



# BANK OF FINLAND

*Monthly Bulletin*

Economic situation

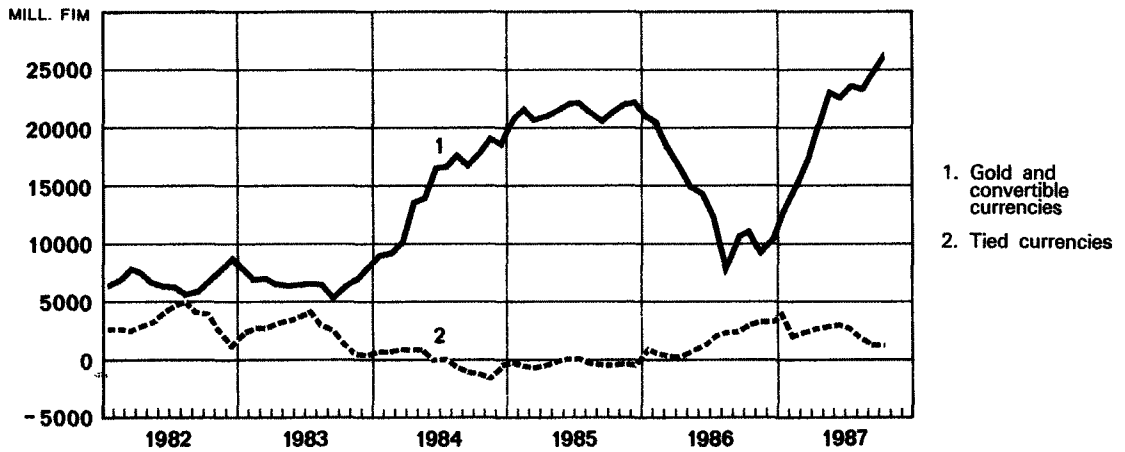
Finland's development cooperation in  
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Monetary and foreign exchange policy  
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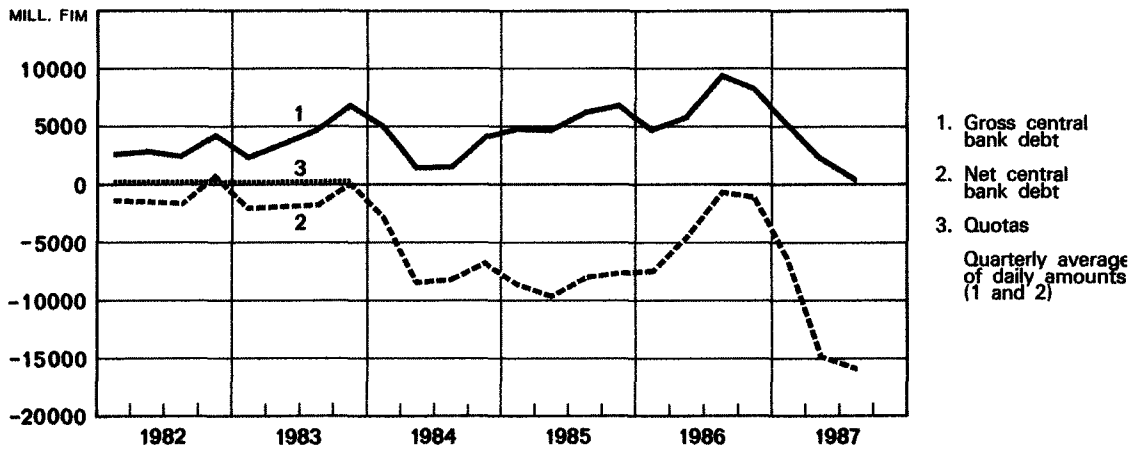
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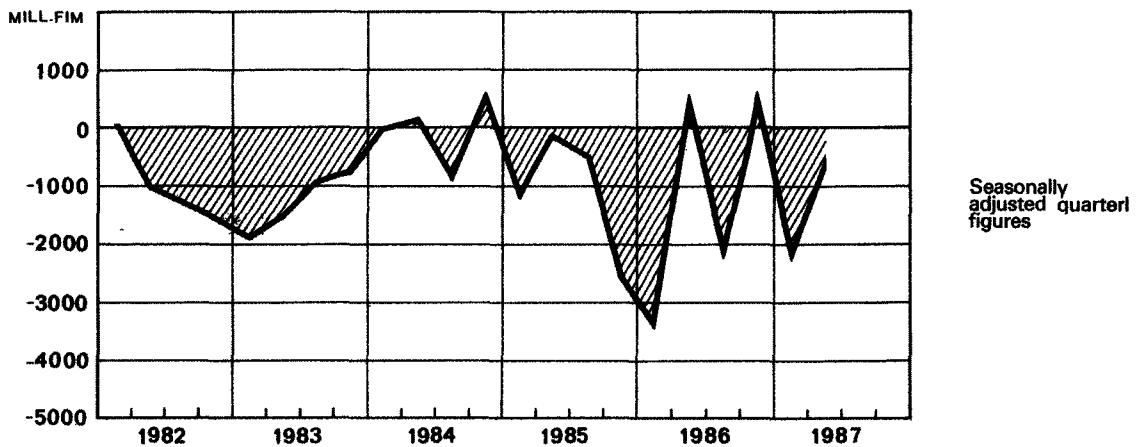
**BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1982-87**



**DEPOSIT BANKS' CENTRAL BANK POSITION, 1982-87**



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



# ECONOMIC SITUATION

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Finland's economic performance since mid-1986 has been fairly favourable, with GDP growth exceeding the average for the 1980s so far. Thanks to vigorous demand in western markets, total exports have expanded despite a marked drop in bilateral exports. Domestic demand has been boosted by rising real incomes, which have benefited from a further improvement in the terms of trade. Gross fixed investment has been expanding rapidly since the end of 1986 and the growth of consumption is estimated to have exceeded 4 per cent in the first half of this year. Consumer price inflation, which has typically been somewhat faster in Finland than in the OECD area as a whole, has been running at about the average rate for the OECD since the summer of 1987. Domestic inflationary pressures have nevertheless remained rather strong and the deepening current account deficit has given rise to some concern.

**TABLE. PERFORMANCE OF THE FINNISH ECONOMY IN 1980-85, 1985-87 SEMI-ANNUAL FIGURES**

	1980-85 average	1985		1986		1987
		I	II	I	II	I
GDP volume, <sup>1</sup> percentage change from previous year	3.4	4.3	2.7	1.2	3.6	5.2
percentage change at annual rate from previ- ous half year		3.8	1.6	1.0	6.5	4.0
Unemploy- ment rate, <sup>1</sup> per cent	5.1	5.0	5.1	5.4	5.4	5.2
Consumer prices, percentage change from previous year	9.1	6.4	5.3	3.8	3.4	3.5
Current ac- count per cent of GDP	-1.1	-1.0	-1.7	-2.1	-0.6	-2.6

<sup>1</sup> Figures have been seasonally adjusted at the Bank of Finland.

Increased confidence in the markka has led to a more than twofold increase in the foreign exchange reserves of the central bank, making possible a gradual lowering of short-term interest rates from the beginning of this year. In order to reduce inflationary pressures and to curb the current account deficit, monetary policy has been directed towards preventing interest rates from falling too rapidly. The currency index has been allowed to strengthen slightly to counter the downward pressure of capital inflows on Finnish interest rates. The expansive stance of fiscal policy in 1987 has left little scope for easing monetary policy. In 1988, fiscal policy is estimated to be slightly restrictive, mainly because of the adjustment of income tax brackets by less than the rate of inflation.

Total output grew rapidly in the first half of 1987, increasing by about 4 per cent from the second half of 1986 at annual rate. Economic activity is expected to slow down somewhat in the second half of the year. To a large extent this is due to crop failures caused by bad weather conditions. For the year as a whole, real GDP is estimated to rise by more than 3 per cent from the previous year. The output of the manufacturing sector is expected to increase by about 4 to 5 per cent this year. In spite of this, employment is forecast to fall by about 3 per cent in manufacturing and marginally in the whole economy. The seasonally adjusted unemployment rate has remained at around the 5 per cent mark throughout the year so far, showing only small signs of a decline.

The fall in the price of oil in 1986 led to a substantial cutback in exports to the Soviet Union, thereby diminishing the surplus on the bilateral account. Switching exports from the Soviet market to western markets has proceeded more smoothly than expected. In the

first half of this year exports to western markets grew by 10 per cent from the same period of last year, which was far more than the growth of markets. The recovery of demand in European markets and the improved price competitiveness of Finnish products have been the main reasons for this good performance. Total exports are expected to grow by more than 2 per cent this year.

The gains in the terms of trade are considerable: 8.5 per cent in 1986 and about 3 per cent this year. Relatively large increases in real income have boosted consumption and investment in spite of a continuing high level of real interest rates. In the first half of 1987 real consumption expenditure grew by more than 4 per cent and spending on consumer durables by some 6 per cent.

Private fixed investment, which remained practically stagnant last year, grew by more than 7 per cent in the first half of 1987 and is estimated to continue growing—albeit at a decelerating pace - during the rest of the year. Housing construction has recovered after several years of decline. The figures for investment in construction are blurred somewhat by the long strikes in the spring of 1986 but a clear upward trend is discernible. The growth of private consumption is likely to exceed 4 per cent this year after a rise of a nearly 4 per cent last year. Households have increased their borrowing so as to finance house purchase and consumption, and this has been reflected in a higher propensity to consume. This is probably partly a response to the end of credit rationing.

Higher levels of consumption and investment have led to a marked increase in imports, especially since the growth of consumption has to a large extent been directed towards imported goods. The overall trade account showed a surplus of FIM 1.5 billion in the first eight months of this year, partly because of the improvement in the terms of trade. The cumulative current account deficit in the eight months up till August totalled FIM 6 billion. Part of the deficit is due to unfavourable

developments in the services account. In the transport account, the major part of the weakening is attributable to the fact that about one third of the Finnish merchant marine has been sold abroad in recent years. Rising real incomes have increased Finnish tourism abroad and this has widened the deficit on the travel account. The deficits have led to a build-up in Finland's foreign debt, so that interest payments have added to the deficit on current account. Even so, the ratio of foreign debt to GDP will still be at a relatively low level of some 14 per cent at the end of 1987.

The fall in import prices in 1986 has been passed through to domestic prices relatively slowly. The twelve-month rate of change in consumer prices remained at about 3 1/2 per cent until September this year. During the last quarter of the year the inflation rate is likely to edge up slightly, nevertheless staying close to the OECD average. The index of wage and salary earnings is expected to grow by about 7.5 per cent this year. Negotiated wages have exceeded the general increase implied by wage settlements in the spring of 1986.

The marked rise in labour costs in manufacturing has been largely offset by growing productivity, so that unit labour costs increased by about 2 1/2 per cent last year and are expected to rise by only 1 per cent this year. In relation to competitor countries, price competitiveness is anticipated to remain roughly at the level of 1986 this year.

Despite the rapid expansion of exports and the terms-of-trade gains, the structure of demand has shifted towards imports, thereby increasing the deficit on current account. This could become a serious problem in the future if the propensity to import remains at a high level and exports decline. The current account deficit undoubtedly constitutes a constraint for economic policy, the main concerns of which at present are external balance and inflationary pressures. However, the outlook for the near term points to relatively favourable developments in most economic indicators.

