	663	668
IMF reserve tranche	1 732	1 879	1 853	1 836	1 850
Convertible currencies	25 041	21 903	21 498	23 098	24 766
Other foreign claims	4 867	5 364	5 361	5 365	5 363
Markka subscription to Finland's IMF quota	4 464	4 904	4 904	4 904	4 904
Term credit	404	460	456	461	459
Claims on financial institutions	14 595	8 519	8 577	8 165	9 392
Liquidity credits	1 585	—	908	112	1 203
Certificates of deposit	3 930	1 044	1 710	526	1 709
Securities with repurchase commitments	4 408	6 025	4 528	6 095	5 050
Term credits	100	—	—	—	—
Till-money credits	2 872	—	—	—	—
Bonds	1 462	1 211	1 194	1 194	1 192
Other claims on financial institutions	238	238	238	238	238
Claims on the public sector	2 446	1 506	1 534	1 595	1 652
Treasury notes and bills	—	—	—	—	—
Loans to the Government Guarantee Fund	1 000	—	—	—	—
Total coinage	1 446	1 506	1 534	1 595	1 652
Claims on corporations	1 458	3 359	3 355	3 348	3 342
Financing of domestic deliveries (KTR)	747	551	547	541	535
Other claims on corporations	711	2 807	2 807	2 807	2 807
Other assets	10 925	7 571	7 472	7 472	7 475
Loans for stabilizing the money market	9 474	7 407	7 307	7 307	7 307
Accrued items	1 298	—	—	—	—
Other assets	153	164	165	165	168
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	54 659	54 199	55 421	58 389
LIABILITIES					
Foreign currency liabilities	101	221	213	215	214
Convertible currencies	101	221	213	215	214
Other foreign liabilities	7 764	6 074	6 058	6 047	6 056
IMF markka accounts	4 464	4 904	4 904	4 904	4 904
Allocations of special drawing rights	1 026	1 170	1 154	1 143	1 152
Other foreign liabilities	2 274	—	—	—	—
Notes and coin in circulation	14 508	13 291	13 250	13 438	13 653
Notes	13 209	12 012	11 973	12 161	12 375
Coin	1 299	1 278	1 277	1 277	1 278
Certificates of deposit	4 880	11 605	11 395	13 130	14 480
Liabilities to financial institutions	20 000	6 703	6 762	6 376	7 911
Call money deposits	2 135	364	423	37	1 589
Term deposits	4 700	—	—	—	—
Minimum reserve deposits	13 165	6 338	6 338	6 338	6 320
Other liabilities to financial institutions	—	1	0	0	1
Liabilities to the public sector	90	150	150	150	149
Cheque accounts	72	3	2	2	2
Deposits of the Government Guarantee Fund	18	147	147	147	147
Other liabilities to the public sector	—	—	—	—	—
Liabilities to corporations	3 362	2 206	2 203	2 199	2 193
Deposits for investment and ship purchase	3 362	2 206	2 203	2 199	2 193
Other liabilities	4 399	211	150	152	150
Accrued items	4 242	—	—	—	—
Other liabilities	156	211	150	152	150
Valuation account and reserves	4 642	8 434	8 254	7 950	7 819
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
S2 Profit/loss for the accounting year	—	—	—	—	—
Total	65 509	54 659	54 199	55 421	58 389

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												
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
Aug.	2 180	680	1 927	26 834	31 621	-	31 621	- 707	30 914	1 412	149	1 263
Sept.	2 180	675	1 869	22 134	26 858	-	26 858	- 704	26 154	1 444	149	1 295
Oct.	2 180	668	1 850	24 552	29 250	-	29 251	- 693	28 558	1 652	149	1 503

End of period	Domestic financial sector					Corporate sector					Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	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)			
	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												
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	
Aug.	6 953	408	- 6 310	-	1 459	2 510	575	524	1 099	13 297	18 259	
Sept.	6 474	1 764	- 6 338	-	1 470	3 370	555	597	1 152	13 317	13 615	
Oct.	6 759	- 386	- 6 320	-	1 429	1 482	535	614	1 149	13 653	14 480	

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 ¹	Liquidity position, net ¹ (1-2)
	1	2	3
1988	621	127	494
1989	416	369	47
1990	806	132	674
1991	881	985	- 103
1992	2 103	437	1 666
1992			
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
Aug.	581	311	270
Sept.	482	480	2
Oct.	605	759	- 154

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					
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
Aug.	2.0	1.5	1.0	.	6 310
Sept.	2.0	1.5	1.0	.	6 338
Oct.	2.0	1.5	1.0	.	6 320

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	- 1 293
1992				
Oct.	1 760	10 740	- 2 060	- 6 920
Nov.	8 030	7 570	- 2 420	2 880
Dec.	12 070	5 680	- 2 560	8 950
1993				
Jan.	5 490	5 400	3 890	- 3 800
Feb.	6 500	8 340	- 260	- 1 580
March	10 470	12 750	660	- 2 940
April	5 870	11 310	1 450	- 6 890
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
Aug.	7 240	14 950	- 10 660	2 950
Sept.	7 920	7 720	- 6 920	7 120
Oct.	10 110	11 970	1 180	- 3 040

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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					
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
July	960	- 8 360	- 4 800	4 520	- 820
Aug.	510	- 3 580	960	- 810	- 420
Sept.	-	- 1 170	2 050	- 1 950	- 1 770

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						
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
July	34 287	26 687	7 600	- 13 932	6 718	386
Aug.	32 677	26 607	6 070	- 10 840	5 912	1 142
Sept.	34 391	29 105	5 287	- 10 588	4 221	- 1 080

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								
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
Aug.	6.18	6.70	6.65	6.56	6.52	7.74	3.74	6.24
Sept.	6.35	6.81	6.68	6.49	6.29	7.76	3.76	6.00
Oct.	6.97	7.13	6.87	6.60	6.29	8.08	4.08	6.00

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								
Oct.	13.69	1992			1988	6.9	6.9	
Nov.	11.03	Oct.	+1.00	7	-3.00	1989	9.3	9.3
Dec.	10.69	Nov.	+1.00	7	-3.00	1990	10.5	10.4
1993		Dec.	+1.00	7	-3.00	1991	10.1	9.9
Jan.	10.49	1993				1992	10.4	10.6
Feb.	9.34	Jan.	+1.00	7	-3.00	Oct.	10.3	11.1
March	8.96	Feb.	+1.00	7	-3.00	Nov.	9.9	10.4
April	8.85	March	+1.00	7	-3.00	Dec.	10.3	10.9
May	8.42	April	+1.00	7	-3.00	1993		
June	7.72	May	+1.00	7	-3.00	Jan.	9.9	10.1
July	7.31	June	+1.00	7	-3.00	Feb.	9.9	9.6
Aug.	6.74	July	+1.00	7	-3.00	March	9.3	9.2
Sept.	6.76	Aug.	+1.00	7	-3.00	April	8.6	8.9
Oct.	7.08	Sept.	+1.00	7	-3.00	May	7.9	7.9
		Oct.	+1.00	7	-3.00	June	7.6	7.5
						July	7.7	7.8
						Aug.	7.5	7.7
						Sept.	7.4	7.7
						Oct.	7.2	7.5
01.10.1993	6.99							
14.10.1993	7.18							
20.10.1993	7.12							
21.10.1993	7.14							

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

Average for period	Lending						Markka deposits and other markka funding					
	New credits				Average lending rate	Of which: Commercial banks	24-month tax-exempt deposits ¹	36-month tax-exempt deposits ¹	Other tax-exempt deposits, max. rate of interest ¹	Average rate of interest on deposits	Average rate of interest on other funding	Average rate of interest on markka funding
	Cheque account and 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												
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
July	10.45	13.04	8.99	9.47	10.01	9.73	4.50	5.50	2.50	4.50	8.64	5.88
Aug.	10.67	13.20	8.79	9.25	9.58	9.26	4.00	5.00	2.50	4.10	8.09	5.44
Sept.	7.66	12.97	8.39	8.68	9.38	9.09	4.00	5.00	2.50	3.96	7.88	5.31

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		
	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						
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
July	8.2	8.7	8.0	8.5	11.1	6.3
Aug.	7.4	7.9	7.2	7.7	9.2	5.9
Sept.	7.2	7.8	7.3	7.9	8.3	5.8

¹ November and December only.

4. RATES OF EXCHANGE

4.1 MIDDLE RATES, FIM

Average of daily quotations	New York 1 USD	Montreal 1 CAD	London 1 GBP	Dublin 1 IEP	Stockholm 1 SEK	Oslo 1 NOK	Copen- hagen 1 DKK	Frankfurt aM 1 DEM	Amster- dam 1 NLG	Brussels 1 BEF	Zurich 1 CHF	Paris 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												
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
Aug.	5.831	4.462	8.699	8.110	0.7237	0.7915	0.8429	3.4363	3.0540	0.16183	3.8905	0.9818
Sept.	5.783	4.379	8.813	8.295	0.7219	0.8168	0.8707	3.5637	3.1734	0.16601	4.0737	1.0188
Oct.	5.750	4.335	8.647	8.250	0.7172	0.8030	0.8682	3.5126	3.1255	0.16140	3.9946	1.0012

Average of daily quotations	Rome 1 ITL	Vienna 1 ATS	Lisbon 1 PTE	Reykjavik 1 ISK	Madrid 1 ESP	Athens 1 DRD	Tallinn 1 EEK	Tokyo 1 JPY	Mel- bourne 1 AUD	ECU Commer- cial 1 XEU	SDR 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											
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
Aug.	0.00363	0.4884	0.0336	0.0813	0.0420	0.0245	0.4295	0.05621	3.957	6.555	8.17177
Sept.	0.00369	0.5064	0.0348	0.0833	0.0442	0.0250	0.4455	0.05485	3.772	6.771	8.20308
Oct.	0.00359	0.4994	0.0340	0.0823	0.0435	0.0242	0.4391	0.05378	3.797	6.671	8.09230

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				
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
Aug.	6.60127	131.9	135.7	143.9
Sept.	6.81414	134.5	137.6	144.7
Oct.	6.69596	132.6	136.0	142.8

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									
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	67 714	337 011
June	36 554	87 629	108 571	22 615	255 368	13 402	268 770	67 806	336 576
July	35 787	87 997	107 557	23 582	254 924	15 616	270 540	63 737	334 277
Aug.	36 548	88 515	105 708	23 870	254 640	14 861	269 502	65 157	334 659

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						
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
June	15 221	2 812	251 305	269 339	83 482	352 821
July	15 192 ^r	2 858	251 610	269 660	82 922	352 582
Aug.	15 427	2 670	251 295	269 392	81 558	350 950

