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Economic Developments, Inflation
and Monetary Policy

The Outlook for the Finnish Bond
Markets in 1994

Training and Technical Assistance
Provided by the Bank of Finland to
Economies in Transition

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ECONOMIC RECOVERY STRENGTHENS AND BROADENS

By early summer, the Finnish economy had embarked on a faster-than-forecast upward trend. The main contribution to the acceleration of growth came from the continued strengthening of exports and export-oriented production, though there were clear signs of recovery in the domestic market as well. During the first six months of 1994, exports to Russia and Eastern European countries grew fastest, but improving economic conditions in Finland's traditional export markets also led to a rapid revival of exports to countries in the European Economic Area. In the second quarter of 1994, exports of goods increased by about 8 per cent in volume compared with the first quarter. Growth continued throughout July, when the twelve-month increase in exports of goods was 18 per cent. Manufacturing production in the second quarter of the year was up 13 per cent from the corresponding period a year ago. High capacity utilization rates and optimism about continued economic growth induced a rise in investment in industry in the first half of the year. The survey of business confidence conducted by the Confederation of Finnish Industry and Employers and the Bank of Finland's investment inquiry indicate that investment is set to increase considerably over the next twelve months.

Households' increased optimism about economic growth and their lower debt levels have stimulated consumer demand, despite weak earnings growth. In the final quarter of last year, the prolonged downward trend

in private consumption was reversed, and in the first quarter of 1994, private consumption grew by 1.5 per cent from the preceding quarter. Higher taxation does not seem to have depressed consumption, as retail sales in April-May remained at the average level of the first quarter of the year, and registrations of passenger cars in the second quarter were up 6 per cent from the first quarter. The pick-up in demand has not, however, led to any significant reduction in overcapacity in the domestic sector. Investment by companies operating in the domestic market continued to decline in the first months of 1994. In the first quarter of the year, GDP grew by 0.8 per cent from the final quarter of last year, and a second-quarter increase of over 2 per cent in the monthly indicator of total output points to a further acceleration in output growth.

Despite the increase in output, there has been hardly any improvement in employment. Productivity growth continued rapid in late spring. Taken as a whole, the downward trend in the number of employed persons has, however, come to a halt. In companies serving the domestic market the level of employment has remained unchanged or decreased slightly, reflecting continued poor profitability. The numbers employed have increased in the export and transport sectors, but the improvement in the employment situation is still being hampered by the rationalization measures implemented. According to Statistics Finland, the unemployment rate remained almost unchanged in June, ie at 17.9 per cent. In July, there was a further seasonal rise of

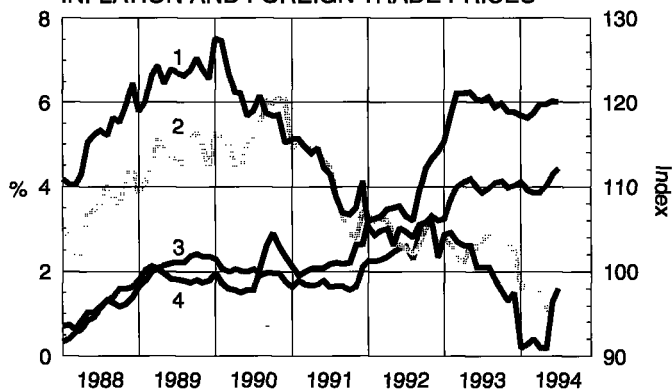
12 000 in the number of unemployed job-seekers.

The financial balance of the economy improved in early summer, when the current account moved into a surplus as a result of rapid export growth. The current account posted a surplus of FIM 4.6 billion for the first seven months of the year. The improvement in the current account has been slowed both by the impact of large interest payments on foreign debt early in the year and by the increase in imports associated with the pick-up in economic activity. Imports have been boosted by restocking and by the fact that economic growth has been concentrated in manufacturing. Imports of consumer and investment goods have also surged along with the increased consumption of goods for which there is virtually no domestic production capacity. The current account surplus is likely to grow further in the latter half of this year. Since companies have improved their performance while undertaking only little investment, the financial surplus of the private sector has grown. The current account has consequently improved despite the widening of the central government's budget deficit.

Developments in central government revenue and expenditure in the first half of 1994 were more or less in line with forecasts. The net financing requirement for the entire year is likely to rise to about FIM 70 billion. Investment in government bonds by the private sector has been modest; rather, the private sector has invested in liquid bank deposits and repaid its loans. By the end of July 1994, the government had covered only about a third of its financing

CHART.

INFLATION AND FOREIGN TRADE PRICES



- 1. Consumer price index¹ (left scale)
- 2. Indicator of underlying inflation¹ * (left scale)
- 3. Export price index, 1990 = 100 (right scale)
- 4. Import price index, 1990 = 100 (right scale)

¹ 12-month change, %

* The base year for the indicator of underlying inflation has been changed to 1990. The tax rate index, which is used in calculating the indicator of underlying inflation, has also been revised. The tax rate index includes indirect taxes and subsidies that affect prices of consumer goods.

requirement from domestic sources. The emphasis in central government borrowing has been on foreign financing, which has increased liquidity in the economy.

Owing to the growth of the economy, the central government deficit will no longer deepen as a result of built-in stabilizers, notably outlays related to the growth of unemployment. Instead, the deficit will be swelled in 1995 by increased debt-servicing charges and the large initial outlays arising from Finland's prospective membership of the EU. In addition, central government finances will be burdened by the two tax refunds to be paid next year. The central government's net financing requirement, calculated on the basis of cash revenue and expenditure, is expected to remain at the 1994 level, and so the growth of central government debt will continue to be rapid.

MODERATE INFLATION

The consumer price index, 4 which had remained almost un-

changed throughout the first half of this year, rose by 1.0 per cent between May and June. Most of the rise, 0.8 percentage point, was due to government measures: introduction of the value-added tax, the imposition of road tax on passenger cars and an increase in fuel tax. The impact of value-added tax, 0.54 percentage point, represents about two-thirds of the imputed immediate effect of the tax reform. In July, the consumer price index remained at its June level and the twelve-month change was 1.6 per cent.

The indicator of underlying inflation remained unchanged throughout May and June. The twelve-month rate of underlying inflation slowed from 1.6 per cent at the beginning of the year to 0.9 per cent in June (Chart). The stability of prices is primarily due to moderate developments in labour costs and import prices. Labour costs have continued to rise at a slower rate than labour productivity. In the first six months of 1994, the index of wage and salary earnings rose by 1.7 per cent com-

pared with the same period a year ago. A third of the increase was due to negotiated pay increases. Wage drift occurred mainly in the export industries. The increase in export and import prices associated with the depreciation of the markka came to a halt in spring 1993, since when markka-denominated import and export prices have remained relatively stable owing to the strengthening of the markka, although prices denominated in foreign currency have been rising. Import prices rose by only about 1 per cent between the end of 1993 and the end of July 1994. The rise in some world commodity prices in the summer was reflected in export prices, and indeed export prices rose by about 2 per cent in markka terms in June-July from their level in May. The terms of trade improved by 1.5 percentage points over the same period.