October 16, 1987

	1986		1987			
	Oct. 31	Dec. 31	Oct. 8	Oct. 15	Oct. 23	Oct. 30
<b>Assets</b>						
Gold and foreign currency claims	14 627	14 088	26 547	27 340	28 079	28 030
Gold	2 081	2 081	2 081	2 081	2 081	2 081
Special drawing rights	983	983	968	970	968	964
IMF reserve tranche	801	794	755	757	756	753
Convertible currencies	7 517	6 795	21 445	22 118	22 800	22 785
Tied currencies	3 245	3 435	1 297	1 413	1 473	1 447
Other foreign claims	2 566	2 585	4 463	4 463	4 467	4 470
Markka subscription to Finland's IMF quota	2 566	2 585	2 506	2 506	2 506	2 506
Term credit	—	—	1 957	1 957	1 961	1 964
Claims on financial institutions	11 555	14 074	5 028	5 005	4 818	4 921
Banks' cheque accounts	—	—	—	—	—	—
Call money credits	7 128	6 818	0	75	1	49
Term assets	—	2 381	—	—	—	—
Till-money credits	1 755	2 305	2 419	2 343	2 229	2 284
Bonds	2 097	2 111	2 189	2 158	2 159	2 159
Other claims on financial institutions	575	459	420	429	429	429
Claims on the public sector	1 002	1 002	966	967	968	968
Bonds	75	59	4	4	4	4
Total coinage	927	935	962	963	964	964
Other claims on the public sector	—	8	—	—	—	—
Claims on corporations	4 925	4 844	3 820	3 837	3 857	3 840
Financing of exports	1 747	1 749	921	939	947	937
Financing of domestic deliveries	2 903	2 833	2 660	2 658	2 670	2 664
Bonds	67	65	47	47	47	47
Other claims on corporations	208	197	192	192	192	191
Other assets	149	149	104	106	106	105
<b>Total</b>	<b>34 824</b>	<b>36 742</b>	<b>40 929</b>	<b>41 716</b>	<b>42 295</b>	<b>42 334</b>
<b>Liabilities</b>						
Foreign currency liabilities	47	31	137	158	146	144
Convertible currencies	27	17	69	90	75	73
Tied currencies	20	14	67	68	70	72
Other foreign liabilities	3 412	3 423	3 310	3 312	3 310	3 307
IMF markka accounts	2 566	2 585	2 506	2 506	2 506	2 506
Allocations of special drawing rights	846	838	804	806	804	801
Notes and coin in circulation	7 973	8 667	9 047	9 030	9 003	9 069
Notes	7 193	7 856	8 216	8 198	8 170	8 234
Coin	780	811	831	832	833	835
Liabilities to financial institutions	9 255	9 729	16 031	16 864	17 474	17 368
Banks' cheque accounts	0	0	—	—	—	—
Call money deposits	88	131	717	640	799	159
Term liabilities	—	—	4 404	5 311	5 733	6 178
Cash reserve deposits	9 052	9 270	10 853	10 853	10 853	10 984
Capital import deposits	21	254	—	—	—	—
Other liabilities to financial institutions	94	74	57	60	89	47
Liabilities to the public sector	1 001	2 001	1	1	0	0
Cheque accounts	1	1	1	1	0	0
Government deposit account	1 000	2 000	—	—	—	—
Capital import deposits	—	—	—	—	—	—
Other liabilities to the public sector	0	0	0	0	0	0
Liabilities to corporations	5 138	5 019	5 107	5 087	5 072	5 028
Deposits for investment and ship purchase	4 798	4 671	4 875	4 855	4 853	4 810
Capital import deposits	334	336	207	207	207	206
Other liabilities to corporations	6	12	24	24	12	12
Other liabilities	18	23	33	25	24	36
Valuation account and reserves	2 096	1 920	1 335	1 311	1 338	1 453
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	—	—	—	—
<b>Total</b>	<b>34 824</b>	<b>36 742</b>	<b>40 929</b>	<b>41 716</b>	<b>42 295</b>	<b>42 334</b>

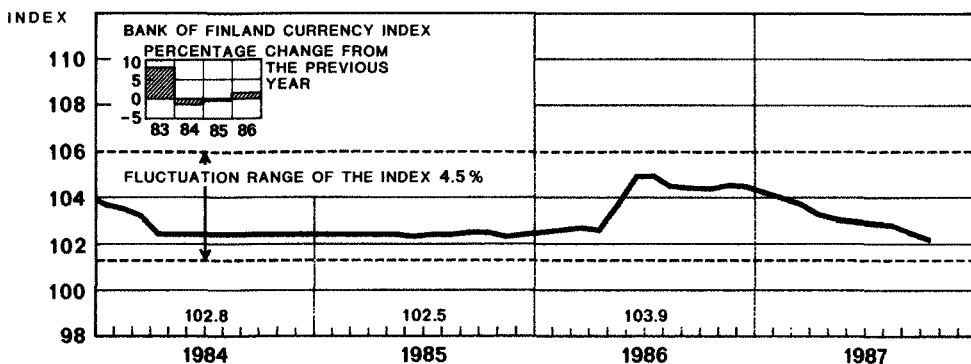
End of year or month	Foreign sector						Public sector			
	Gold, SDRs, IMF reserve tranche	Convert-ible cur-rencies, net	Total convert-ible reserves (1+2)	Tied cur-rencies, net	Other claims, net	Net claims (3 to 5)	Claims	Government deposit account	Other liabilities	Net liabilities (8-7+9)
	1	2	3	4	5	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										
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
March	3 813	13 468	17 281	2 537	1 168	20 986	959	-	1	-958
April	3 811	16 440	20 251	2 908	1 160	24 319	960	-	0	-960
May	3 815	19 442	23 257	3 036	1 165	27 458	959	-	1	-958
June	3 837	19 006	22 843	3 207	1 167	27 217	959	-	1	-958
July	3 837	19 991	23 828	2 899	1 173	27 900	954	-	1	-953
Aug.	3 843	19 744	23 587	2 041	1 164	26 792	963	-	1	-962
Sept.	3 808	21 291	25 099	1 428	1 157	27 684	965	-	0	-965
Oct.	3 798	22 712	26 510	1 375	1 163	29 048	968	-	0	-968

## OFFICIAL FOREIGN EXCHANGE RESERVES

Mill. FIM

	Dec. 31, 1986	July 31, 1987	Aug. 31, 1987	Sept. 30, 1987	Oct. 30, 1987
Gold	2 081	2 081	2 081	2 081	2 081
SDRs	983	969	973	970	964
IMF reserve tranche	794	787	789	757	753
Convertible currencies, net	6 778	19 991	19 744	21 291	22 712
Total convertible reserves, net	10 636	23 828	23 587	25 099	26 510
Tied currencies, net	3 421	2 899	2 041	1 428	1 375
Total reserves, net	14 057	26 727	25 628	26 527	27 885

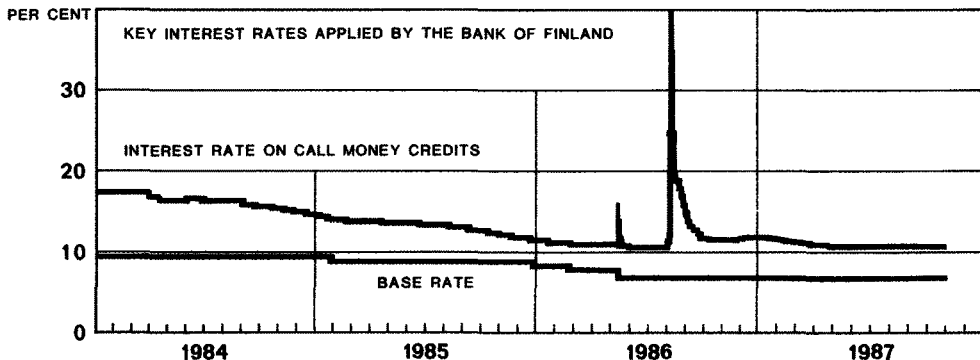
End of year or month	Domestic financial sector						Corporate sector				Notes and coin in circulation
	Till-money credits	Term liabilities of deposit banks	Term assets of deposit banks	Net demand for call money by deposit banks	Cash reserve deposits of deposit banks	Other liabilities, net	Net claims (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	.	.	5 175	5 039	-1 998	3 076	4 529	1 282	3 247	6 574
1984	1 563	.	.	2 802	8 696	-1 618	-2 713	4 646	2 614	2 032	7 442
1985	1 925	.	.	4 014	10 222	-1 386	-2 897	4 525	4 113	412	8 072
1986	2 305	2 381	.	6 687	9 270	-2 242	4 345	4 582	4 757	-175	8 667
1986											
Oct.	1 755	.	.	7 040	9 052	-2 557	2 300	4 650	4 863	-213	7 973
Nov.	1 709	.	.	8 250	9 180	-2 542	3 321	4 659	4 786	-127	8 024
Dec.	2 305	2 381	.	6 687	9 270	-2 242	4 345	4 582	4 757	-175	8 667
1987											
Jan.	2 231	4 266	.	-370	9 353	-2 268	-958	4 360	4 685	-325	8 851
Feb.	2 012	4 736	1 600	-1 313	9 356	-2 227	-3 294	4 259	4 609	-350	8 453
March	2 177	3 572	4 000	-369	9 597	-2 243	-5 974	4 073	4 516	-443	8 325
April	2 114	2 111	6 703	878	9 734	-2 287	-9 047	3 927	4 427	-500	8 704
May	2 139	1 690	7 402	-872	9 975	-2 290	-12 130	3 807	4 222	-415	8 865
June	2 370	1 217	7 072	90	10 118	-2 488	-11 025	3 735	4 704	-970	9 011
July	2 234	89	5 709	157	10 435	-2 486	-11 178	3 706	4 806	-1 100	9 029
Aug.	2 439	258	4 199	-717	10 335	-2 486	-10 068	3 608	4 784	-1 176	9 013
Sept.	2 385	-	4 883	-223	10 853	-2 446	-11 128	3 567	4 838	-1 271	8 952
Oct.	2 284	-	6 178	-110	10 984	-2 541	-12 447	3 601	4 790	-1 189	9 069



# 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 %	3-month Helibor rate %	Base rate %	Average lending rate of the commercial banks %
	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	.	7.42	9.08
1986									
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	.	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	11.14	7.00	8.80
March	3 732	-9 717	9 362	4.7	-281	11.44	10.54	7.00	8.84
April	3 137	-13 160	9 602	4.7	-773	11.14	10.04	7.00	8.86
May	2 269	-14 575	9 758	4.7	42	11.00	9.89	7.00	8.87
June	1 707	-16 457	9 980	4.7	-285	11.00	9.69	7.00	8.91
July	895	-15 748	10 128	4.7	-912	11.00	9.63	7.00	8.93
Aug.	616	-15 586	10 431	4.7	254	11.00	9.55	7.00	8.94
Sept.	181	-15 918	10 352	4.9	-628	11.00	9.48	7.00	8.95
Oct.	19	-16 643	10 861	4.9	-537	11.00	9.45	7.00	..

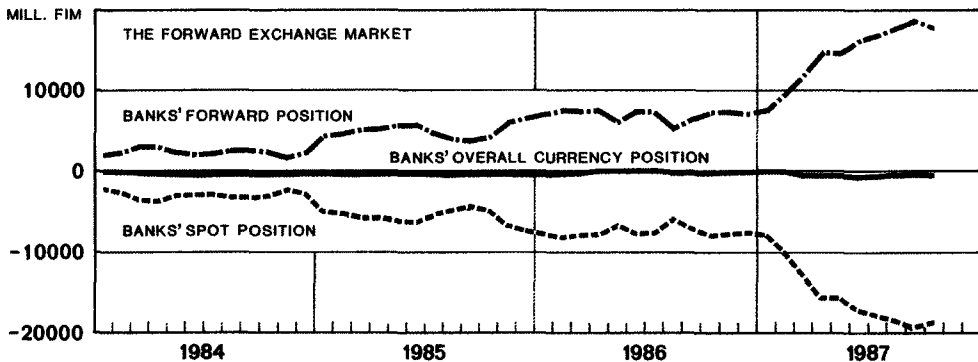
<sup>1</sup> End of period for monthly figures.