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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*								
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	- 38 803	41	429 134	429 175	- 120 187	135 602	270 184	307 449
July	- 34 515	740	429 088	429 827	- 125 718	135 157	269 594	309 002
Aug.	- 33 338	504	428 524	429 028	- 126 590	136 005	269 101	312 036
Sept.	..	..	..	..	..	134 562	267 369	312 165

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											
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	61 671	19 781
1993											
Jan.	116 428	7 343	2 607	126 378	41 597	13 555	16 900	72 052	198 430	62 268	22 958
Feb.	130 937	8 155	4 440	143 532	44 537	13 598	20 397	78 532	222 064	62 742	16 444
March	135 192	8 185	4 422	147 799	47 824	13 593	22 315	83 732	231 531	63 632	39 402
April	139 909	7 834	4 221	151 964	49 146	12 897	22 570	84 613	236 577	64 197	45 211
May	139 488	8 701	4 209	152 398	51 126	12 771	22 014	85 911	238 309	64 292	43 522
June	139 102	9 018	4 263	152 383	57 718	12 770	22 126	92 614	244 997	64 436	43 203
July	142 159	9 510	4 409	156 078	59 997	12 769	21 459	94 225	250 303	64 796	40 718
Aug.	143 148	9 457	4 411	157 016	63 086	15 355	23 460	101 901	258 917	65 317	45 091
Sept.	145 375	9 350	4 409	159 134	64 904	15 354	24 615	104 873	264 007	..	44 662

5.5 MARKKA BOND MARKET

A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corpo- rations	Financial institutions	Central government	Local government	Others	Public issues		Private placings	
						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*									
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	843	3 480	200	-	4 342	-	652	4 995
March	871	657	3 944	656	13	4 991	-	1 149	6 140
April	504	224	1 835	89	-	2 143	-	509	2 652
May	3 281	1 262	2 761	407	-	4 257	-	3 454	7 711
June	3 132	670	6 658	93	-	7 107	-	3 446	10 553
July	510	165	2 286	-	-	2 451	-	510	2 961
Aug.	465	898	1 500	60	-	2 908	-	15	2 923
Sept.	50	610	529	10	-	1 099	-	100	1 199

B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corpo- rations	Financial institutions	Central government	Local government	Others	Public issues		Private placings	
						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*									
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	81 343	51 244	6 092	3 030	97 679	12 097	59 684	169 460
II	33 614	79 950	60 316	6 618	2 369	107 775	11 558	63 534	182 867

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					
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
Aug.	4 426	20 776	4 387	9 812	10 579
Sept.	5 364	24 405	5 124	11 436	12 459
Oct.	4 958	33 749	4 717	13 465	15

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	Insur-ance and invest-ment	Manu-factur-ing	Of which:					
						Forest indus-tries	Metal and engi-neer-ing	Congl-omerates				
	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	1 324	1 393	1 263	1 185	1 376	1 436	1 282	1 474	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												
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
Aug.	1 410	.	.	830	813	1 782	1 954	1 893	1 944	6 081	4 509	10 589
Sept.	1 378	.	.	790	788	1 745	1 887	1 860	1 913	4 689	6 036	10 725
Oct.	1 502	.	.	820	781	1 943	1 958	2 095	2 212	6 638	6 936	13 574

¹ During period.

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, feb	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, ch	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*	105 809	8 643	6 089	7 730	22 462	128 272	6 423	5 920	140 614	93 187	4 360	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	24 783	2 002	1 159	1 702	4 863	29 645	2 301	1 367	33 313	22 698	1 001	2 725	3 422
II	26 452	2 152	1 493	1 681	5 326	31 778	1 269	1 374	34 421	24 180	1 064	2 813	3 039
III	24 820	2 323	1 958	1 923	6 203	31 023	1 204	1 480	33 707	20 677	1 119	2 853	3 242
IV	29 754	2 167	1 480	2 424	6 071	35 825	1 649	1 699	39 173	25 632	1 176	2 572	3 666
1993*													
I	30 900	2 222	1 351	2 894	6 468	37 368	2 275	1 659	41 303	25 643	1 126	2 401	4 390
II	32 522	2 461	1 763	2 402	6 626	39 148	2 073	1 945	43 166	24 753	1 023	2 276	3 960
III	32 140	2 560	2 203	2 233	6 997	39 136	1 664	1 773	42 573	24 397	1 063	2 242	4 151

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 (20+21+22)	Goods and services 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*	28 690	121 878	30 424	10 347	162 649	12 622	4 283	-4 873	-5 639	-6 228	6 394	-24 001	-4 428	-22 035
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	7 148	29 845	8 435	3 124	41 405	2 085	1 001	-1 566	-1 720	-2 285	-200	-6 134	-1 758	-8 092
II	6 916	31 096	7 400	2 381	40 877	2 272	1 087	-1 320	-1 358	-1 590	682	-6 131	-1 007	-6 456
III	7 214	27 891	6 765	2 402	37 058	4 143	1 204	-895	-1 319	-1 011	3 132	-5 561	-922	-3 351
IV	7 413	33 045	7 824	2 440	43 309	4 122	991	-1 092	-1 241	-1 342	2 780	-6 174	-741	-4 136
1993*														
I	7 917	33 560	10 352	3 099	47 011	5 257	1 096	-1 049	-1 496	-1 449	3 808	-8 076	-1 440	-5 708
II	7 259	32 012	10 701	2 689	45 402	7 769	1 438	-512	-1 558	-633	7 136	-8 628	-744	-2 237
III	7 456	31 853	7 149	2 945	41 947	7 743	1 497	-39	-1 917	-459	7 284	-5 486	-1 172	626

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*	1 777	36 772	5 509	479	44 537	1 821	367	3 461	304	5 953	38 584	16 549
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	564	4 173	-399	795	5 133	624	182	621	273	1 699	3 433	-4 658
II	74	12 934	371	-261	13 118	-208	1 142	121	187	1 242	11 876	5 420
III	340	5 302	786	259	6 688	775	-882	1 117	182	1 192	5 495	2 144
IV	799	14 362	4 751	-314	19 598	630	-75	1 602	-337	1 820	17 779	13 643
1993*												
I	187	15 167	8 939	-384	23 909	1 368	2 981	-688	-105	3 556	20 354	14 646
II	805	15 158	4 233	-477	19 719	1 475	-1 094	478	148	1 006	18 713	16 476
III	167	4 572	2 908	-456	7 191	407	-811	-791	636	-559	7 750	8 376

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	7 744	10 880	-10 399	-567	4 115	6 586	10 134	-5 265	-25 798	-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	1 003	1 723	-1 408	-1	3 017	-1 641	1 641
II	-9 587	3 973	491	-5 123	-1 612	1 167	-3 403	-3 848	-5 194	-6 469	-1 049	1 049
III	-11 212	1 155	12 230	2 173	6 064	217	176	6 457	-4 026	-8 310	-6 165	6 165
IV	-5 681	2 157	-5 535	-9 059	-885	1 729	8 090	8 934	3 956	-14 036	-394	394
1993*												
I	-3 093	270	-5 941	-8 764	14 868	1 419	-1 306	14 982	3 406	-20 340	-5 694	5 694
II	-5 939	2 257	-1 544	-5 227	-3 008	1 046	-254	-2 216	-2 759	-5 770	10 706	-10 706
III	-9 314	2 688	2 780	-3 845	12 840	1 045	4 309	18 194	2 596	-19 443	-11 067	11 067

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*	19 260	209 864	94 568	7 919	331 611	61 659	9 165	34 108	7 670	112 602	219 009
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	18 017	151 064	77 508	6 768	253 357	53 857	7 900	29 179	6 738	97 674	155 683
II	18 101	160 511	75 713	6 441	260 765	53 322	9 089	28 025	6 648	97 084	163 681
III	18 451	183 997	84 821	7 290	294 559	61 356	8 618	31 039	7 397	108 410	186 149
IV	19 260	209 864	94 568	7 919	331 611	61 659	9 165	34 108	7 670	112 602	219 009
1993*											
I	19 447	252 513	114 168	8 233	394 361	69 244	12 628	35 652	8 324	125 848	268 513
II	20 252	255 154	114 904	7 363	397 673	66 924	11 472	33 601	8 287	120 284	277 389
III	20 419	273 990	121 048	7 255	422 711	68 250	10 784	33 805	9 290	122 129	300 582

End of period	Short-term liabilities					Short-term assets					Short-term liabilities, net (16-21)	Debt, net (11+22)	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	21 637	22 274	136 013	33 966	43 534	21 069	16 656	115 225	20 788	239 797	19 007	13.6
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	14 219	18 439	136 804	35 429	32 960	17 007	12 765	98 161	38 643	194 326	4 886	14.7
II	3 242	89 647	18 218	18 211	129 318	33 516	32 786	18 123	8 932	93 356	35 961	199 642	4 882	14.2
III	14 067	86 647	19 397	21 248	141 359	29 484	43 316	18 829	9 575	101 204	40 155	226 304	4 313	12.8
IV	7 849	84 253	21 637	22 274	136 013	33 966	43 534	21 069	16 656	115 225	20 788	239 797	4 925	12.6
1993*														
I	5 836	86 548	21 884	19 820	134 088	31 998	60 816	23 176	16 308	132 297	1 791	270 304	6 827	16.5
II	6 173	78 062	24 088	17 254	125 577	41 889	56 831	23 948	14 823	137 491	-11 914	265 475	7 378	17.1
III	6 293	70 466	26 803	20 144	123 705	31 987	71 362	25 144	19 089	147 582	-23 877	276 706	4 236	10.0

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

End of period	Long-term liabilities					Total (1+2+3+4+5)	Long-term assets					Long-term liabilities, net (6-12)	
	Corporate sector	Banks	Other financial institutions	Central government	Other		Corporate sector	Banks	Other financial institutions	Central government	Other		Total (7+8+9+10+11)
	1	2	3	4	5	6	7	8	9	10	11	12	13
1988	46 471	27 427	14 339	26 926	499	115 662	25 093	21 607	3 573	3 101	949	54 323	61 339
1989	58 009	40 199	17 665	23 063	574	139 510	34 828	26 048	2 313	3 517	1 537	68 243	71 267
1990	65 553	56 394	21 694	29 174	610	173 424	45 372	28 423	2 075	4 279	2 047	82 196	91 228
1991	79 212	70 795	35 623	56 377	721	242 728	57 749	27 641	2 121	4 752	2 794	95 057	147 671
1992*	91 304	70 253	49 558	118 081	2 415	331 611	69 963	30 619	3 096	5 627	3 298	112 602	219 009
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	80 610	69 700	36 053	65 370	1 624	253 357	58 653	28 466	2 298	5 367	2 890	97 674	155 683
II	78 623	64 232	37 674	78 534	1 703	260 765	58 461	28 235	2 290	5 147	2 951	97 084	163 681
III	85 281	68 903	39 531	98 824	2 020	294 559	66 650	30 514	2 451	5 528	3 268	108 410	186 149
IV	91 304	70 253	49 558	118 081	2 415	331 611	69 963	30 619	3 096	5 627	3 298	112 602	219 009
1993*													
I	101 873	72 568	54 996	162 000	2 925	394 361	77 701	34 821	3 350	6 259	3 716	125 848	268 513
II	101 959	69 550	51 715	171 676	2 774	397 673	76 058	31 083	3 297	6 535	3 311	120 284	277 389
III	111 481	74 132	53 499	180 678	2 922	422 711	77 911	30 462	3 539	7 044	3 174	122 129	300 582