The upward trend in asset prices has come to a halt in recent months. The rise in house prices slowed down in the second quarter of 1994, rising by 1.6 per cent in the country as a whole. In the metropolitan area of Helsinki, where the rise in house prices clearly exceeded that in other parts of the country during the first half of the year, prices actually declined in July to the level prevailing at the beginning of the year. However, activity in the housing market was very sluggish in July, and so the decline in prices could turn out to be only temporary. On the other hand, the rise in interest rates in the summer months may have checked the demand for housing. Stumpage (standing timber) prices have remained virtually unchanged since the agreement on timber prices entered into force in March. The parties have kept to the price agreement relatively well, and the strong willingness of forest owners to sell indicates that stumpage prices are not expected to rise in the near future. Share prices have shown little change since late spring.

FURTHER STEEPENING OF THE YIELD CURVE AND AN UPTURN IN LENDING RATES

In July-August, long-term interest rates were relatively stable both in the United States and in Western Europe, except for those countries with floating exchange rate regimes; after the US Federal Reserve's latest decision to raise interest rates, long-term rates even fell somewhat. In Sweden, a large central government deficit, rapidly growing debt, a weakening krona and inflation risks – which are already evident in producer prices – have dominated economic discussion and prompted the Swedish central bank to raise its lending rates. The value of the Swedish krona has weakened from time to time and long-term rates have risen sharply. In Finland, the rise in long-term interest rates in July was more moderate than in Sweden, but in August there was a further marked rise in Finnish long-term rates, partly as a reflection of the developments in Sweden. The differential between Finnish and German ten-year rates grew from two percentage points in early June to more than three percentage points.

The yield curve for HELIBOR rates of interest steepened in August. One-month HELIBOR stayed at about 5.3 per cent in June-July, but in August it occasionally climbed to about 5.5 per cent before falling back to about 5 per cent at the end of August. After having fluctuated at around 5.5 per cent in June-July, three-month HELIBOR moved noticeably higher in August, reaching 5.7 per cent. The differential between Finnish and German short-term rates has widened to almost one percentage point. Despite the rise in long-term rates, the Bank of Finland has curbed the increase in short-term rates by ensuring that banks' liquidity remains good. The Bank of Finland's tender rate fluctuated between 5.2 and 5.5 per cent in June-August.

As a result of the rise in long-term rates, the issue of markka-

denominated bonds has decreased markedly compared with 1993. In the first half of 1994, issues of markka-denominated government bonds totalled FIM 12 billion, which is only slightly more than a quarter of the total amount issued in 1993. In addition, a substantial part of this year's issues were made before long-term rates started to rise. Similarly, issues of corporate bonds have practically come to a standstill. By contrast, funds raised by financial institutions in the bond market in the second quarter of the year remained at the same level as in the first quarter.

Reflecting the rise in market interest rates, interest rates on new bank lending to the public have also started to climb. The average interest rate on new markka loans fell below 7 per cent in April, but rose to nearly 8 per cent in July. In July, interest rates on new corporate loans were 1.5 percentage points lower than the average rate of 9.1 per cent paid by households. In April-July, the decline in the average interest rate on outstanding loans levelled off at 8.1 per cent. The average interest rate on bank deposits turned up in June and was 3 per cent in July.

The fact that banks' average lending rates have risen more slowly than long-term market interest rates is partly due to changes in the breakdown of reference rates used for pricing loans. In July, only just over 1 per cent of new bank loans were tied to long-term reference rates. At the moment, the HELIBOR rates and banks' prime rates are the most widely used reference rates for bank loans granted to households. About a half of new markka loans granted by banks to companies are fixed-rate loans.¹ The rates on

¹ Fixed-rate loans are usually corporate bills of exchange with relatively short maturities. On the other hand, this category also includes low-interest, subsidized corporate credits; consequently, the average interest rate on new fixed-rate markka loans is low. Owing to the method used in compiling the relevant statistics, financial institutions have been counted as part of the corporate sector.

new fixed-rate markka loans seem to follow movements in HELIBOR rates. Thus new loans are to a significant extent (in practice, almost 80 per cent) tied to short-term market interest rates. A significant proportion of outstanding loans – more than 40 per cent – still consists of loans tied to the Bank of Finland's base rate or of fixed-rate loans. A rise in long-term reference rates affects the average interest rate on outstanding loans – and through them, the consumer price index – only slowly, since less than 10 per cent of all outstanding loans are tied to long-term reference rates. Consequently, changes in interest rates are transmitted to banks' lending rates mainly through movements in short-term market rates, banks' prime rates and the Bank of Finland's base rate.

MINOR MOVEMENTS IN THE EXCHANGE RATE

Following in the wake of the Swedish krona, the markka depreciated in early July, when the index measuring the markka's exchange rate against the ECU weakened to around 116. However, within three days, it had strengthened to 114. Measured by both the ECU index and the trade-weighted currency index, the markka appreciated by 5 per cent between mid-June and the end of August.

Capital inflows related to foreign borrowing by the government continued in June-July, when the total inflow amounted to more than FIM 15 billion. By contrast, the private sector exported capital to the value of FIM 11 billion during the same period; consequently, the level of foreign exchange reserves rose to FIM 55 billion. The forward positions of domestic enterprises and foreign investors remained stable in the first half of the year. In July, there was a slight increase in forward positions against the markka.

FURTHER GROWTH OF LIQUIDITY IN THE MONEY MARKET

The heavy capital imports by the central government in the first six months of the year boosted liquidity in the money market. As the foreign currency imported by the central government is purchased by the Bank of Finland, the resultant increase in the Bank's foreign exchange reserves leads to a corresponding increase in liquidity in the money market. The Bank has, however, sterilized this increase in liquidity through its money market operations, but at the same time the outstanding amount of Bank of Finland certificates of deposit – which are highly liquid – has increased. The outstanding amount of Bank of Finland CDs rose from FIM 15 billion at the end of 1993 to more than FIM 35 billion at the end of August this year. When companies or households receive income transfers or other payments from the central government, the amount of money (M1, M2, M3) they hold increases. When the central government uses the cash funds it has invested in CDs issued by the Bank of Finland or the banks by selling these to the public, the broadest monetary aggregate, M3, increases.

At the end of July, the twelve-month growth rate for the narrow monetary aggregate², M1, was 14.7 per cent. The corresponding rate for M2 was 6.2 per cent, indicating a slight acceleration of growth compared with the preceding months. By contrast, the growth rate of M3 remained at 10 per cent. Also contributing to the acceleration of the annual growth rates of the monetary aggregates in 1994 is the fact that there was a marked contraction in the monetary aggregates in

spring 1993 owing to tightened conditions in the foreign exchange market.

The fact that narrow money has grown faster than broad money is due to the preference of both households and companies for holding their funds in liquid cheque and transaction accounts rather than in time deposit accounts, because at the moment there is not much difference between the yields on these deposits. The low interest rate level is also reflected in the popularity of tax-exempt transaction accounts as against accounts subject to withholding tax. In particular, the growing uncertainty about the yields on bonds and the risk of capital loss are reflected in the willingness of the public to hold their funds in liquid form rather than as time deposits or bonds.

The broadest monetary aggregate, M3, decreased in June, although the amount of outstanding CDs increased. Such volatility in M3 is attributable to fluctuations in the amount of CDs held by the public. In June, the total amount of CDs outstanding increased by FIM 13 billion to FIM 151 billion. The amount of CDs held by banks increased by FIM 8 billion and the amount held by the government by FIM 7 billion, whereas the amount held by the public decreased by FIM 2 billion. At the end of June, the banks' holdings of CDs issued by other banks (excluding the Bank of Finland) totalled FIM 60 billion, ie exactly a half of the total amount of bank CDs outstanding.

