



BANK OF FINLAND

Monthly Bulletin

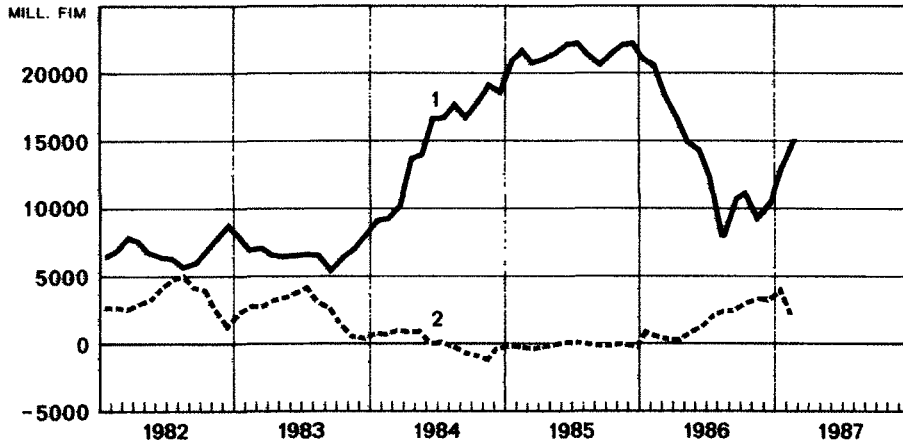
Balance of payments and foreign debt

Aging Finland up to the year 2030

Monetary and foreign exchange policy
measures from March 1986 to March 1987

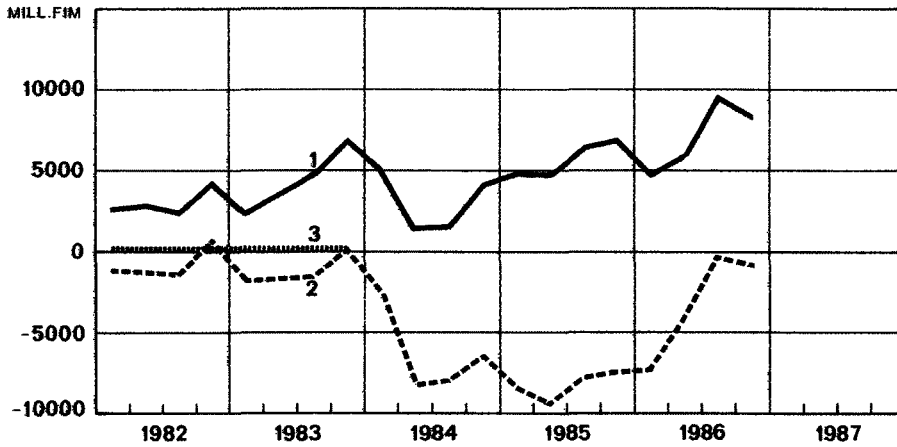
Finnish investment abroad and foreign
investment in Finland in 1986

BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1982-87



- 1. Gold and convertible currencies
- 2. Tied currencies

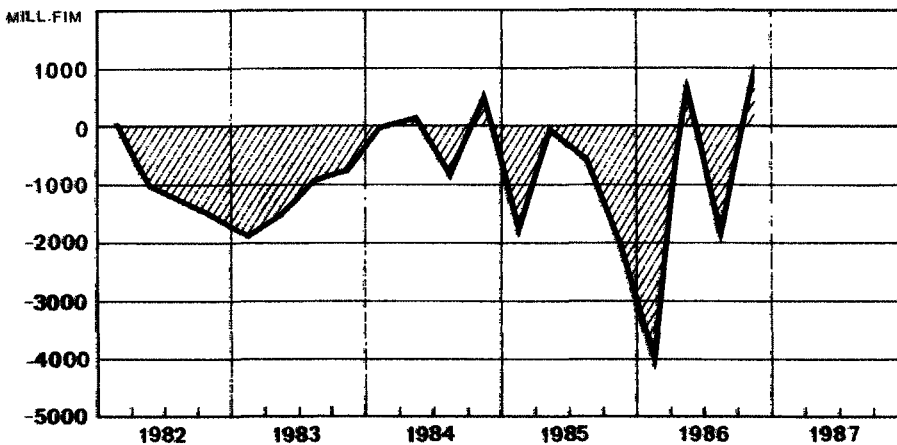
DEPOSIT BANKS' CENTRAL BANK POSITION, 1982-87



- 1. Gross central bank debt
- 2. Net central bank debt
- 3. Quotas

Quarterly average of daily amounts (1 and 2)

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1982-87



Seasonally adjusted quarterly figures

FINLAND'S BALANCE OF PAYMENTS AND EXTERNAL DEBT IN 1986

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Developments in Finland's balance of payments in 1986 were strongly influenced by external factors. The halving of the oil price substantially improved the terms of trade, but at the same time it caused considerable problems for balancing the bilateral trade with the Soviet Union. The depreciation of the United States dollar in relation to European currencies and the Japanese yen altered relative competitive positions in western trade and there was a clear shift in Finnish exports towards Western Europe. Overall, the current account was slightly stronger than in the previous year.

Speculation in international currency markets was also reflected in Finland and prompted occasional losses of confidence in the markka. However, in comparison with fluctuations in the currencies of many countries, the average change in the value of the markka in the

CHART 1: BALANCE OF PAYMENTS IN 1979-86, MILLION FIM

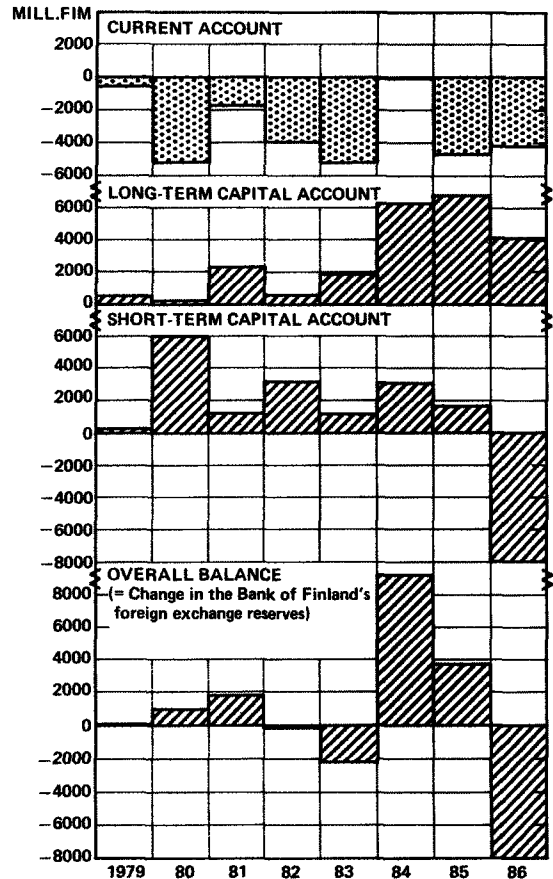


TABLE 1. BALANCE OF PAYMENTS, MILLION FIM

	1984	1985	1986 ¹
Commodity exports ²	80 608	83 731	82 450
Commodity imports ²	75 127	82 025	77 850
TRADE BALANCE	5 480	1 706	4 600
Services, net	2 490	1 333	0
BALANCE ON GOODS AND SERVICES	7 971	3 038	4 600
investment income and unrequited transfers	-8 074	-7 738	-8 800
CURRENT ACCOUNT	- 103	-4 700	-4 200
Long-term capital, net	6 295	6 794	4 151
BASIC BALANCE	6 192	2 094	- 49
Trade credits	3 755	-2 633	1 419
Short-term capital of authorized banks	2 086	5 267	-9 300
Other short-term capital	-2 752	- 984	-
OVERALL BALANCE	9 275	3 744	-7 930
Bank of Finland's foreign exchange reserves (increase-)	-9 275	-3 744	7 930

¹ Preliminary. For further details, see pages 16 and 17.

² Balance-of-payments (SNA) basis. See page 13 for customs figures.

course of the year was small. The upper and lower limits of the official index expressing the external value of the markka remained unchanged. Despite, at times, high rates of interest in the money market, there was a net capital outflow, thus adding to the effect of the current account deficit. As a result, the convertible foreign exchange reserves fell by about a half during the year (Table 1 and Chart).

CURRENT ACCOUNT

The volume of total exports was roughly the same as in 1985. While western exports increased by over two per cent, exports to CMEA countries declined by about five per cent. The volume of imports grew by almost 6 per cent. However, since import prices fell by 10 per cent and export prices by 2 per cent, the external balance remained broadly unchanged. Towards the end of the year, the western trade account, which had been deeply in deficit during the early part of the year, started to improve rapidly, in large part because of a sharp recovery in the exports of the forest industry and the metal and engineering industry. Thus, for the year as a whole, the western trade account posted a surplus of FIM 0.7 billion. Trade with the Soviet Union showed a surplus of nearly 5 billion, in spite of a cutback in shipments to that country.

Trade in services, which has traditionally imparted a positive contribution to the current account, weakened by FIM 1.3 billion from the previous year and was in balance. The elimination of the surplus was largely due to a fall in transport earnings caused by the continuing decline in the size of the Finnish merchant fleet. In addition, there was a further sharp increase in outlays on travel abroad by Finns, whereas foreign exchange receipts from tourism in Finland even showed a drop from the previous year. Consequently, the travel account registered a deficit of FIM 2.3 billion.

Despite a general fall in interest rates abroad, the deficit on net investment income widened slightly. The growth in the deficit was attributable to the high level of interest rates on the markka-denominated bonds and debentures which had been sold abroad in large quantities in the previous year.

All in all, the deficit on the current account amounted to FIM 4.2 billion. This was equivalent to 1.2 per cent of GDP or roughly the same as in the previous year. However, the currency composition of the deficit changed so

that the surplus in current transactions in tied foreign currencies increased by FIM 3.4 billion to reach FIM 5.9 billion, whereas the deficit in current transactions in convertible foreign currencies widened by FIM 2.9 billion to FIM 10.1 billion.

CAPITAL FLOWS

The year 1986 witnessed considerable volatility in capital flows. Although the overall performance of the economy was fairly satisfactory, the markka came under heavy speculative pressure in the spring and again in the late summer. To defend the markka, the Bank of Finland kept interest rates at a relatively high level and in August the call money rate was temporarily raised to as high as 40 per cent. Notwithstanding the differential between foreign and domestic interest rates, there was a net capital outflow in the first three quarters of the year. Towards the end of the year, confidence began to return and capital movements swung into a net inflow. However, for the year as a whole, the capital account posted a deficit of FIM 3.7 billion after having been in surplus in the previous year.

Net long-term capital inflows declined from FIM 6.8 billion in the previous year to FIM 4.2 billion. No doubt the principal reason for the reduction was the ban on the sale abroad of domestic bonds and debentures imposed in the middle of 1985. Portfolio transactions were mainly related to shares sold abroad through the Helsinki Stock Exchange and to share issues by Finnish companies on foreign stock markets. Capital imports in the form of portfolio investments, which also include domestic bonds and debentures sold abroad, declined to FIM 0.6 billion from FIM 4.3 billion in the previous year.

With the reduction in portfolio transactions, borrowing accounted for the bulk of long-term capital inflows. Net drawings of long-term foreign loans increased to FIM 5.4 billion from FIM 3.5 billion in the previous year. Conditions

(Continued on page 38)

BANK OF FINLAND

Mill. FIM

	1986		1987			
	Feb. 28	Dec. 31	Feb. 6	Feb. 13	Feb. 23	Feb. 27
Assets						
Gold and foreign currency claims	21 501	14 088	18 066	18 188	16 297	17 291
Gold	2 081	2 081	2 081	2 081	2 081	2 081
Special drawing rights	916	983	965	963	969	967
IMF reserve tranche	751	794	779	776	775	773
Convertible currencies	16 894	6 795	10 107	10 313	10 379	11 257
Tied currencies	859	3 435	4 134	4 055	2 093	2 213
Other foreign claims	2 655	2 585	2 585	2 585	4 586	4 584
Markka subscription to Finland's IMF quota	2 655	2 585	2 585	2 585	2 585	2 585
Term credit	—	—	—	—	2 001	1 999
Claims on financial institutions	6 934	14 074	9 804	9 847	9 651	9 305
Banks' cheque accounts	—	—	—	—	—	—
Call money credits	3 174	6 818	778	674	126	24
Term assets	—	2 381	4 291	4 591	4 736	4 736
Till-money credits	1 531	2 305	2 158	2 017	2 258	2 012
Bonds	2 148	2 111	2 131	2 131	2 116	2 118
Other claims on financial institutions	81	459	446	434	415	415
Claims on the public sector	972	1 002	997	998	999	957
Bonds	69	59	53	52	52	10
Total coinage	899	935	940	941	942	942
Other claims on the public sector	4	8	4	5	5	5
Claims on corporations	4 804	4 844	4 576	4 569	4 531	4 518
Financing of exports	1 696	1 749	1 532	1 509	1 479	1 467
Financing of domestic deliveries	2 958	2 833	2 785	2 801	2 793	2 792
Bonds	78	65	63	63	63	63
Other claims on corporations	72	197	196	196	196	196
Other assets	148	149	151	151	151	151
Total	37 014	36 742	36 179	36 338	36 215	36 806
Liabilities						
Foreign currency liabilities	148	31	67	63	61	59
Convertible currencies	29	17	39	40	37	42
Tied currencies	119	14	28	23	24	17
Other foreign liabilities	3 488	3 423	3 408	3 405	3 404	3 402
IMF markka accounts	2 655	2 585	2 585	2 585	2 585	2 585
Allocations of special drawing rights	833	838	823	820	819	817
Notes and coin in circulation	7 499	8 667	8 611	8 417	8 443	8 453
Notes	6 753	7 856	7 814	7 621	7 645	7 653
Coin	746	811	797	796	798	800
Liabilities to financial institutions	12 476	9 729	11 613	12 117	12 019	12 599
Banks' cheque accounts	0	0	0	0	0	0
Call money deposits	2 221	131	1 932	2 438	2 008	1 337
Term liabilities	—	—	20	20	350	1 600
Cash reserve deposits	9 556	9 270	9 353	9 353	9 353	9 356
Capital import deposits	599	254	244	242	241	241
Other liabilities to financial institutions	100	74	64	64	67	65
Liabilities to the public sector	1 500	2 001	0	0	1	1
Cheque accounts	0	1	0	0	1	1
Government deposit account	1 500	2 000	—	—	—	—
Capital import deposits	—	—	—	—	—	—
Other liabilities to the public sector	0	0	0	0	0	0
Liabilities to corporations	4 432	5 019	4 885	4 856	4 839	4 868
Deposits for investment and ship purchase	3 824	4 671	4 550	4 521	4 505	4 538
Capital import deposits	604	336	332	332	331	328
Other liabilities to corporations	4	12	3	3	3	2
Other liabilities	15	23	22	16	17	19
Valuation account and reserves	1 572	1 920	1 644	1 535	1 502	1 476
SITRA's capital	400	400	400	400	400	400
Capital accounts	5 484	5 529	5 529	5 529	5 529	5 529
Primary capital	5 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	484	485	529	529	529	529
Undisposed profits	—	—	—	—	—	—
Net earnings	—	44	—	—	—	—
Total	37 014	36 742	36 179	36 338	36 215	36 806