7. FOREIGN TRADE

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

During period	Exports, fob	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*			
Sept.	9 658	7 490	2 168
Oct.	10 200	8 756	1 444
Nov.	10 532	8 740	1 792
Dec.	9 441	8 613	828
1993*			
Jan.	9 460	6 602	2 858
Feb.	10 461	9 070	1 391
March	11 473	10 408	1 065
April	11 378	9 697	1 681
May	11 430	7 808	3 622
June	10 205	7 769	2 436
July	10 801	8 079	2 722
Aug.	10 178	8 232	1 946
Sept.	11 402	8 413	2 989

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
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
II	143	104	174	166	105

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, fob					Imports by use of goods, cif				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
1988	7 567	30 474	8 450	29 225	17 186	45 791	7 533	17 274	20 828	692
1989	7 416	32 513	8 844	32 682	18 329	51 786	8 310	20 606	24 055	759
1990	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
1991	6 984	29 695	10 539	29 188	16 436	42 505	9 399	13 973	21 195	672
1992*	7 892	32 587	12 172	35 741	19 079	49 514	9 745	13 348	20 826	1 555
1992*										
Sept.	687	2 914	1 026	3 244	1 787	4 129	546	903	1 789	123
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	3 330	1 699	3 691	555	888	1 392	76
Feb.	776	3 069	1 134	3 336	2 146	4 355	1 103	1 665	1 852	95
March	898	3 438	1 213	3 991	1 933	4 658	897	2 845	1 919	89
April	964	3 403	1 306	3 824	1 881	5 446	713	1 349	2 067	122
May	1 017	3 120	1 111	4 314	1 868	4 556	519	1 044	1 605	84
June	928	2 929	966	3 701	1 681	4 272	1 029	904	1 479	85
July	760	2 751	1 162	4 295	1 833	4 337	921	978	1 649	194
Aug.	667	3 081	1 253	3 263	1 914	4 335	993	1 143	1 679	82
Sept.	988	3 254	1 328	3 718	2 114	4 346	975	1 242	1 712	138

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, fob				Imports, cif			
	1992 *		1993 *		1992 *		1993 *	
	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	73 943	14.5	75 180	79.1	59 856	9.7
OECD Europe	78 566	73.1	63 654	10.6	62 972	66.3	49 004	7.5
Of which:								
Austria	1 368	1.3	1 057	3.0	1 162	1.2	841	-0.5
Belgium and Luxembourg	2 785	2.6	2 193	7.4	2 688	2.8	2 090	8.1
Denmark	3 858	3.6	3 257	16.6	3 192	3.4	2 397	3.0
France	7 204	6.7	5 362	-3.6	4 382	4.6	3 504	16.5
Germany	16 806	15.6	12 835	3.4	16 085	16.9	12 761	7.5
Italy	4 302	4.0	3 267	4.8	3 425	3.6	2 787	8.0
Netherlands	5 628	5.2	4 925	20.2	3 458	3.6	2 842	14.5
Norway	3 775	3.5	3 084	14.3	3 825	4.0	3 663	42.3
Spain	2 842	2.6	2 571	22.9	1 167	1.2	839	-2.5
Sweden	13 771	12.8	10 766	7.0	11 133	11.7	7 631	-6.3
Switzerland	1 921	1.8	1 544	11.1	1 842	1.9	1 517	10.8
United Kingdom	11 519	10.7	10 337	25.6	8 213	8.6	6 398	11.1
Other OECD	9 781	9.1	10 289	46.4	12 209	12.9	10 852	20.5
Of which:								
Canada	751	0.7	812	37.5	616	0.6	548	18.0
Japan	1 370	1.3	1 533	58.0	5 202	5.5	4 384	14.3
United States	6 365	5.9	6 559	41.8	5 792	6.1	5 577	31.0
Non-OECD European countries	7 310	6.8	8 459	64.7	9 681	10.2	8 645	34.4
Of which:								
Russia	3 020	2.8	3 903	87.8	6 725	7.1	5 906	33.7
Other countries	11 814	11.0	14 386	89.3	10 127	10.7	7 577	-3.6
Of which:								
OPEC countries	1 927	1.8	2 305	73.0	1 497	1.6	389	-68.5
TOTAL	107 471	100.0	96 788	25.2	94 988	100.0	76 078	10.5
Of which:								
EC countries	57 150	53.2	46 482	10.8	44 801	47.2	35 197	8.3
EFTA countries	20 959	19.5	16 544	8.4	18 033	19.0	13 698	5.5

8. DOMESTIC ECONOMIC DEVELOPMENTS

8.1 SUPPLY AND USE OF RESOURCES, MILL. FIM, 1990 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	259 533	102 595	109 614	17 275	-712	488 305	115 761	116 898	487 168
1989	269 911	105 099	129 905	15 149	4 818	524 882	117 241	127 311	514 812
1990	269 588	109 238	121 858	17 285	4 647	522 616	118 828	126 600	514 844
1991	260 290	111 557	93 381	17 232	-3 186	479 274	110 965	111 755	478 484
1992*	246 728	111 063	75 282	16 326	1 255	450 654	121 877	113 299	459 232
1991									
I	65 409	27 789	26 719	4 351	101	124 369	27 279	29 069	122 579
II	65 346	27 929	23 871	4 688	-594	121 240	26 182	27 106	120 317
III	65 180	27 958	21 965	4 307	-1 196	118 214	29 175	28 127	119 263
IV	64 355	27 881	20 825	3 886	-1 496	115 450	28 328	27 454	116 325
1992*									
I	63 182	27 736	20 272	4 229	-955	114 465	29 526	28 284	115 706
II	61 963	27 801	19 890	4 305	229	114 188	30 588	29 273	115 503
III	61 047	27 799	18 577	3 897	1 405	112 724	30 090	27 739	115 075
IV	60 537	27 727	16 543	3 895	575	109 277	31 674	28 002	112 948
1993*									
I	59 976	26 351	16 160	3 395	-290	105 592	33 764	28 618	110 737
II	58 867	26 386	15 174	3 330	50	103 807	34 784	27 241	111 351

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1990=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manu- facturing	Wood and paper industries	Metal and engineering industries	Other manu- facturing	Energy and water supply
	(100.0)	(1.3)	(89.6)	(16.8)	(31.3)	(41.5)	(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*							
Aug.	93.6	77.4	93.3	97.1	94.9	90.5	99.6
Sept.	92.2	90.9	91.4	97.4	90.6	89.5	101.8
Oct.	93.5	78.2	92.0	96.5	89.6	92.1	111.5
Nov.	93.8	87.6	92.1	98.0	92.0	89.9	111.5
Dec.	92.1	80.8	90.8	96.9	91.1	88.8	107.4
1993*							
Jan.	93.5	86.3	92.1	98.9	92.4	88.4	105.6
Feb.	94.4	82.8	93.0	100.7	94.7	89.4	106.1
March	94.3	82.9	92.7	100.7	95.1	88.0	109.1
April	95.7	83.4	94.7	104.1	98.0	88.6	105.4
May	93.7	78.7	92.2	98.8	96.7	86.3	103.4
June	97.6	65.8	97.5	106.9	100.1	90.9	109.5
July	98.4	81.9	97.9	105.0	101.0	92.6	106.3
Aug.	95.6	73.9	95.2	105.8	95.5	90.7	104.8

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	111.4
1989	124.2	117.0	130.3	132.9	137.6	125.2	161.4	116.7
1990	119.9	111.7	127.3	124.8	161.7	122.1	144.6	117.5
1991	101.2	103.9	103.9	94.4	127.7	109.9	102.1	110.2
1992*	87.9	93.8	79.5	73.8	76.2	87.5	84.6	107.0
1992*								
July	89.8	91.9	..	..	..	..	..	107.3
Aug.	82.7	89.3	..	..	..	..	..	105.4
Sept.	87.2	93.6	..	..	..	..	..	106.5
Oct.	84.8	91.7	..	..	..	..	..	105.9
Nov.	81.3	86.3	..	..	..	..	..	106.7
Dec.	82.6	89.8	..	..	..	..	..	106.7
II	89.3	94.8	82.9	79.3	72.1	94.8	107.3	107.0
III	86.6	91.6	78.1	73.4	80.2	82.8	64.3	106.4
IV	82.9	89.3	67.4	59.9	53.2	74.5	80.1	106.4
1993*								
Jan.	76.8	87.2	..	..	..	..	..	105.3
Feb.	82.4	92.3	..	..	..	..	..	106.8
March	84.5	91.6	..	..	..	..	..	105.4
April	81.0	89.7	..	..	..	..	..	104.8
May	81.9	88.8	..	..	..	..	..	103.3
June	86.5	87.3	..	..	..	..	..	104.8
July	84.9	84.4	..	..	..	..	..	104.3
I	81.2	90.4	57.6	60.6	43.4	61.0	117.4	105.8
II	83.1	88.6	54.6	59.5	45.6	54.6	73.1	104.3

8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which: Manufacturing (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														
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
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
July	..	..	..	..	..	..	138.8	116.0	117.1	111.6	116.7	119.8	115.2	135.3
Aug.	..	..	..	..	..	..	138.7	116.0	116.8	112.1	116.9	120.4	115.2	135.3
Sept.	..	..	..	..	..	..	139.0	116.1	117.4	110.9	117.4	121.1	115.7	135.6
I	162.1	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
II	162.0	162.2	162.7	161.9	161.2	163.6	139.3	116.2	117.1	112.3	117.3	121.1	115.6	135.3