The growth of the money supply in June-July was also affected by the rise in consumer prices in May-June. Changes in prices related to day-to-day transactions are usually reflected in full in the monetary aggregates. These changes are particularly evident in narrow money (M1), as it is mostly composed of deposits which are very liquid and often kept for day-to-day transactions. The recovery of the real economy is also evident as an increase in

the monetary aggregates. The growth of companies' liquid deposits has increased the supply of narrow money, and the growth of the amount of CDs held by companies has increased M3. The ratio between nominal total output and narrow money, ie the velocity of circulation of M1, has fallen sharply.

LIQUIDITY GROWTH NOT GENERATED BY LENDING

The growth of liquidity does not derive from credit expansion, as total outstanding bank lending decreased further in June-July. Outstanding markka lending has continued to diminish at an annual rate of about 2 to 3 per cent. In the last few months, the downward trend in foreign currency loans has slowed from a monthly rate of 3 per cent to about 1 per cent.

In addition to demand and supply, the amount of outstanding lending has been affected by exchange rate changes, transfers of loans from one item to another in banks' balance sheets and loan losses. According to the banks' statistics, their aggregate outstanding lending (outstanding markka and foreign currency loans to the public) decreased by FIM 11 billion in the first half of 1994. Of this decrease, probably about FIM 3 billion's worth was due to loan losses. On the other hand, the appreciation of the markka has reduced the amount of outstanding foreign currency loans by about FIM 1 billion; adjusted for this, outstanding lending has decreased by about FIM 9 billion.

Households, in particular, have continued to reduce their debt levels. Outstanding lending to households has decreased, both as regards consumption and housing loans. Although debt levels have fallen, demand for credit by households is not likely to pick up before there has been a marked upturn in either households' earnings or their earnings expectations. Companies' earn-

² Narrow money, M1, comprises currency in circulation with the public plus cheque, giro and transaction accounts held by the public. Broad money, M2, comprises M1 plus fixed-term and other bank deposits held by the public. The broadest monetary aggregate, M3, comprises M2 plus outstanding bank and Bank of Finland CDs held by the public.

ings have already turned up and the outstanding amount of markka bank loans to companies actually increased throughout the spring. It should be noted, however, that part of the new markka loans to companies consists of old loans which are booked as new loans after their interest terms have been changed and of foreign currency loans that have been converted into markka loans. There is not likely to be any major increase in demand for corporate credit before a marked upturn in investment activity.

The banks continue to be cautious in granting new loans. According to their interim reports, the banks' room for manoeuvre in terms of equity capital, taking into account the minimum 8 per cent solvency ratio requirement, totalled almost FIM 11 billion at the end of April 1994. At the same time, the banks' risks of further losses were rather high owing to their non-performing assets, which totalled FIM 52 billion (including assets to be transferred to the asset management company Arsenal). In their new lending, the margins added by the banks on top of reference rates have settled at an average of 2.5 percentage points in the course of this year.

INFLATION PROSPECTS

Inflation will remain subdued in the near future, although it is probable that increases in house prices and interest rates will cause a slight rise in the consumer price index towards the end of the year. The timing of the effects of the changeover to value-added tax that have not already been passed through to prices will depend on developments in economic conditions.

There is no evidence of inflationary pressures that might affect underlying inflation over the next few months. Higher de-

mand could, however, provide scope for price increases aimed at improving profit margins, though the growth of sales as such will improve the profitability of firms in the sheltered sector. On the other hand, there are some indications that food prices could be lowered in anticipation of EU membership, as firms seek to run down their stocks before possible membership. The continuing rise in the export prices of cyclically sensitive products will be reflected in inflation through its effects on wage formation. If wages rise only in the export sector, inflationary pressures will not increase from their present level.

Surveys of inflation expectations indicate that companies expect inflation to pick up. According to the survey of business confidence by the Confederation of Finnish Industry and Employers, industry expects inflation to accelerate both in the next quarter and especially during the next twelve months. However, the survey does not indicate how much inflation is estimated to accelerate. According to the survey of consumer confidence carried out by Statistics Finland in May, consumers expect that a year from now inflation will be running at more or less the present level.

The rise in long-term interest rates points to persistent inflation expectations. The rapid growth of narrow money (M1) and, on the other hand, the decreased popularity of time deposits may also be explained by growing inflation expectations and increased uncertainty about future developments in both prices and bond yields. Uncertainty concerning interest rate developments may also be a contributory factor to weaker demand for credit.

Measured by the ECU index, the markka's exchange rate has strengthened by more than 15 per cent from its lowest point in spring 1993. The appre-

ciation of the markka has helped to prevent the modest increase in foreign currency-denominated import prices from leading to a rise in markka-denominated import prices and thereby to an acceleration of inflation. In historical perspective, the markka's external value is still low. A further strengthening of the markka would dampen the inflationary pressures stemming from rises in international prices, which have so far been confined mainly to commodity prices.

Continued growth of output at the present rate is likely to lead to production bottlenecks. In such a situation, the discharge of liquidity that companies have built up over the last year could lead to higher inflation. If, however, the accumulated liquidity is used for financing fixed investment or for long-term investments in the capital market, the recent growth of M1 and M3 will not be permanent and will not therefore pose a threat to inflation. Price stability may, however, be temporarily threatened if investments are initiated simultaneously.

The rise in long-term interest rates, which reflects the uncertainty in the financial markets about the future development of short-term interest rates and inflation, may slow the pick-up in private investment. Low inflation and expectations of continuing low inflation would contribute positively to employment through lower interest rates and increased investment activity, and would help to promote the consolidation of central government finances.

2 September 1994

THE OUTLOOK FOR THE FINNISH BOND MARKET IN 1994

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According to numerous indicators, the Finnish economy has taken a turn for the better during the last few months. The improvement in the economy will help facilitate the continued favourable development of the market for markka-denominated bonds. At the end of 1993, the total value of financial assets stood at FIM 685 billion, of which bonds accounted for over 20 per cent (Chart 1).

The Finnish market for long-term debt securities has undergone a substantial deepening in recent years. The market's instrument base has expanded, especially as a result of the increasing volume of issues by the central government. Market liquidity has been improved by the increase of activity in the secondary market that has come with the expansion of the primary dealer system.

FINANCING OF THE CENTRAL GOVERNMENT DEFICIT

At the end of July, the central government had markka-denominated debt totalling FIM 125 billion, of which serial and Housing Fund bonds eligible for trade in the secondary market accounted for FIM 65 billion or 52 per cent.

The amount of (short-term) Treasury bills outstanding fluctuated during the spring. At the end of July, the amount was FIM 30 billion and the average maturity was about 4 months. Of the total central government debt at that time, Treasury bills accounted for about 10 per cent. The central government has stated its intention of increasing the stock of Treasury bills outstanding so as to cover the current year's borrowing requirement.