# FORWARD EXCHANGE MARKETS IN FINLAND

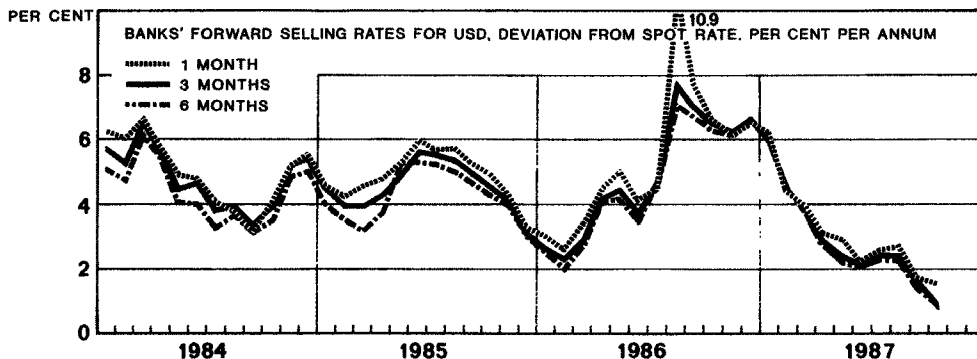
Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks Net	Bank of Finland Net	Overall Net	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net				1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1985	16 982	1 733	15 249	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
1986									
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
Feb.	14 389	1 385	13 003	-1 204	26	11 789	4.4	4.5	4.5
March	15 908	1 263	14 645	-490	18	14 262	4.0	3.9	3.8
April	17 739	1 145	16 594	-1 384	18	15 203	3.2	2.9	2.8
May	18 742	981	17 762	-1 465	-423	15 711	3.0	2.5	2.3
June	18 322	771	17 551	-163	-287	16 699	2.3	2.2	2.2
July	18 596	805	17 792	867	-712	18 055	2.7	2.5	2.4
Aug.	20 075	793	19 282	630	-987	18 966	2.8	2.5	2.4
Sept.	20 088	718	19 369	1 535	-1 664	19 363	1.8	1.7	1.5



# FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

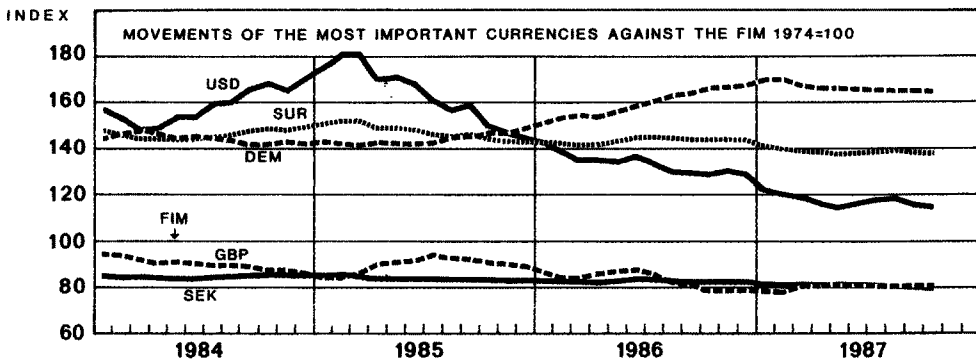
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 1 Skr SEK	Oslo 1 Nkr NOK	Copenhagen 1 Dkr DKK	Frankfurt 1 DM DEM	Amsterdam 1 Hfl NLG	Brussels 1 FB BEC	BEL	Zurich 1 Sfr CHF
	1	2	3	4	5	6	7	8	9	10	*1	12
1982	4.820	3.913	8.423	6.854	0.7703	0.7484	0.5793	1.9876	1.8066	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												
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
March	4.509	3.421	7.185	6.579	0.7040	0.6521	0.6537	2.4603	2.1785	0.11884	0.11821	2.9353
April	4.422	3.360	7.216	6.535	0.7014	0.6542	0.6480	2.4429	2.1652	0.11797	0.11747	2.9599
May	4.358	3.253	7.280	6.534	0.6979	0.6561	0.6486	2.4398	2.1648	0.11770	0.11709	2.9689
June	4.427	3.311	7.221	6.530	0.6990	0.6606	0.6469	2.4353	2.1620	0.11754	0.11726	2.9367
July	4.487	3.389	7.236	6.522	0.6981	0.6652	0.6409	2.4309	2.1589	0.11730	0.11688	2.9246
Aug.	4.505	3.404	7.207	6.503	0.6956	0.6645	0.6334	2.4275	2.1547	0.11695	0.11627	2.9321
Sept.	4.394	3.344	7.240	6.493	0.6902	0.6624	0.6299	2.4258	2.1552	0.11686	0.11630	2.9284
Oct.	4.361	3.337	7.249	6.489	0.6872	0.6591	0.6301	2.4196	2.1504	0.11629	0.11576	2.9163



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 kr ISK	Madrid 1 Ptas ESB	Tokyo 1 Y JPY	Moscow 1 Cl Rbi SUR	Melbourne 1 A \$ AUD	1 European currency unit XEU	1 special drawing right SDR	Currency index <sup>1</sup>
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	..	..	5.30563	115.9
0.7353	0.00369	0.3111	0.0514	0.2325	0.0391	0.02351	7.491	..	..	5.94325	125.1
0.6907	0.00344	0.3013	0.0414	0.1939	0.0375	0.02534	7.357	..	..	6.14739	102.8
0.6940	0.00327	0.3012	0.0367	0.1520	0.0366	0.02610	7.419	..	..	6.27879	102.5
0.7355	0.00343	0.3339	0.0343	0.1259	0.0364	0.03028	7.228	..	..	5.94432	103.9
0.7379	0.00351	0.3431	0.0339	0.1238	0.0368	0.03182	7.255	..	..	5.94398	104.5
0.7481	0.00355	0.3481	0.0337	0.1236	0.0369	0.03139	7.252	..	..	5.92250	104.5
0.7506	0.00355	0.3483	0.0335	0.1243	0.0366	0.03049	7.263	..	..	5.93316	104.6
0.7524	0.00357	0.3505	0.0333	0.1231	0.0366	0.03025	7.242	..	..	5.91076	104.6
0.7512	0.00354	0.3553	0.0329	0.1190	0.0360	0.03004	7.107	3.084	5.156	5.79556	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
0.7407	0.00347	0.3503	0.0322	0.1176	0.0352	0.02980	7.003	3.119	5.103	5.71328	103.8
0.7350	0.00343	0.3478	0.0319	0.1162	0.0350	0.03097	6.971	3.165	5.072	5.70115	103.3
0.7316	0.00339	0.3474	0.0316	0.1155	0.0350	0.03106	6.935	3.136	5.063	5.67351	103.1
0.7306	0.00337	0.3468	0.0315	0.1163	0.0352	0.03066	6.969	3.196	5.050	5.68539	103.0
0.7316	0.00337	0.3460	0.0314	0.1170	0.0355	0.02989	6.985	3.199	5.045	5.68463	103.0
0.7288	0.00337	0.3455	0.0313	0.1171	0.0360	0.03057	7.020	3.206	5.031	5.70792	102.9
0.7280	0.00337	0.3450	0.0311	0.1155	0.0364	0.03071	6.953	3.215	5.031	5.66425	102.5
0.7262	0.00336	0.3441	0.0308	0.1152	0.0369	0.03044	6.928	3.135	5.020	5.63821	102.2

<sup>1</sup> 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

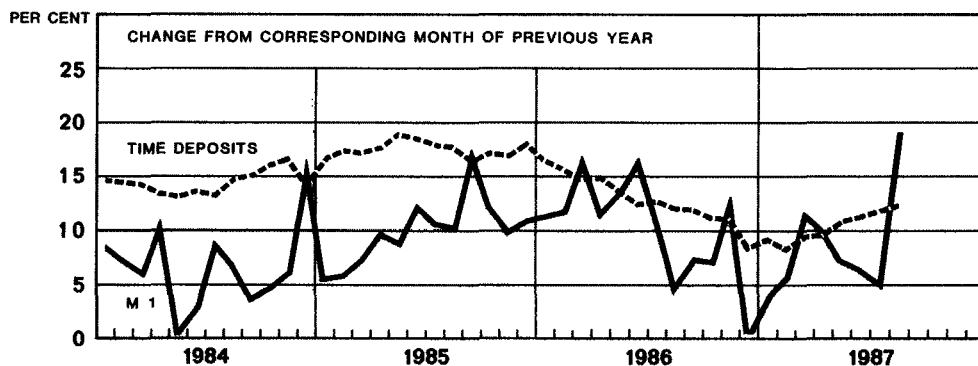
End of year and month	Demand deposits				Time deposits					Total (4 + 9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks (1 to 3)	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks (5 to 8)	
	1	2	3	4	5	6	7	8	9	10
1983	7 056	4 567	3 676	15 300	34 302	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
1986*	9 643	6 235	4 194	20 071	51 003	42 315	36 263	13 992	143 572	163 643

1986\*

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
Dec.	9 643	6 235	4 194	20 071	51 003	42 315	36 263	13 992	143 572	163 643

1987\*

Jan.	9 054	5 891	4 401	19 346	51 823	43 129	37 068	14 402	146 423	165 770
Feb.	8 874	5 839	4 613	19 326	51 697	43 997	37 750	14 340	147 784	167 111
March	10 518	6 111	4 503	21 132	52 127	43 924	37 684	14 222	147 956	169 088
April	9 752	6 408	5 127	21 287	53 004	44 510	38 123	14 570	150 207	171 493
May	9 044	6 614	5 245	20 903	53 786	45 126	38 707	15 004	152 624	173 527
June	10 730	6 961	5 540	23 231	54 074	45 669	39 019	15 147	153 909	177 140
July	9 489	6 705	5 432	21 626	54 525	46 098	39 248	15 224	155 095	176 720
Aug.	10 415	6 807	5 927	23 149	55 353	46 464	39 447	15 351	156 615	179 764



# ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

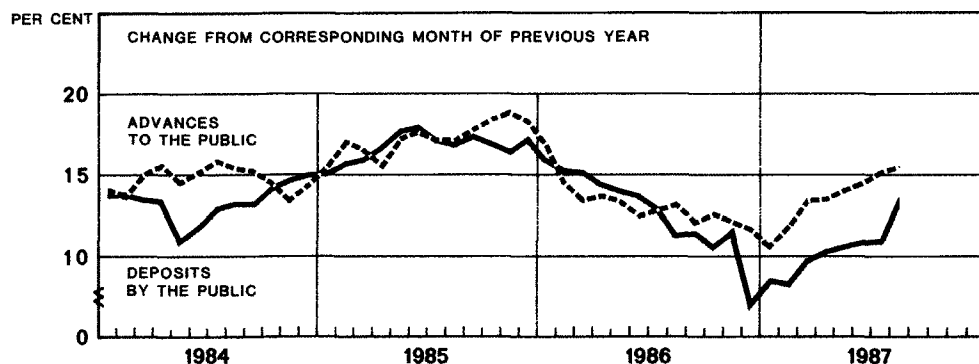
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> + Quasi-Money
	1	2	3	4	5	6	7		8	9
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
1986*	88 188	42 230	40 776	20 052	158 689	7 542	25 016	191 246	27 838	179 324

1986\*

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	20 571	157 222	7 644	25 820	190 686	27 915	176 682
Dec.	88 188	42 230	40 776	20 052	158 689	7 542	25 016	191 246	27 838	179 324

1987\*

Jan.	88 786	42 644	40 929	20 238	160 024	7 455	25 118	192 597	27 075	181 194
Feb.	90 278	43 090	41 263	20 448	161 541	7 557	25 981	195 079	26 782	182 436
March	91 254	43 663	41 877	20 981	162 649	7 943	27 183	197 775	28 901	183 992
April	92 616	44 403	42 305	21 113	164 310	8 019	28 108	200 437	29 029	186 783
May	94 605	45 155	42 967	21 439	166 436	7 998	29 732	204 167	28 547	188 548
June	96 129	45 869	43 506	21 678	168 879	8 224	30 079	207 182	30 754	192 092
July	97 155	46 628	44 254	21 994	170 902	8 262	30 867	210 031	29 126	192 062
Aug.	98 745	47 389	44 953	22 237	173 395	8 392	31 538	213 324	30 991	195 215