¹ Preliminary figures for columns 1—6.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status		By industry				Unemployed	Unemployment rate
				Self-employed	Wage and salary earners	Agriculture and forestry	Industry	Construction	Service industries		
	%			1000 persons							%
	1	2	3	4	5	6	7	8	9	10	11
1988	68.4	2 546	2 431	368	2 062	238	553	188	1 452	116	4.6
1989	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5
1990	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4
1991	67.4	2 533	2 340	340	2 000	197	502	179	1 461	193	7.6
1992	66.1	2 502	2 174	325	1 849	188	454	150	1 382	328	13.1
1992											
Sept.	65.6	2 487	2 148	317	1 831	183	453	150	1 362	338	13.6
Oct.	65.9	2 499	2 133	319	1 814	182	453	132	1 367	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	2 095	311	1 783	182	436	136	1 342	383	15.5
1993											
Jan.	65.7	2 492	2 092	308	1 784	178	438	127	1 350	400	16.0
Feb.	65.7	2 492	2 078	318	1 760	171	424	131	1 352	415	16.6
March	65.2	2 475	2 053	314	1 739	180	430	132	1 310	422	17.0
April	65.5	2 488	2 057	321	1 736	179	428	130	1 321	431	17.3
May	65.3	2 481	2 052	320	1 733	175	432	129	1 316	429	17.3
June	64.8	2 462	2 008	300	1 709	166	420	127	1 295	454	18.4
July	65.0	2 472	2 029	317	1 712	172	422	122	1 313	444	18.0
Aug.	65.6	2 495	2 041	308	1 733	162	424	125	1 330	454	18.2
Sept.	65.7	2 499	2 024	318	1 706	171	425	117	1 312	475	19.0

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 smaller 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											
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	70	919	6 329	15	6 345	4 129	9 084	3 230	5 701
Feb.	3 730	4 446	240	1 257	9 673	113	9 785	3 869	7 807	3 347	4 273
March	2 456	6 205	127	3 496	12 284	2 119	14 403	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
May	2 697	5 638	97	2 688	11 120	510	11 630	3 646	9 115	3 958	5 013
June	2 870	5 633	86	2 748	11 337	591	11 928	4 110	8 842	3 958	4 672
July	3 208	5 626	119	1 759	10 712	197	10 909	4 719	8 225	3 287	4 696
Aug.	3 011	5 884	102	2 166	11 163	154	11 318	3 424	7 820	3 395	4 102

During period	Expenditure				Financial balance				
	Fixed investment	Other expenditure	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)
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									
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	-9 481	16 891	7 410
Feb.	290	842	12 808	1 289	14 097	-3 135	-4 312	15 636	11 324
March	313	2 248	16 001	3 211	19 211	-3 717	-4 808	9 245	4 437
April	306	1 554	15 131	2 060	17 191	-3 580	-5 542	12 592	7 050
May	318	1 156	14 235	1 351	15 586	-3 115	-3 956	2 086	-1 870
June	384	2 650	15 986	768	16 753	-4 649	-4 825	4 424	-401
July	406	914	14 264	3 935	18 200	-3 552	-7 291	7 157	-134
Aug.	416	874	12 534	723	13 258	-1 371	-1 940	5 079	3 139

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. 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 placings. 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.

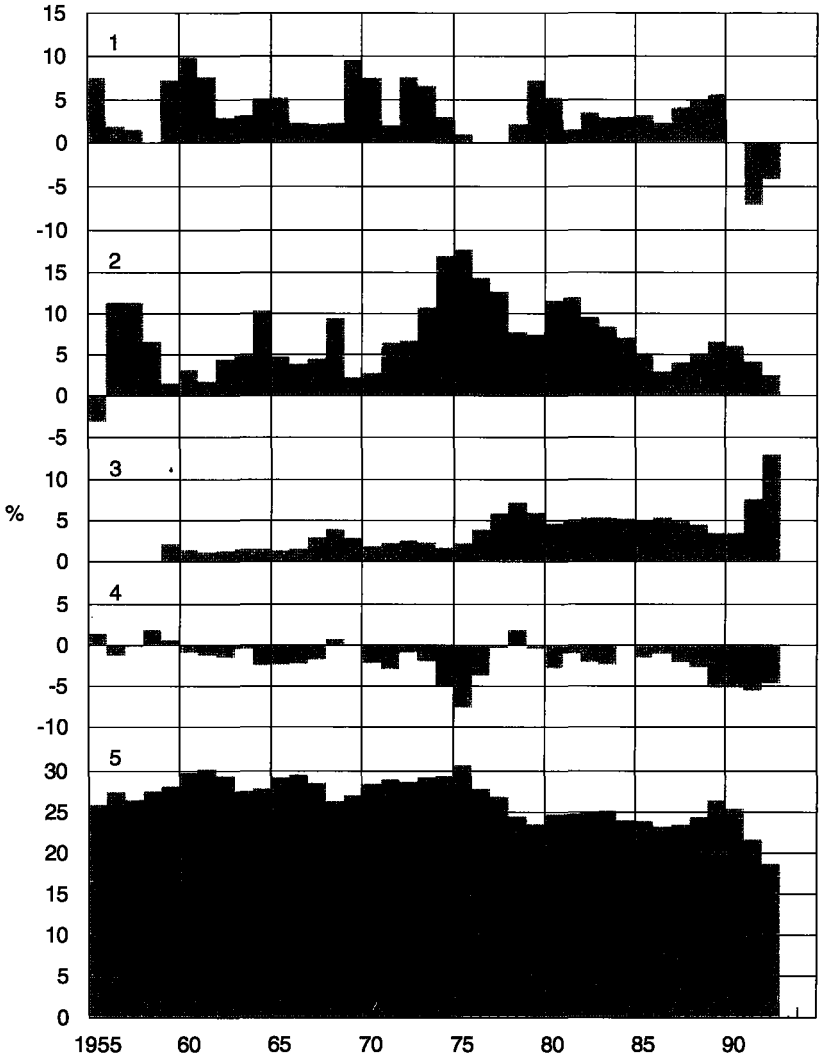
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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.

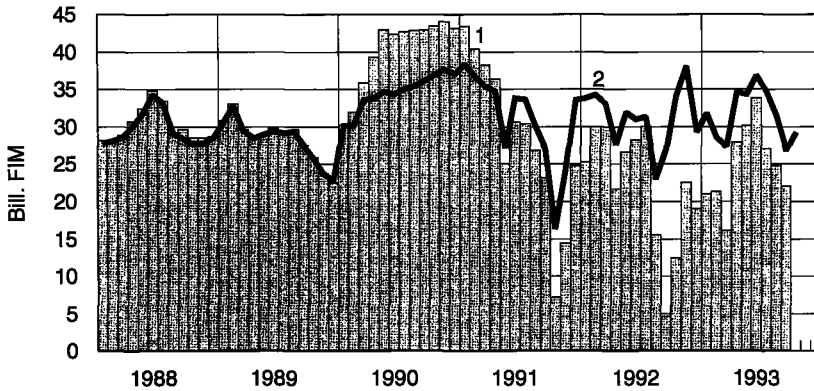
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Rates of interest applied by the Bank of Finland	S29
5. Banks' liquidity position with the Bank of Finland	S30
6. Liquidity management interest rates	S30
7. HELIBOR rates of interest, daily	S30
8. HELIBOR rates of interest, monthly	S31
9. Differential between Finnish and German interest rates	S31
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11. Bank of Finland currency index and the markka value of the ECU	S32
12. Daily spot rates for the markka against the Deutschmark and the US dollar	S32
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15. Monthly spot rates for the markka against the pound sterling and the Swedish krona	S33
16. Banks' markka lending rates and markka funding rates	S33
17. Bank funding from the public	S34
18. Bank lending to the public	S34
19. Money supply	S34
20. Current account	S35
21. Net interest and dividend expenditure	S35
22. Balance of payments	S36
23. Foreign debt	S36
24. Foreign trade	S37
25. Foreign trade: prices and terms of trade	S37
26. Finland's export performance	S37
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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
32. Central government debt	S40

1. LONG-TERM INDICATORS



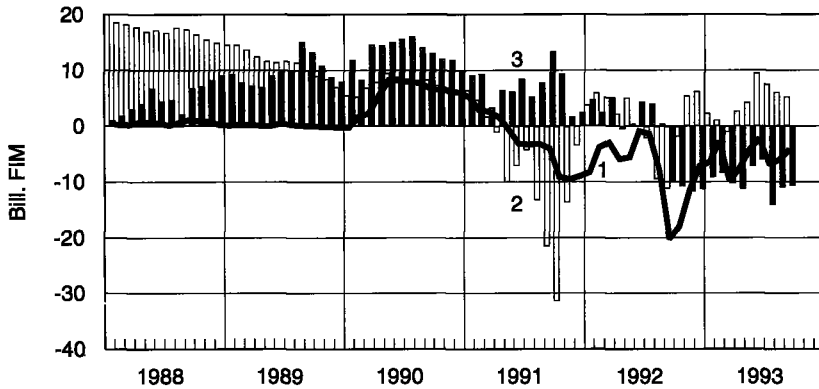
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



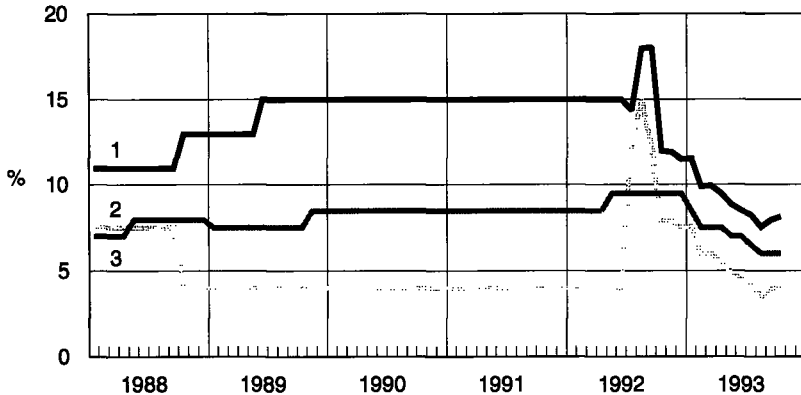
1. Foreign exchange reserves plus forward position
2. Foreign exchange reserves

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

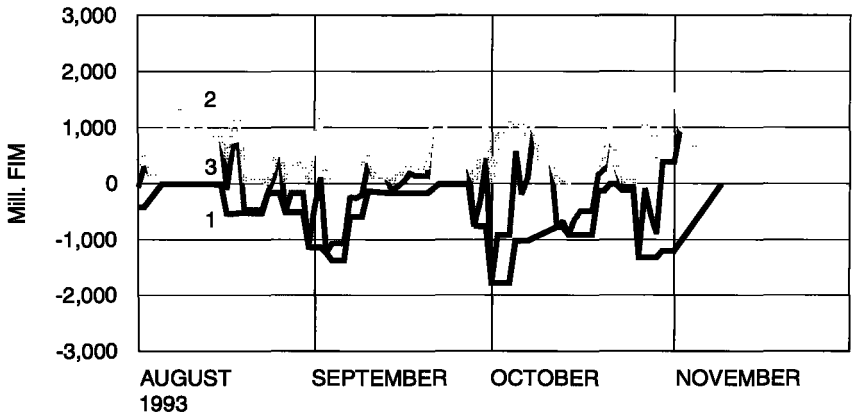
4. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