The central government's foreign currency-denominated debt has grown by FIM 26 billion since the beginning of the year

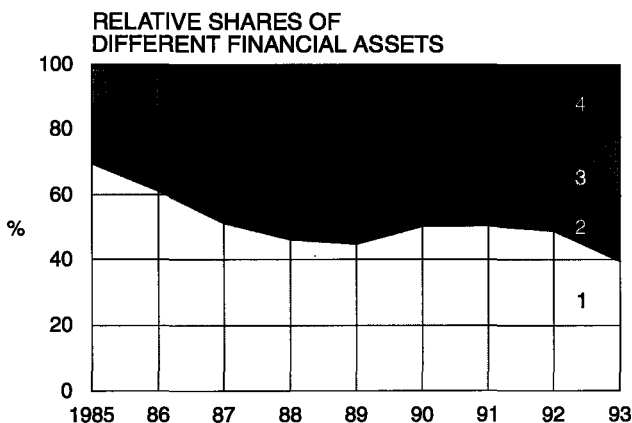
and, at the end of July, it stood at more than FIM 180 billion or 60 per cent of the total debt.

At the end of 1993, the total debt of the central government was FIM 265 billion, which was about 50 per cent of GDP. By the end of July 1994, the total debt had grown to FIM 307 billion (Chart 2).

Housing Fund bond 1/92 (15.3.2002, 10.75 %), issued by the Finnish Housing Fund (under the Ministry of the Environment), was designated as a benchmark bond as from the beginning of November 1992. Since that time, the Finnish Housing Fund has used the bond as its financing vehicle. The Finnish Housing Fund grants credit mainly in the form of government financing for new construction and, secondarily, for renovation of housing.

Housing Fund bonds are part of the central government's borrowing at risk, and, according to law, a separate government guarantee is not required. However, at first the market attached a risk premium to Housing Fund bonds as compared to other benchmark government bonds. The premium has disappeared in the course of the present year as regards prices quoted in the secondary market, and the prices of Housing Fund bonds have fallen into line with the yield curve for other benchmark bonds.

CHART 1.



1. Bank deposits
2. Market capitalization of shares
3. Nominal value of bonds
4. Money market instruments

EXPANSION OF THE PRIMARY DEALER SYSTEM

A primary dealer system was initiated in August 1992 through the cooperative efforts of the Bank of Finland, the State Treasury and the five largest Finnish banks.

The Finnish firm Evli Fixed Income Securities subsequently joined the system in May 1993 and, in autumn 1993, the Danish firm Unibørs Securities became the system's first foreign intermediary. Unibørs operates from Copenhagen.

At the beginning of June 1994, Goldman Sachs International, the London-based subsidiary of an American investment bank, and the Helsinki branch of Svenska Handelsbanken acquired primary dealer status.

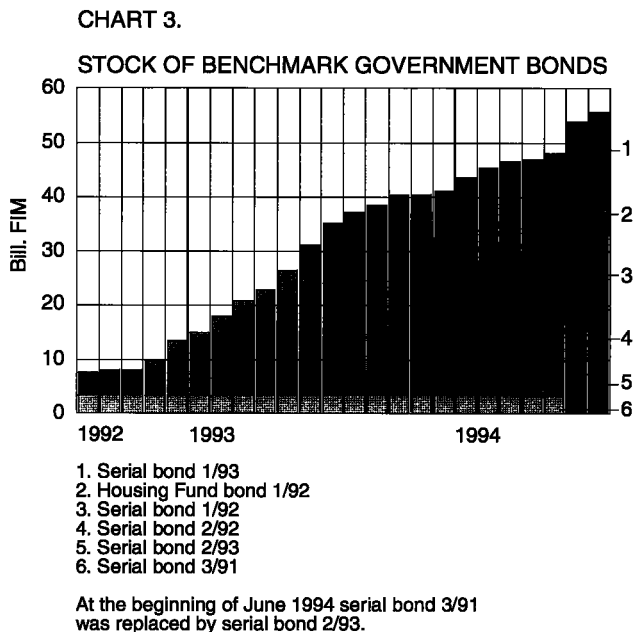
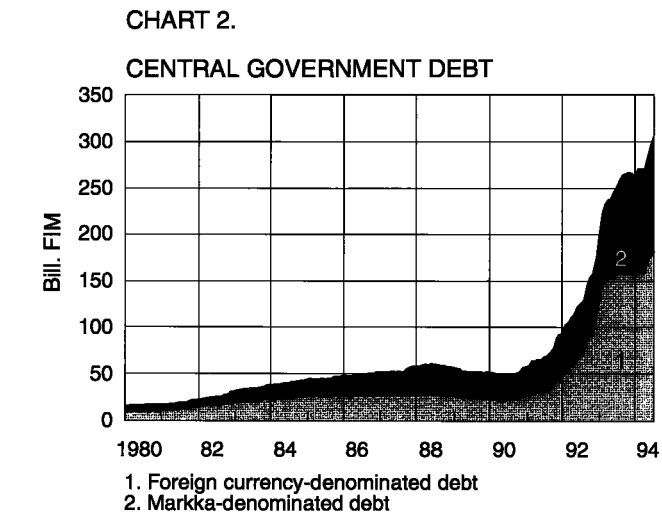
Negotiations aimed at a further expansion of the primary dealer system are currently under way. With the continued increase in trading activity, it is hoped that more dealers will join the system.

Experience with the primary dealer system has been positive. Market liquidity has improved and the pricing mechanism has become more efficient. This has induced investors to accept a lower risk premium on Finnish government bonds. On the other hand, market disturbances have, from time to time, also caused considerable volatility in the Finnish market.

GROWTH OF THE STOCK OF BENCHMARK BONDS

At the beginning of August, the stock of outstanding benchmark bonds totalled FIM 55.6 billion and consisted of five serial bonds which the State Treasury and the primary dealers have jointly designated as benchmark bonds (Chart 3). The stock of benchmark bonds has increased by FIM 14.5 billion since the turn of the year, and it now accounts for 44 per cent of markka-denominated central government debt.

One of the factors which have contributed to the increase in the stock of benchmark bonds is the conversion of the benchmark government bond III/91 for the most part into 12-month Treasury bills, which took place at the beginning of June. To replace it, the new seri-



al bond II/93 (maturity date 15 September 1996) was designated as a benchmark bond.

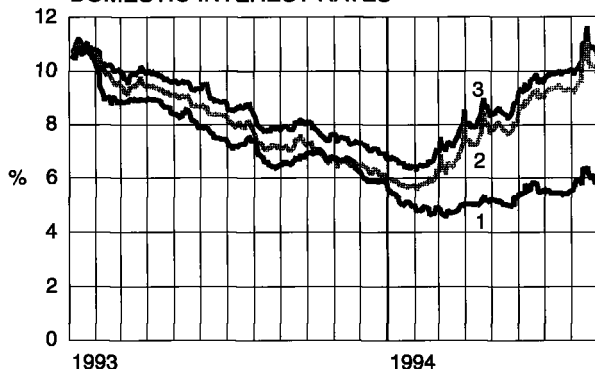
As central government debt continues to grow, it is to be expected that the availability of instruments will continue to expand in the most active segment of the secondary market. The maturity structure of the current stock of benchmark bonds offers investors a wide choice. The markets, however, have indicated a need for instruments with maturities of more than ten years.

GROWTH OF TURNOVER

The upturn in interest rates in February 1994 (Chart 4) was reflected in the benchmark bond market as turnover surged in March (Chart 5). Daily turnover exceeded the FIM 4 billion mark on numerous occasions. However, market turnover has subsequently stabilized near its earlier, 1993 level. Owing to the volatility of interest rates, the investment horizon of investors seems to have shifted from bonds maturing in 2002 and 9

CHART 4.