## STATE FINANCES

Mill. FIM

Revenue	Jan.-Aug.		Expenditure	Jan.-Aug.	
	1986	1987		1986	1987
Income and wealth tax (net)	18 034	19 538	Wages, salaries, pensions etc.	10 273	11 491
Gross receipts	47 785	53 033	Repair and maintenance	1 256	1 293
Refunds & local authorities	-29 751	-33 495	Other consumption expenditure	5 756	6 608
Other taxes on income and wealth	344	434	Total consumption expenditure	17 285	19 393
Employers' child allowance payments	4	0	State aid to local authorities	15 227	17 523
Sales tax	17 965	21 132	State aid to industries	6 561	7 201
of which: agric. price subsidies			of which: agric. price subsidies	3 113	3 682
Customs duties and import charges and levies	1 102	1 163	Child allowances	1 284	2 063
Excise duties	8 307	7 435	Share in national pensions and sickness insurance schemes	1 170	1 860
Excise duty on alcoholic bev.	2 923	3 310	Deficit of State enterprises	1 021	1 147
Excise duty on tobacco	1 094	1 269	Other transfer expenditure	9 303	9 743
Excise duty on liquid fuel	2 934	2 057	Total transfer expenditure	34 566	39 537
Other excise duties	1 355	798	Machinery and equipment	1 491	1 848
Tax on autom. and motor-cycles	2 249	2 495	Construction of buildings	565	743
Stamp duties	2 188	2 157	Land and waterway construction	1 519	1 777
Special diesel etc. vehicles tax	288	318	Total real investment	3 575	4 368
Other taxes and similar revenue	1 358	1 539	Interest on State debt	3 387	3 542
Total taxes	51 840	56 211	Other expenditure	16	14
Miscellaneous revenue	4 442	4 750	Total other expenditure	3 403	3 557
Interest, dividends etc.	1 452	1 800	Increase in inventories	169	526
Surplus of state enterprises	1 476	1 526	Lending	2 405	2 868
Redemptions of loans granted	992	1 272	Other financial investment	542	917
<b>Total revenue</b>	60 203	65 559	<b>Total expenditure</b>	61 945	71 164
Foreign borrowing	2 952	3 914	Redemption of foreign loans	3 492	3 685
Domestic borrowing	5 819	6 763	Redemption of domestic loans	3 437	4 894
<b>Total borrowing</b>	8 771	10 677	<b>Total redemptions</b>	6 929	8 578
<b>Deficit (+) or surplus (-)</b>	-100	3 506			
Total	68 874	79 742	Total	68 874	79 742

State debt	1985	1986	1987			
	Dec.	Dec.	June	July	Aug.	Sept.
<b>Foreign debt</b>	25 677	26 981	27 655	27 561	26 635	26 384
Long-term debt	20 872	24 602	25 312	25 826	26 466	26 751
Short-term credit	432	411	678	678	576	484
<b>Domestic debt</b>	21 304	25 013	25 990	26 504	27 042	27 235
<b>Total State debt</b>	46 981	51 994	53 645	54 065	53 677	53 619
Total debt mill. \$	8 562	10 597	12 118	12 051	11 914	12 202

# 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*	82 579	77 601	+4 978

1986\*

Dec.	7 474	6 835	-639
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1987\*

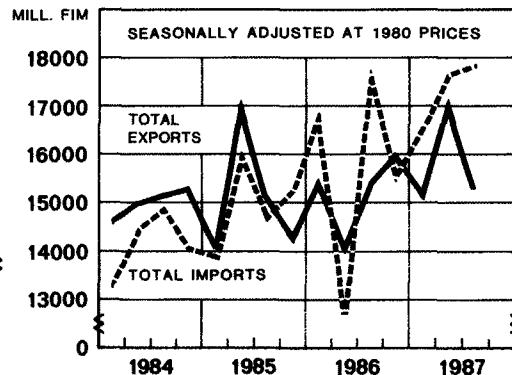
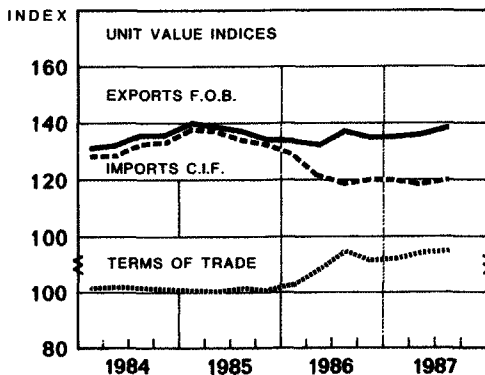
Jan.	6 712	6 706	+6
Feb.	6 374	5 731	+643
March	7 361	7 327	+34
April	7 286	6 499	+787
May	7 008	7 154	-146
June	7 444	7 082	+362
July	6 623	6 458	+165
Aug.	6 606	6 937	-331

Jan.-Aug.

1986*	51 809	49 728	+2 081
1987*	55 414	53 894	+1 520

Indices of exports and imports  
1980 = 100

Period	Volume		Unit value		Terms of trade
	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
1985					
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	129	103
Apr.-June	104	90	133	122	109
July-Sept.	116	119	138	120	115
Oct.-Dec.	128	115	136	121	112
1987*					
Jan.-March	114	113	136	120	113
Apr.-June	120	120	137	119	115



# 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	24 600	26 115	22 439	45 413	3 949	12 898	15 069	273

1986\*

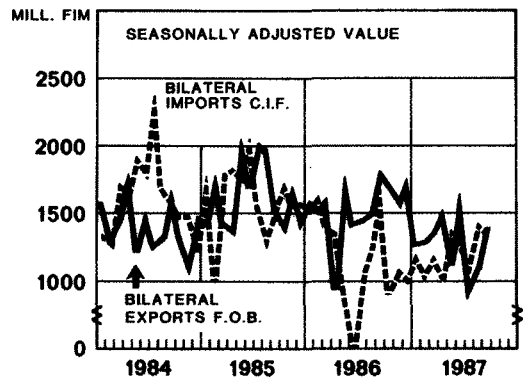
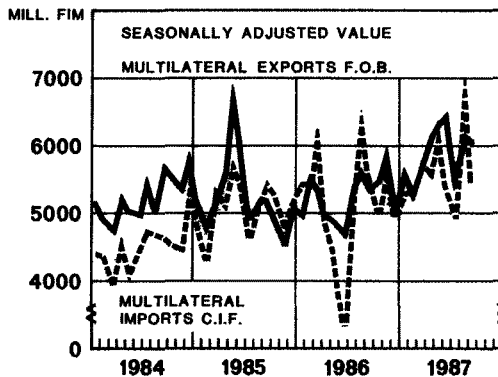
Dec.	179	626	1 992	2 964	1 713	3 948	238	1 426	1 181	42
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1987\*

Jan.	213	584	2 040	2 073	1 803	3 921	304	1 080	1 255	146
Feb.	202	512	2 077	1 825	1 760	3 262	94	928	1 425	22
March	374	619	2 277	2 228	1 863	3 984	236	1 447	1 619	41
April	437	616	2 352	2 236	1 645	3 715	156	1 218	1 403	7
May	162	746	2 165	2 089	1 845	4 179	258	1 209	1 468	39
June	265	733	2 097	2 526	1 825	4 113	328	1 150	1 333	159
July	127	527	2 271	1 986	1 713	3 586	331	1 200	1 318	23
Aug.	186	545	2 195	1 849	1 830	3 991	430	1 012	1 473	30

Jan.-Aug.

1986*	1 858	4 256	15 729	15 585	14 380	29 258	2 648	7 949	9 761	111
1987*	1 965	4 880	17 473	16 811	14 285	30 751	2 137	9 245	11 294	467





## FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January–August				January–August			
	1986*		1987*		1986*		1987*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
<b>OECD countries in Europe</b>	61.6	31 919	65.2	36 152	62.0	30 813	62.6	33 763
Austria	0.9	468	1.1	622	1.3	656	1.3	685
Belgium and Luxembourg	1.7	892	1.7	920	2.4	1 198	2.6	1 396
Denmark	4.0	2 093	3.9	2 186	2.8	1 410	2.8	1 530
France	4.5	2 335	5.4	2 991	4.2	2 095	4.5	2 401
Federal Republic of Germany	9.9	5 125	11.0	6 093	17.1	8 482	17.5	9 432
Italy	2.1	1 089	2.5	1 413	4.4	2 190	4.6	2 477
Netherlands	3.6	1 872	3.8	2 081	3.0	1 476	3.0	1 616
Norway	4.6	2 382	4.6	2 568	2.3	1 135	2.2	1 163
Portugal	0.3	140	0.3	187	0.9	462	1.1	571
Spain	1.1	552	1.3	724	1.1	559	1.1	578
Sweden	14.6	7 573	14.5	8 030	13.1	6 503	12.5	6 747
Switzerland	1.7	875	1.9	1 036	2.0	992	2.1	1 113
United Kingdom	11.1	5 690	11.5	6 400	6.6	3 264	6.7	3 588
Other	1.6	833	1.6	901	0.8	392	0.9	467
<b>OECD countries outside Europe</b>	9.5	4 931	8.8	4 862	12.4	6 188	13.0	7 011
Canada	1.2	601	1.2	641	0.5	228	0.4	237
Japan	1.6	807	1.5	811	6.7	3 332	7.2	3 866
United States	5.7	2 937	5.1	2 826	4.9	2 414	5.1	2 746
Other	1.1	587	1.1	584	0.4	214	0.3	162
<b>CMEA countries</b>	20.7	10 736	16.9	9 388	18.1	8 979	17.4	9 357
Czechoslovakia	0.3	180	0.4	213	0.5	255	0.5	262
German Democratic Republic	0.3	175	0.4	204	0.6	292	0.5	268
Poland	0.3	147	0.3	184	1.4	696	0.8	424
Soviet Union	18.9	9 809	15.3	8 503	14.9	7 431	15.0	8 065
Other	0.8	425	0.5	284	0.6	304	0.6	338
<b>Latin America</b>	1.5	784	1.6	878	2.5	1 246	2.1	1 112
Argentina	0.1	44	0.1	53	0.2	78	0.1	57
Brazil	0.2	110	0.3	182	0.8	397	0.5	296
Colombia	0.1	54	0.1	56	0.7	331	0.4	206
Other	1.1	577	1.1	588	0.9	440	1.0	553
<b>Other</b>	6.6	3 438	7.5	4 133	5.0	2 501	4.9	2 651
<b>GRAND TOTAL</b>	100.0	51 808	100.0	55 414	100.0	49 727	100.0	53 894
of which								
<b>EFTA countries</b>	22.0	11 388	22.3	12 348	18.8	9 352	18.2	9 786
<b>EEC countries</b>	39.2	20 321	42.6	23 627	43.1	21 425	44.4	23 934
<b>OECD countries</b>	71.1	36 850	74.0	41 014	74.4	37 001	75.7	40 774

# 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	67 960	70 731	-2 771	+3 200	-748	+1 692	-1 373	-5 808	-797	+13	-5 219
1984	78 961	73 496	+5 465	+4 008	-1 211	-209	+8 053	-6 761	-1 050	-336	-93
1985	82 475	80 764	+1 711	+3 671	-1 773	-330	+3 279	-6 287	-1 096	-413	-4 517
1986*	81 389	77 224	+4 165	+2 939	-2 419	-101	+4 584	-6 954	-1 748	-382	-4 500

1984

July-Sept. 19 893	18 922	+61	+1 144	-123	-236	+845	-1 601	-279	-75	-1 110
Oct.-Dec. 21 423	19 469	+1 954	+837	-392	+213	+2 613	-1 961	-285	-112	+254