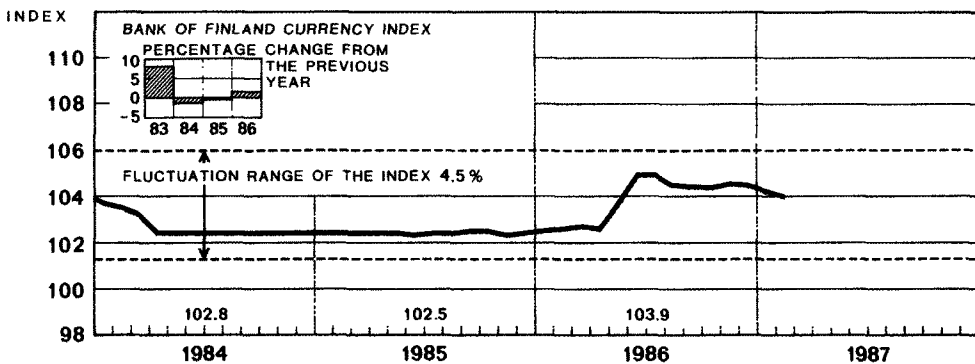
End of year or month	Foreign sector					Public sector				
	Gold, SDRs, IMF reserve tranche	Convertible currencies, net	Total convertible reserves (1+2)	Tied currencies, net	Other claims, net	Net claims (3 to 5)	Claims	Government deposit account	Other liabilities	Net liabilities (8-7+9)
	1	2	3	4	5	6	7	8	9	10
1983	2 360	5 835	8 195	550	-794	7 951	2 178	3 000	0	822
1984	3 527	15 303	18 830	-337	-917	17 576	1 951	4 200	77	2 326
1985	3 787	18 572	22 359	-285	-849	21 225	1 023	4 300	0	3 277
1986	3 858	6 778	10 636	3 421	-838	13 219	1 002	2 000	1	999
1986										
Feb.	3 748	16 865	20 613	740	-833	20 520	972	1 500	0	528
March	3 837	14 581	18 418	500	-848	18 070	976	1 100	0	124
April	3 800	13 017	16 817	421	-830	16 408	978	1 100	0	122
May	3 908	11 125	15 033	989	-866	15 156	984	1 100	1	117
June	3 875	10 603	14 478	1 433	-859	15 052	993	1 250	1	258
July	3 874	8 588	12 462	2 209	-859	13 812	982	1 350	1	369
Aug.	3 883	4 475	8 358	2 576	-846	10 088	984	1 500	1	517
Sept.	3 870	6 989	10 859	2 654	-849	12 664	1 004	890	0	-114
Oct.	3 865	7 490	11 355	3 225	-846	13 734	1 002	1 000	1	-1
Nov.	3 869	5 713	9 582	3 497	-844	12 235	1 008	800	1	-207
Dec.	3 858	6 778	10 636	3 421	-838	13 219	1 002	2 000	1	999
1987										
Jan.	3 818	9 344	13 162	4 127	-820	16 469	1 001	-	1	-1 000
Feb.	3 821	11 215	15 036	2 196	1 182	18 414	957	-	1	-956

OFFICIAL FOREIGN EXCHANGE RESERVES

Mill. FIM

	Dec. 31, 1985	Nov. 28, 1986	Dec. 31, 1986	Jan. 30, 1987	Feb. 27, 1987
Gold	2 081	2 081	2 081	2 081	2 081
SDRs	931	989	983	961	967
IMF reserve tranche	775	799	794	776	773
Convertible currencies, net	18 572	5 713	6 778	9 344	11 215
Total convertible reserves, net	22 359	9 582	10 636	13 162	15 036
Tied currencies, net	-285	3 497	3 421	4 127	2 196
Total reserves, net	22 074	13 097	14 057	17 289	17 232

End of year or month	Domestic financial sector						Corporate sector				Notes and coin in circulation
	Till-money credits	Term credits of deposit banks	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits of deposit banks	Other liabilities, net	Net claims (1+2+3-4-5-6)	Permanent special financing schemes	Liabilities, net	Net claims (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1983	942	—	5 785	610	5 039	-1 998	3 076	4 529	1 282	3 247	6 574
1984	1 563	—	5 018	2 216	8 696	-1 618	-2 713	4 646	2 614	2 032	7 442
1985	1 925	—	5 219	1 205	10 222	-1 386	-2 897	4 525	4 113	412	8 072
1986	2 305	2 381	6 818	131	9 270	-2 242	4 345	4 582	4 757	-175	8 667
1986											
Feb.	1 531	—	3 174	2 221	9 556	-1 530	-5 542	4 654	4 282	372	7 499
March	1 657	—	3 806	1 102	8 942	-1 494	-3 087	4 691	4 299	392	7 840
April	1 984	—	5 285	1 204	8 846	-1 541	-1 240	4 665	4 513	152	8 094
May	1 842	—	6 070	477	8 862	-1 411	-16	4 644	4 067	577	8 046
June	1 875	—	7 939	2 098	8 891	-2 022	847	4 552	4 585	-33	8 156
July	1 844	—	7 936	612	9 030	-2 070	2 208	4 552	4 669	-117	8 086
Aug.	1 650	—	11 525	252	9 023	-2 119	6 019	4 550	4 718	-168	7 969
Sept.	1 847	—	9 761	1 886	8 954	-2 129	2 897	4 552	4 750	-198	7 903
Oct.	1 755	—	7 128	88	9 052	-2 557	2 300	4 650	4 863	-213	7 973
Nov.	1 709	—	9 181	931	9 180	-2 542	3 321	4 659	4 786	-127	8 024
Dec.	2 305	2 381	6 818	131	9 270	-2 242	4 345	4 582	4 757	-175	8 667
1987											
Jan.	2 231	4 266	428	798	9 353	-2 268	-958	4 360	4 685	-325	8 851
Feb.	2 012	4 736	24	1 337	9 356	-627	-3 294	4 259	4 609	-350	8 453

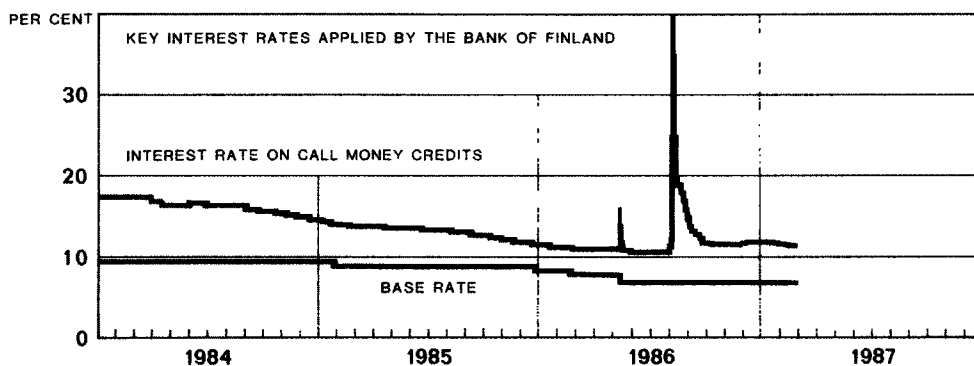


MONETARY POLICY INDICATORS

Average for period	Gross central bank debt of the deposit banks mill. FIM	Net central bank debt of the deposit banks mill. FIM	Cash reserve deposits of the deposit banks mill. FIM	Cash reserve requirement %	Call money credit extended by the Bank of Finland	Interest rate on call money credits %	Interest rate on term credits %	Base rate ¹ %	Average lending rate of the commercial banks ¹ %
	1	2	3	4	5	6	7	8	9
1982	3 201	-783	2 778	3.1	1 571	11.64	-	8.81	9.33
1983	4 539	-1 213	4 345	4.3	2 724	15.37	-	9.00	9.56
1984	3 176	-6 365	6 325	5.4	-39	16.53	-	9.50	10.49
1985	5 812	-8 293	9 578	5.6	1 285	13.37	-	9.04	10.41
1986	7 237	-3 208	9 189	4.8	5 861	13.43	12.48 ²	7.42	9.08
1985									
Dec.	7 084	-6 784	10 101	5.6	3 317	11.96	-	9.00	10.37
1986									
Jan.	5 280	-7 742	10 210	5.3	2 467	11.64	-	8.50	9.90
Feb.	4 242	-8 187	9 818	5.0	1 631	11.40	-	8.50	9.90
March	5 146	-5 927	9 457	4.7	3 530	11.21	-	8.00	9.49
April	5 034	-5 565	8 939	4.7	3 374	11.20	-	8.00	9.49
May	6 645	-3 566	8 847	4.7	5 281	12.02	-	7.00	8.78
June	6 393	-3 409	8 863	4.7	5 454	10.83	-	7.00	8.82
July	7 556	-2 677	8 895	4.7	6 218	10.80	-	7.00	8.76
Aug.	11 014	1 239	9 030	4.7	10 269	24.17	-	7.00	8.79
Sept.	10 290	68	9 021	4.7	9 088	13.86	-	7.00	8.77
Oct.	7 846	-1 524	8 960	4.7	7 436	11.93	-	7.00	8.75
Nov.	7 616	-1 784	9 047	4.7	7 263	11.80	-	7.00	8.74
Dec.	9 785	580	9 183	4.7	8 321	11.97	12.48	7.00	8.81
1987									
Jan.	7 106	-2 248	9 275	4.7	3 594	11.99	12.25	7.00	8.81
Feb.	5 035	-6 671	9 353	4.7	-1 595	11.76	11.27	7.00	..

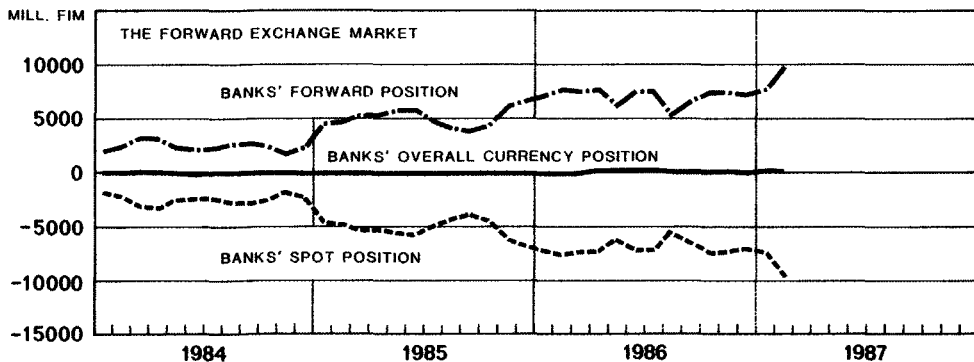
¹ End of period for monthly figures.

² Dec. 1986 figure.



FORWARD EXCHANGE MARKETS IN FINLAND

Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks Net	Bank of Finland Net	Overall Net	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net				1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1985	16 982	1 733	15 249	708	-9 005	6 876	3.3	3.2	3.1
1986	11 446	1 319	10 127	-2 461	-92	7 591	6.6	6.7	6.7
1985									
Sept.	17 755	2 889	14 866	92	-11 101	3 811	5.3	5.0	4.7
Oct.	17 666	2 795	14 871	805	-9 813	5 986	5.0	4.6	4.3
Nov.	17 510	2 014	15 496	1 200	-10 032	6 702	4.3	4.1	4.0
Dec.	16 982	1 733	15 249	708	-9 005	6 876	3.3	3.2	3.1
1986									
Jan.	17 233	1 945	15 288	543	-8 349	7 457	3.1	2.7	2.6
Feb.	16 911	1 989	14 923	0	-7 015	7 952	2.7	2.4	2.1
March	16 365	2 095	14 270	11	-6 298	8 042	3.5	3.0	2.8
April	15 350	1 713	13 638	-854	-4 742	7 956	4.6	4.2	4.1
May	15 231	2 505	12 726	-1 642	-3 956	6 957	5.1	4.5	4.2
June	13 094	1 665	11 429	-575	-2 619	8 068	4.2	3.8	3.6
July	12 032	1 518	10 514	-1 170	-1 949	7 619	4.6	4.7	4.8
Aug.	12 351	2 393	9 958	-2 263	-1 559	6 006	12.5	7.8	7.1
Sept.	13 762	2 179	11 583	-1 981	-1 291	8 116	7.8	7.1	6.7
Oct.	13 147	2 047	11 100	-1 464	-996	8 388	6.6	6.5	6.3
Nov.	12 049	1 843	10 205	-2 224	-423	7 590	6.2	6.3	6.2
Dec.	11 446	1 319	10 127	-2 461	-92	7 591	6.6	6.7	6.7
1987									
Jan.	13 285	1 515	11 770	-2 248	-5	9 541	6.3	6.0	6.1



FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

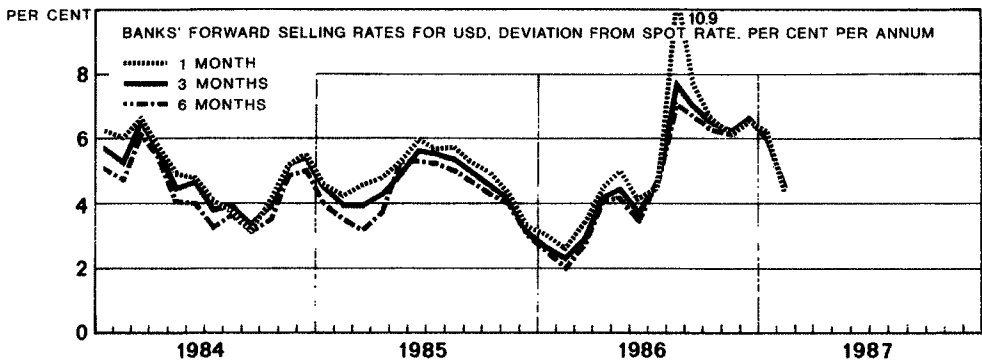
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 1 Skr SEK	Oslo 1 Nkr NOK	Copenhagen 1 Dkr DKK	Frankfurt 1 DM DEM	Amsterdam 1 Hfl NLG	Brussels 1 FB BEC	BEL	Zurich 1 Sfr CHF
	1	2	3	4	5	6	7	8	9	10	11	12
1982	4.820	3.913	8.423	6.854	0.7703	0.7484	0.5793	1.9876	1.8066	0.10584	0.09859	2.3779
1983	5.570	4.524	8.456	6.957	0.7275	0.7644	0.6107	2.1861	1.9566	0.10934	0.10742	2.6570
1984	6.010	4.645	8.023	6.533	0.7277	0.7384	0.5816	2.1165	1.8772	0.10428	0.10274	2.5642
1985	6.206	4.554	8.000	6.590	0.7222	0.7231	0.5871	2.1142	1.8745	0.10483	0.10421	2.5360
1986	5.078	3.659	7.459	6.816	0.7138	0.6882	0.6290	2.3454	2.0789	0.11399	0.11299	2.8349

1986

Jan.	5.419	3.860	7.747	6.772	0.7149	0.7190	0.6064	2.2215	1.9711	0.10875	0.10733	2.6242
Feb.	5.258	3.748	7.513	6.827	0.7114	0.7227	0.6115	2.2539	1.9950	0.11018	0.10904	2.6908
March	5.131	3.659	7.531	6.868	0.7101	0.7207	0.6143	2.2689	2.0097	0.11087	0.10962	2.6937
April	5.128	3.700	7.682	6.853	0.7092	0.7180	0.6117	2.2564	2.0020	0.11066	0.10970	2.6968
May	5.105	3.717	7.774	6.985	0.7157	0.6898	0.6201	2.2935	2.0369	0.11237	0.11168	2.7583
June	5.195	3.745	7.840	7.055	0.7217	0.6834	0.6277	2.3254	2.0654	0.11389	0.11307	2.8220
July	5.074	3.681	7.671	7.067	0.7193	0.6803	0.6306	2.3578	2.0925	0.11460	0.11372	2.9080
Aug.	4.940	3.564	7.356	6.665	0.7141	0.6731	0.6372	2.3966	2.1256	0.11580	0.11465	2.9748
Sept.	4.918	3.552	7.256	6.632	0.7127	0.6717	0.6377	2.4114	2.1360	0.11646	0.11525	2.9772
Oct.	4.896	3.532	7.005	6.669	0.7126	0.6674	0.6489	2.4446	2.1631	0.11780	0.11692	2.9852
Nov.	4.959	3.583	7.072	6.685	0.7133	0.6599	0.6495	2.4500	2.1685	0.11795	0.11725	2.9435
Dec.	4.907	3.562	7.055	6.712	0.7111	0.6529	0.6523	2.4649	2.1809	0.11853	0.11760	2.9443

1987

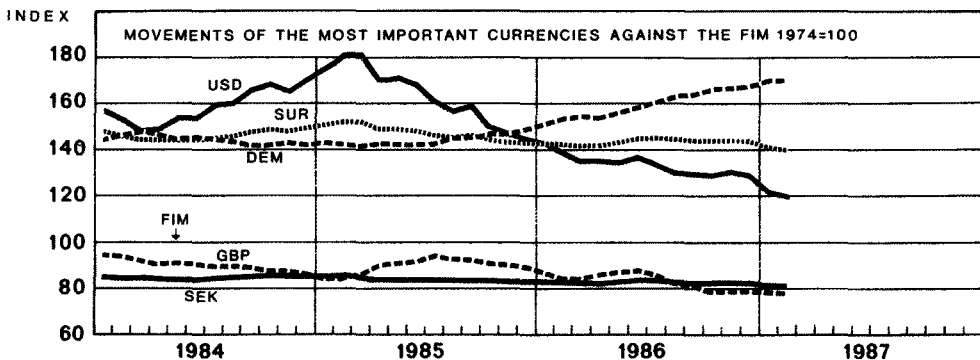
Jan.	4.641	3.413	6.998	6.689	0.7031	0.6485	0.6590	2.4988	2.2148	0.12042	0.11854	2.9774
Feb.	4.560	3.422	6.971	6.660	0.7021	0.6520	0.6619	2.4991	2.2140	0.12073	0.11934	2.9603