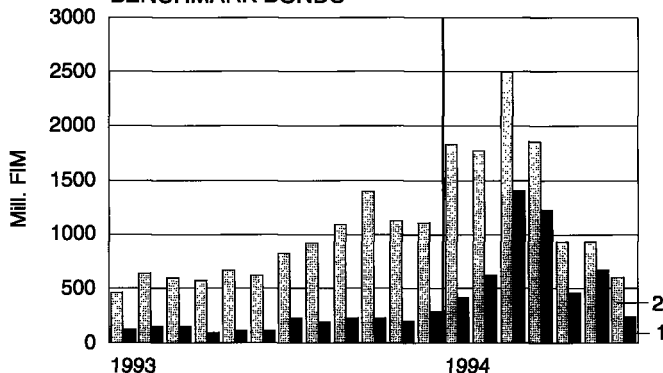
SHORT-TERM AND LONG-TERM DOMESTIC INTEREST RATES



1. 3-month HELIBOR
2. Yield on 5-year government bonds
3. Yield on 10-year government bonds

CHART 5.

SECONDARY MARKET TRANSACTIONS IN BENCHMARK BONDS



1. Transactions between primary dealers (daily average)
2. Customer transactions (daily average)

2004 to shorter-term serial bonds maturing in 1996 and 1997.

The major part of the trade in benchmark bonds is carried out through the primary dealer system. A year ago in May, bond trading activity on the Helsinki Stock Exchange picked up noticeably when the most active brokers announced that they would report their bond transactions to the Stock Exchange. However, as the reporting of transactions remained sporadic and failed to result in the expected improvement in the transparency of the bond market,

the same brokers announced that they would stop reporting at the end of the 1993.

The secondary market for bonds is clearly dominated by benchmark government bonds. For the first six months of 1994, reported bond transactions totalled more than FIM 300 billion. Of this amount, bonds issued by banks and companies accounted for only about 2 per cent.

The notable growth of turnover during the first half of 1994 also reflects foreign investors' need to adjust their portfolios to the changes in markka interest rates. According to the balance

of payments statistics, in the first six months of 1994 markka-denominated government bonds were repurchased from abroad to a total of about FIM 4.5 billion in net terms.

INTEREST RATE MOVEMENTS

There was a sudden turnaround in interest rate movements in February 1994. The prolonged downward trend in long-term interest rates was reversed as rates shot up quickly. This resulted in a sharp steepening of the yield curve. The change in the interest rate picture also called for an adjustment in the operations of primary dealers. The system has proven its viability even with the surge in interest rates.

DEVELOPMENTS IN THE SPREAD BETWEEN BID AND OFFER PRICES

The introduction of the primary dealer system led to an immediate narrowing of the spread between bid and offer prices for benchmark serial bonds to five basis points, as had been agreed when the primary dealers signed their agreements. The uncertainty in the markets in autumn 1992 caused by the floating of the markka was reflected in the widening of bid/offer spreads. After the situation stabilized, the primary dealers generally held to the agreed spread.

At the end of 1993, the primary dealers agreed to keep the spread at three basis points whenever market conditions are favourable. In early spring 1994, rising interest rates were also reflected in fluctuating spreads between bid and offer prices for benchmark bonds.

WEEKLY REPO AUCTIONS

In June 1993, the Bank of Finland decided on measures to facilitate the market operations of primary dealers. In this connection it was decided that the Bank of Finland would introduce weekly repo auctions with the

primary dealers located in Finland so as to assist them in financing their trading portfolios. These repo deals are not undertaken for monetary policy purposes. Government and Bank of Finland securities are used as instruments in the auctions. Later, markka-denominated short- and long-term securities with a full government guarantee were also included as repo instruments.

The Bank of Finland has subsequently held auctions every week, although there have been times when the prices offered to the central bank have been so far out of touch with market prices that no deals have been made. To some extent, this has been a reflection of good liquidity in the banking system.

Information on the repo auctions is published weekly on Reuters and Telerate.

COMMENCEMENT OF THE BOND FORWARDS MARKET

A market for forward contracts based on benchmark government bonds was opened

in January 1994. Trading was begun with a contract based on the government serial bond maturing on 15 June 1997. Later, the market was expanded to include a bond forward based on the serial bond maturing on 15 March 2004; this enabled investors to hedge their portfolios against interest rate risk over a 10-year horizon. The Bank of Finland, as a neutral party, arranges and controls the fixing.

The market makers for the bond forward market comprise the primary dealers, except for Goldman Sachs International and Svenska Handelsbanken. Trading in the market has got off to a very brisk start. At the end of July 1994, the total stock of bond forwards outstanding amounted to FIM 27 315 million.

FUTURE PROSPECTS

It is likely that activity in the market for long-term markka-denominated bonds will continue at a brisk pace in the coming years. The growing central government debt will continue to increase the stock of bonds in the market. A considerable volume of government bonds will mature in 1996 and 1997. Despite

measures taken to consolidate central government finances, it is likely that a substantial part of this debt will have to be rolled over.

Benchmark government bonds are at present in physical form, but it is intended that they be transferred to the book entry system in the near future. When implemented, the centralized clearing and settlement of government bonds and bond forwards will reduce the risk associated with the clearing of securities transactions, and improve the efficiency of the secondary market.

From the point of view of the further development of the structure and competitiveness of the bond market, it is to be hoped that more primary dealers join the system. The introduction of markka-denominated bonds with longer maturities would also strengthen the financial markets in Finland.

31 August 1994

TRAINING AND TECHNICAL ASSISTANCE PROVIDED BY THE BANK OF FINLAND TO ECONOMIES IN TRANSITION

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In the 1990s, the economies in transition, ie the former centrally planned economies of the former Soviet Union and Central and Eastern Europe, have been going through a radical transformation towards market-based economies. A key element of this process has been the rebuilding of their central banks. This has involved developing the capability to formulate and implement effective monetary policies and to ensure the soundness of new, rapidly expanding financial markets.

In addition to its own initiatives, the Bank of Finland has collaborated with other central banks and international organizations in providing training and technical assistance to economies in transition. Initially, this activity took place on a somewhat unstructured basis but recently priorities for assistance have been defined and set.

ASSISTANCE PROVIDED

Training and technical assistance provided by the Bank of Finland to economies in transition have taken the following forms: visits made to the Bank for the purpose of training or acquiring technical knowledge of central banking operations; visits made to the Bank for research purposes; provision of direct bilateral technical assistance in the recipient countries; and technical assistance provided in the context of projects

coordinated by international organizations.

Visits to the Bank have either been of a short-term nature (less than two weeks) or of fairly long duration (up to six months). The aim of the short-term visits has been to provide visitors with first-hand knowledge of various aspects of central banking operations. Long-term visits to the Bank have mainly been undertaken for training purposes, involving also working in various departments and carrying out research and analysis.

Direct bilateral technical assistance, ie assistance extended outside international assistance programmes, has consisted of visits by Bank experts to the recipient countries. Assistance provided through international organizations has consisted of participation in technical assistance programmes co-ordinated mainly by the International Monetary Fund (IMF) and in some cases by the World Bank.

Table 1 gives summary information on the scale of assistance provided in the form of visits to the Bank since 1992. Prior to that time, assistance was also provided on a less co-ordinated basis.

As can be seen from Table 1, most of the visits made to the Bank in 1992-1994 have been short-term visits. In 1993, for example, a total of 59 persons participated in 24 short-term visits to the Bank, normally in groups of two to four persons.