1985

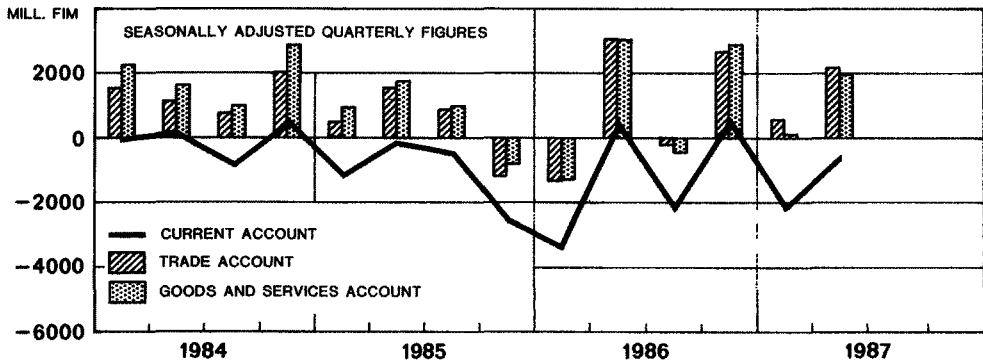
Jan.-March 19 734	18 667	+1 067	-935	-528	+18	+1 492	-1 872	-349	-148	-877
Apr.-June 22 109	21 120	+989	+1 016	-472	-237	+1 296	-1 649	-270	-82	-706
July-Sept. 20 284	19 366	+919	+906	-294	+81	+1 612	-1 257	-219	-86	+50
Oct.-Dec. 20 347	21 610	-1 263	+814	-479	-192	-1 121	-1 508	-259	-96	-2 984

1986\*

Jan.-March 19 743	20 673	-930	+785	-600	-176	-921	-1 681	-551	-110	-3 263
Apr.-June 18 013	15 774	+2 238	+713	-645	-5	+2 301	-2 064	-372	-86	-220
July-Sept. 20 933	20 689	+244	+827	-513	-71	+487	-1 445	-354	-56	-1 369
Oct.-Dec. 22 700	20 088	+2 612	+615	-661	+151	+2 716	-1 763	-472	-130	+352

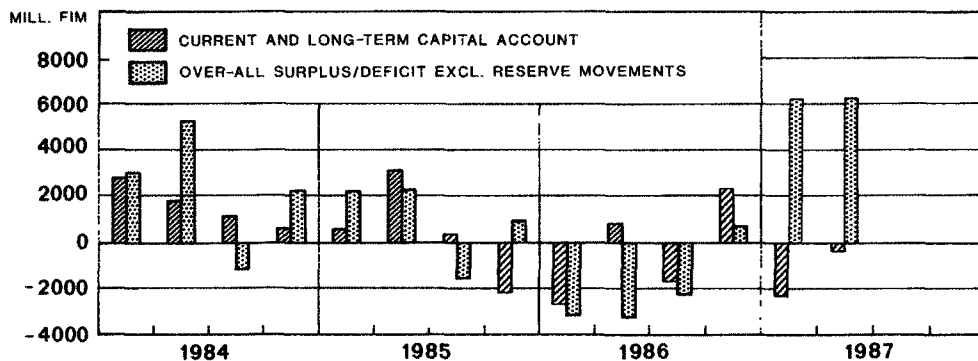
1987\*

Jan.-March 20 134	19 695	+439	+584	-819	-198	+6	-1 769	-649	-108	-2 520
Apr.-June 21 418	20 613	+805	+714	-742	-98	+679	-2 217	-370	-111	-2 020



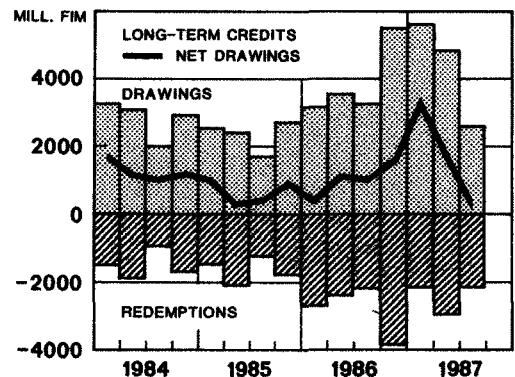
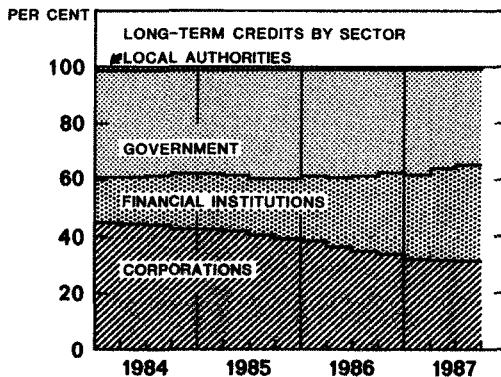
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net	Long-term capital account (12 to 15)	Current and long-term capital account (11 + 16)	Prepayments and liabilities related to imports	Prepayments and receivables related 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	-3 344	-3 273	-3 380	+1 266	+24	-2 162	+2 162
+14 087	-7 538	-1 682	+1 365	+6 232	-6 138	+760	+2 995	+2 086	-2 704	+9 275	-9 275
+11 724	-8 237	+1 313	+1 697	+6 497	-1 980	+1 795	-3 177	+5 267	-2 121	+3 744	-3 744
-19 319	-13 930	+382	-2 427	+3 344	-1 156	-18	-307	-10 754	+4 305	-7 930	+7 930
+2 495	-1 185	-603	+1 460	+2 167	+1 057	+426	-128	-2 186	-309	-1 140	+1 140
+3 659	-2 115	-933	-293	+318	-572	+300	+1 718	-702	+319	+2 208	-2 208
+3 171	-1 855	+330	-88	+1 558	+681	+1 499	-1 122	+2 208	-1 113	+2 153	-2 153
+3 022	-2 612	+373	-3 059	+3 842	+3 136	+1 130	-1 460	+1 911	-2 489	+2 228	-2 228
-2 138	-1 555	+263	-548	+298	+347	-22	-270	-1 400	-222	-1 566	+1 566
+3 393	-2 215	+347	-726	+799	-2 185	-812	-324	-2 548	+1 703	+930	-930
+3 955	-3 377	+241	-236	+583	-2 680	+1 822	-564	-3 085	+1 345	-3 162	+3 162
+4 434	-2 991	-111	-316	+1 016	+795	-1 172	-657	-2 589	+386	-3 236	+3 236
+4 065	-2 745	+110	-1 679	-249	-1 618	+1 044	+475	-3 349	+1 235	-2 213	+2 213
+6 865	-4 817	+142	-195	+1 995	+2 347	-1 712	-440	-1 731	+1 338	+681	-681
+6 989	-2 721	-257	-3 768	+243	-2 277	+1 294	+1 688	+6 464	-934	+6 236	-6 236
+6 048	-3 699	+84	-789	+1 644	-376	+1 229	-579	+4 522	+1 441	+6 237	-6 237

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

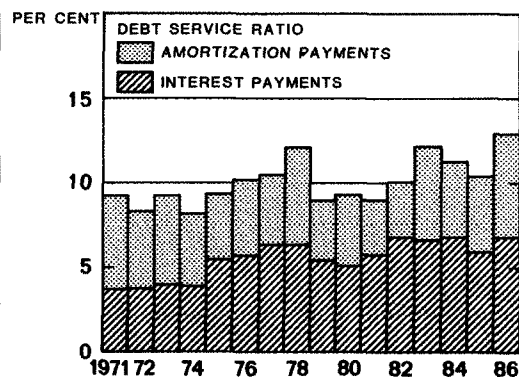
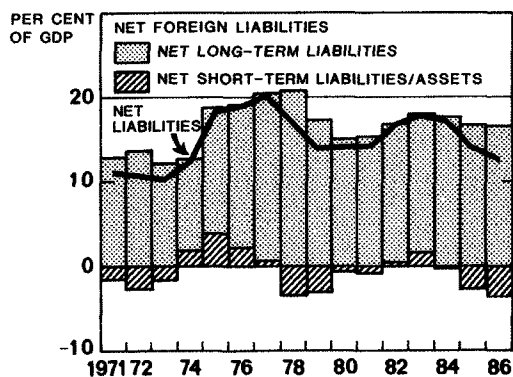


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

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*	5 647	13 735	4 252	23 634	68 072	2 072	4 880	6 959	953	82 936	59 302
1984											
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.	5 647	13 735	4 252	23 634	68 072	2 072	4 880	6 959	953	82 936	59 302
1987*											
March	5 654	14 295	6 857	26 806	69 965	1 986	5 003	6 572	1 683	85 209	58 403
June	5 582	15 005	7 133	27 720	72 559	1 866	5 148	6 578	1 627	87 778	60 058



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	10 875	4 914
22 912	43 319	12 804	79 035	4 562	55 695	17 988	78 245	-790	53 232	11 594	4 613
25 183	38 775	18 155	82 113	4 070	51 374	17 354	72 798	-9 314	47 452	11 276	4 808
16 613	54 598	18 381	89 593	3 455	56 881	16 119	76 454	-13 138	46 164	13 356	6 185
21 064	34 621	14 727	70 411	4 815	47 882	17 431	70 128	-283	51 926	2 223	596
22 912	43 319	12 804	79 035	4 562	55 695	17 988	78 245	-790	53 232	3 387	1 377
24 785	44 984	15 869	85 638	4 535	59 386	19 328	83 249	-2 390	51 846	3 397	1 561
26 208	46 661	18 635	91 504	3 729	62 896	19 987	86 612	-4 891	52 893	2 791	1 039
24 770	44 927	18 183	87 880	4 240	59 370	19 120	82 730	-5 150	51 635	2 320	1 011
25 183	38 775	18 155	82 113	4 070	51 374	17 354	72 798	-9 314	47 452	2 768	1 197
21 647	40 424	18 037	80 109	3 659	50 424	18 682	72 765	-7 343	50 096	3 858	2 126
18 470	45 237	18 213	81 921	3 499	52 647	16 965	73 111	-8 809	51 078	3 288	1 176
16 168	51 541	17 881	85 591	3 565	55 602	18 234	77 401	-8 190	51 876	2 312	837
16 613	54 598	18 381	89 593	3 455	56 881	16 119	76 454	-13 138	46 164	3 897	2 046
22 482	50 790	16 344	89 616	3 521	59 536	18 556	81 612	-8 003	50 400	3 541	1 733
28 686	54 712	16 799	100 197	3 490	67 981	19 876	91 347	-8 850	51 208	4 669	2 426



# 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	150.5	153.9	148.2
1987										
Feb.	1 271	133.2	140.3	111.8	120.9	146.2	151.0	154.3	158.9	151.8
March	1 274	133.3	140.6	111.0	120.6	146.6	151.4	155.8	165.2	151.4
April	1 277	133.7	141.2	110.9	120.7	146.9	152.7	156.9	165.5	153.3
May	1 276	133.9	141.5	110.8	120.7	146.9	153.8	157.2	165.5	153.6
June	1 278	134.1	141.6	111.3	120.7	147.3	154.4	157.5	165.5	153.9
July	1 284	134.9	142.2	112.5	121.6	148.1	154.7	157.9	165.4	154.4
Aug.	1 285	135.0	142.4	112.8	121.8	147.9	155.4	158.2	165.4	154.9
Sept.	1 286	135.0	142.8	111.5	121.4	148.5	155.7	158.6	165.4	155.2