Average selling rates for foreign exchange. FIM

Paris 1 FF FRF	Rome 1 Lit ITL	Vienna 1 OS ATS	Lisbon 1 Esc PTE	Reykjavik 1 lkr ISK	Madrid 1 Ptas ESB	Tokyo 1 Y JPY	Moscow 1 Cl Rbl SUR	Melbourne 1 A \$ AUD	1 European currency unit XEU	1 special drawing right SDR	Currency index ¹
13	14	15	16	17	18	19	20	21	22	23	24
0.7365	0.00358	0.2831	0.0613	0.4079	0.0441	0.01943	6.624	..	..	5.305 63	115.9
0.7353	0.00369	0.3111	0.0514	0.2325	0.0391	0.02351	7.491	..	..	5.943 25	125.1
0.6907	0.00344	0.3013	0.0414	0.1939	0.0375	0.02534	7.357	..	..	6.147 39	102.8
0.6940	0.00327	0.3012	0.0367	0.1520	0.0366	0.02610	7.419	..	..	6.278 79	102.5
0.7355	0.00343	0.3339	0.0343	0.1259	0.0364	0.03028	7.228	..	..	5.944 32	103.9
0.7255	0.00327	0.3163	0.0349	0.1303	0.0356	0.02712	7.164	..	..	5.940 24	102.6
0.7358	0.00332	0.3210	0.0350	0.1280	0.0359	0.02850	7.161	..	..	5.926 58	102.7
0.7391	0.00335	0.3236	0.0348	0.1267	0.0362	0.02876	7.131	..	..	5.888 85	102.8
0.7133	0.00331	0.3217	0.0346	0.1261	0.0358	0.02931	7.148	..	..	5.886 47	102.7
0.7213	0.00335	0.3265	0.0346	0.1274	0.0362	0.03062	7.230	..	..	5.954 02	103.8
0.7311	0.00340	0.3312	0.0347	0.1281	0.0365	0.03099	7.301	..	..	6.039 58	105.0
0.7342	0.00345	0.3355	0.0345	0.1258	0.0370	0.03201	7.313	..	..	6.024 88	105.0
0.7368	0.00350	0.3409	0.0341	0.1240	0.0369	0.03209	7.278	..	..	5.960 80	104.5
0.7379	0.00351	0.3431	0.0339	0.1238	0.0368	0.03182	7.255	..	..	5.943 98	104.5
0.7481	0.00355	0.3481	0.0337	0.1236	0.0369	0.03139	7.252	..	..	5.922 50	104.5
0.7506	0.00355	0.3483	0.0335	0.1243	0.0366	0.03049	7.263	..	..	5.933 16	104.6
0.7524	0.00357	0.3505	0.0333	0.1231	0.0366	0.03025	7.242	..	..	5.910 76	104.6
0.7512	0.00354	0.3553	0.0329	0.1190	0.0360	0.03004	7.107	3.084	5.156	5.795 56	104.3
0.7517	0.00353	0.3555	0.0325	0.1184	0.0356	0.02975	7.050	3.063	5.153	5.74575	104.1

¹ Until December 31, 1983 the base year was 1974=100.
Since January 1, 1984 the base year has been 1982=100.



DEPOSITS BY THE PUBLIC

Mill. FIM

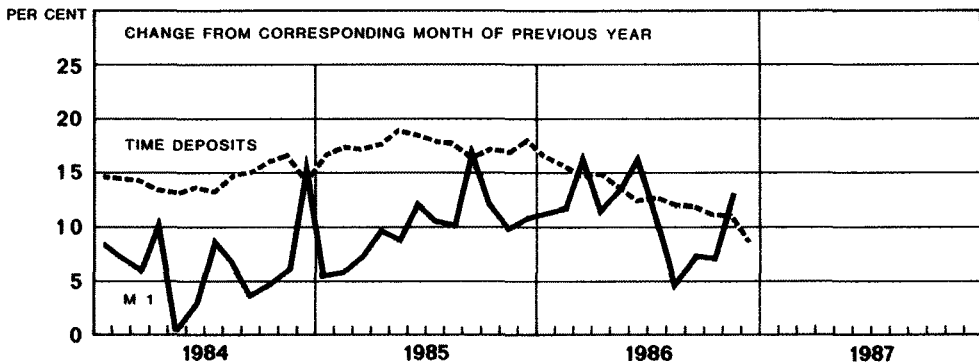
End of year and month	Demand deposits				Time deposits				Total (4+9)	
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All deposit banks (1 to 3)	Commercial banks	Savings banks	Co-op. banks	Posti- pankki		All deposit banks (5 to 8)
	1	2	3	4	5	6	7	8		9
1982	7 155	3 874	3 049	14 078	29 465	25 883	21 040	8 665	85 054	99 132
1983	7 056	4 567	3 676	15 300	34 302	29 273	24 175	9 938	97 689	112 988
1984	8 470	5 268	4 463	18 201	39 354	33 333	27 900	11 266	111 852	130 053
1985*	9 382	5 988	5 027	20 397	49 240	38 167	32 133	12 671	132 210	152 607

1985*

Nov.	7 654	5 038	5 057	17 749	46 887	37 016	31 155	12 220	127 278	145 027
Dec.	9 382	5 988	5 027	20 397	49 240	38 167	32 133	12 671	132 210	152 607

1986*

Jan.	8 239	5 350	5 210	18 798	49 624	38 550	32 842	12 867	133 883	152 681
Feb.	7 854	5 028	5 133	18 015	50 700	39 154	33 413	12 983	136 250	154 265
March	7 552	5 105	5 678	18 335	49 777	39 307	33 586	13 032	135 703	154 037
April	8 228	5 464	5 045	18 737	50 261	39 407	33 796	13 184	136 647	155 384
May	8 188	5 532	5 542	19 262	50 549	39 737	33 966	13 283	137 534	156 796
June	9 843	5 854	5 769	21 467	50 249	40 498	34 639	12 784	138 170	159 636
July	9 141	5 837	5 629	20 606	49 832	40 837	34 897	12 981	138 547	159 153
Aug.	7 368	5 661	5 873	18 902	49 962	41 026	35 073	13 209	139 270	158 172
Sept.	9 240	5 842	5 871	20 953	49 591	41 102	35 046	13 045	138 784	159 737
Oct.	9 505	5 890	4 899	20 294	49 922	41 403	35 283	13 603	140 211	160 505
Nov.	9 010	6 073	5 278	20 361	50 201	41 867	35 636	13 778	141 482	161 843



ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

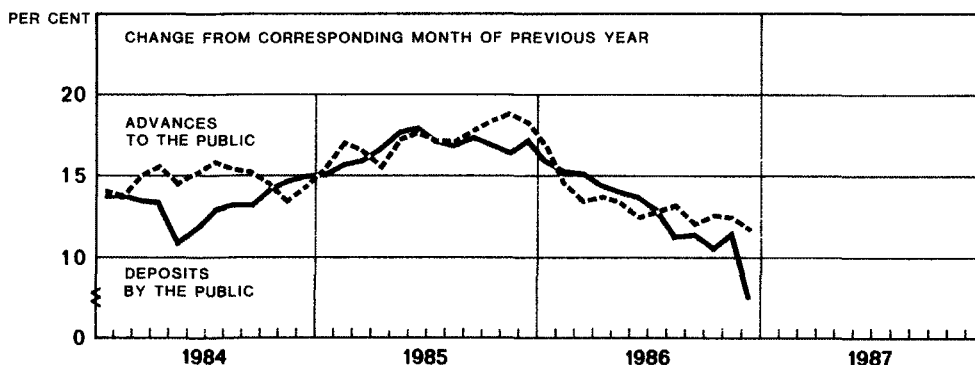
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ + Quasi-Money
	1	2	3	4	5	6	7		8	9	10
1982	48 620	25 682	23 601	12 684	93 014	3 468	14 105	110 587	19 917	107 549
1983	56 162	29 276	27 322	13 471	104 627	4 350	17 253	126 231	21 427	121 906
1984	65 965	32 705	31 164	14 687	118 924	5 233	20 363	144 520	24 945	141 658
1985*	81 669	36 991	35 751	16 745	140 139	6 313	24 704	171 155	27 694	166 652

1985*

Nov.	81 573	36 467	35 216	16 727	136 739	6 373	26 872	169 984	24 691	157 772
Dec.	81 669	36 991	35 751	16 745	140 139	6 313	24 704	171 155	27 694	166 652

1986*

Jan.	83 252	37 502	36 049	17 168	142 071	7 148	24 751	173 971	26 029	167 354
Feb.	83 136	37 729	36 388	17 140	143 206	7 294	23 893	174 393	25 304	168 731
March	82 513	38 022	36 698	17 094	144 392	6 935	23 000	174 327	25 881	168 792
April	83 121	38 497	37 076	17 829	145 838	7 269	23 416	176 523	26 370	170 568
May	84 423	38 968	37 488	18 026	148 109	7 074	23 722	178 905	26 622	171 161
June	84 856	39 447	37 967	18 532	149 623	7 634	23 545	180 802	28 879	173 879
July	85 332	39 927	38 490	18 504	151 405	7 369	23 480	182 253	27 670	173 524
Aug.	86 187	40 328	38 977	18 987	153 012	8 393	23 073	184 479	26 030	172 484
Sept.	86 148	40 864	39 542	19 607	154 570	7 771	23 819	186 160	28 064	174 220
Oct.	87 572	41 343	39 913	20 120	156 083	7 573	25 294	188 949	27 471	175 271
Nov.	88 261	41 642	40 213	21 150	157 703	7 744	25 820	191 266	27 915	176 682



STATE FINANCES

Mill. FIM

Revenue	Jan.-Oct.		Expenditure	Jan.-Oct.		
	1985	1986		1985	1986	
Income and wealth tax (net)	19 838	22 348	Wages, salaries, pensions etc.	12 132	12 851	
Gross receipts	54 113	49 064	Repair and maintenance	1 565	1 602	
Refunds & local authorities	-34 274	-26 716	Other consumption expenditure	7 081	7 243	
Other taxes on income and wealth	514	435	Total consumption expenditure	20 778	21 695	
Employers' child allowance payments	610	4	State aid to local authorities	17 520	19 023	
Sales tax	20 127	21 919	State aid to industries	7 940	8 346	
of which: agric. price subsidies			of which: agric. price subsidies	4 173	3 928	
Customs duties and import charges and levies	1 328	1 403	Child allowances	1 838	1 292	
Excise duties	9 726	10 926	Share in national pensions and sickness insurance schemes	1 918	1 428	
Excise duty on alcoholic bevs.	3 454	3 803	Deficit of State enterprises	1 017	1 150	
Excise duty on tobacco	1 390	1 581	Other transfer expenditure	10 197	11 389	
Excise duty on liquid fuel	3 390	3 831	Total transfer expenditure	40 430	42 628	
Other excise duties	1 492	1 710	Machinery and equipment	1 633	1 953	
Tax on autom. and motor-cycles	2 322	2 795	Construction of buildings	925	784	
Stamp duties	2 174	2 727	Land and waterway construction	1 938	2 093	
Special diesel etc. vehicles tax	346	385	Total real investment	4 496	4 830	
Other taxes and similar revenue	1 766	1 703	Interest on State debt	4 065	4 205	
Total taxes	58 751	64 645	Other expenditure	25	17	
Miscellaneous revenue	4 798	5 801	Total other expenditure	4 091	4 222	
Interest, dividends etc.	1 700	2 102	Increase in inventories	141	240	
Surplus of state enterprises	1 687	1 956	Lending	3 455	3 272	
Redemptions of loans granted	1 323	1 554	Other financial investment	767	693	
Total revenue	68 259	76 057	Total expenditure	74 158	77 581	
Foreign borrowing	3 374	5 037	Redemption of foreign loans	1 288	5 241	
Domestic borrowing	6 283	7 288	Redemption of domestic loans	4 634	4 016	
Total borrowing	9 656	12 325	Total redemptions	5 922	9 257	
Deficit (+) or surplus (-)	2 165	-1 544				
	Total	80 080	86 837	Total	80 080	86 837

State debt	1984	1985	1986			
	Dec.	Dec.	Sept.	Oct.	Nov.	Dec.
Foreign debt	24 946	25 677	26 922	26 540	25 919	26 981
Long-term debt	19 057	20 872	23 048	23 836	23 955	24 602
Short-term credit	266	432	383	384	386	411
Domestic debt	19 323	21 304	23 431	24 220	24 341	25 013
Total State debt	44 269	46 981	50 353	50 760	50 260	51 994
Total debt mill. \$	6 855	8 562	10 238	10 368	10 135	10 597

FOREIGN TRADE

Mill. FIM

Value. mill. FIM

Period	Value. mill. FIM		
	Exports f.o.b	Imports c.i.f.	Surplus of exports (+) or imports (-)
	1	2	3
1982	63 026	64 751	-1 725
1983	69 692	71 528	-1 836
1984	80 904	74 682	+6 222
1985	84 028	81 520	+2 508
1986	82 598	77 561	+5 037

1986*

Jan.	6 792	7 472	-680
Feb.	6 923	6 309	+614
March	6 309	6 970	-661
April	6 451	6 794	-343
May	6 306	5 141	+1 165
June	5 561	3 931	+1 630
July	6 996	6 632	+364
Aug.	6 475	6 479	-4
Sept.	7 760	7 683	+77
Oct.	7 935	6 600	+1 335
Nov.	7 606	6 774	+832
Dec.	7 482	6 775	+707

Jan.-Dec.

1985	84 028	81 520	+2 508
1986*	82 598	77 561	+5 037

Indices of exports and imports
1980 = 100

Period	Indices of exports and imports 1980 = 100				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
*	1	2	3	4	5
1982	100	95	119	117	101
1983	104	98	127	125	101
1984	114	98	134	131	102
1985	115	104	138	135	102
1986	116	110	135	121	111

1984

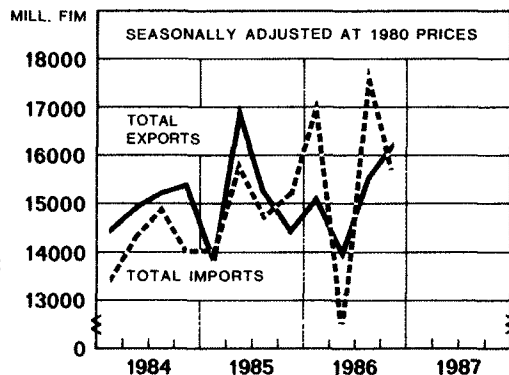
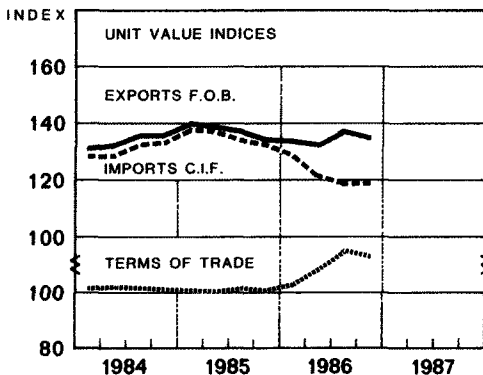
Oct.-Dec.	121	101	137	134	102
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1985

Jan.-March	108	93	141	139	101
Apr.-June	122	106	139	138	101
July-Sept.	113	100	138	135	102
Oct.-Dec.	117	113	135	133	102

1986*

Jan.-March	113	110	134	130	104
Apr.-June	104	90	133	122	109
July-Sept.	117	119	138	119	116
Oct.-Dec.	129	116	136	119	114



FOREIGN TRADE BY MAIN GROUPS

Mill. FIM

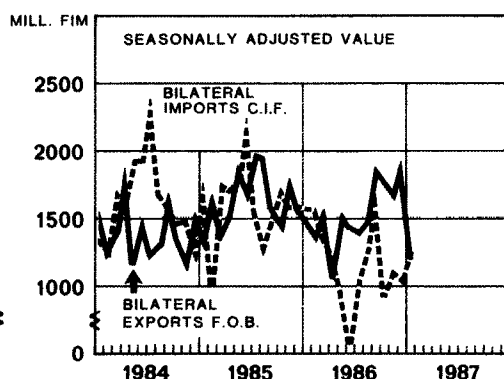
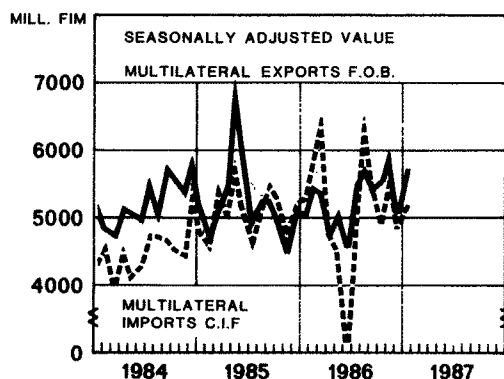
Period	Exports. f.o.b					Imports. c.i.f				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and intermediate goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1	2	3	4	5	6	7	8	9	10	
1982	1 676	6 278	17 502	18 908	18 662	41 144	4 869	9 195	9 130	413
1983	1 723	6 944	19 327	20 211	21 487	44 757	5 006	10 860	10 572	333
1984	2 865	7 145	23 573	22 998	24 323	47 028	5 034	10 993	11 454	173
1985	2 678	6 728	25 030	24 412	25 179	50 944	5 502	11 675	12 967	432
1986*	2 478	6 947	24 613	26 117	22 442	45 373	3 949	12 896	15 071	273

1986*

Jan.	274	490	1 854	2 201	1 974	4 868	480	1 038	1 080	6
Feb.	350	486	1 829	1 939	2 318	3 728	316	888	1 370	8
March	319	516	1 799	1 704	1 970	4 033	218	1 191	1 504	24
April	146	583	2 051	2 104	1 568	3 870	389	1 096	1 417	22
May	128	494	1 804	2 338	1 542	3 121	231	781	990	18
June	142	506	2 012	1 411	1 490	2 344	166	681	738	2
July	263	637	2 308	2 068	1 720	3 730	427	1 228	1 240	6
Aug.	236	545	2 072	1 819	1 803	3 563	421	1 047	1 422	25
Sept.	125	607	2 245	2 727	2 057	4 569	412	1 203	1 483	16
Oct.	154	703	2 445	2 396	2 239	3 772	337	1 122	1 275	94
Nov.	163	755	2 193	2 443	2 051	3 885	314	1 196	1 368	10
Dec.	179	627	2 001	2 966	1 710	3 887	238	1 425	1 183	42

Jan.-Dec.