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

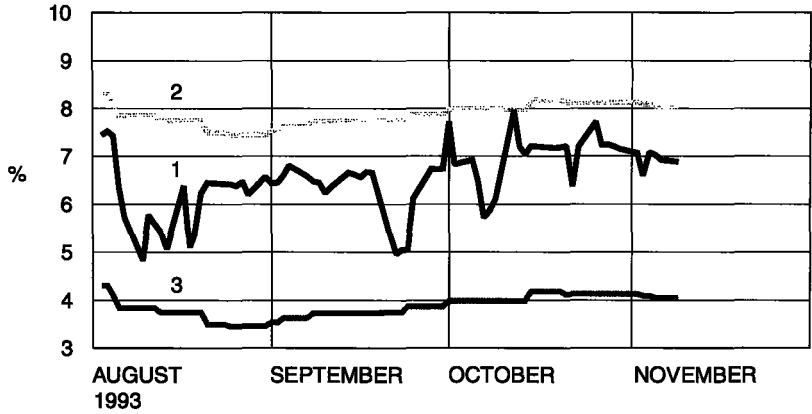
End-of-month observations

5. BANKS' LIQUIDITY POSITION WITH THE BANK OF FINLAND



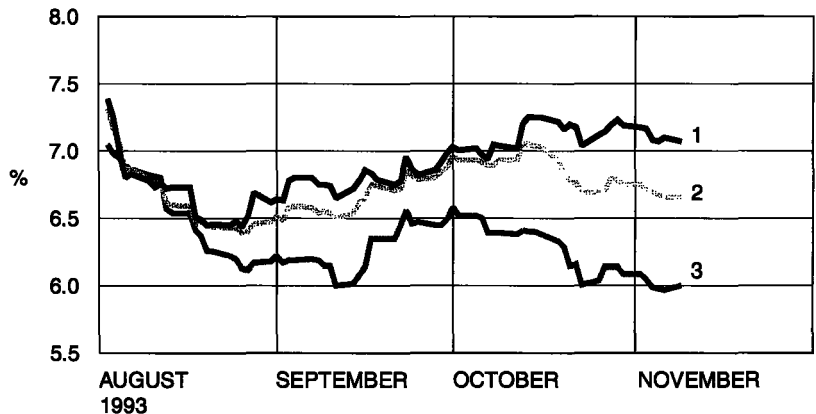
- 1. Liquidity credits (-)
- 2. Call money deposits
- 3. Net

6. LIQUIDITY MANAGEMENT INTEREST RATES



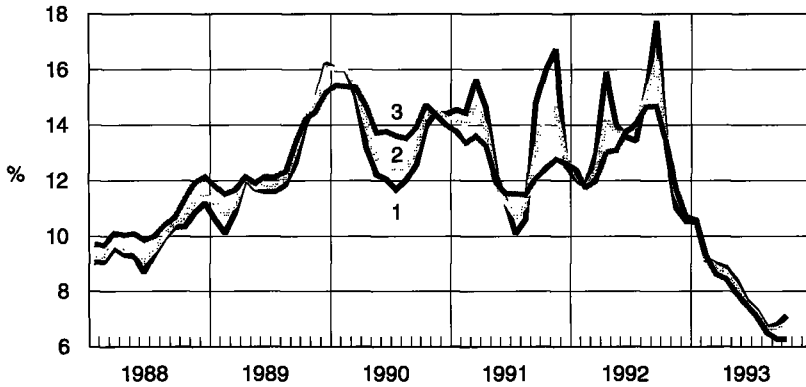
- 1. Inter-bank overnight rate
 - 2. Liquidity credit rate
 - 3. Call money deposit rate
- Daily observations

7. HELIBOR RATES OF INTEREST, DAILY



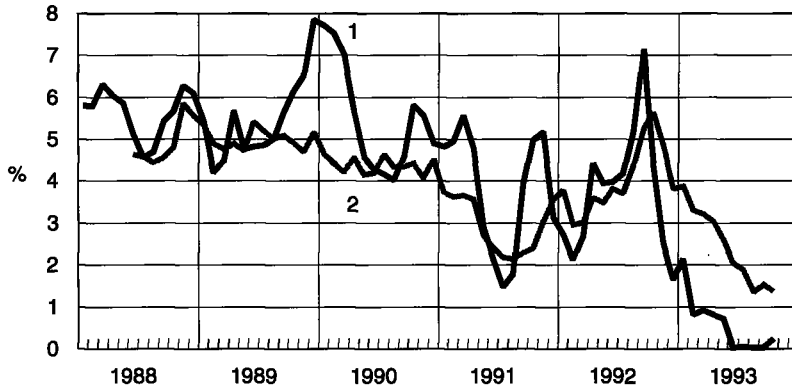
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

8. HELIBOR RATES OF INTEREST, MONTHLY



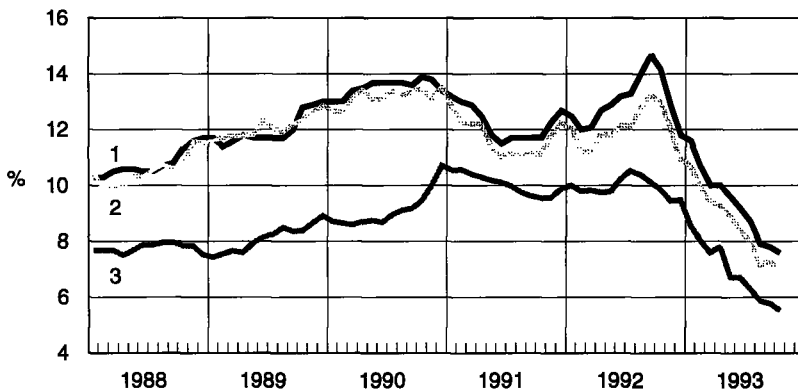
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

9. DIFFERENTIAL BETWEEN FINNISH AND GERMAN INTEREST RATES



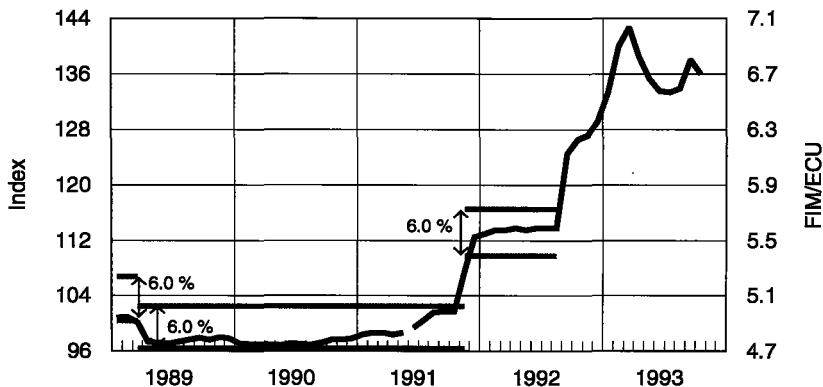
- 1. 3-month HELIBOR *minus* 3-month DEM eurorate
- 2. 5-year Finnish government bond yield *minus* 5-year German government bond yield

10. YIELDS ON BONDS



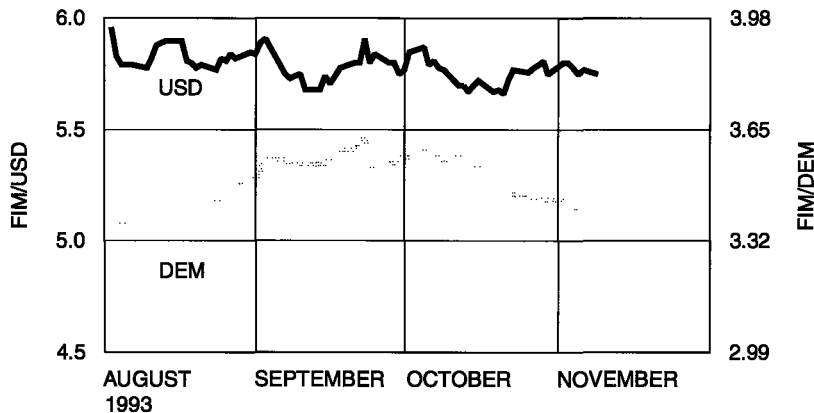
- 1. Bank of Finland's 5-year reference rate
- 2. Until April 1991, yield on (4-5 year) taxable government bonds
Since May 1991, yield on government bond due on 15 March 1996, coupon rate 11.75 per cent
- 3. Yield on (4-5 year) tax-free government bonds

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



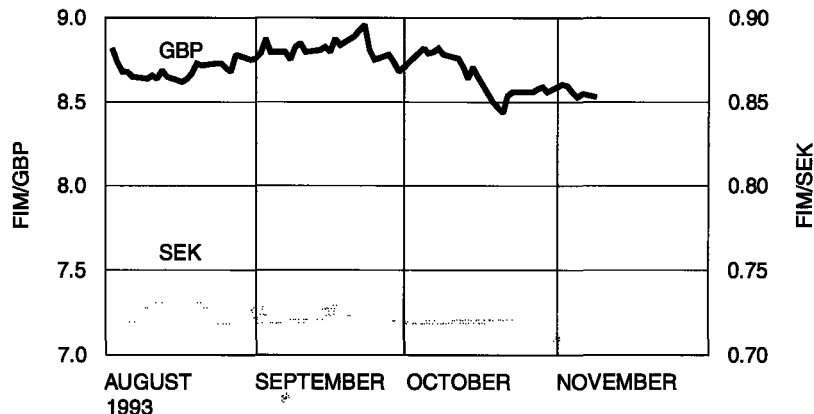
Until 7 June 1991, the Bank of Finland currency index. From 7 June 1991, the markka's exchange rate against the ECU, the fluctuation limits of which were 4.72953–5.02207 in the period 7 June – 14 November 1991, and 5.39166–5.72516 in the period 15 November 1991 – 7 September 1992. Since 8 September 1992,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