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
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
1987										
Feb.	142.7	145.4	152.9	132.7	134.6	138.0	171.6	135.8	146.5	155.1
March	143.4	146.3	155.2	134.6	134.6	138.7	171.6	137.2	146.8	155.1
April	144.0	147.2	155.5	135.3	134.7	139.4	172.8	138.0	147.8	155.3
May	144.3	146.3	155.7	135.7	135.5	140.0	172.8	138.2	148.2	156.4
June	144.6	146.7	155.7	135.8	135.5	140.1	175.3	139.3	148.2	156.7
July	144.7	146.9	155.7	134.2	135.5	139.6	177.7	139.7	148.2	156.8
Aug.	145.0	147.6	155.7	135.3	135.5	140.1	177.7	139.1	148.2	158.3
Sept.	145.6	148.1	155.7	136.8	135.6	140.8	178.0	139.7	150.0	159.2

# 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*	176.3	171.0	179.0	178.6	169.8	180.1	174.5	176.6	172.0	174.9
1986*										
Apr.-June	174.7	172.1	174.3	178.7	170.4	180.2	174.4	176.8	171.7	175.0
July-Sept.	172.2	171.4	178.8	179.8	171.0	181.3	175.2	177.8	172.2	175.8
Oct.-Dec.	180.9	173.7	187.4	181.5	171.2	182.9	178.7	179.9	176.0	178.4
1987*										
Jan.-March	182.1	178.7	190.0	185.6	177.9	186.4	182.0	183.6	179.9	182.3
Apr.-June	190.0	183.6	193.0	188.9	186.0	191.7	188.3	191.0	184.6	188.7

# PRODUCTION

Volume indices of production 1985 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1985										
Apr.-June	99	105	75	122	81	103	99	98	99	101
July-Sept.	98	92	172	42	105	105	97	101	100	99
Oct.-Dec.	109	107	83	122	136	107	109	113	101	106
1986*										
Jan.-March	94	94	69	106	78	88	97	90	102	98
Apr.-June	100	105	75	100	70	107	98	104	99	106
July-Sept.	103	94	178	43	110	107	102	107	103	105
Oct.-Dec.	112	111	84	115	139	107	114	114	104	112
1987*										
Jan.-March	99	100	69	106	75	88	101	95	105	103
Apr.-June	106	107	72	110	85	107	114	109	106	112

# PRODUCTION

Index of industrial production 1980 = 100

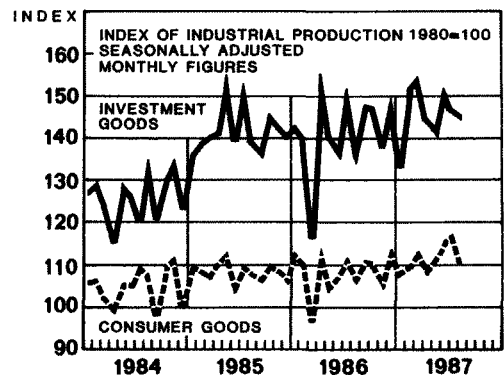
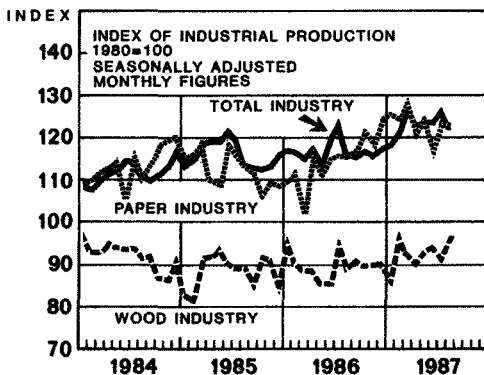
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
	1	2	3	4	5	6	7	8	9	10	11
1984	111.8	126.8	105.6	111.9	109.3	92.4	114.3	111.5	108.4	120.0	112.1
1985	116.2	142.6	109.0	114.6	111.8	88.8	113.3	116.0	111.3	129.6	116.6
1986*	117.2	142.4	109.2	116.3	112.4	90.2	115.6	117.8	108.1	131.8	117.5

1986\*

Aug.	114.3	126.8	107.3	115.1	109.6	81.7	121.0	122.1	123.7	120.2	117.2
Sept.	125.3	152.0	116.2	124.5	113.4	105.9	116.5	124.7	144.5	143.9	115.9
Oct.	134.7	166.3	126.5	132.7	141.3	109.1	128.4	121.2	145.9	156.2	117.1
Nov.	123.9	149.5	116.9	122.3	130.5	92.7	121.2	125.2	120.6	140.3	115.9
Dec.	117.5	146.6	110.2	115.6	114.3	73.1	118.0	117.1	94.2	135.5	117.5

1987\*

Jan.	121.4	138.0	115.6	120.7	102.9	81.3	127.9	118.5	98.4	128.0	118.5
Feb.	116.4	146.2	106.8	115.5	93.6	89.4	122.7	109.3	93.3	129.9	121.9
March	131.8	170.5	119.2	130.8	104.8	97.9	131.3	130.8	112.0	153.8	127.9
April	120.6	150.9	111.9	119.1	110.5	104.1	111.9	122.9	109.8	138.0	123.3
May	125.1	159.3	113.7	124.3	107.9	106.2	125.0	126.0	119.0	144.5	124.5
June	123.4	169.0	110.5	121.4	113.1	109.2	104.6	122.2	120.7	151.1	124.0
July	88.5	72.4	78.4	95.7	105.0	45.8	139.5	82.3	76.2	72.9	127.2
Aug.	119.6	132.1	109.8	121.6	108.7	87.0	129.0	127.6	135.3	125.3	122.4





# 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	2 612	2 431	182	7.0	38 832	117	115
1986*								
July	3 717	2 790	2 600	190	6.8	1 124	125	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	122	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	138	127
1987*								
Jan.	3 719	2 510	2 337	173	6.9	3 173	114	103
Feb.	3 718	2 487	2 346	141	5.7	4 912	104	106
March	3 718	2 520	2 376	144	5.7	5 678	112	125
April	3 720	2 518	2 384	134	5.3	5 692	122	126
May	3 720	2 535	2 411	124	4.9	3 888	122	123
June	3 719	2 707	2 577	130	4.8	2 309	126	123
July	3 720	2 720	2 597	123	4.5	953	..	..
Aug.	3 720	2 611	2 500	110	4.2	1 493	..	..

## 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
1985*	48.17	18.17	6.70	16.53	3.41	44.74	17.40	4.94	15.97	3.35	49.64
1986*	48.02	16.94	6.23	17.29	4.00	40.36	15.29	5.09	13.49	3.51	52.27
1986*											
Jan.-March	9.30	2.98	1.20	4.09	0.51	8.36	3.62	0.58	2.96	0.68	46.70
Apr.-June	17.03	6.88	2.99	4.91	0.97	5.50	2.33	0.73	1.65	0.39	56.14
July-Sept.	12.78	4.35	1.27	4.82	1.26	11.67	3.93	1.84	3.79	1.29	57.28
Oct.-Dec.	8.91	2.73	0.77	3.47	1.26	14.83	5.41	1.94	5.09	1.15	52.27
1987*											
Jan.-March	8.88	2.95	1.00	3.46	0.95	7.97	3.45	0.71	2.81	0.54	48.43
Apr.-June	17.03	6.46	2.89	5.14	1.13	8.01	3.20	0.62	2.95	0.70	55.16

# 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 and certificates of deposit bought from 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 and open market operations in CDs were started in March 1987. Banks borrowing from the central bank is monitored; a bank exceeding stipulated limits comes under the special surveillance of the central bank. The rate of interest on call money credits is set by the central bank. The 3-month HELBOR is the arithmetic mean of daily inter-bank offered rates for the four biggest 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 call money and term deposits and their holdings of CDs issued by the Bank of Finland. - 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 M<sub>1</sub>* = 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, excluding early repayments of loans due to the restructuring of debt, repatriations of equity capital (included under direct investment), as from the beginning of 1986 repayments of shares (included under portfolio investment), and repayments 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.

## 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, - 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 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 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 1987 is as follows: Social Democratic Party of Finland 56, National Coalition Party 53, Centre Party 40, Democratic League of the People of Finland 16, Finnish Rural Party 9, Swedish People's Party 13, Christian League of Finland 5, The Greens 4 and Democratic alternative 4.

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 (1985): 4.9 million, Sweden 8.4, Switzerland 6.5, Denmark 5.1, and Norway 4.2 million.

DENSITY OF POPULATION (1985): In South Finland 47.9, 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 (1985): 40% of the population inhabit the rural areas, 60% towns. The largest towns are: Helsinki (Helsingfors), the capital, 485 795 inhabitants, Tampere (Tammerfors) 169 026, Turku (Åbo) 161 398.

EMPLOYMENT (1986): 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 (1985): Finnish speaking 93.6%, Swedish speaking 6.1%, others 0.3%.

EDUCATION (1987): 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 (1985): births 12.2 ‰, deaths 9.8 ‰, change + 3.5 ‰, net immigration - 0.6 ‰. Deaths in France 10.1 ‰ and Great Britain 11.8 ‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1986), in million FIM: Gross domestic product at factor cost by industrial origin: agriculture and fishing 13 993 (4%), forestry 9 943 (3%), manufacturing 85 036 (27%), construction 24 386 (8%), trade, restaurants and hotels 36 949 (12%), transport and communication 25 105 (8%), banking and insurance 14 851 (5%), ownership of dwellings 20 904 (6%), other services 84 562 (27%), total 315 729, index of real domestic product 102 (1985 = 100).

FOREST RESOURCES (1984). The growing stock comprised of 1 660 million m<sup>3</sup> (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 m<sup>3</sup> was up to the standard required for logs, 51% of these being pine. The annual growth was 68 million m<sup>3</sup> and the total drain calculated on the basis of roundwood consumption was 52.3 million m<sup>3</sup>.

AGRICULTURE (1984). Cultivated land 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 (1984). Gross value of industrial production FIM 244 745 mill., number of workers 390 301, salaried employees 147 608, motive power 8.7 mill. kW. Index of industrial production 117.8 for 1984 (1980 = 100).

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

MERCHANT FLEET (Sept. 30, 1987): Passenger vessels 167 (253 136 gross reg. tons), tankers 28 (241 604 gross reg. tons), dry cargo vessels 104 (258 220 gross reg. tons), other vessels 114 (70 897 gross reg. tons), total 413 (823 857 gross reg. tons).

AUTOMOBILES (Dec. 31, 1986): Passenger cars 1 619 848, lorries and vans 187 465, buses 9 166, other automobiles 12 470, total 1 828 949.

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 20.1, DEM 19.4, GBP 14.2, USD 9.0, other currencies 37.3. 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, Postipankki; 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 2½%, 6 month deposits 4%, 12 month deposits 5½%, 24 month deposits 7%.

# FINLAND'S DEVELOPMENT COOPERATION IN SUPPORT OF STRUCTURAL ADJUSTMENT

by Kai Helenius, Undersecretary of State,  
Ministry for Foreign Affairs

Finnish official development assistance has increased rapidly in recent years. The government budget proposal for 1988 provides for aid expenditure amounting to 0.62 per cent of GNP, and Finland aims to achieve the United Nations recommendation of 0.7 per cent of GNP during the current decade. Finland's official development assistance funds are used to support economic and social development. The main emphasis of Finnish assistance is on project aid. Projects are chosen in accordance with the needs of the recipient countries, priority being given to projects promoting sectoral structural adjustment. Humanitarian aid provided by Finland is also growing rapidly, with assistance to refugees and refugee organizations accounting for an increasing proportion of this aid.

## AIMS AND POLICIES

Developing countries throughout the world continue to face severe economic problems and not even the most optimistic estimates point to their speedy resolution. During the past few years developing countries have increasingly expressed their willingness to undertake reforms promoting economic development. At the same time, however, it is clear that — in addition to normal financial flows — more help is needed from donor countries before the necessary structural adjustment can be set in motion. Productive investments in agriculture and industry are an essential requirement for the repayment of accumulated debts but are unattainable without an increase in savings or new loans.