1985	2 678	6 729	25 030	24 412	25 179	50 944	5 502	11 675	12 967	432
1986*	2 478	6 947	24 613	26 117	22 442	45 373	3 949	12 896	15 071	273



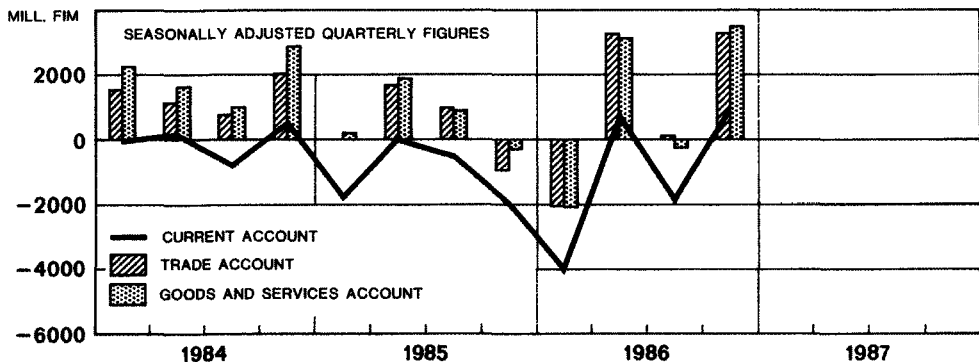
FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b				Imports, c.i.f.			
	January–December				January–December			
	1985		1986*		1985		1986*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
OECD countries in Europe	57.0	47 895	60.8	50 184	56.0	45 617	62.5	48 464
Austria	0.7	597	0.9	781	1.2	961	1.3	1 019
Belgium and Luxembourg	1.5	1 267	1.7	1 409	2.0	1 632	2.4	1 899
Denmark	4.0	3 403	4.0	3 321	2.5	2 036	2.8	2 181
France	3.9	3 298	4.5	3 692	3.4	2 764	4.5	3 459
Federal Republic of Germany	9.3	7 779	9.7	8 016	14.9	12 180	17.0	13 159
Italy	2.0	1 688	2.1	1 742	3.4	2 754	4.2	3 272
Netherlands	3.3	2 779	3.5	2 857	2.9	2 400	3.1	2 370
Norway	4.2	3 519	4.5	3 715	2.4	1 955	2.2	1 708
Portugal	0.3	258	0.3	215	0.7	577	0.9	677
Spain	0.8	688	1.1	876	1.0	812	1.1	873
Sweden	13.2	11 085	14.8	12 227	11.8	9 620	13.6	10 558
Switzerland	1.4	1 211	1.6	1 331	1.7	1 364	2.0	1 580
United Kingdom	10.8	9 076	10.5	8 668	7.2	5 848	6.5	5 059
Other	1.5	1 247	1.6	1 334	0.9	714	0.8	650
OECD countries outside Europe	10.1	8 470	9.2	7 574	11.8	9 599	12.2	9 458
Canada	1.2	998	1.1	910	0.7	573	0.5	410
Japan	1.5	1 223	1.5	1 266	5.3	4 309	6.5	5 021
United States	6.3	5 308	5.4	4 480	5.4	4 401	4.8	3 721
Other	1.1	941	1.1	918	0.4	316	0.4	306
CMEA countries	23.4	19 690	22.0	18 162	24.1	19 621	18.2	14 153
Czechoslovakia	0.3	276	0.4	297	0.5	369	0.5	387
German Democratic Republic	0.5	389	0.4	297	0.5	406	0.6	438
Poland	0.4	333	0.3	238	1.5	1 211	1.2	955
Soviet Union	21.5	18 099	20.3	16 786	21.0	17 153	15.3	11 883
Other	0.7	593	0.7	544	0.6	482	0.6	490
Latin America	1.7	1 414	1.5	1 249	2.3	1 875	2.5	1 902
Argentina	0.1	66	0.1	77	0.1	111	0.1	107
Brazil	0.2	146	0.2	199	0.7	601	0.7	518
Colombia	0.1	119	0.1	89	0.6	474	0.8	628
Other	1.3	1 083	1.1	884	0.8	689	0.8	649
Other	7.8	6 559	6.6	5 429	5.9	4 808	4.6	3 584
GRAND TOTAL	100.0	84 028	100.0	82 598	100.0	81 520	100.0	77 561
of which								
EFTA countries	19.7	16 534	22.0	18 191	17.2	14 029	19.3	14 979
EEC countries	37.0	31 073	38.3	31 663	38.7	31 519	43.1	33 415
OECD countries	67.1	56 364	69.9	57 758	67.7	55 217	74.7	57 923

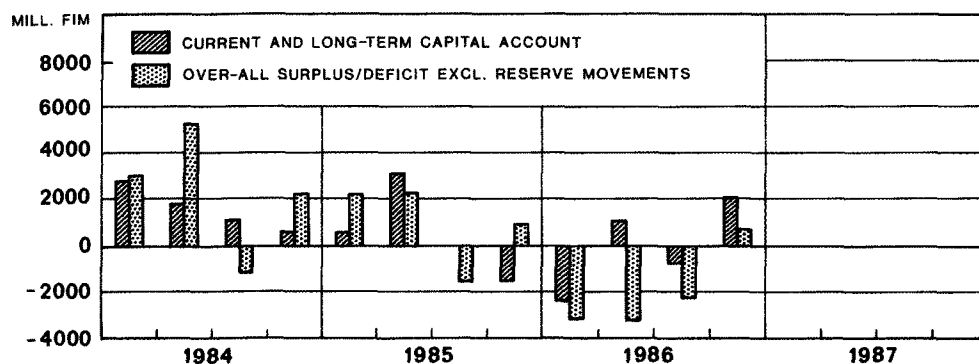
BALANCE OF PAYMENTS

Period	Exports f.o.b.	Imports c.i.f.	Trade account (1-2)	Transport, net	Travel, net	Other services, net	Goods and services account (3 to 6)	Invest- ment income, net	Un- requited transfers, net	Other, net	Current account (7 to 10)
	1	2	3	4	5	6	7	8	9	10	11
1983	69 368	72 139	-2 771	+3 200	-748	+1 610	+1 291	-5 817	-797	+96	-5 227
1984	80 608	75 127	+5 480	+4 008	-1 211	-306	+7 971	-6 786	-1 050	-238	-103
1985*	83 731	82 025	-1 706	-3 662	-1 771	-558	+3 038	-6 247	-1 096	-395	-4 700
1986*	82 450	77 850	+4 600	+2 850	-2 350	-500	+4 600	-7 000	-1 500	-300	-4 200
1984											
Jan.-March	19 678	17 069	+2 609	+1 018	-370	-60	+3 197	-2 010	-284	-60	+843
Apr.-June	19 700	18 852	+849	+1 009	-326	-174	+1 357	-1 225	-202	-39	-108
July-Sept.	19 395	19 330	+65	+1 144	-123	-265	+820	-1 593	-279	-46	-1 098
Oct.-Dec.	21 834	19 877	+1 958	+837	-392	+194	+2 597	-1 958	-285	-93	+261
1985*											
Jan.-March	20 048	18 982	+1 066	+935	-529	-220	+1 252	-1 781	-349	-146	-1 025
Apr.-June	22 423	21 436	+987	+1 016	-473	-294	+1 237	-1 696	-270	-73	-802
July-Sept.	20 598	19 681	+917	+904	-295	-193	+1 334	-1 255	-219	-77	-217
Oct.-Dec.	20 661	21 926	-1 265	+807	-475	+149	-784	-1 515	-259	-99	-2 657
1986*											
Jan.-March	19 981	20 875	-894	+734	-599	-159	-919	-1 610	-499	-131	-3 159
Apr.-June	18 285	15 995	+2 290	+656	-647	-121	+2 178	-1 954	-332	-98	-206
July-Sept.	21 198	20 870	+328	+696	-416	-178	+430	-1 424	-298	-62	-1 354
Oct.-Dec.	22 987	20 111	+2 876	+765	-687	-42	+2 911	-2 012	-371	-9	+519



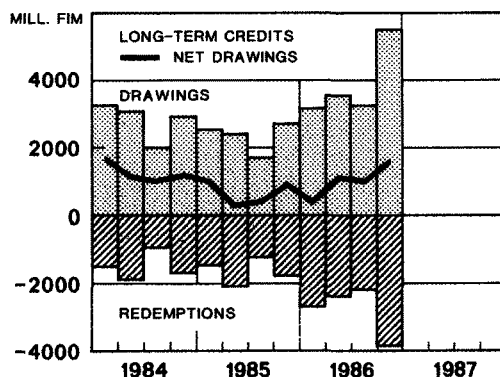
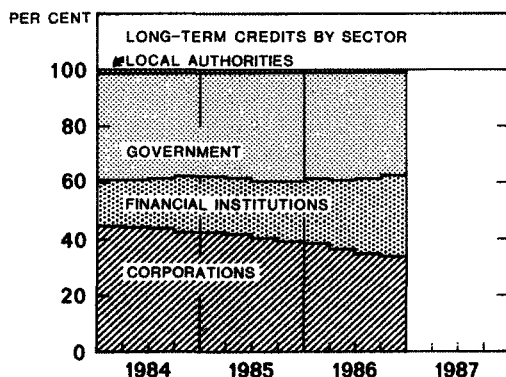
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net	Long-term capital account (12 to 15)	Current and long-term capital account (11 + 16)	Prepayments and liabilities related to imports	Prepayments and receivables related to exports	Short-term capital of authorized banks, net	Miscellaneous, short-term capital items, incl. errors and omissions	Over-all surplus deficit excl. reserve movements (17 to 21)	Bank of Finland foreign exchange reserves
12	13	14	15	16	17	18	19	20	21	22	23
+10 112	-7 273	+423	-1 388	+1 874	-3 353	+3 273	-3 380	+1 266	-32	-2 162	+2 162
+14 087	-7 538	-1 682	+1 428	+6 295	+6 192	+760	+2 995	+2 086	-2 758	+9 275	-9 275
+11 870	-8 255	+1 339	+1 840	+6 794	+2 094	+544	-3 177	+5 267	-984	+3 744	-3 744
+19 321	-13 930	+516	-1 756	+4 151	-49	+1 489	-70	-9 300	0	-7 930	+7 930
+4 075	-1 887	-235	-47	+1 906	+2 749	-1 049	+1 283	+2 443	-2 441	+2 986	-2 986
+3 858	-2 351	+89	+276	+1 872	+1 764	+1 083	+121	+2 531	-276	+5 222	-5 222
+2 495	-1 185	-603	+1 475	+2 182	+1 084	+426	-128	-2 186	-336	-1 140	+1 140
+3 659	-2 115	-933	-276	+335	+596	+300	+1 718	-702	+295	+2 208	-2 208
+3 173	-1 855	+336	-31	+1 623	+598	+573	-1 122	+2 208	-105	+2 153	-2 153
+3 023	-2 632	+354	+3 139	+3 884	+3 082	+841	-1 460	+1 911	-2 146	+2 228	-2 228
+2 139	-1 557	+263	-626	+219	+2	-47	-270	-1 400	+149	-1 566	+1 566
+3 535	-2 211	+386	-642	+1 068	-1 589	-823	-324	+2 548	+1 118	+930	-930
+3 954	-3 377	+245	-8	+814	-2 345	+1 783	-564	-3 085	+1 049	-3 162	+3 162
+4 434	-2 990	-97	-67	+1 280	+1 074	-1 061	-657	-2 589	-3	-3 236	+3 236
+4 701	-2 745	+191	-961	+1 186	-168	+914	+438	-3 996	+599	-2 213	+2 213
+6 232	-4 818	+177	-720	+871	+1 390	-147	+714	+370	-1 645	+681	-681

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

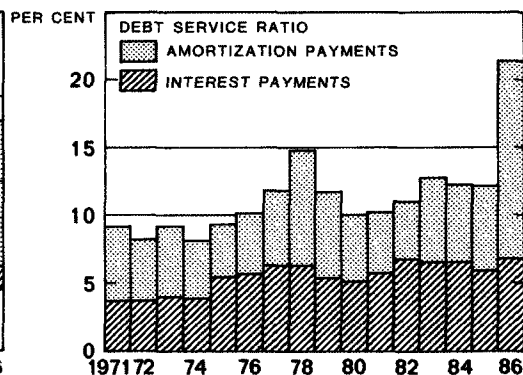
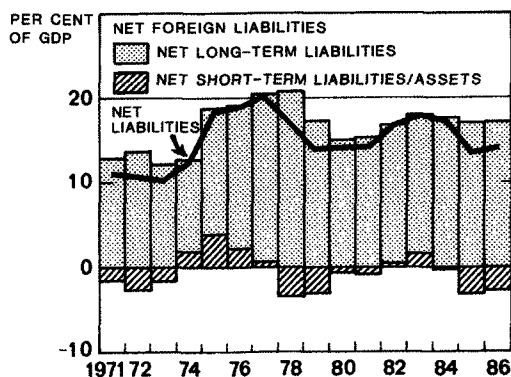


FINLAND'S FOREIGN ASSETS AND LIABILITIES

End of year and month	Long-term assets				Long-term liabilities					Net long-term liabilities (10-4)	
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Portfolio investment	Other		Total (5 to 9)
	1	2	3	4	5	6	7	8	9	10	11
1983	6 612	6 166	3 932	16 710	53 118	4 472	2 317	848	763	61 518	44 808
1984	8 920	8 689	1 915	19 524	63 958	3 865	2 905	2 013	805	73 546	54 022
1985*	6 539	10 524	2 774	19 837	63 228	2 893	3 274	6 313	895	76 603	56 766
1986*	5 523	13 630	3 225	22 378	68 976	2 072	4 791	6 959	953	83 751	61 373
1984											
March	6 658	6 687	3 539	16 884	54 014	4 225	2 354	987	731	62 311	45 427
June	6 827	7 435	3 230	17 492	57 198	3 937	2 393	1 640	729	65 897	48 405
Sept.	7 767	7 834	1 839	17 440	60 497	3 951	2 410	1 957	834	69 649	52 209
Dec.	8 920	8 689	1 915	19 524	63 958	3 865	2 905	2 013	805	73 546	54 022
1985*											
March	8 473	9 942	2 061	20 476	64 484	3 651	2 899	2 900	778	74 712	54 236
June	8 027	10 379	2 177	20 583	64 801	3 318	3 058	6 317	873	78 367	57 784
Sept.	7 194	10 484	2 167	19 845	63 385	3 064	3 104	6 210	867	76 630	56 785
Dec.	6 539	10 524	2 774	19 837	63 228	2 893	3 274	6 313	895	76 603	56 766
1986*											
March	6 103	10 702	2 712	19 517	63 570	2 803	3 356	6 407	820	76 956	57 439
June	6 158	11 685	2 784	20 627	66 600	2 546	3 419	7 117	832	80 514	59 887
Sept.	5 865	12 609	3 119	21 593	67 670	2 487	3 685	6 911	906	81 659	60 066
Dec.	5 523	13 630	3 225	22 378	68 976	2 072	4 791	6 959	953	83 751	61 373