The short-term visitors have mainly come from Estonia (33 persons in 1993), but also from Russia, Hungary, Poland, Slovakia, Ukraine, Latvia, Lithuania and China. As needs and requirements have varied considerably, each visitor's programme has been tailored individually. Many departments of the Bank of Finland have been involved in the process. It is noteworthy that especially short-term visitors have covered a wide spectrum of the staff of recipient institutions.

Lately, cooperation with the Central Bank of the Russian Federation has expanded. This has taken the form of practically-oriented seminars arranged by the Bank of Finland for groups of specialists from the Central Bank of Russia. The first of these one-week seminars for six to twelve persons was held at the Bank of Finland in September 1993 on the subject of accounting and payment systems at the Bank of Finland. In December 1993, a seminar was conducted on central bank policy, forecasting and supporting research activities at the Bank of Finland. In May 1994, a seminar similar in content to the first one was held. It is envisaged that the Bank could offer about three seminars annually.

An exchange of views within the context of annual seminars takes place between the Bank of Finland and the Bank of Estonia. The first seminar was hosted by the Bank of Finland in March 1993 and the second by the Bank of Estonia in May 1994. These seminars have been attended by about ten persons from each bank and have dealt with topics in central banking and economic issues.

The number of long-term visitors to the Bank (for stays

TABLE 1. NUMBER OF PERSONS PARTICIPATING IN TECHNICAL ASSISTANCE VISITS TO THE BANK OF FINLAND

	1992	1993	1994 (1st half)
Short-term visits	81	59	45
12 Long-term visits	9	6	6

lasting from a few weeks to several months) has been far smaller. Most of the long-term visitors have come from the Bank of Estonia, but a few also from the central banks of Russia, Hungary and China. In addition, the Bank has received long-term visitors from the University of Tartu in Estonia.

In addition to the activities mentioned above, the Bank's Unit for Eastern European Economies has, since 1992, been receiving scholars and experts from economies in transition for long-term visits of a duration of two to six months. The experts have worked in the Unit preparing research papers on economic developments and business activities in their respective countries, which have subsequently been published in the Unit's publication series. Usually, these experts have come from organizations other than central banks.

The visitors have typically acquired knowledge of operations in the various units of the Bank, frequently also visiting other financial institutions in Finland. In addition, they have participated in the training the Bank arranges for its own economists and in many cases this has included the preparation of written reports. Assistance has been provided in the form of supervising their work, research support and teaching word processing. In addition, they have been able to make use of the Bank's data-processing services as well as other necessary support. Some of the officials and scholars have visited the Bank of Finland several times.

The long-term training visits have absorbed a relatively larger proportion of the Bank's resources than short-term visits over the past few years. However, they have proven to be far superior in terms of their usefulness and effectiveness.

Table 2 gives summary data on technical assistance provided by the Bank staff to economies in transition in the recipient countries.

The Bank of Finland's direct bilateral assistance to economies in transition has mainly consisted of visits by experts to the Bank of Estonia. In fact, in 1993, such visits accounted for all the direct bilateral assistance provided. Contacts and arrangements for such visits are normally made and worked out by the departments concerned.

Several international organizations have initiated large-scale technical and training assistance programmes for economies in transition. Central banking has been one of the key areas of the assistance provided, in particular by the IMF. The aim has been to establish and strengthen the technical capacity of the recipient countries to conduct central banking activities in a market economy environment as well as to integrate the technical assistance provided into a broader reform of the monetary and financial systems. Many central banks are channelling assistance on a substantial scale through these programmes, in addition to providing direct bilateral assistance.

The Nordic countries have taken a keen interest in developments in the Baltic countries. Therefore, the Nordic central banks decided early on to focus a major part of their technical assistance efforts on the Baltic countries, initially collectively or individually but, more recently, increasingly within the framework of technical assistance coordinated by the IMF. The Bank has participated in technical assistance programmes of this kind since the beginning of 1992. Staff have been released to participate in Fund missions to the Baltic countries. However,

the Bank has also contributed in providing experts to missions in Ukraine and Belarus. A few Bank officials have participated in long-term assignments (one to two years) in economies in transition as part of the technical assistance projects coordinated by the IMF (in Albania and Lithuania).

On a few occasions, Bank of Finland staff have participated in missions of the World Bank. So far, staff have not taken part in technical assistance provided by other international organizations, such as the Organization for Economic Cooperation and Development or the European Bank for Reconstruction and Development.

Responsibility at the Bank for planning, organizing and coordinating technical and training assistance to economies in transition has since 1992 been delegated to the Research Department, which also participates in the provision of training together with other departments. Assistance extended through international organizations is, however, administered by the Bank's International Secretariat. The Unit for Eastern European Economies administers its own assistance activities.

It is estimated that in 1992 and 1993 staff resources devoted to technical and training assistance for economies in transition amounted to the equivalent of 5-6 man-years per year.

ASSISTANCE IN THE FUTURE

By a decision taken by the Bank's management in 1993, priorities were set for bilateral training and technical assistance provided to economies in

TABLE 2. NUMBER OF BANK OF FINLAND STAFF PARTICIPATING IN TECHNICAL ASSISTANCE VISITS TO ECONOMIES IN TRANSITION

	1992	1993	1994 (1st half)	
Direct bilateral assistance	25	9	11	
Assistance coordinated through international organizations	23	11	2	13

transition. In particular, it was decided to focus training assistance on central banks and to give priority to Estonia and Russia, although occasional visits from central bankers in other Baltic or Eastern European countries would be accommodated as well. These priorities have already had an impact on assistance given in 1994, and they will continue to do so in the coming years. Regarding the scale of assistance, it was decided that, for the time being, it would be provided in approxi-

mately the present forms and using the present resources.

As regards short-term training visits to the Bank, the aim is to shift the emphasis from general visits to training in the form of courses on specified topics. Such training could also be provided in the recipient countries on an experimental basis, in conjunction with other technical assistance. In addition, the aim is to increase the share of long-term visits.

Training and technical assistance provided within the

context of assistance programmes of international organizations will continue in accordance with earlier agreements. Thus, for the time being, the Bank will participate in missions to the Baltic countries, Ukraine and Belarus, and possibly by way of exception to other countries as well.

26 August 1994

**PROPOSED REFORM
OF LEGISLATION
GOVERNING
THE BANK OF FINLAND**

The Bank of Finland Committee, appointed by the Council of State (Government) in February 1993, submitted its report to the Minister of Finance, Mr Iiro Viinanen, at the end of August.

The Committee proposes that the present Act on the Bank of Finland be replaced by a new law. According to the Constitution of Finland, the Bank of Finland operates under the guarantee and care of Parliament and under the supervision of the Parliamentary Supervisory Board elected by Parliament. The basic principle underlying the Committee's proposed reform proposal is that the Bank of Finland would remain accountable to Parliament. It would be possible to implement the reform through the ordinary legislative procedure without changing the constitutional status of the Bank.

According to the proposal, the primary objective of the Bank of Finland's activities would be to safeguard the value of the currency. Without prejudice to this objective, the Bank of Finland would also support the attainment of other economic policy objectives and promote the stability of the financial system, ie its reliability and efficiency. The tasks of the Bank of Finland would be to determine and implement the country's monetary policy, to manage the foreign currency reserves, to share in the responsibility for the reliability and efficiency of the payment and financial system and to participate in its development, and to compile the necessary statistical information.