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



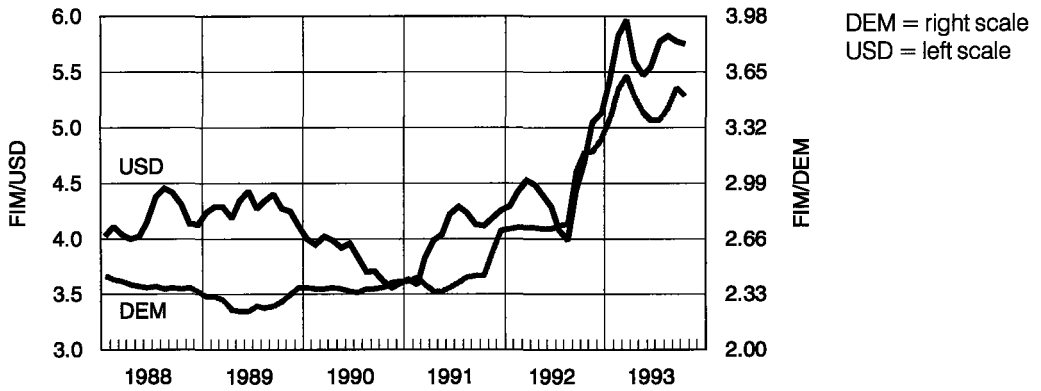
Middle rates
DEM = right scale
USD = left scale

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

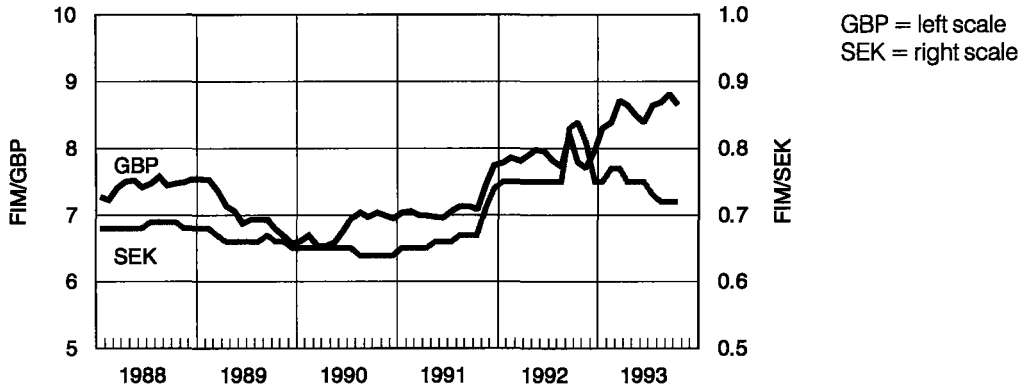


Middle rates
GBP = left scale
SEK = right scale

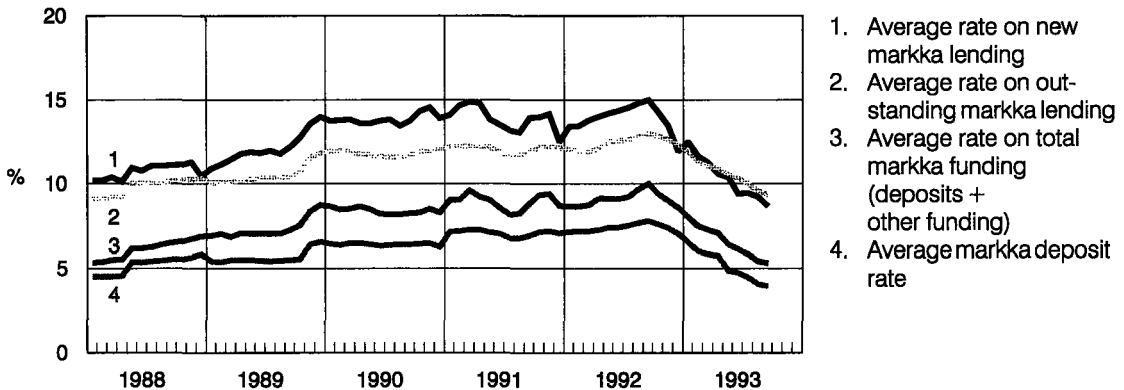
14. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE DEUTSCHMARK AND THE US DOLLAR



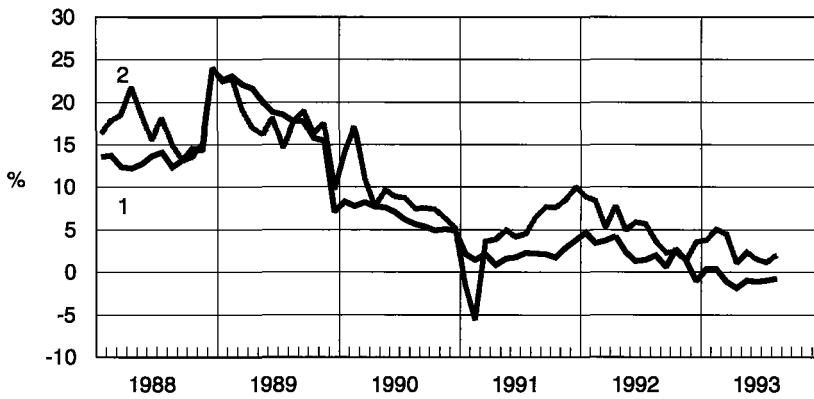
15. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE POUND STERLING AND THE SWEDISH KRONA



16. BANKS' MARKKA LENDING RATES AND MARKKA FUNDING RATES



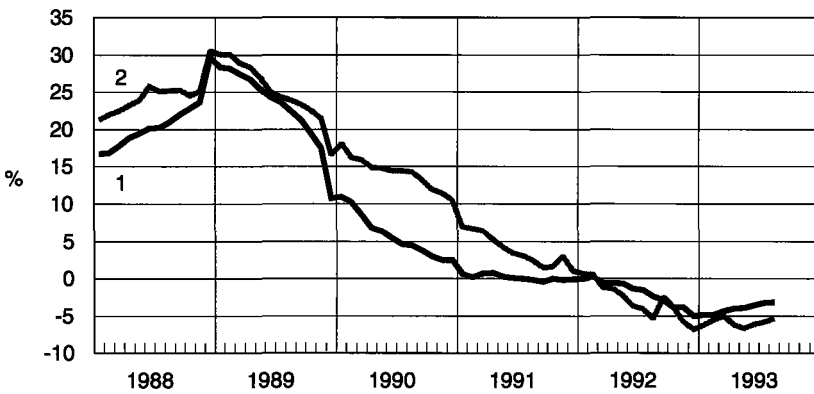
17. BANK FUNDING FROM THE PUBLIC



- 1. Markka deposits
- 2. Total funding

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

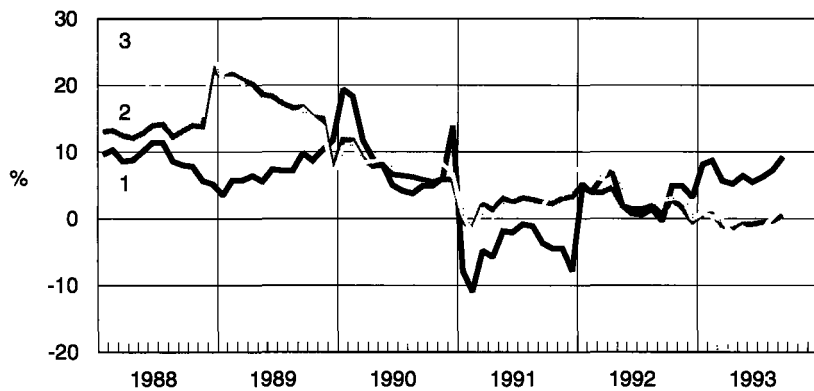
18. BANK LENDING TO THE PUBLIC



- 1. Markka lending
- 2. Total lending

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

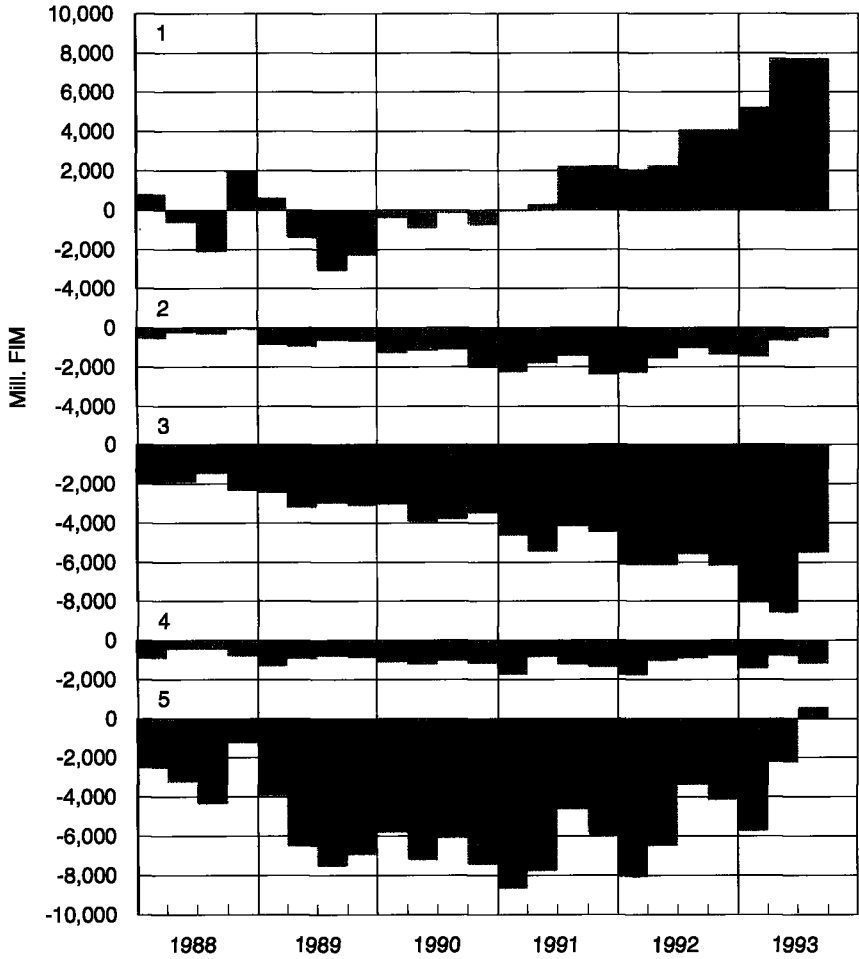
19. MONEY SUPPLY



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

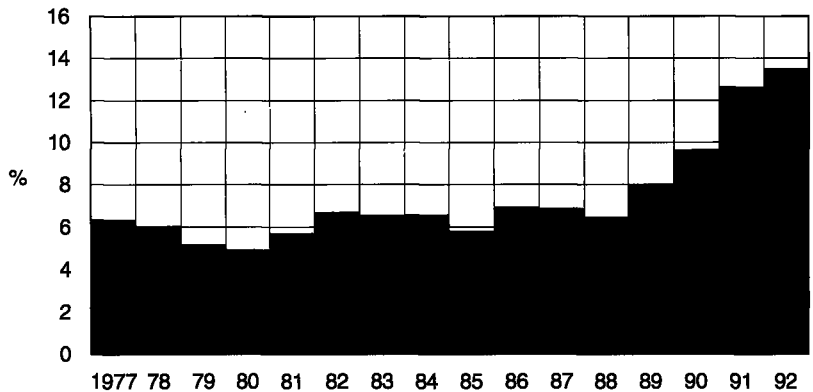
Change from the corresponding month of the previous year, per cent