Short-term assets				Short-term liabilities				Net short-term liabilities (19-15)	Net liabilities (11+20)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (12 to 14)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (16 to 18)				
12	13	14	15	16	17	18	19	20	21	22	23
11 842	29 263	15 915	57 020	5 705	39 443	16 181	61 328	4 308	49 116	11 591	5 621
22 912	43 319	12 804	79 035	4 562	55 695	17 988	78 245	-790	53 232	12 877	5 896
25 183	38 775	18 155	82 113	4 070	51 374	16 103	71 547	-10 565	46 201	13 247	6 779
16 613	51 683	17 805	86 101	3 455	55 467	17 197	76 118	-9 983	51 390	22 669	15 462
14 740	25 724	15 374	55 838	3 657	37 966	15 571	57 193	1 355	46 782	3 523	1 452
20 705	31 935	14 978	67 618	3 775	47 084	16 836	67 694	76	48 481	3 260	1 987
21 064	34 621	14 727	70 411	4 815	47 882	17 431	70 128	-283	51 926	2 448	821
22 912	43 319	12 804	79 035	4 562	55 695	17 988	78 245	-790	53 232	3 646	1 636
24 785	44 984	15 869	85 638	4 535	59 386	18 402	82 323	-3 316	50 920	3 639	1 803
26 208	46 661	18 635	91 504	3 729	62 896	18 772	85 397	-6 106	51 678	3 763	2 011
24 770	44 927	18 183	87 880	4 240	59 370	17 880	81 490	-6 390	50 395	2 646	1 337
25 183	38 775	18 155	82 113	4 070	51 374	16 103	71 547	-10 565	46 201	3 199	1 628
21 647	40 424	18 037	80 109	3 659	50 424	17 392	71 475	-8 633	48 806	5 055	3 394
18 470	45 237	18 213	81 921	3 499	52 647	15 786	71 932	-9 988	49 899	5 295	3 308
16 168	51 576	18 143	85 887	3 565	54 990	17 018	75 573	-10 314	49 752	4 922	3 453
16 613	51 683	17 805	86 101	3 455	55 467	17 197	76 118	-9 983	51 390	7 397	5 307



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1980 = 100						Building costs 1980 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1	2	3	4	5	6	7	8	9	10	
1985	1 324	140.5	143.1	132.8	137.5	145.8	142.4	144.3	144.4	142.8
1986	1 264	133.2	139.8	113.1	122.3	145.7	148.0	150.6	154.1	148.3
1986										
June	1 256	132.4	139.3	111.2	120.9	145.5	147.7	150.8	155.6	148.2
July	1 249	131.7	139.2	108.8	119.4	145.1	148.9	151.2	156.2	148.4
Aug.	1 246	130.9	137.9	109.6	118.3	144.3	148.7	151.5	156.2	149.0
Sept.	1 248	131.3	138.0	111.0	118.7	144.7	149.2	151.8	156.2	149.5
Oct.	1 250	131.5	138.5	110.3	119.0	145.0	149.2	152.0	156.2	149.6
Nov.	1 252	131.7	138.7	110.3	119.1	145.1	149.4	152.3	156.2	150.1
Dec.	1 256	131.9	138.8	110.9	119.5	144.9	149.8	152.3	156.2	150.2
1987										
Jan.	1 269	132.9	139.9	111.7	121.0	145.6	149.9	154.0	158.9	151.4

Period	Consumer prices 1981 = 100									
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent, heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
	1	2	3	4	5	6	7	8	9	10
1985	134.6	139.1	140.3	126.1	130.9	129.7	155.7	130.4	132.5	140.4
1986	139.4	144.2	146.4	131.6	134.5	135.0	164.1	130.7	139.9	149.0
1986										
June	139.8	144.9	147.4	131.6	135.7	135.1	162.9	130.2	140.1	148.9
July	139.9	145.7	147.4	130.1	135.7	135.1	163.0	130.4	140.2	149.0
Aug.	140.2	144.8	147.4	131.4	136.3	135.3	164.4	130.2	141.2	150.2
Sept.	140.2	144.9	147.4	133.0	134.2	136.0	164.4	131.4	142.3	150.3
Oct.	140.7	145.4	147.6	134.3	134.3	136.5	167.1	131.6	142.8	150.7
Nov.	140.6	145.0	147.6	135.0	134.3	136.9	167.1	131.1	143.3	151.0
Dec.	140.8	144.5	147.5	135.2	134.3	137.0	167.1	132.4	143.3	151.1
1987										
Jan.	142.2	145.1	152.9	130.9	134.6	137.7	170.3	135.0	146.3	154.3

WAGES

Index of wage and salary earnings 1980 = 100

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1	2	3	4	5	6	7	8	9	10	
1984	148.5	149.9	152.8	152.8	147.1	154.7	150.5	151.4	149.7	150.8
1985	160.6	161.2	168.8	165.1	158.8	166.7	163.5	164.2	162.2	163.5
1986*	175.2	170.7	178.3	178.1	169.6	180.1	174.5	176.5	171.8	174.8
1985										
Oct.-Dec.	166.8	163.1	174.0	167.1	160.4	168.3	167.1	167.1	165.3	166.4
1986*										
Jan.-March	177.2	166.7	175.5	173.9	166.6	176.1	169.6	171.8	167.9	170.4
Apr.-June	174.7	172.1	174.3	178.3	170.2	180.2	174.6	176.8	171.9	175.0
July-Sept.	172.2	171.5	178.8	179.3	170.6	181.2	175.5	177.8	172.4	175.9
Oct.-Dec.	176.7	172.6	184.5	180.9	170.8	182.9	178.1	179.8	174.8	178.0

PRODUCTION

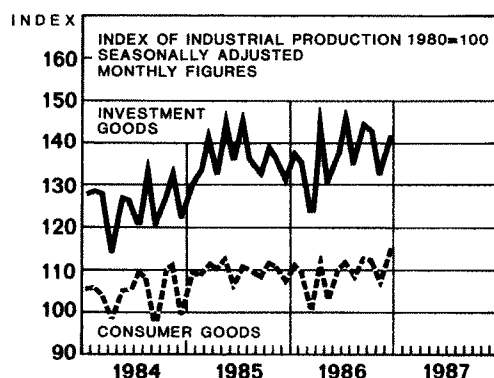
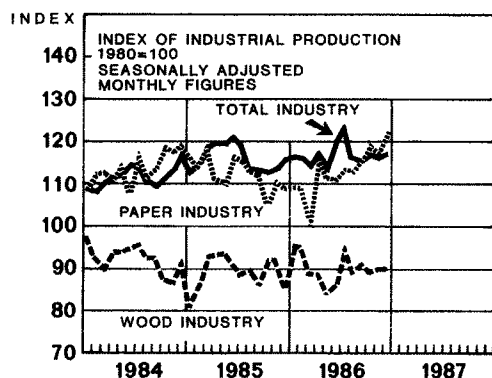
Volume indices of production 1980 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1984										
July-Sept.	109	102	196	45	114	105	108	110	115	119
Oct.-Dec.	121	122	91	117	140	108	121	119	116	127
1985										
Jan.-March	107	112	74	102	81	94	106	100	117	117
Apr.-June	114	121	77	109	85	113	111	112	117	127
July-Sept.	112	107	175	37	109	114	111	113	118	125
Oct.-Dec.	124	124	83	110	140	116	125	124	120	134
1986*										
Jan.-March	108	108	71	96	80	97	109	103	120	122
Apr.-June	114	121	77	90	71	117	111	118	118	132
July-Sept.	116	110	179	39	110	117	116	119	121	131

PRODUCTION

index of industrial production 1980 = 100

Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
	1	2	3	4	5	6	7	8	9	10	11
1984	111.8	126.8	105.6	111.9	109.3	92.4	114.3	111.5	108.4	120.0	112.1
1985*	116.1	137.8	110.3	114.7	111.3	89.4	113.1	115.1	109.7	129.9	116.5
1986*	117.1	138.7	110.3	116.2	109.8	90.3	113.6	118.7	103.6	132.9	117.3
1985*											
Dec.	108.0	130.9	104.2	105.4	104.7	63.2	102.8	108.3	95.9	123.6	116.0
1986*											
Jan.	122.4	142.7	120.4	119.4	106.5	92.6	110.6	122.1	102.7	137.0	116.6
Feb.	111.0	133.4	107.9	108.2	91.9	87.4	104.2	110.6	83.2	124.1	116.3
March	107.5	126.4	104.0	105.5	90.7	86.2	95.5	122.3	81.4	120.6	115.0
April	125.6	157.6	117.8	123.4	113.8	115.9	119.2	134.1	98.7	149.1	117.9
May	118.6	159.1	109.7	115.5	103.1	102.4	106.6	122.0	98.3	148.0	114.7
June	118.0	152.6	104.7	118.0	106.3	96.0	101.6	114.5	102.8	141.7	120.5
July	86.1	71.1	75.0	93.8	103.3	45.6	126.1	84.0	71.4	72.1	124.1
Aug.	114.3	124.2	108.4	115.0	107.2	80.3	117.5	123.0	118.4	122.2	116.5
Sept.	125.4	148.4	117.8	124.7	111.4	105.2	115.6	125.7	139.5	145.2	115.7
Oct.	134.6	163.5	128.2	132.2	139.8	107.7	125.3	122.1	140.3	158.7	117.1
Nov.	124.3	144.9	118.7	122.9	129.4	92.4	123.3	126.0	116.0	140.9	116.5
Dec.	116.9	140.3	111.0	115.3	113.7	72.2	117.2	117.9	90.5	135.0	117.3



LABOUR – TIMBER FELLINGS – INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1980 = 100	Wholesale volume index 1980 = 100
	1	2	3	4	5	6	7	8
1985*	3 710	2 600	2 437	163	6.3	43 349	114	110
1986*	3 716	2 618	2 436	181	6.9	39 003	..	..
1985*								
Nov.	3 714	2 580	2 409	171	6.6	3 768	115	119
Dec.	3 714	2 563	2 406	157	6.1	4 729	134	119
1986*								
Jan.	3 714	2 553	2 360	193	7.6	4 232	110	103
Feb.	3 715	2 540	2 346	194	7.7	4 596	100	102
March	3 716	2 551	2 365	186	7.3	4 709	105	109
April	3 716	2 551	2 365	186	7.3	4 534	118	123
May	3 718	2 609	2 438	171	6.5	3 292	122	120
June	3 717	2 788	2 598	190	6.8	2 472	119	111
July	3 717	2 790	2 600	190	6.8	1 124	126	104
Aug.	3 718	2 647	2 481	166	6.3	1 194	116	114
Sept.	3 715	2 600	2 428	172	6.6	2 143	116	126
Oct.	3 716	2 576	2 394	182	7.1	3 100	119	130
Nov.	3 717	2 567	2 392	175	6.8	3 626	110	115
Dec.	3 718	2 572	2 399	173	6.7	3 981	..	..

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building-works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
	1	2	3	4	5	6	7	8	9	10	11
1984	49.69	19.93	5.65	17.45	3.14	44.24	17.65	5.13	15.76	2.83	52.13
1985*	48.17	18.17	6.70	16.53	3.41	44.74	17.40	4.94	15.97	3.35	49.64
1985*											
Apr.-June	17.13	7.27	3.09	4.80	0.75	10.18	4.08	0.72	3.57	1.05	53.07
July-Sept.	12.16	4.48	1.61	4.21	0.92	10.10	3.80	1.77	3.04	0.75	56.42
Oct.-Dec.	9.69	2.98	0.90	4.32	0.88	15.84	5.67	1.89	6.44	0.82	49.64
1986*											
Jan.-March	9.24	2.96	1.19	4.06	0.50	8.15	3.53	0.56	2.89	0.67	46.75
Apr.-June	16.94	6.83	2.97	4.89	0.95	5.33	2.26	0.70	1.62	0.39	55.46
July-Sept.	12.46	4.26	1.26	4.65	1.24	10.53	3.62	1.62	3.30	1.24	57.20

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

Page 4. *Public sector*: Claims = Government promissory notes + Bonds + Total coinage + Other claims on the public sector. Other liabilities = Cheque accounts + Counter cyclical reserves + Counter-cyclical deposits + Capital import deposits + Other liabilities to the public sector. Certificates of deposit are interest bearing, freely transferable term liabilities of the Bank of Finland sold to the government. Their maturities range from one week to one year. As from November 1, 1983, certificates of deposit were replaced by the government deposit account.

Page 5. *Domestic financial sector*: Other liabilities, net = Capital import deposits + Other liabilities to financial institutions - Bonds - Other claims on financial institutions.

Corporate sector: Permanent special financing schemes = Foreign bills + New export bills + Financing of suppliers' credits. Liabilities, net = Deposits for investment and ship purchase + Counter-cyclical withholdings + Capital import deposits + Import levy deposits + Export deposits + Other liabilities to corporations - Bonds - Other claims on corporations.

MONETARY POLICY INDICATORS

Page 6. All the figures except the average lending rate of the commercial banks are mean values of daily figures for the month or year in question. The average lending rate of the commercial banks is the mean value of the end of the month lending rates weighted by credit outstanding. The annual figure for the average lending rate is an unweighted average of the weighted average monthly rates.

Gross central bank debt of the deposit banks = call money credits and term credits extended to the commercial banks and Postipankki. As from January 1984, the only source of central bank debt was the call money market. Three month term credits were introduced in December 1986. Banks' borrowing from the central bank is monitored; a bank exceeding a stipulated limit comes under the special surveillance of the central bank. The rate of interest on call money credits is set by the central bank. The rate of interest on term credits is based on daily tenders by the commercial banks and Postipankki.

Net central bank debt of the deposit banks = Gross central bank debt of the deposit banks - The commercial banks' and Postipankki's deposits on the call money market - All deposit banks' cash reserve deposits at the Bank of Finland.

Cash reserve deposits of the deposit banks equal the total amount of cash reserve deposits at the Bank of Finland made by the deposit banks under the Cash Reserve Agreement of September 7, 1984. The deposit banks consist of the commercial banks, co-operative banks, savings banks and Postipankki.

The cash reserve requirement is set each month by the Bank of Finland as the percentage of each bank's stock of deposits and major part of a bank's net foreign debt which must be deposited at the central bank. Deposits are to be made one month after the close of the month to which the coefficient applies.

Call money credit extended by the Bank of Finland = Demand for call money by the deposit banks - Supply of call money by the deposit banks.

As from the beginning of 1986, the call money interest rate was differentiated into two separate rates of interest, the rate on call money credits and a lower one, the rate on call money deposits. As from the beginning of 1986, the figures on page 6 and the chart illustrating the call money rate have been prepared on the basis of the rate on call money credits.

FORWARD EXCHANGE MARKETS IN FINLAND

Page 7. The figures for columns 1-6 are calculated by the Bank of Finland on the basis of monthly reports from the banks on their outstanding forward exchange positions at the end of each month. The figures for columns 7-9 are based on monthly averages of daily representative quotations, as reported by the banks to the Bank of Finland.

The banks' foreign currency positions shown in the chart at the bottom of page 7 are monthly averages of daily spot and forward positions vis-à-vis the markka as reported by the commercial banks to the Bank of Finland. The spot position includes all foreign currency-denominated assets and liabilities of the banks, excluding their outstanding forward contracts.

FOREIGN EXCHANGE RATES

Pages 8-9. *Exchange rates* are annual and monthly averages of the Bank of Finland's daily quotations. From the beginning of 1987, all quotations are expressed as FIM per one unit of foreign currency. The Australian dollar (AUD) and the European Currency Unit (XEU) have been added to the list of quoted currencies. The *currency index* is shown as annual and monthly averages of daily index numbers. The chart at the bottom of page 8 shows the banks' forward selling rates for the US dollar as deviations from the spot rate.

DEPOSITS BY THE PUBLIC - ADVANCES TO THE PUBLIC - MONEY SUPPLY

Figures for deposits and advances are supplied by the Central Statistical Office.