Independence of national central banks in performing their tasks is one of the key requirements of the Maastricht treaty. It is the Committee's view that the Bank of Finland could best carry out the tasks assigned to it and achieve credibility in its activities if it were operationally independent in the conduct of monetary policy. Therefore the proposal also includes a provision according to which the Bank of Finland may neither request nor accept instructions concerning its activities in the context of carrying out its statutory tasks.

The Committee emphasizes the status of the Parliamentary Supervisory Board as a supervisory and administrative body whereas the Board of the Bank of Finland would be responsible for deciding on monetary policy, for its implementation and for the other operational tasks. This would clarify the division of responsibilities by making the Board indisputably responsible for monetary policy. The democratic accountability of Board Members would be reinforced by limiting the length and number of their terms of office. The Parliamentary Supervisory Board, in nominating candidates, would be in a better position than at present to assess the composition of the Board and the stance of monetary policy.

At present, a member of the Board can be dismissed from office by the President of the Republic at the discretion of the latter, at least in principle. However, the basic provisions on the European System of Central Banks included in the Maastricht treaty stipulate that the Governor can be relieved from office only because of serious misconduct or because he no

longer fulfils the conditions required for the performance of his duties. The Committee proposes that the law include provisions regarding the dismissal of members of the Board which are in compliance with this stipulation.

Furthermore, the Committee proposes changes to the provisions in the Currency Act concerning the external value of the markka. The proposal is based on the presumption that the markka is floating, ie that its external value is determined by market forces, even under normal circumstances. The proposed provision also makes it possible, where necessary, for a fluctuation band to be confirmed for the external value of the markka in relation to one or several other currencies. The limits for such a fluctuation band and changes to them would be decided by the Council of State on the proposal of the Board of the Bank of Finland. The transfer of the right to put forward proposals from the Parliamentary Supervisory Board to the Board of the Bank of Finland thus reflects the proposed reallocation of tasks between the different bodies of the Bank of Finland.

MEASURES CONCERNING MONETARY AND FOREIGN EXCHANGE POLICY AND THE FINANCIAL MARKETS

1993

MARCH

Organization of the Government Guarantee Fund. The internal organization of the Government Guarantee Fund is changed on 11 March. The changes are designed to improve the Fund's prerequisites for providing bank support. The main changes are: (1) the board of management of the Fund comprises at most five members, at least one of whom represents the Ministry of Finance; the Parliamentary Supervisory Board of the Bank of Finland continues to function as the Fund's supervisory body and *eg* appoints the members of the board; (2) the Fund has a full-time manager and other necessary full-time staff; and (3) the Fund assists the Ministry of Finance in the preparation of decisions concerning the use of funds set aside for bank support in the state budget; the Government makes decisions on support measures.

APRIL

Support to the Savings Bank of Finland. On 27 April, the Government Guarantee Fund grants capital support totalling FIM 1.1 billion to the Savings Bank of Finland. Of this amount, FIM 150 million is used to increase the bank's share capital and FIM 950 to purchase the bank's preferred capital certificates.

MAY

Base rate. The Parliamentary Supervisory Board lowers the 16 Bank of Finland's base rate from

7.5 per cent to 7.0 per cent with effect from 17 May.

Cash reserve requirement.

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

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

Support to Skopbank. On 24 May, the Government Guarantee Fund grants capital support to Skopbank by purchasing preferred capital certificates issued by Skopbank to the total value of FIM 700 million.

JUNE

Cash reserve requirement.

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

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

Market in government securities. On 15 June, the Bank of Finland announces measures designed to promote the functioning of the market in government securities by improving the operating

conditions of primary dealers. Among other things, the Bank starts to hold weekly repo auctions in government and Bank of Finland securities for the primary dealers. In addition, the Bank may, at its discretion, grant intra-day credit to primary dealers and special short-term financing to non-bank primary dealers.

JULY

Introduction of minimum reserve system.

In June, an amendment to the Regulations for the Bank of Finland enters into force providing for a mandatory minimum reserve system. On 30 June, the Bank decides to terminate the existing cash reserve agreement with the banks and replace it by the minimum reserve system.

Deposit banks and branches of foreign credit institutions are required to hold 2.0 per cent of their liquid deposits, 1.5 per cent of their other deposits and 1.0 per cent of their other domestic liabilities as non-interest-bearing minimum reserves at the Bank of Finland. The system is applied for the first time to the reserve base for June and the corresponding deposits are to be made by the end of July.

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

AUGUST

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

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

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

The guarantee to be given to the UBF covers the issue of preferred capital certificates up to FIM 1 billion and that to KOP the issue of preferred capital certificates and subordinated debentures up to a total of FIM 1.8 billion. In the case of preferred capital certificates, the guarantee applies to both interest and principal and will remain in force for a maximum of 10 years.

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

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

OCTOBER

Establishment of asset management companies becomes possible.

The Act on the Government Guarantee Fund is amended on 15 October so as to enable the Fund to own and administer shares in an asset management company,

ie a company set up for the purpose of purchasing and administering the assets or liabilities of a bank subject to support measures taken by the Fund or the government.

Sale of the Savings Bank of Finland to other banks. On 22 October, the Government approves the proposal of the Government Guarantee Fund for an arrangement whereby the Savings Bank of Finland (SBF) is to be sold to four buyers. Kansallis-Osake-Pankki, Postipankki Ltd, Union Bank of Finland Ltd and the cooperative banks designated by the Central Association of the Cooperative Banks will each buy one-quarter of the business operations of the SBF.

NOVEMBER

Establishment of the asset management company Arsenal Ltd.

On 18 November, the Government establishes an asset management company called Arsenal Ltd to own and administer the non-performing assets of the Savings Bank of Finland (SBF). These assets were not included in those parts of the SBF sold to four banking groups in October.

Support to the security fund of the cooperative banks.

On 18 November, the Government gives a guarantee for a maximum amount of FIM 900 million in respect of interest payments on loans raised by the security fund of the cooperative banks. If, on the basis of this guarantee, the Government has to pay interest on loans raised by the fund, the latter will start repaying interest in 1997.

DECEMBER

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 6.0 per cent to 5.5 per cent with effect from 1 December.

Collateral requirements for banks' intra-day and liquidity credit. The Bank of Finland specifies the collateral requirements for banks' liquidity credit and intra-day credit with effect from 1 December. The intra-day overdraft limits introduced on banks' current accounts on 1 March 1993 become permanent and liquidity credit must always be fully collateralized. Banks which fulfil the criteria for access to central bank liquidity credit are required to deposit collateral equivalent to 25 per cent of their overdraft limits whereas other banks are required to deposit collateral for the full amount of their limits.

Support to Skopbank. On 22 December, the Government grants capital support to Skopbank by purchasing preferred capital certificates issued by Skopbank to the total value of FIM 350 million.

1994

JANUARY

Commencement of trade in bond forwards. In accordance with an agreement concluded between the Bank of Finland and the primary dealers, the latter begin trading in markka-denominated bond forward contracts on 24 January.

FEBRUARY

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 5.5 per cent to 5.25 per cent with effect from 1 February.

FINLAND IN BRIEF

LAND, CLIMATE AND POPULATION

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

Finland has a population of 5 080 100 (31 December 1993) and an average population density of 16.6 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 509 500 inhabitants, Espoo (Esbo) 182 500, Tampere (Tammerfors) 176 600, Vantaa (Vanda) 161 400 and Turku (Åbo) 160 500.