Development cooperation is an integral part of Finland's foreign policy and relationships with

the developing countries. The aims of cooperation thus derive primarily from the overall goals of foreign policy as well as from the principles of the United Nations' development strategy, which seeks to support the developing countries in their efforts to achieve economic and social well-being and greater economic independence.

The objective of supporting the economic and social development of the developing countries is pursued through both bilateral cooperation programmes and projects and multilateral assistance. Finland's multilateral development policy is closely linked with the development programmes of the United Nations and development finance institutions. Bilateral development assistance is primarily directed to countries striving for economic self-reliance and social development, in accordance with their priorities. A general principle in Finland's development aid policy is that assistance is concentrated on the poorest developing countries.

The aid programmes are administered by the Finnish International Development Agency (FINNIDA), which is a department of the Ministry for Foreign Affairs. The Finnish Fund for Industrial Cooperation Ltd (FINNFUND) is designed to promote and finance industrial joint ventures between Finnish enterprises and developing countries. FINNFUND invests in the equity capital of joint ventures, grants loans to them and finances feasibility studies.

Finnish non-governmental organizations make a very valuable contribution to Finnish development cooperation efforts. With government support for up to 60 per cent of project costs, non-governmental organizations use

their own funds and voluntary labour for development projects, frequently at the "grass-roots" level. These organizations, about 150 in number, have accumulated great experience and often have a long tradition of working in developing countries. Supported by active population groups they work in direct contact with the inhabitants of developing countries, achieving lasting results.

The humanitarian assistance given by Finland has grown rapidly in recent years and is set to grow further in the future. Assistance to refugees and refugee organizations accounts for an increasing share of humanitarian aid. Finland recognizes the importance of research in determining how development assistance can speed up the many-faceted process of social change conducive to development and therefore also channels funds to development research activities.

## OVERALL TRENDS

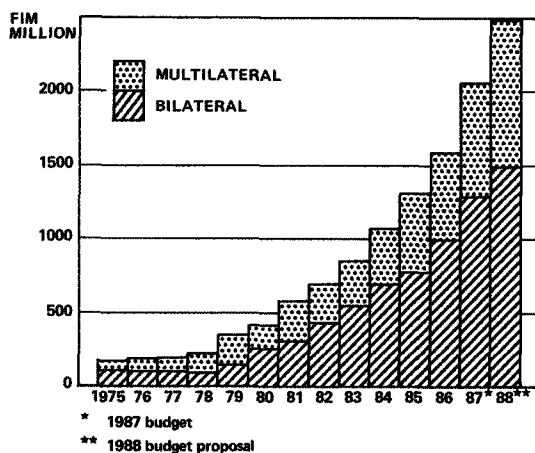
Finland has reaffirmed her compliance with United Nations recommendations according to which industrial countries should raise their development assistance to at least 0.7 per cent

**TABLE 1. OFFICIAL DEVELOPMENT ASSISTANCE BY MEMBER COUNTRIES OF THE OECD DEVELOPMENT ASSISTANCE COMMITTEE IN 1981 AND 1986, PER CENT OF GNP**

	1981	1986
Australia	0.41	0.49
Austria	0.33	0.21
Belgium	0.59	0.48
Canada	0.43	0.48
Denmark	0.73	0.89
Finland	0.27	0.45
France	0.73	0.72
Federal Republic of Germany	0.47	0.43
Ireland	0.16	0.28
Italy	0.19	0.40
Japan	0.28	0.29
Netherlands	1.07	1.00
New Zealand	0.29	0.27
Norway	0.85	1.20
Sweden	0.83	0.88
Switzerland	0.24	0.30
United Kingdom	0.43	0.32
United States	0.19	0.23
All DAC countries	0.35	0.36

Source: OECD/DAC/1987 Review

**CHART 1. FINLAND'S OFFICIAL DEVELOPMENT ASSISTANCE, USE OF FUNDS IN 1975-1988, FIM MILLION**



of GNP. Thanks to increased efforts, Finnish official development assistance has grown rapidly in recent years. In 1987, assistance will amount to approximately 0.55 per cent of GNP. The government's budget proposal for 1988 provides for an increase to 0.62 per cent next year, and Finland's stated aim is to raise development assistance to 0.7 per cent of GNP before the end of this decade. Finland's official development assistance is one of the fastest growing among OECD member countries and is currently clearly above the average level.

Of the total official development assistance of FIM 2 491 million (approximately USD 550 million) budgeted for 1988, roughly 40 per cent is designed for use in multilateral assistance and 60 per cent for use on a bilateral basis. This division of aid has already been applied for several years.

## MULTILATERAL AID

Multilateral assistance is mainly channelled through United Nations development agencies and programmes, as well as through development finance institutions. These organizations are in the process of developing their division of labour in the provision of financial, technical, food and humanitarian aid.

**TABLE 2. FINLAND'S MULTILATERAL AID DISBURSEMENTS IN 1981 AND 1986, FIM MILLION**

	1981	1986
UN development programmes	37.8	90.0
UN social development programmes	12.4	92.1
International development finance institutions	122.7	253.8
Food aid	24.7	93.7
Humanitarian aid	5.2	23.5
ODA share of assessed contributions to international organizations	37.2	12.7
Development research institutions (incl. WIDER)	—	30.2
Total	240.0	635.5

In 1987, United Nations organizations will receive Finnish aid totalling FIM 259 million and development finance institutions FIM 292 million. Finland places the major emphasis in its support on the United Nations Development Programme, the United Nations Children's Fund and the United Nations Fund for Population Activities. Finland is, together with the other Nordic countries, actively engaged in the process of influencing the strategy, planning and operational streamlining of the United Nations agencies in the economic and social sector.

This activity in the governing bodies of the United Nations agencies is complemented by work on the governing boards and committees of the development finance institutions, including the International Bank for Reconstruction and Development, the International Development Association, the African Development Bank, the Asian Development Bank, the Inter-American Development Bank and the International Fund for Agricultural Development. Finland seeks to influence the lending policy of the institutions in line with the objectives of Finnish development cooperation policy. In addition, she supports the strengthening of the operational facilities of these institutions.

Finland deems it important that environmental considerations are duly taken into account in lending programmes. Today's environmental concerns such as soil erosion and tropical deforestation, which are exacerbated by rapid population growth, call for prompt action. Protection of the environment is now generally recognized as a prerequisite for sustainable economic growth as well as for agricultural

and rural development involving both men and women.

Finland also participates in the work of the World Institute for Development Economics Research (WIDER) of the United Nations University, located in Helsinki. Total Finnish contributions to research work will amount to FIM 41 million in 1987, of which the share of the WIDER institute is FIM 25 million.

## BILATERAL ASSISTANCE

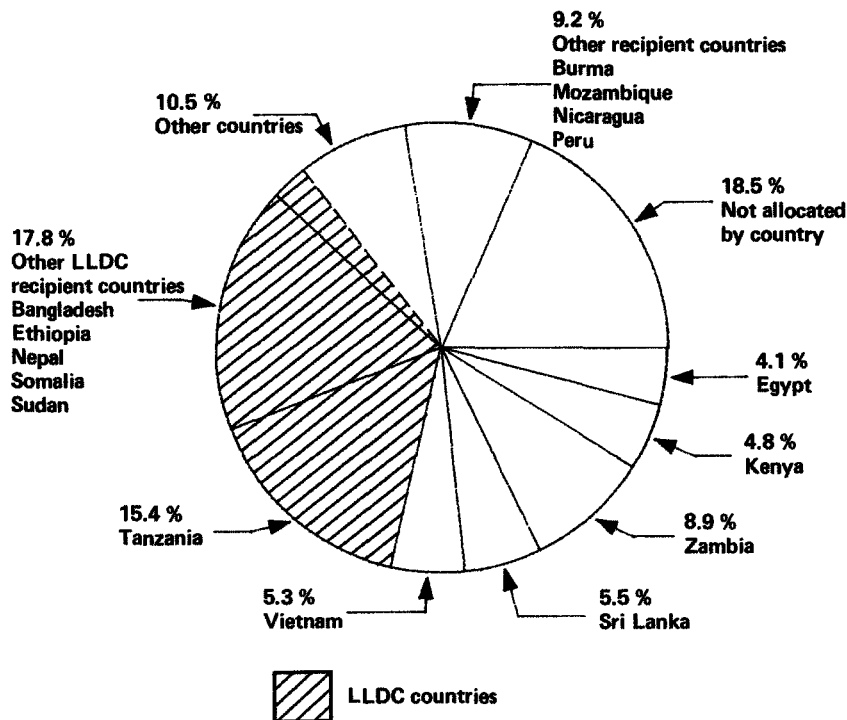
Bilateral Finnish development cooperation is fairly highly concentrated both geographically and sectorally. Fifteen countries are the main recipients of Finnish official development assistance. In addition, individual projects are carried out in a number of other countries. Bilateral aid essentially focusses on extensive long-term projects based on multi-year country programmes.

About 60 per cent Finnish bilateral assistance is provided to countries in Africa. Roughly three-quarters of Finnish aid goes to low-income countries (LICs). The share of the least developed countries (LLDCs) in total bilateral aid is around 35 per cent. South and South-East Asia, and to a lesser degree Latin America, also receive Finnish development aid.

Development projects form the basis of Finnish bilateral development cooperation. The cycle of project preparation, appraisal, implementation and evaluation is a rather time-consuming process but helps to guarantee the long-term development effect, environmental soundness and economic viability of the project. When entering a project FINNIDA assumes the responsibility for the maintenance and other follow-up relating to the project for many years into the future. Institutional assistance and training are provided to enable the handing over of the implemented project to the local population.

As many recipient countries are undertaking structural adjustment programmes, Finnish project aid seeks to support them in their efforts. Official development assistance funds

**CHART 2. FINLAND'S BILATERAL DEVELOPMENT ASSISTANCE BY COUNTRY IN 1986**



necessary to sustain the adjustment process are channelled both through multilateral agencies and directly. In every recipient country it is attempted to concentrate Finnish development assistance on mutually agreed sectors. In assessing the sectors both the needs of the recipient country and the available resources in Finland are evaluated. In most African countries agriculture occupies a central position and Finland is also strongly committed to increasing the share of bilateral assistance to agriculture and rural development.

Other sectors in which Finland has resources and reliable know-how as well as a high level of international competitiveness include forestry and forest industries, power generation, energy transmission and distribution, transport and communications, water supply and sanitation, health education and primary health care as well as the development of human resources through education and vocational training.

Environmental concerns have an important influence on the direction of Finland's aid and on the contents of individual projects. Another

component of Finnish aid is food aid, which contributes to food supply in countries with insufficient food production. It is generally combined with efforts to improve domestic food production, storage and distribution in the countries concerned.

**TABLE 3. SECTORAL DISTRIBUTION OF FINNISH BILATERAL AID IN 1986**

	1986	
	FIM million	%
Agriculture and forestry	161.7	17.0
– agriculture	94.9	10.0
– forestry	66.8	7.0
Mining	21.8	2.3
Manufacturing	144.2	15.2
– food industry	18.4	1.9
– forest industry	93.3	9.8
– other industry	32.5	3.4
Water and energy supply	174.1	18.3
– water	80.9	8.5
– energy	93.2	9.8
Construction	7.2	0.8
Transport	78.3	8.2
Communications	17.1	1.8
Trade and finance	19.9	2.1
Public administration	5.8	0.6
Education	71.5	7.5
Health services	85.7	9.0
Not allocated by sector	163.8	17.2
<b>Total</b>	<b>951.1</b>	<b>100.0</b>

The financial terms of Finnish aid have traditionally been very soft. Around 95 per cent of annual official development assistance disbursements are on a grant basis. As regards development credits, their estimated grant element has been around 70 per cent. To increase financial flows for investments in developing countries combining non-concessional loans with concessional financing, Finland extends mixed credits to investment projects which form part of the recipient country's development plan.