Page 10. *Deposits by the public*. The central government and the financial institutions are mainly excluded from the public. From 1974 deposits include domestic deposits denominated in foreign currency.

Page 11. *Advances to the public*. The central government and the financial institutions are not included in the public.

Postipankki's advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

Money Supply M₁ = Finnish notes and coins in circulation - Finnish notes and coins held by the banks + Demand deposits held by the public (incl. Demand deposits at the Bank of Finland). Quasi-Money = Time deposits held by the public (incl. Time deposits at the Bank of Finland).

Note: Domestic deposits in foreign currency included in money supply since 1974. In the money supply the public includes non-monetary financial institutions.

STATE FINANCES

Page 12. Official figures computed by the Economics Department of the Ministry of Finance. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis.

FOREIGN TRADE

Pages 13-15. Figures supplied by the Board of Customs. *Indices* (p. 13): The volume indices are calculated according to the Paasche formula and the unit value indices according to the Laspeyres formula. *Terms of trade*: the ratio of export indices to import indices. *Foreign trade by countries*: (p. 15): from January 1980 imports by countries of origin, exports by countries of consignment.

BALANCE OF PAYMENTS

Pages 16-17. Figures are calculated by the Bank of Finland.

Columns 1-7. The figures for the trade and goods and services accounts are in accordance with the System of National Accounts.

Columns 12-13. Long-term loans comprise financial loans and import and leasing credits.

Column 15. Miscellaneous long-term capital items, net = direct investment, net + portfolio investment by foreigners + financial loans and development credits to abroad + Finland's subscriptions to international financial institutions, net.

Column 23. Changes in the foreign exchange reserves of the Bank of Finland exclude changes in the markka value of the reserves caused by changes in exchange rates.

FOREIGN ASSETS AND LIABILITIES

Pages 18-19. Figures calculated by the Bank of Finland.

Long-term assets: Other = financial loans + development credits + Finland's subscriptions to international financial institutions. Long-term liabilities: Portfolio investment = the outstanding amount of share issues by Finnish companies on foreign stock exchanges and of securities sold to foreign buyers through the Helsinki Stock Exchange. Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds.

Column 22. Debt service = Net investment income of short-term and long-term assets and liabilities + net amortisation payment of long-term foreign assets and liabilities, excl. amortisation payments of the Bank of Finland's reserve and oil credits.

Columns 22 and 23 during the year and the quarter.

Chart Debt service ratio: Debt service as a per cent of current account earnings. Debt service does not include amortisation of the Bank of Finland's reserve and oil credits.

PRICE INDICES

Page 20. All indices calculated by the Central Statistical Office.

WAGES - PRODUCTION

Pages 21-22. Figures supplied by the Central Statistical Office.

Page 22. *Index of industrial production* calculated by the Central Statistical Office. The grouping, by branches of industry is in accordance with the Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II.

LABOUR - TIMBER FELLINGS - INTERNAL TRADE - CONSTRUCTION OF BUILDINGS

Page 23. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Forest Research Institute. *Retailers' and Wholesalers' volume indices* supplied by the Central Statistical Office. *Construction of buildings* figures calculated by the Central Statistical Office.

Owing to rounding, the figures in statistical tables do not necessarily add up to the totals shown.

SYMBOLS USED: * Preliminary, r Revised, 0 Less than half the final digit shown, . Logically impossible, . . Not available, - Nil, S affected by strike, - Break in series.

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1 155 to 1 809 Finland formed a part of the kingdom of Sweden. Connected from 1 809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current term, January 27, 1982, to March 1, 1988, is Mauno Koivisto.

Parliament, comprising 200 members is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1983 is as follows: Social Democratic Party of Finland 57, National Coalition Party 44, Centre Party 38, Democratic League of the People of Finland 27, Finnish Rural Party 7, Swedish People's Party 11, Christian League of Finland 3, The Greens 2 and Finnish People's Constitutional Party 1.

Finland is divided into 461 self-governing municipalities. Members of the municipal council are elected by universal suffrage for a period of 4 years.

INTERNATIONAL ORGANIZATIONS

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

LAND

THE AREA is 338 000 square kilometres (Great Britain's area is 244 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4%. Of the land area (1980) 2.5 mill. ha (8.2%) are cultivated and 19.7 mill. ha (64.5%) are covered by forests.

OWNERSHIP OF LAND (1979). The total land area was distributed among different classes of owners approximately as follows: private 58.7%, State 31.4%, joint stock companies etc. 7.4%, municipalities and parishes 2.5%.

POPULATION

NUMBER OF INHABITANTS (1984): 4.9 million. Sweden 8.3, Switzerland 6.5, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1984): In South Finland 47.7 in East and Central Finland 14.3, in North Finland 4.2 and in the whole country an average of 16.1 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1984): 40% of the population inhabit the rural areas, 60% towns. The largest towns are Helsinki (Helsingfors), the capital, 484 263 inhabitants, Tampere (Tammerfors) 168 150, Turku (Åbo) 162 262.

EMPLOYMENT (1985): Agriculture and forestry 11%, industry and construction 32%, commerce 15%, transport and communication 8%, financing, insurance, real estate and business services 6%, community and personal services 28%.

LANGUAGE (1984): Finnish speaking 93.6%, Swedish speaking 6.1%, others 0.3%.

EDUCATION (1986): Practically all persons over 15 years of age are literate. There are 8 universities (the oldest founded in 1640) and 12 colleges of university standard.

CHANGE OF POPULATION (1984): births 13.3‰, deaths 9.2‰, change + 5.0‰, net immigration + 0.8‰, Deaths in France 9.8‰ and Great Britain 11.4‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1985), in million FIM: Gross domestic product at factor cost by industrial origin: agriculture and fishing 13 190 (4%), forestry 10 977 (4%), manufacturing 85 794 (29%), construction 23 138 (8%), trade, restaurants and hotels 33 163 (11%), transport and communication 23 672 (8%), banking and insurance 12 973 (4%), ownership of dwellings 19 097 (6%), other services 74 707 (25%), total 296 711. Index of real domestic product: 114 (1980 = 100).

FOREST RESOURCES (1983). The growing stock comprised of 1 660 million m³ (solid volume with bark; of which 45% was pine and 37% spruce the remaining 18% being broad-leaved trees chiefly birch. Of the growing stock 656 million m³ was up to the standard required for logs, 51% of these being pine. The annual growth was 68 million m³ and the total drain calculated on the basis of roundwood consumption was 49.4 million m³.

AGRICULTURE (1984). Cultivated area 2.4 million hectares. Number of holdings 203 933 of which 143 931 are of more than 5 ha. Measure of self-sufficiency in bread cereals 93%.

INDUSTRY (1983). Gross value of industrial production FIM 222 602 mill., number of workers 398 066, salaried employees 146 503, motive power 8.3 mill. kW. Index of industrial production 107.1 for 1983 (1980 = 100).

STATE RAILWAYS (Dec. 31 1985): Length 5 979 km.

MERCHANT FLEET (Dec. 31, 1986): Passenger vessels 167 (295 058 gross reg. tons), tankers 31 (490 175 gross reg. tons), dry cargo vessels 121 (417 167 gross reg. tons), other vessels 108 (41 134 gross reg. tons), total 427 (1 243 534 gross reg. tons).

AUTOMOBILES (Dec. 31, 1985): Passenger cars 1 546 094, lorries and vans 179 637, buses 9 017, other automobiles 11 867, total 1 746 615.

FINNISH AIRLINES (Feb. 28, 1985). Finnair has in use 1 DC-8-62, 3 DC-9-10, 5 DC-9-41, 12 DC-9-51, 3 DC-9 Super 82, 3 DC-10-30, 1 DC-10-30 ER and 3 Fokker F-27 Friendship MK. The company has scheduled flights to 34 foreign and 21 domestic destinations.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the markka (plural: markkaa), which is divided into 100 penniä (singular: penni). The abbreviation used for the markka is FIM. The last par value of the markka was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per markka (equivalent, at the time, to 4.20 markkaa per U.S. dollar). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a currency index. This index is tradeweighted and as from Jan. 1, 1984 indicates the average change in the convertible currencies which are important in Finnish foreign trade. The present currency weights are SEK 20.6, DEM 19.6, GBP 13.8, USD 8.8, other currencies 37.2. The permissible range of fluctuation is about 2.25 per cent on either side of the theoretical arithmetic mean. The fluctuation limits are 106.0 and 101.3.

THE CENTRAL BANK. The Bank of Finland (estab. 1811) functions under the guarantee and supervision of Parliament. Its Board of Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by Parliament. The Bank has a head office in Helsinki and 12 branches in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1985). There are two big and eight small commercial banks with in all 967 offices, 254 savings banks, 370 co-operative banks, six mortgage banks, Postpankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and 48 private insurance companies also grant credits.

RATES OF INTEREST (May 19, 1986). The Bank of Finland's base rate is 7%. The interest rates for domestic lending other than bank financing by the Bank of Finland vary between 4½% and 9½%. Other credit institutions: time deposits 2%‰; 6 month deposits 4%‰; 12 month deposits 5%‰; 24 month deposits 7%.

AGING FINLAND UP TO THE YEAR 2030¹

by Pekka Parkkinen, Head of Office,
Economic Planning Centre

There are about 5 million inhabitants in Finland and 5 billion people in the world as a whole. The world's population is growing by 80 million a year. According to a population projection made by the United Nations, the world's population will exceed 6 billion by 2000 and 8 billion by 2025.

In a number of industrialized countries, the long-term birth rate is not sufficient to maintain the present level of population. The numbers in the youngest age groups are smaller than those in the fertile age groups, i.e. net reproduction rates are below one (Chart 1). It may be difficult to prevent a fall in population in western industrial countries in the 21st century, unless there is large-scale immigration

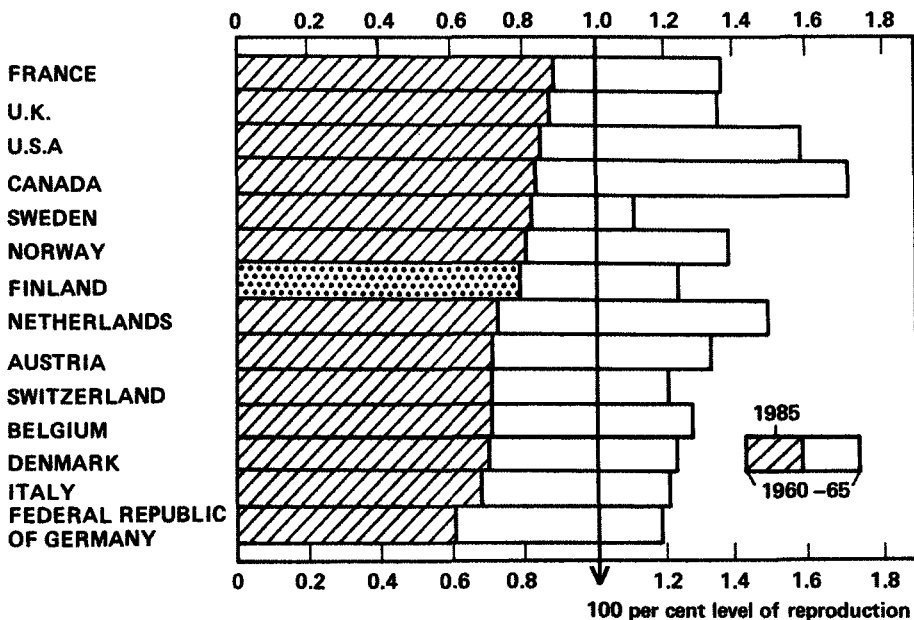
from the developing countries. The population of the developing countries is expected to double over the next few decades.

Up till the early 1960s, the birth rate was sufficient to increase population in western industrial countries. For example, the age groups born in North America were one and a half times the size of the fertile age groups. Subsequently, the birth rate has fallen continuously. The age groups born in North America in recent years have been one-sixth smaller than the fertile age groups. In western Europe, net replacement rates have been even lower.

The fall in birth rates in industrial countries has been reflected in the number of children, so that families with many children have become rare. In Finland, a quarter of the children born in 1960 were born into families which already

¹ This article is based on the publication "Harmaantuva Suomi 2030?" by the Economic Planning Centre (TAS-KU), Helsinki 1986.

CHART 1. NET REPRODUCTION RATES IN 1960-1965 AND IN 1985



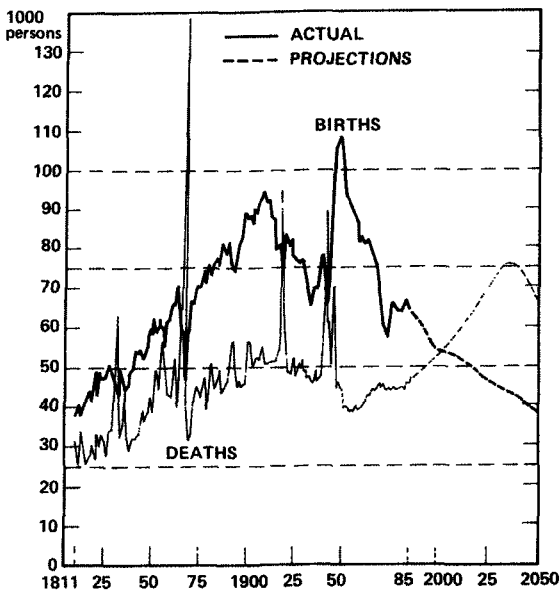
had at least three children. In recent years, this proportion has been less than 10 per cent. In the Federal Republic of Germany, where evidently the net production rate is the lowest in the world, only about every 30th new-born is at least the fourth child in the family.

LONG-TERM POPULATION TRENDS

In the period immediately following World War II, more than 100 000 children were born annually in Finland. Thereafter, the number of new-born fell up till the early 1970s, when less than 57 000 babies a year were born. At that time, maternity and parents' leaves were extended and family policy support was also increased in other respects. Subsequently, the number of births stabilized at around 65 000 a year.

If the fertility rate maintains its present level in the future and emigration equals immigration, only 40 000 babies will be born in 2050, or the same number as in the early 19th century (Chart 2). In other words, the fertile age groups will decline.

CHART 2. ANNUAL NUMBER OF BIRTHS AND DEATHS IN 1811–2050



The average life expectancy of Finns has lengthened by over 12 years since the late 1940s. In 1985, the life expectancy of a new-born boy was 70 1/2 years and that of a girl 78 1/2 years. Life expectancy is expected to gradually lengthen so that a new-born boy would live for 74 years and a new-born girl for 80 years. The life expectancy of Finns would then be same as in Sweden, Iceland and Japan in recent years.

Unless new diseases like AIDS, wars or other catastrophes fundamentally alter the trend, the average life expectancy could be longer than estimated above. Such a possibility is suggested by the fact that in recent years life expectancy has increased even further in the countries mentioned above, in which average life expectancy is the highest in the world.

As ever-larger age groups reach the risk age, the death rate will rise in spite of increased life expectancy. By the 2030s, the annual number of deaths will have risen to 70 000 from 45 000 at the beginning of this decade. With the passing of the "baby boom" generation born after World War II, the death rate will start to fall.

The population of Finland will reach its highest point, over 5 million, at the beginning of the next millenium. With no migration, there would be 4 million people in Finland in 2050 if the net replacement rate stabilizes at the level of recent years, i.e. 80 per cent. If the fertility rate were to fall to the level of the Federal Republic of Germany, Finland's population would fall to 3 million by 2050. In Helsinki, the fertility rate is already as low as that in the Federal Republic of Germany.

Given the trends outlined above, Finland's population will decline and grow older. At the beginning of last century, the elderly – over 65 years of age – represented less than one-twentieth of the population, while its proportion is now more than one-eighth. In the next four decades, the proportion of the elderly will double. At the same time, the share of the elderly over 85 years will triple. In 2030, the

elderly over 85 years will represent more than 3 per cent of the population.

From the point of view of the livelihood of the population and public expenditure, it makes little difference whether Finland's population ultimately stabilizes at, for example, around 5 or 3 million. On the other hand, the sharp fluctuations in the size of age groups are likely to impede adjustment.

A smaller population would have the same amount of wood, hydroelectric power and other natural resources at its disposal as a larger one. Less housing would be needed. Hence, the standard of living of a smaller population could be higher than that of a larger population. A smaller population would of course place lesser strain on the environment.

Finland has not yet set a target level for the country's population, even though since 1968 the birth rate has not been sufficient to maintain the size of the population in the long term. The setting of a population target would clarify the discussion on population policy and facilitate the planning of family policy measures.