20. CURRENT ACCOUNT



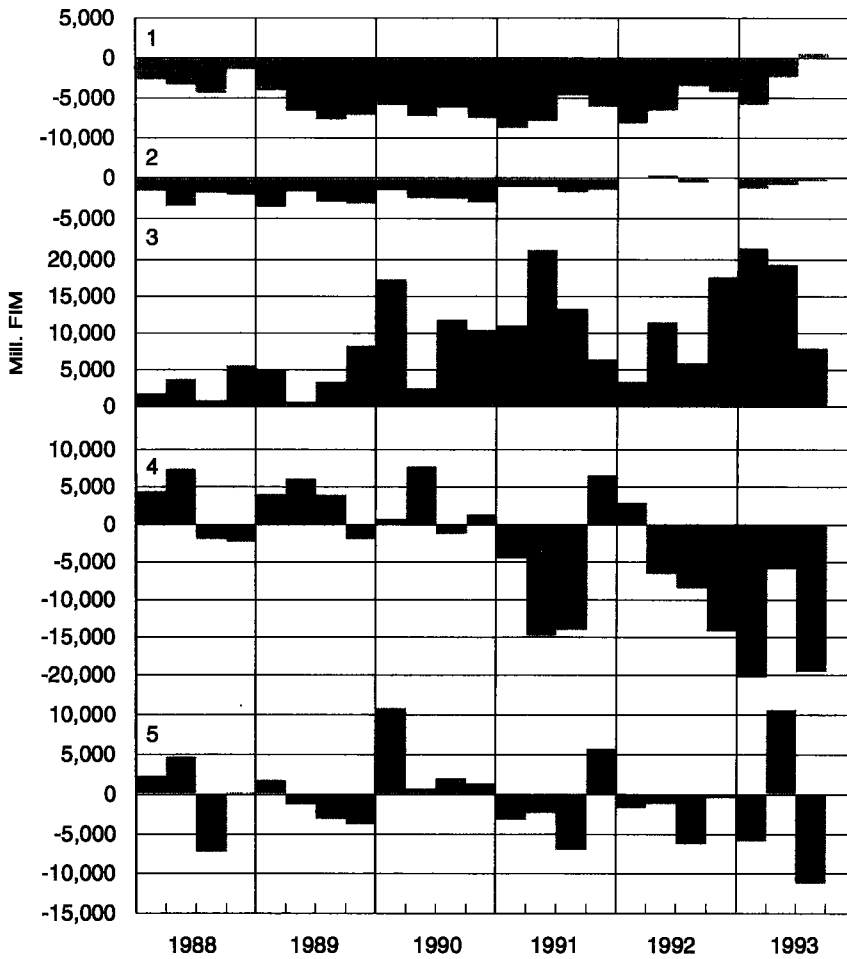
1. Trade account
2. Services account
3. Investment income account
4. Unrequited transfers account and other items, net
5. Current account

21. NET INTEREST AND DIVIDEND EXPENDITURE



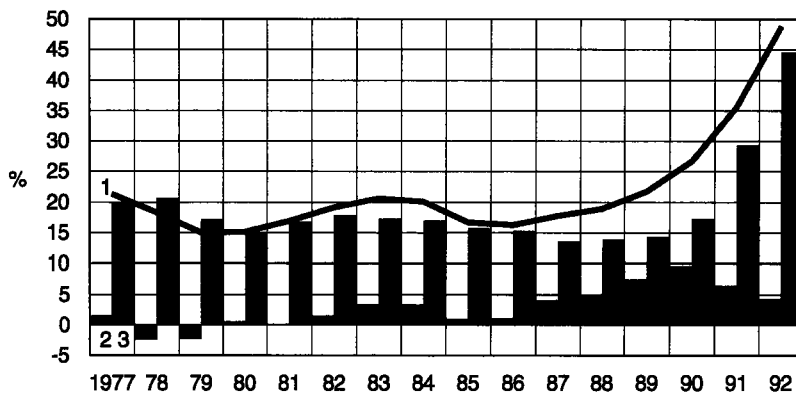
As a percentage of current account receipts

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

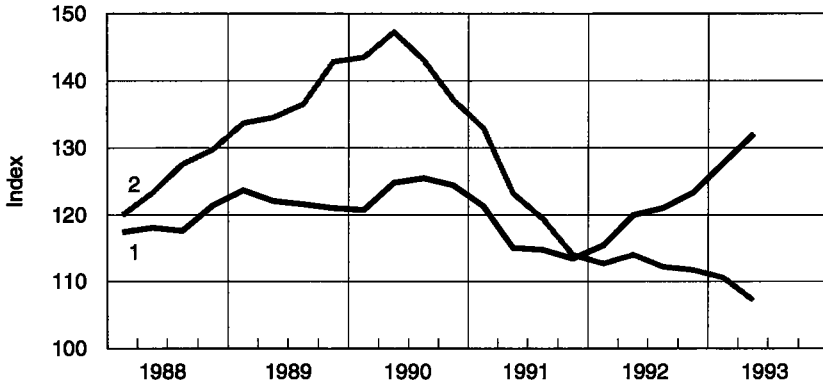
23. FOREIGN DEBT



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

As a percentage of GDP

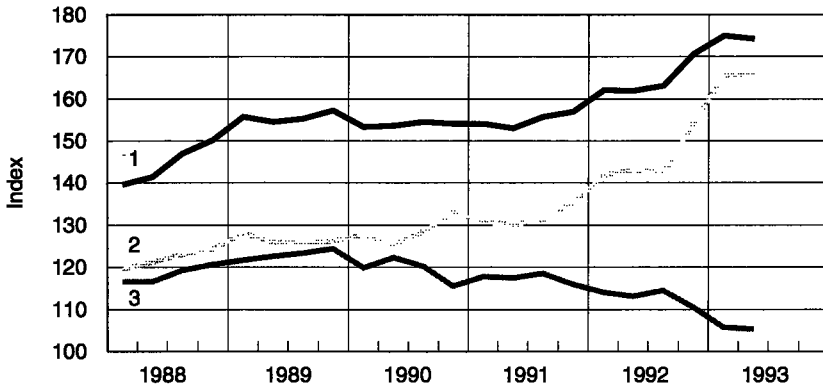
24. FOREIGN TRADE



- 1. Total exports
- 2. Total imports

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

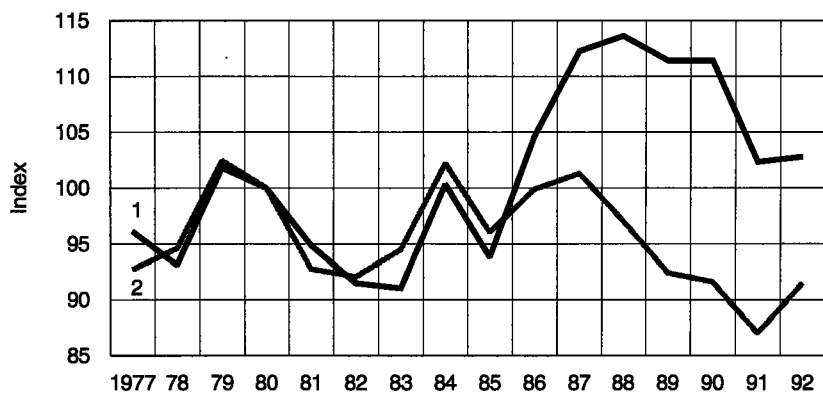
25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