Finnish development cooperation constitutes but a small part of the financial flows and concessional aid going to any developing country. Finnish activities are therefore coordinated with other donors in dialogue with recipient countries so as to avoid the unwelcome overlapping of activities.

#### PROBLEMS AND PROSPECTS IN INTERNATIONAL DEVELOPMENT COOPERATION

In 1985, the Development Assistance Committee of the OECD evaluated the results of 25 years of official development assistance. Its conclusion was that development in general has been significant, although serious problems have been encountered, especially in Sub-Saharan Africa.

In 1986, economic progress in the developing countries varied, influenced by their depend-

ence on growth in the world's major economies, which was less than 3 per cent. Parts of Africa recovered somewhat as rains made possible increased agricultural production after a period of drought. Today, we are aware of new drought problems emerging in Ethiopia and some other countries.

Several developing countries, particularly in Africa, have difficulties in achieving an economic growth rate which is higher than the birth rate. Developing countries are also hampered by serious debt problems. In many Sub-Saharan countries debt servicing costs amount to more than 50 per cent of export earnings. A permanent increase in interest rates in major economies would have serious consequences for the debt-ridden developing countries.

In these circumstances, many developing countries have recognized the necessity to adjust their economic structure in accordance with economic reform programmes agreed with the International Monetary Fund and the World Bank as a condition for support. The developing countries have stated that the responsibility for development is their own but that they need the support of the international community. Finnish development assistance seeks to contribute to the efforts of recipient countries to extend political, social and cultural rights and to distribute economic benefits to all segments of their population. During a period of necessary structural adjustment Finland supports adjustment with a human face.



# MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM NOVEMBER 1986 TO OCTOBER 1987

**1986**

## **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 Per cent	Rate on call money deposits 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 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
March 5	11.5	7.5
March 17	11.4	7.5

*Banks' central bank financing.* On March 17, 1987, the Bank of Finland complements the system of monetary control by introducing dealings in certificates of deposit with banks on an experimental basis alongside term credits and term assets. At the same time, the use of call money credits is limited as from March 30, 1987. With effect from that date, each bank may daily resort to call money credit only up to an amount corresponding to 7.5 per cent of the total amount of its equity capital and cash reserve deposits. A penalty rate of interest is to be charged on credit exceeding the limit.

## April

*Call money market.* The Bank of Finland lowers the call money credit rate from 11.4 to 11.2 per cent as from April 2 and further to 11.0 per cent as from April 29.

## May

*Interest rate policy.* As from the beginning of May, the Bank of Finland reduces the restrictions on the use of money market rates as reference rates for bank loans. Besides the base rate, the banks may, without special approval, use some other Bank of Finland rate, the official money market rate used in market transactions or some derivative of these rates

as reference rates for all lending except housing loans.

As from May 1, the Bank of Finland begins to publish daily 1, 2, 3, 6, and 12-month HELIBOR (Helsinki Interbank Offered Rate) rates, which the banks may henceforth use as reference rates in their lending. HELIBOR rates are the average bid rates for each category of certificate of deposit as quoted by the five largest banks each day at 1 p.m.

## June

*Revisions to the Foreign Exchange Regulations.* The Bank of Finland decides on certain revisions to the Foreign Exchange Regulations that enter into force on June 15, 1987.

With certain exceptions, it is allowed to make direct investments abroad without obtaining the advance permission of the Bank of Finland up to the value of FIM 30 million. It is, however, necessary to provide the authorized bank with the information required by the Bank of Finland.

In payments of suppliers' credits for imports, credit periods exceeding six months are allowed without the special permission of the Bank of Finland up to the maximum amount of FIM 100 000.

The handling of applications for permission in respect of recreational dwellings abroad is transferred to the authorized banks. The upper limit of FIM 600 000 permitted for a purchase is not amended in this context, and for purchases exceeding this amount, the Bank of Finland grants permission on a case-by-case basis.

Investments abroad in publicly quoted securities are allowed up to the maximum amount of FIM 50 000.

Details of other minor changes and revisions to the Foreign Exchange Regulations are to be released when new pages of the Foreign Exchange Regulations are published.

## July

*Call money market.* With the effect from July 1, 1987, the Bank of Finland supplements the conditions governing borrowing by commercial banks in the Bank of Finland's call money market (see March 1987) by stipulating that the upper limit on the right of an individual bank to resort to call money credits is, in all cases, not less than FIM 10 million.

## August

*Revision of foreign exchange regulations.* The Bank of Finland decides to extend the right of enterprises, previously granted only to manufacturing and shipping companies, to raise foreign loans with a maturity of at least five years for the financing of their operations. As from August 1, 1987, this right also applies to other companies and cooperative societies carrying on business activity, with the exception of financial and insurance institutions and housing and real estate companies.

*Cash reserve requirement.* The Bank of Finland raises the cash reserve requirement from 4.7 per cent to 4.9 per cent of the total stock of deposits in August.

## October

*Amendments to Foreign Exchange Regulations.* The Bank of Finland decides to allow authorized banks to write and purchase markka options as from October 1, 1987. At the same time, the Bank of Finland grants companies and other residents the right to purchase such options. Banks had previously been allowed to write foreign currency options but not markka options. Markka options entitle but do not oblige the holder to purchase or sell foreign currency at an agreed markka rate within an agreed period.

*Banks' central bank financing.* With effect from October 1, 1987, savings and cooperative banks are allowed to deal in certificates of deposit with the Bank of Finland provided that

they meet with the requirements set on trading.

As from October 1, 1987, the Bank of Finland enlarges to some extent the right of banks to use call money credit which is not subject to penalty interest.

*Housing loans.* From October 16, 1987, the Bank of Finland ceases to issue precise guidelines to the banks concerning prior savings required for housing loans and other personal credits.



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# BANK OF FINLAND

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## Board of Management

Rolf Kullberg  
*Chairman*

Pentti Uusivirta	Ele Alenius
Harri Holkeri <i>Absent as Prime Minister</i>	Esko Ollila
Kalevi Sorsa <i>Absent as Minister for Foreign Affairs</i>	Markku Puntila <i>Acting Member of the Board</i>

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## Directors

Markku Puntila	Pentti Koivikko
Sirkka Hämäläinen	Matti Vanhala

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## Senior officials

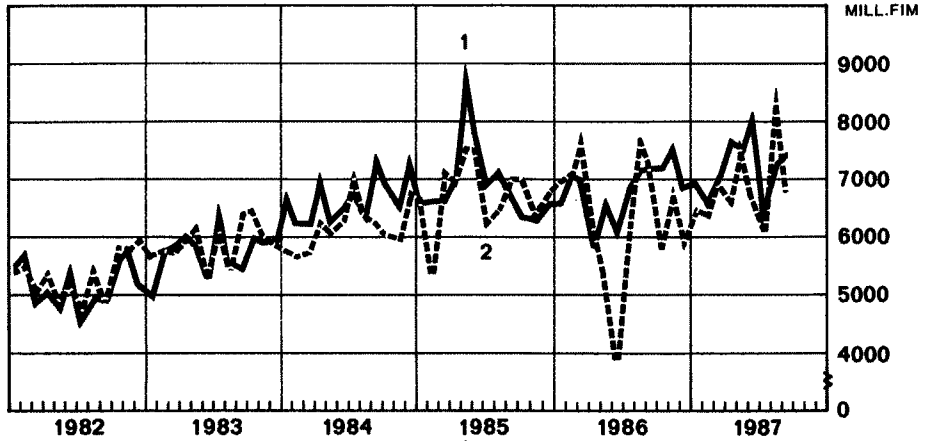
H.T. Hämäläinen <i>Secretary to the Board of Management</i>	Timo Männistö <i>Internal Audit</i>
Ossi Leppänen <i>Accounting</i>	Urpo Levo <i>Administration</i>
Reijo Mäkinen <i>Cash</i>	Raimo Hyvärinen <i>Domestic Financing</i>
Anton Mäkelä <i>Personnel</i>	Riitta Jokinen <i>Data Processing</i>
Kari Puumanen <i>Economics</i>	Antti Heinonen <i>Information</i>
Ralf Pauli <i>Monetary Policy</i>	Heikki Koskenkylä <i>Research</i>
Kari Holopainen <i>Bilateral Trade</i>	Esa Ojanen <i>Exchange Control</i>
Johnny Åkerholm <i>Foreign Exchange Policy</i>	Kari Pekonen <i>Foreign Exchange</i>

Kaarlo V. Jännäri  
*Acting Head, Foreign Financing*

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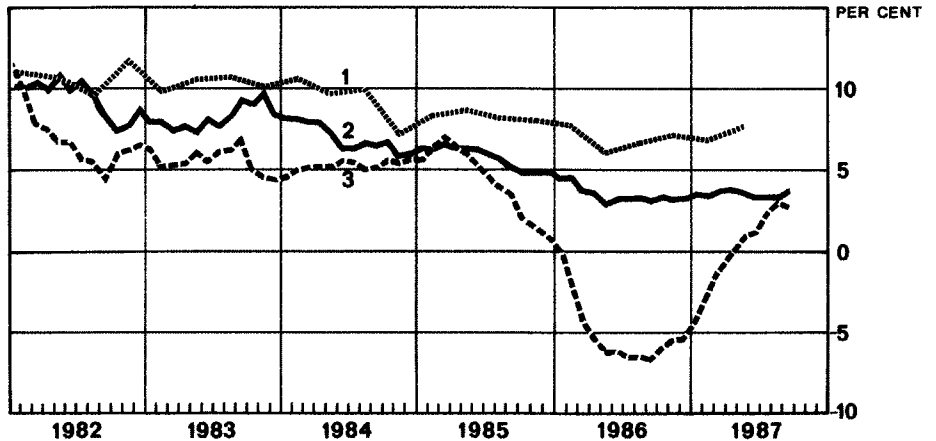
**FOREIGN TRADE, 1982-87**

- 1. Exports f.o.b.
  - 2. Imports c.i.f.
- Seasonally adjusted monthly figures



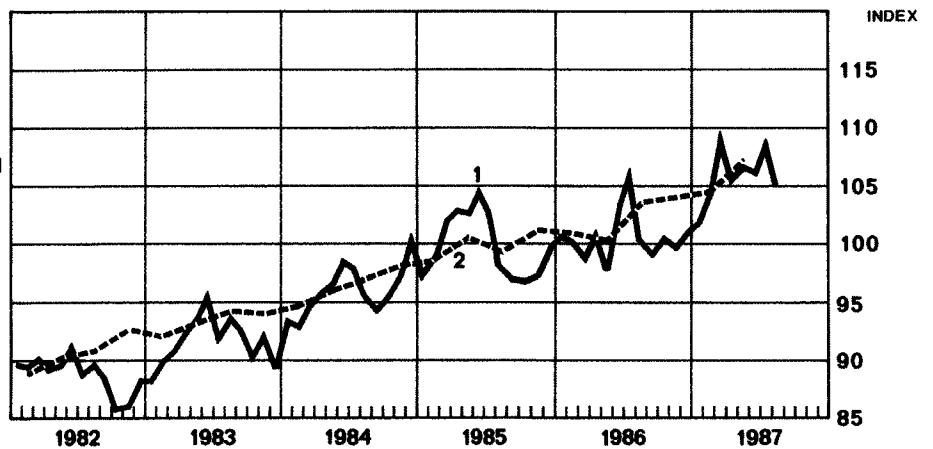
**PRICES AND WAGES, 1982-87**

- 1. Index of wage and salary earnings 1980 = 100, quarterly figures
  - 2. Consumer price index 1981 = 100, monthly figures
  - 3. Basic price index for domestic supply 1980 = 100, monthly figures
- Percentage change on previous year



**PRODUCTION, 1982-87**

- 1. Total index of industrial production 1985 = 100, (1980 weights), seasonally adjusted monthly figures
- 2. Volume index of gross domestic product 1985 = 100, seasonally adjusted quarterly figures



**Bank of Finland Monthly Bulletin**  
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