In spite of increased family policy support, the fertility rate could fall further. If in that event it is considered expedient to prevent the gradual depopulation of Finland, steps could be taken to ease immigration.

It seems unlikely that people in other industrial countries, in which the population is also decreasing, would readily move north to Finland. The standard of living here is only at the average level of western countries, and Finnish is regarded as a difficult language to learn.

The developing countries, in which the standard of living is low and the population is growing rapidly, could provide a sufficient number of immigrants for Finland. In that case, however, problems could be caused by the assimilation of these people into Finnish society, not only because of language problems but also because of cultural differences.

THE ECONOMY UP TILL 2030

There are no indications in the world economy that technological advance is coming to a halt. About two per cent of global income is invested in R & D activities, and numerous new inventions are made annually. Some of these turn out to be suitable for practical application and eventually lead to improved productivity. With rising income levels, China, India and other developing countries will gradually be able to exploit their indigenous reserves of talent, and thus the number of innovations in these countries will increase.

The impact of technological progress on economies is reflected in an improvement in productivity. In the advanced industrial nations, the number of hours worked has fallen even though output has risen. The rise in labour productivity has generally required greater inputs of capital, energy and other natural resources. These factors of production have also been utilized more intensively, i.e. their productivity has improved.

Economic history shows that labour productivity rises the faster the more quickly productive machinery is replaced, in other words the higher is a country's level of productive investment. A relatively large amount of new technology with the highest productivity is then in use at any one time.

The volume of productive investments is affected by a number of factors, the main ones being demand prospects, corporate profitability and the relative price of capital. In the longer term, it is particularly important to keep the real rate of interest within limits conducive to economic growth. A level of interest rates lower than the rate of inflation tends to direct funds to inefficient projects, whereas an excessively high rate of interest makes part of viable productive investments unfeasible.

The quality of labour is another key factor affecting productivity, which is vitally dependent on the level of skill of the labour force. The skills of the labour force can be enhanced by increasing education and training.

In the following, the growth prospects of the Finnish economy are examined in terms of the supply of factors of production. The estimates are based on projected trends in the growth of manpower and labour productivity.

In Finland, the level of labour productivity is clearly lower than in the most technologically advanced countries and in which productivity is expected to improve further. Since the tendency for differences in productivity between industrialized countries to diminish is likely to continue in the future, it is estimated in the basic output scenario that labour productivity per manhour in Finland would rise by almost 2 1/2 per cent a year up till 2030.

In the high growth scenario, labour productivity is assumed to increase by 3 1/4 per cent a year. Such a rapid rate of growth in labour productivity will require a significant increase in the share of productive investments in GDP. The high growth scenario can materialize in Finland only if productivity and output expand rapidly in industrialized countries. Moreover, the improvement in domestic productivity would have to be supported by various economic policy measures. This would require a level of real rates of interest supporting growth, an increase in inputs in R & D and intensive development of the skills of the labour force, for example, by improving training.

In the low growth scenario, it is assumed that the annual rise in labour productivity will be below 1 1/2 per cent. This scenario could be realized even if there were no more new

innovations raising productivity. As a matter of fact, the introduction of the most advanced technology currently available in the world in all sectors of the Finnish economy would improve productivity at least by this amount.

If it is assumed that by 2030 the average working hours of those in employment shorten by a quarter and that there are no significant changes in the average labour participation rate, it is possible to construct three output scenarios for the economy based on different productivity scenarios: the basic scenario, the high growth scenario and the low growth scenario (Chart 3).

CHART 3. FINLAND'S GDP IN 1900–1985 AND OUTPUT SCENARIOS UP TILL 2030, INDEX (1985 = 100)

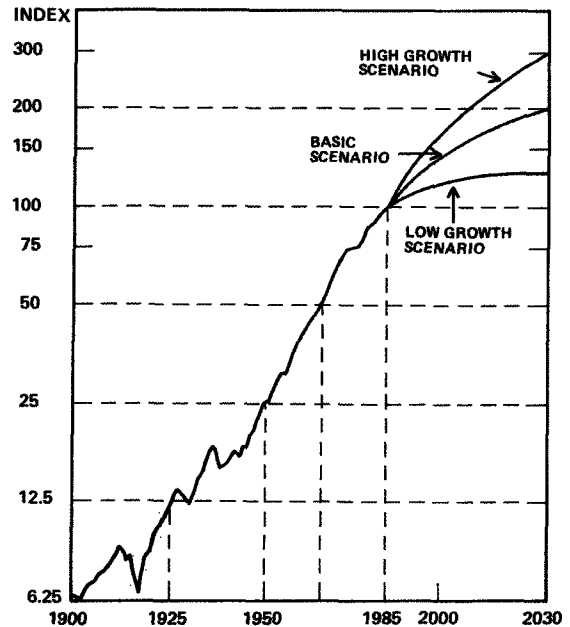


TABLE 1. GDP GROWTH PER MANHOUR IN FINLAND IN 1870–2030

Years	Per cent Per annum
1870–1950 ¹	2.0
1950–1985 ²	4.5
1985–2030	
Basic scenario	2.4
High growth scenario	3.2
Low growth scenario	1.3

¹ Maddison. "Phases of Capitalist Development"

² Central Statistical Office of Finland: National Accounts

In the basic output scenario, the volume of GDP in 2030 is twice that in 1985. Expressed in terms of GDP, real income doubles by 2030, if average annual economic growth is 1 1/2 per cent. In that case, the average Finn would live as well as citizens in the top two deciles of income do at present.

In the high growth scenario, output would have tripled by 2030. Economic growth would

continue at an annual rate of 2 1/2 per cent, or only slightly more slowly than in 1974–1986. In this scenario, the average Finn in 2030 would be approximately as well-off as people in the top decile of income in the North America at present.

In the low growth scenario, the volume of GDP in 2030 would be 1 1/4 times that in 1985. In this alternative, economic growth would be around half a per cent a year. In this scenario, Finland would become a zero-growth society at the beginning of the 21st century. Zero growth would be the result, for example, of a change in preferences among the population or of a stagnation in economic growth in countries important for Finnish exports.

Although Finland's population is aging, it will be increasingly better off in economic terms. However, this will require a rise in productivity. In seeking to achieve higher labour productivity, Finland will, in her economic policy, have to continue to place emphasis on education, research and development, the fostering of productive investments and the maintenance of international cooperation at a high level.

PENSIONS UP TILL 2030

At the end of 1985, pensioners totalled almost 1.1 million. The number has doubled in a quarter of a century. The Finnish pensions system consists of national pensions and earnings-related pensions. National pensions are aimed at providing each citizen with basic security of livelihood, whereas employment pensions ensure a reasonable livelihood relative to the earnings acquired during working life.

In the Nordic countries, the proportion of pensioners in the population and the ratio of pension expenditure to GDP are fairly uniform. Where Finland gains by her more favourable age structure, she loses owing to her higher incidence of early retirements. The relative shares are also affected by the fact that the general retirement age in Norway and Denmark is 67 years.

In the decades to come, the aging of the population will be a common problem in developed countries. For example, in the major western countries the ratio of pensioners to the labour force will double by 2030, and this will also be the case in Finland. The estimates of pension expenditure in the different output scenarios have been made on the basis of existing legislation and past developments.

Average national pensions are assumed to maintain their present level in real terms. This assumption overestimates actual developments, because an improvement in earnings-related pensions will reduce some increments under the national pensions scheme. The level of earnings-related pensions will rise on account of both developments in earnings and the completion of the private pensions scheme.

According to these estimates, the growth in pension expenditure will exceed the rise in GDP up till 2015, so that the ratio of pension expenditure to GDP will rise. Subsequently, the average pension level will improve in relation to the earnings level. Average pensions will rise to about half of the earnings level by 2015. Thereafter, the relative rise in the earnings level and pensions will stabilize, and the growth in pensions will even be slower than the rise in earnings, provided that real earnings rise rapidly.

TABLE 2. PENSION RECIPIENTS AND PENSION EXPENDITURE IN THE NORDIC COUNTRIES IN 1984

	Finland	Sweden	Norway	Denmark
Proportion of pension recipients in population, per cent	18.2	21.0	18.0	17.2
Ratio of pension expenditure to GDP, per cent	9.8	13.1	8.6	9.3

TABLE 3. ANNUAL GROWTH IN PENSION EXPENDITURE, PER CENT

	Output alternatives		
	Basic scenario	High growth scenario	Low growth scenario
1985–2000	3.4	4.2	2.5
2000–2015	3.3	4.2	2.4
2015–2030	1.6	2.5	0.8

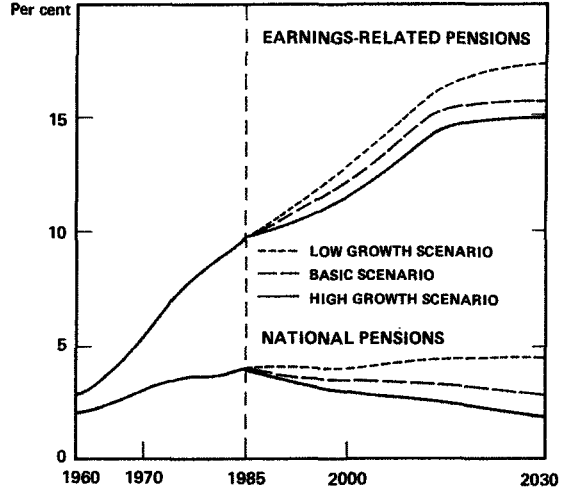
The fact that average pensions will remain clearly below the target level set in pension legislation (60 per cent of the earnings level) can be ascribed mainly to two factors. First, after the postwar "baby boom" generation has retired, the indexation of pensions will begin to exert a stronger influence on the overall development of pension expenditure. As national pensions merely follow changes in the cost of living and 50 per cent of earnings-related pensions are linked to real earnings, pensions will gradually fall behind the growth of earnings. The difference will be the larger the faster is the rise in earnings.

Secondly, the present earnings-related pension acts impose a condition of 40 years of employment for entitlement to a full pension. As training periods and, for example, maternity leaves lengthen, not all will be able to meet these requirements. In family pensions, the target level is lower.

Although the growth of pension expenditure will be a major factor affecting the economy in the decades to come there is unlikely to be any significant change compared with the rate of growth hitherto. In fact, the share of pensions in GDP rose more rapidly in the 1970s, for

instance, than it is projected to grow in the early part of the 21st century, even in the low growth scenario (Chart 4). Facilitating adjustment in Finland will be the fact that other industrial countries will also face similar problems.

CHART 4. THE SHARE OF PENSIONS IN GDP IN DIFFERENT OUTPUT SCENARIOS IN 1960–2030, PER CENT



The ratio of private and public consumption expenditure to national income will rise, because an increasingly smaller proportion of national income will be needed for investments in housing, energy and infrastructure. The share of pensions in GDP will rise by approximately the same amount as the share of investment falls. Hence, the real income of the employed workforce rises in all output scenarios at roughly the same rate as the growth of the volume of output.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM MARCH 1986 TO MARCH 1987

1986

March

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

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

Investment reserves. On March 20, the Council of State decides to release, as from October 1, 1985, investment reserves made by companies for accounting periods ending in 1984 for use elsewhere than in the Greater Helsinki area. The utilization period is to expire on December 31, 1987.

May

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

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

Regulation of average lending rates. The Bank of Finland raises the upper limit on the banks' average lending rate in relation to the base rate by 0.25 percentage point with effect from May 19, 1986. The new upper limit is the Bank of Finland's base rate plus 2 percentage points or 9.0 per cent. If the average interest rate on a bank's total markka-denominated deposits exceeds the Bank of Finland's base rate by more than one percentage point, the bank's average lending rate may at most equal the average deposit rate for the month in question plus one percentage point.

Call money market. The Bank of Finland implements the following changes in its call money rates:

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

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

As from May 16, 1986, the Bank of Finland removes the upper limit on the amount of foreign financing credits for imports mediated by banks. At the same time, the Bank decides to start treating domestic foreign currency deposits received by banks as equivalent to banks' foreign borrowing; subsequent to this, banks are, in practice, no longer able to grant domestic credits denominated in foreign currency.

June

Call money market. The Bank of Finland lowers the rate on call money credits from 11.0 to 10.8 per cent and the rate on call money deposits from 10.3 to 10.1 per cent as from June 6.

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

The prohibition concerning the sale of Finnish bonds and debentures to non-residents is rescinded on the condition that they are bought with earnings or sales proceeds from Finnish bonds and debentures acquired previously or with funds held in Finland by persons who have emigrated from Finland.

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

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

FIM bond issue by the Nordic Investment Bank. The Nordic Investment Bank issues FIM bonds in Finland totalling FIM 250 million, up to half of which the Bank of Finland permits to be sold directly to foreign investors. At least half of the issue is to be sold to domestic investors, but once quoted on the Helsinki Stock Exchange, the bonds can be sold and purchased abroad on the secondary market through the Stock Exchange.

August

Call money market. On July 31, the Parliamentary Bank Supervisors extend to the Board of Management of the Bank of Finland, until further notice, unlimited powers to raise the

call money rate. In this context, the Bank of Finland decides to introduce, as from August 1, a call money rate policy under which call money rates are henceforth to be determined in accordance with the foreign exchange reserves. Thus, call money rates are to rise when foreign exchange reserves decline and fall when foreign exchange reserves grow.

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

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

Regulation of average lending rates. The Bank of Finland abolishes the regulation of average lending rates as from August 1.

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

September

Call money market. The Bank of Finland implements the following changes in its call money rates:

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

Cash reserve requirement. As an exception to the cash reserve agreement concluded with the banks, the Bank of Finland decides to pay interest on cash reserve deposits for the period September – December 1986 at a rate which is 3 percentage points below the Bank of Finland call money lending rate, however, not less than 1/4 percentage point below the Bank of Finland base rate.

October

Call money market. The Bank of Finland implements the following changes in its call money rates:

Effective as from	Rate on call money credits	Rate on call money deposits
	Per cent	Per cent
October 2	12.0	11.0
October 16	11.8	10.8

The decision of the Parliamentary Bank Supervisors on the temporary removal of the upper limit on the call money lending rate expires on October 21, 1986. From that date, the upper limit on the call money lending rate is again the base rate plus 15 percentage points.

Investment reserves. On October 23, 1986, the Council of State decides to release, as from April 1, 1986, investment reserves made for accounting periods ending in 1984 for use in the Greater Helsinki area. The utilization period is to expire on December 31, 1987.

In the same context, the Council of State decides to raise the special investment allowance from 3 to 6 per cent outside the Greater Helsinki area. The increased allowance can be applied to investment reserves to be used during accounting periods ending between November 1, 1986 and December 31, 1987.

Change in the cash reserve agreement. Samuel Montagu Osakepankki starts operations in Finland at the beginning of October, and on October 17, 1986 it joins the cash reserve agreement between the Bank of Finland and the banks.

November

Changes in the terms of central bank financing. As from the beginning of November, the Bank of Finland grants Samuel Montagu Osakepankki the same rights to central bank financing and to participation in the call money market as the other commercial banks. After Bank of Helsinki Ltd ceases operations as an independent bank and is merged with Union Bank of Finland Ltd at the beginning of November, the Bank of Finland cancels the rights of Bank of Helsinki Ltd to central bank financing and to participation in the call money market with effect from November 1, 1986.

Lending rates. On November 28, 1986, the Bank of Finland decides that henceforth lending rates applied in short- (up to 1 year) and medium-term (between 1 and 5 years) loan agreements may be linked to a reference rate which reflects the cost of unregulated short-term funding. The introduction of a reference rate requires the prior approval of the Bank of Finland.

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

December

Terms of central bank financing. On December 1, 1986, the Bank of Finland introduces a system under which the banks may, in addition to call money credit, also obtain central bank financing in the form of longer-term credits at fixed rates of interest. Initially, only three-month credits are to be granted and the quantity of credit and the rate of interest charged are to be determined on the basis of banks' requests for credit within the framework of the targets set for central bank financing by the Bank of Finland. The upper limit on

the rate of interest applied to fixed-rate term loans extended by the central bank is the same as that on the call money lending rate, i.e. the base rate plus 15 percentage points.

For the present, the Bank of Finland does not undertake to accept longer-term deposits at fixed rates.

Call money market. The Bank of Finland lowers the call money deposit rate from 10.8 to 9.0 per cent as from December 1 and raises the rate on call money credits from 11.8 to 11.9 per cent as from December 2 and further to 12.0 per cent as from December 9.