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

1980 = 100

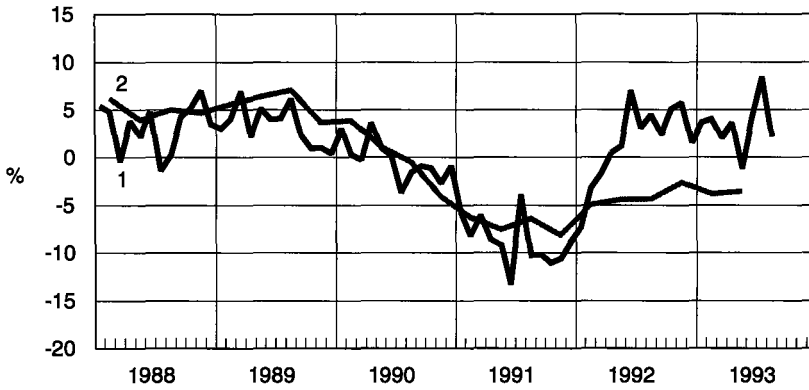
26. FINLAND'S EXPORT PERFORMANCE



- 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

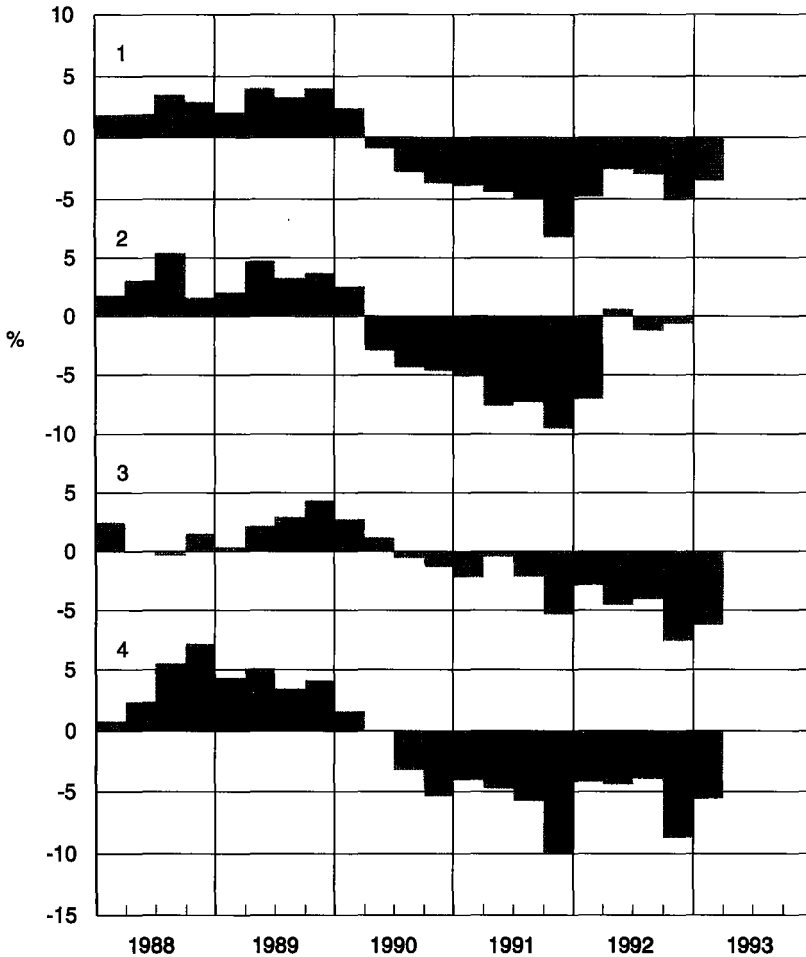
1980 = 100

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

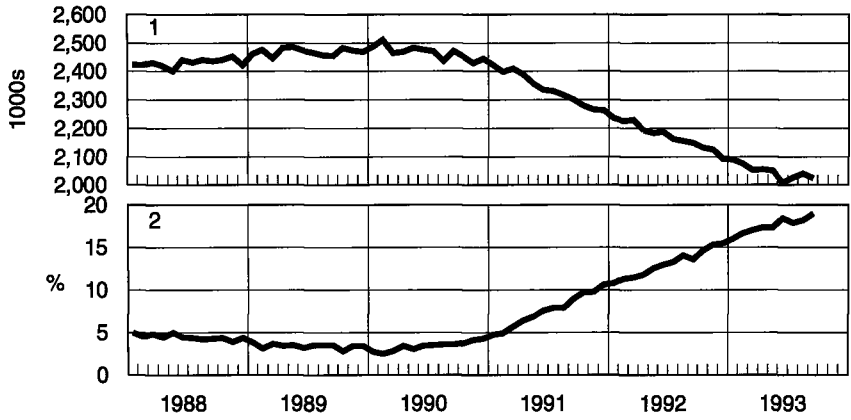
28. FIXED INVESTMENT



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

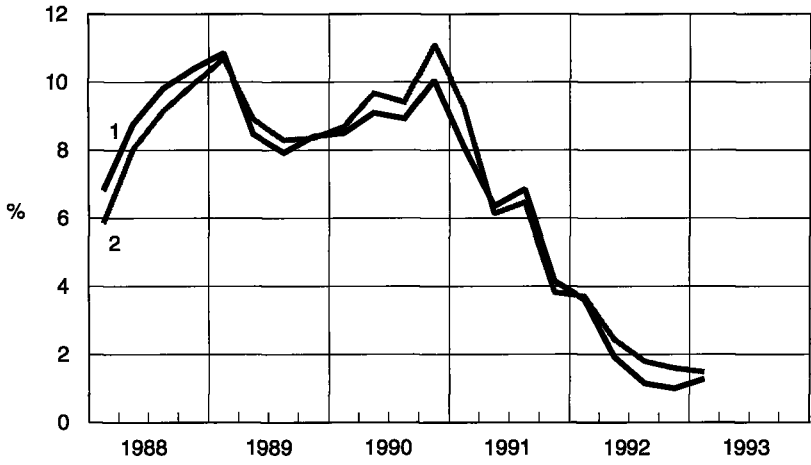
Volume changes calculated from four-quarter moving totals and plotted at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE



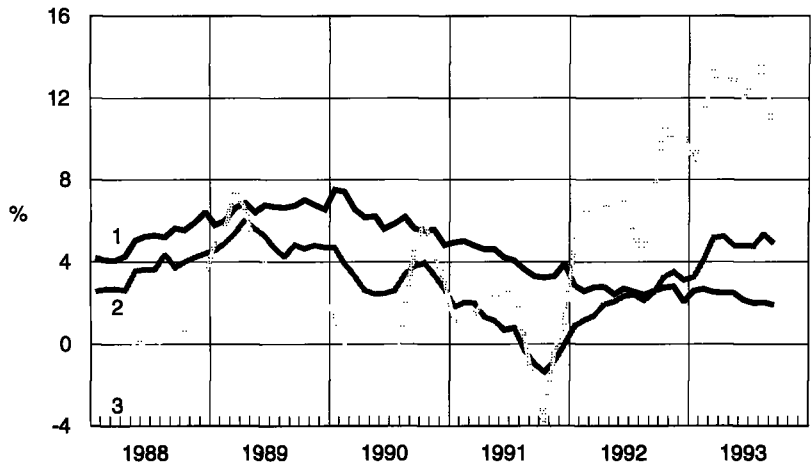
1. Employment, 1000 persons
2. Unemployment rate, per cent

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

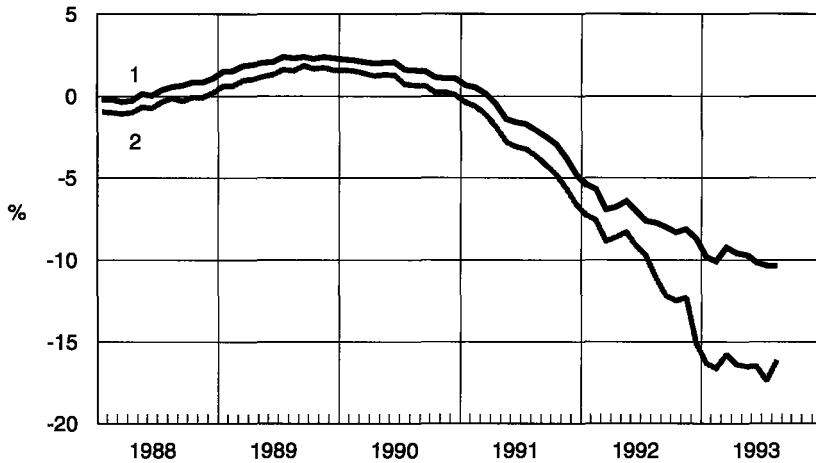
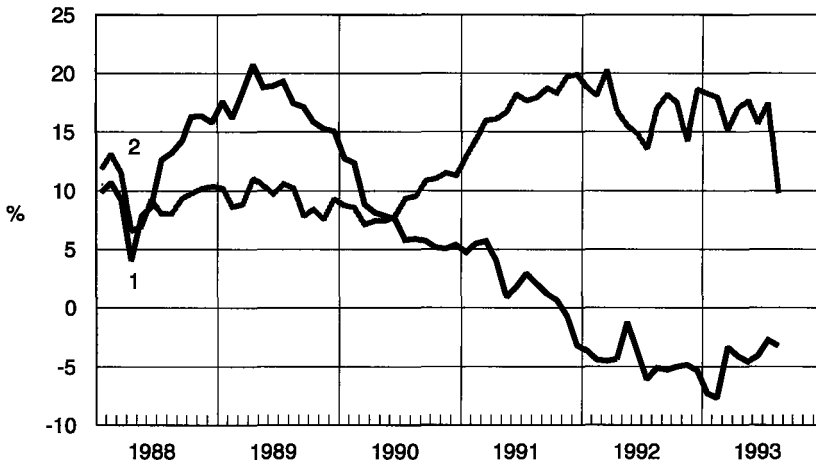
Change from the corresponding quarter of the previous year, per cent



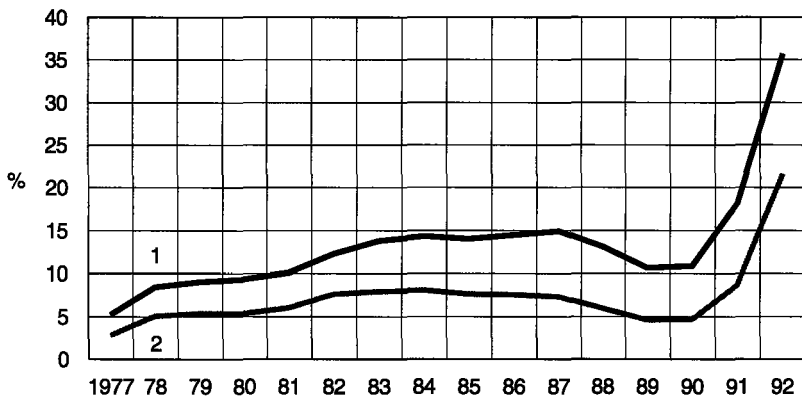
1. Consumer price index
2. Wholesale price index
3. Import price index

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

31. CENTRAL GOVERNMENT FINANCES



32. CENTRAL GOVERNMENT DEBT



BANK OF FINLAND*

1 November 1993

THE PARLIAMENTARY SUPERVISORY BOARD

PENTTI MÄKI-HAKOLA, Chairman
JUSSI RANTA, Vice Chairman
KALEVI MATTILA

MAURI MIETTINEN
TUULIKKI HÄMÄLÄINEN
ANNELI JÄÄTTEENMÄKI

JÖRN DONNER
ESKO SEPPÄNEN
OLAVI ALA-NISSILÄ

THE BOARD OF MANAGEMENT

SIRKKA HÄMÄLÄINEN, Chairman

HARRI HOLKERI

KALEVI SORSA

ESKO OLLILA

MATTI VANHALA

DIRECTOR

PENTTI KOVIKKO

UNITS

Accounting Department OSSI LEPPÄNEN

Administration Department URPO LEVO,
Building Manager BENGT PALMROOS

Central Bank Policy Department JOHNNY ÅKERHOLM

Data Processing Department RIITTA JOKINEN

Economics Department KARI PUUMANEN

Financial Markets Department KAARLO JÄNNÄRI,
Advisers: PETER NYBERG, RALF PAULI

Information ANTTI JUUSELA

Internal Audit Department TIMO MÄNNISTÖ

Legal Affairs ARNO LINDGREN

Market Operations Department MARKUS FOGELHOLM

Organization and Management Development
PIRKKO POHJOISAHO-ÅARTI

Payments and Settlement Department RAIMO HYVÄRINEN

Payment Instruments Department ANTTI HEINONEN

Personnel Department ANTON MÄKELÄ

Publication Services ANTERO ARIMO (acting head)

Research Department HEIKKI KOSKENKYLÄ

Security JYRKI AHVONEN

Statistical Services Department ESA OJANEN

Unit for Eastern European Economies KARI PEKONEN

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

BRANCH OFFICES

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

SETEC OY (Security Printing House fully owned by the Bank of Finland)

VELI TARVAINEN, Managing Director

* Since 1 October 1993, the Financial Supervision Authority has functioned as an independent body in connection with the Bank of Finland.