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

1987

January

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

New-export credits. As from the beginning of 1987, the Bank of Finland restricts the use of new-export credits so that the duration of a new-export credit extended to a company cannot exceed five years from the drawing of the first credit instalment. The rate of interest

collected by the Bank of Finland from banks for new-export credits is raised to the same level as that applied to the financing of short-term export credits, i.e. the Bank of Finland's base rate.

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

Amendments to Foreign Exchange Regulations. As from January 1, 1987, the Bank of Finland grants the Labour Savings Bank of Finland the status of an authorized bank.

Call money market. The Bank of Finland lowers the rate on call money credits from 12.0 to 11.9 per cent as from January 26.

February

Call money market. The Bank of Finland implements the following changes in its call money rates:

Effective as from	Rate on call money credits	Rate on call money deposits
	Per cent	Per cent
February 2	11.8	9.0 (unchanged)
February 13	11.7	8.5
February 20	11.6	8.0

Term deposits. With effect from February 4, 1987, the Bank of Finland allows the banks entitled to central bank financing to make bids for three-month fixed-rate deposits with the Bank of Finland. This arrangement is to operate alongside the existing arrangement for three-month central bank credits.

March

Call money market. The Bank of Finland lowers the rate on call money credits from 11.6 to 11.5 per cent and the rate on call money deposits from 8.0 to 7.5 per cent as from March 5.

ITEM

FINNISH INVESTMENT ABROAD AND FOREIGN INVESTMENT IN FINLAND IN 1986

Finnish direct investment abroad. Finnish direct investment abroad in 1986 in the form of equity capital amounted to FIM 2 914 million, while capital repatriated to Finland totalled FIM 103 million. Thus, there was a net outflow of equity capital of FIM 2 811 million. Capital outflows in the form of loans to subsidiaries and associates totalled FIM 705 million. Redemptions of loans amounted to FIM 39 million, so that there was a net outflow of loans to subsidiaries and associates of FIM 666 million. Hence, the total net direct investment outflow amounted to FIM 3 477 million, nearly 70 per cent more than in the previous year. The increase was mainly due to acquisitions.

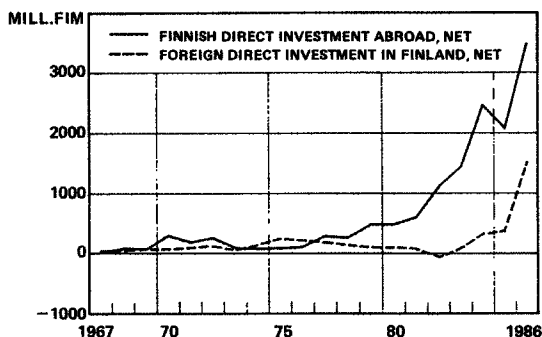
FIM 1 647 million, representing almost half of the net outflow, went to EFTA countries. Net investment in EEC countries accounted for two fifths of the total direct investment outflow. The net direct investment outflow to North America represented 7 per cent of the total direct investment outflow. Finnish net direct investment in developing countries totalled FIM 197 million, representing 6 per cent of the total direct investment outflow.

Finnish-owned companies operating abroad transferred FIM 59 million in dividends to their parent companies in Finland and paid FIM 23 million in interest on loans granted by these companies. Thus, capital earnings totalled FIM 82 million.

The share of direct investment in Finland's gross long-term assets amounted to FIM 13.6 billion or 61 per cent at the end of 1986¹. Of this sum, FIM 11.7 billion represented equity capital and FIM 1.9 billion loans to subsidiaries and associates.

¹The value of the stock of direct investment by Finnish companies in subsidiaries and associates abroad.

CHART. FINNISH DIRECT INVESTMENT ABROAD AND FOREIGN DIRECT INVESTMENT IN FINLAND



At the end of 1986, there were 1 967 Finnish-owned companies abroad, of which 317 were manufacturing firms. During the year, Finnish companies established or acquired 407 subsidiaries and associates abroad and relinquished ownership of 66 companies. Finnish companies had 269 branches operating abroad at the end of 1986.

Foreign direct investment in Finland. New foreign direct investment in companies in Finland in the form of equity capital totalled FIM 1 664 million in 1986. As repatriations of capital amounted to FIM 143 million, the net inflow of equity capital totalled FIM 1 521 million. Loans granted by foreign companies to their subsidiaries and associates in Finland totalled FIM 24 million, while redemptions of loans amounted to FIM 26 million. Hence, the net direct investment inflow to Finland totalled FIM 1 519 million, almost four times more than in the previous year. Here, too, the growth was due to a few major acquisitions.

The net direct investment inflow to Finland from EFTA countries accounted for over 90 per cent of the total inflow. Direct investment by EEC countries decreased by two thirds from the previous year, and their share of the total inflow amounted to only 4 per cent.

Foreign firms operating in Finland transferred FIM 637 million in dividends to their parent companies and paid FIM 15 million in interest on loans granted by these companies. Thus, capital charges totalled FIM 652 million.

The share of direct investment in Finland's gross long-term debt totalled FIM 4.8 billion or 6 per cent at the end of 1986². Of this sum, FIM 4.4 billion was invested as equity capital and FIM 0.4 billion as loans to subsidiaries and associates.

At the end of 1986, there were 1 377 foreign-owned companies in Finland. Of these, 237

² The value of the stock of direct investment by foreign companies in subsidiaries and associates in Finland.

were manufacturing firms. In the course of the year, foreign companies established or acquired 247 subsidiaries and associates in Finland and relinquished ownership of 24 companies. Foreign companies had 19 branches operating in Finland at the end of 1986.

Portfolio investment. Shares of Finnish companies sold to foreign investors either through the Helsinki Stock Exchange or in the form of issues on foreign capital markets totalled FIM 3 576 million. Shares, bonds and debentures were repurchased to Finland up to the value of FIM 2 930 million. Thus, portfolio investment in 1986 amounted to FIM 646 million in net terms. The share of portfolio investment in Finland's gross long-term debt amounted to FIM 7.0 billion, or 8 per cent, at the end of 1986.

in international financial markets, especially bond markets, were favourable for borrowers, as was evidenced by a distinct improvement in credit terms. Also indicative of the easier borrowing terms was a drop in the average rate of interest on drawings of fixed-rate loans by Finnish borrowers from 8.3 per cent in the previous year to 7.1 per cent. However, the average maturity shortened from 7.6 to 6.9 years. The early repayment of outstanding loans and the raising of new loans on more favourable terms in their place became increasingly prevalent, even though these operations had already taken place on a large scale in 1985. The central government also carried out an extensive programme of conversions. Consequently, of the total repayments of long-term foreign loans in 1986, 48 per cent consisted of early repayments or conversions.

Borrowing by the central government had scarcely any impact on net capital flows during the year, for its drawings of loans equalled its repayments. Similarly, with the exception of banks, the other sectors, taken as a whole, did not import loan capital in net terms, despite the fact that in August the quantitative controls on borrowing abroad by manufacturing and shipping companies were lifted in respect of credits of at least five years' duration. The stock of outstanding export credits, which is included in companies' long-term assets, declined for the second successive year. This was due to the fact that there were very few deliveries of big ships in 1986.

Net long-term borrowing by banks amounted to FIM 5.7 billion. In the early part of the year, they imported long-term capital to lengthen the maturity structure of their outstanding liabilities. The long-term capital inflows of this sector increased again in the autumn when banks were granted the right to freely intermediate long-term credits to manufacturing and shipping companies. Drawings of these credits totalled FIM 3.8 billion. The demand for foreign currency credits was brisk, as the rate

of interest on them was appreciably lower than that on corresponding markka credits. Demand was further boosted by the Bank of Finland's decision to prohibit the granting of credits against domestic foreign currency deposits.

The internationalization of Finnish companies continued, as was indicated by the growth of Finnish direct investment abroad, which amounted to FIM 3.5 billion in net terms. Net foreign direct investment in Finland also showed an increase on the previous year, reaching FIM 1.5 billion. At the end of 1986, the stock of direct investment by Finnish companies abroad totalled FIM 13.6 billion in nominal terms while the stock of direct investment in Finland by foreign companies amounted to FIM 4.8 billion. In addition to direct investment, the internationalization of Finnish banks proceeded further with the setting up of branches abroad.

Despite the high forward rate of the markka, the net stock of banks' forward contracts with companies and foreign banks declined in the course of the year from FIM 16.0 billion to FIM 7.7 billion. The Bank of Finland's outstanding forward contracts with banks fell by almost FIM 9 billion. As a result, short-term capital imported by banks in the course of the year as forward cover amounted to only FIM 0.7 billion, compared with FIM 3.1 billion in the previous year.

There was a marked decline of FIM 9.3 billion in banks' net short-term foreign liabilities in the course of the year. This was partly due to the refinancing of existing short-term liabilities by means of long-term loans. Credits granted by banks for financing export receivables declined by about FIM 2.4 billion while credits for financing imports increased by the same amount. Contributing to the increase in the financing of imports was the abolition in May of the bank-specific quotas for these credits. Companies' net short-term liabilities increased by FIM 1.4 billion, mainly because of an increase in import liabilities.

TABLE 2. NET FOREIGN DEBT, MILLION FIM

	January-December, 1986			31.12. 1986 ¹
	31.12. 1985	Net drawings	Impact of Exchange Rates	
Long-term loans	66 363	5 391	- 492	71 262
Corporations	26 121	- 1 081	- 753	24 287
Financial institutions	13 979	6 584	- 389	20 174
Central government	25 678	- 63	677	26 292
Local authorities	585	- 49	- 27	509
Other gross long-term debt	10 239	2 252	- 2	12 489
A. GROSS LONG-TERM DEBT	76 602	7 643	- 494	83 751
Long-term loans	7 659	- 251	- 580	6 828
Corporations	6 552	- 637	- 497	5 418
Financial institutions	806	297	- 82	1 021
Central government	301	89	- 1	389
Other gross long-term assets	12 178	3 743	- 371	15 550
B. GROSS LONG-TERM ASSETS	19 837	3 492	- 951	22 378
NET LONG-TERM DEBT (A-B)	56 765	4 151	457	61 373
C. GROSS SHORT-TERM DEBT	71 547	4 165	406	76 118
D. GROSS SHORT-TERM ASSETS	82 112	4 116	- 127	86 101
NET SHORT-TERM DEBT (C-D) ²	-10 565	49	533	- 9 983
NET FOREIGN DEBT	46 200	4 200	990	51 390

¹Preliminary

²Incl. foreign exchange reserves

The Bank of Finland's convertible foreign exchange reserves decreased by FIM 11.7 billion in the course of the year and totalled FIM 10.6 billion at the end of the year. In August, the foreign exchange reserves fell to as low as less than FIM 8 billion. Practically all of the Bank of Finland's outstanding forward purchase contracts with the banks matured in the course of the year. The tied foreign exchange reserves grew by FIM 3.8 billion to reach FIM 3.4 billion at year-end.

NET FOREIGN DEBT

Finland's gross long-term debt grew by FIM 7.1 billion in 1986 and gross long-term assets

by FIM 2.5 billion. Net long-term foreign debt amounted to FIM 61.4 billion at the end of the year. Gross short-term foreign assets grew by FIM 4.0 billion and gross short-term foreign debt by FIM 4.6 billion. Thus, the net short-term debt remained almost unchanged, totalling FIM 10.0 billion at the end of the year. The short-term items also include the Bank of Finland's foreign exchange reserves (Table 2). Finland's total net foreign debt amounted to FIM 51.4 billion at the end of 1986. In proportion to GDP, the net debt was 14.4 per cent, nearly the same level as at the end of 1985 (see the Chart on page 19). Excluding direct investment, the ratio was 16.8 per cent.

February 26, 1987

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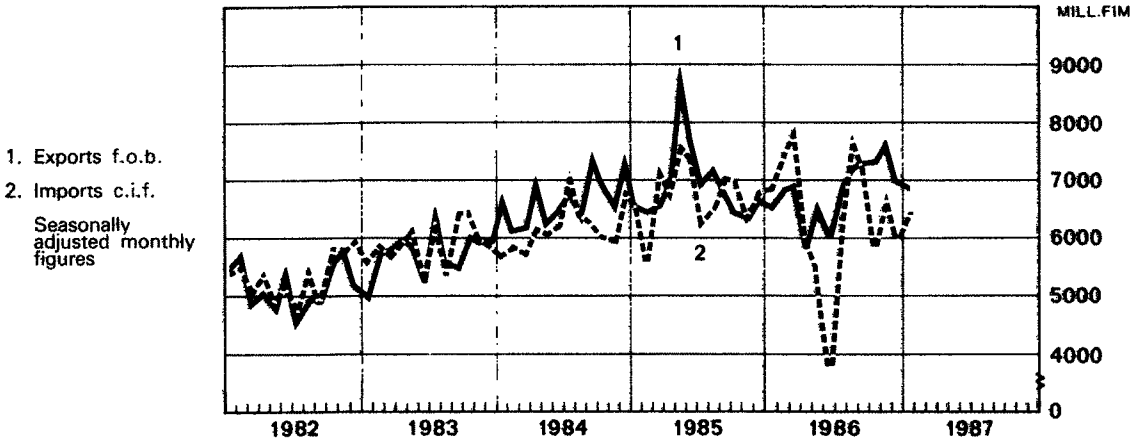
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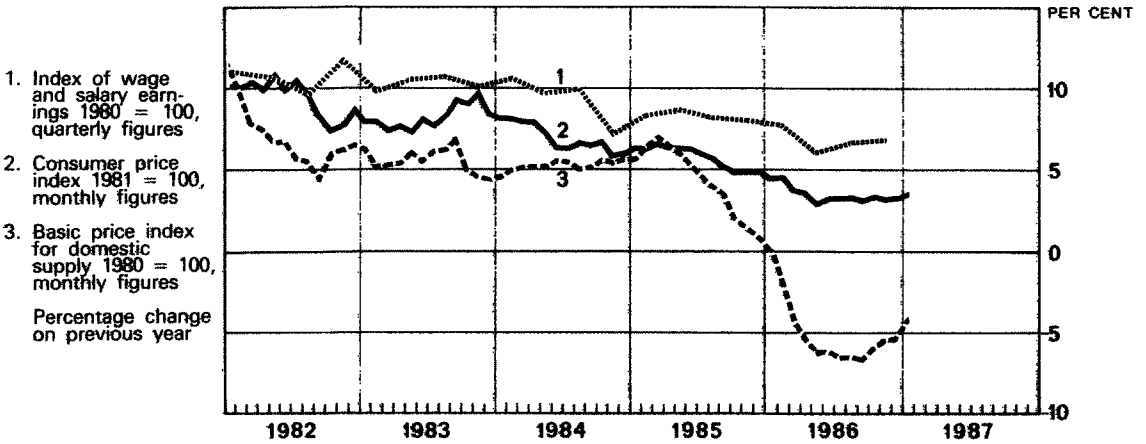
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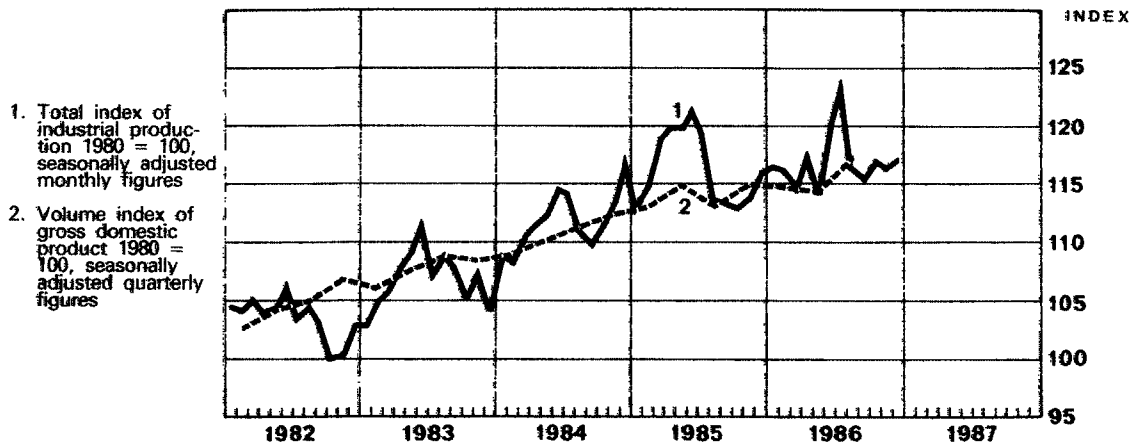
FOREIGN TRADE, 1982-87



PRICES AND WAGES, 1982-87



PRODUCTION, 1982-87



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