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

FORM OF GOVERNMENT

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

The legislative power of the country is exercised by Parliament and the President of the Republic. The supreme executive power is vested in the President, who is elected for a period of six years. The President for the current term, 1 March 1994 to 1 March 2000, is Mr Martti Ahtisaari.

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

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

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

Of the 16 ministerial posts in the present Government appointed in April 1991, 8 are held by the Centre Party, 6 by the National Coalition Party and 2 by the Swedish People's Party. The Prime Minister is Mr Esko Aho of the Centre Party.

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

INTERNATIONAL RELATIONS

Finland became a member of the BIS in 1930, the IMF in 1948, the IBRD in 1948, GATT in 1950, the UN in 1955, the Nordic Council in 1955, the IFC in 1956, IDA in 1960, EFTA in 1961, the ADB in 1966, the OECD in 1969, the IDB in 1977, the AfDB in 1982, the MIGA in 1988, the Council of Europe in 1989 and the EBRD in 1991.

Having abolished most quantitative restrictions on foreign trade in 1957, Finland first took part in European free trade arrangements under the auspices of EFTA in 1961. Imports from the USSR were also progressively freed from customs duties. Finland's free trade agreement with the EEC entered into force in 1974 and agreements for the removal of trade barriers were concluded with several eastern European countries as well. The agreement on the European Economic Area (EEA) between the member countries of EFTA and the European Community was signed in spring 1992 and came into effect at the beginning of 1994. In spring 1992, Finland submitted her application for membership of the European Community, and the negotiations were concluded in spring 1994. The agreement on membership, due to become effective at the beginning of 1995, is still subject to a consultative national referendum and ratification by Parliament. Citizens of the five Nordic countries, Denmark, Finland, Iceland, Norway and Sweden, have enjoyed a common labour market, a passport union and reciprocal social security benefits since the mid-1950s.

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

THE ECONOMY

Output and employment. Of the gross domestic product of FIM 418 billion in basic values in 1993, 3 % was generated in agriculture and fishing, 2 % in forestry, 26.5 % in industry,

4.5 % in construction, 11 % in trade, restaurants and hotels, 8.5 % in transport and communications, 4 % in finance and insurance, 20.5 % in other private services and 20 % by producers of government services. Of total employment of 2.0 million persons in 1993, 8 % were engaged in primary production, 27 % in industry and construction and 65 % in services.

In 1993, expenditure on the gross domestic product in purchasers' values amounted to FIM 479 billion and was distributed as follows: net exports 5.5 % (exports 33.3 %, imports -27.8 %), gross fixed capital formation 15 %, private consumption 56.5 % and government consumption 23.5 %. Finland's tax ratio (gross taxes including compulsory employment pension contributions relative to GDP) was 47 per cent, which is somewhat below the average for the Nordic countries.

Average annual (compounded) growth of real GDP was 4.7 % in the period 1950-59, 5.0 % in 1960-69, 3.7 % in 1970-79, 3.7 % in 1980-89 and 3.6 % in 1990-93. Finland's GDP per capita in 1993 was USD 16 500.

Foreign trade. OECD countries absorb the bulk of Finnish merchandise exports. In 1989-93, their share was, on average, 78.5 per cent, of which the share of EC countries was 48.4 percentage points and that of EFTA countries 19.5 percentage points. Over the same period, Finland's exports to East European countries (including the Soviet Union) accounted for 12.6 per cent and the rest of the world for 10.7 per cent. The regional distribution of Finland's merchandise imports has been quite similar to that of exports.

In 1993, the share of forest industry products in total merchandise exports was 36 %, the share of metal and engineering products 45 % and the share of other goods 19 %. Raw materials and intermediate goods (incl. crude oil) accounted for 59 % of merchandise imports, fuels for 5 %, investment goods for 15 % and consumption goods for 20 %.

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

The annual growth increment totals 79 million cubic metres and the total drain calculated on the basis of commercial fellings was 38 million cubic metres in 1993.

Energy. In 1992, gross consumption of primary energy amounted to 30 Mtoe, of which industry accounted for 45 %, heating for 22 %, transportation

for 14 % and other purposes for 19 %. The sources of primary energy in 1992 were as follows: oil 29 %, coal 9 %, nuclear power 15 %, hydro-electric power, peat and other indigenous sources 31 %, others 16 %. Compared internationally (1990), Finland's consumption of 5.8 toe (OECD definition) per capita was 1.8 times higher than the average in European OECD countries. The self-sufficiency rate (including nuclear power) in Finland was 39 %, as compared with 60 % in western Europe on average.

FINANCE AND BANKING

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

the markka to float. On 13 November 1992, the Government, on the basis of the amended Currency Act, authorized the Bank of Finland to float the markka for an indefinite period.

The Central Bank. The Bank of Finland (Suomen Pankki – Finlands Bank), founded in 1811, operates under the supervision of the Parliamentary Supervisory Board, the nine members of which are entrusted with overall supervision of the Bank and certain specific decisions such as fixing the Bank's base rate and the limits for other rates. The Governor and a maximum of five other Members of the Board are appointed by the President of the Republic. The Board manages all affairs not expressly entrusted to the Parliamentary Supervisory Board, including the terms of banks' central bank finance and open market operations in the money and foreign exchange market. The powers vested in the Bank and its independence of the Government make the Bank of Finland one of the world's stronger central banks. In practice, the Bank liaises closely with the Government, so as to coordinate economic policy. The Bank of Finland has a head office in Helsinki and 4 branch offices in other towns.

Other banks (31 December 1993). Finland has three major groups of deposit banks with a total of about 2 640 offices. There are three big commercial banks with national branch networks and ten smaller ones, one of which is foreign-owned. The commercial banks have a total of 32 foreign branches, subsidiaries and associate banks and 31 representative offices abroad. There are 40 savings banks and 304 cooperative banks with their own extensive branch

networks. In addition, foreign banks have three branches and eight representative offices in Finland.

Financial market. Of the total stock of FIM 716 billion in outstanding domestic credit at the end of 1993, 54 % was provided by deposit banks 21 % by insurance companies, 5 % by other private credit institutions, 8 % by public financial institutions and 11 % by the state, local authorities and social security funds. There are no quantitative restrictions or interest rate limitations on lending. Regulation of bank lending rates was progressively relaxed earlier in the 1980s and finally abolished in 1986.

In the money market, 80 % of the instruments, which totalled approximately FIM 189 billion at end-1993, were negotiable instruments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds raised through bank trust departments and non-negotiable bank debt instruments make up the bulk of non-negotiable instruments. In its open market operations, the Bank of Finland deals in bank certificates of deposit and also issues its own certificates of deposit.

There are 58 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 136 billion (at end-1993). Domestic bonds and debentures in circulation at end-1993 totalled FIM 190 billion; government bonds made up 39 % of the total. Turnover on the Stock Exchange in 1993 amounted to FIM 106 billion; the share of shares and subscription rights in the total was approximately 44 %.



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1. THE BALANCE SHEET OF THE BANK OF FINLAND

1.1 THE BALANCE SHEET OF THE BANK OF FINLAND,

MILL. FIM

	1993		1994		
	31 Dec.	8 Aug.	15 Aug.	23 Aug.	31 Aug.
ASSETS					
Gold and foreign currency claims	33 472	55 260	54 169	52 737	53 058
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	664	647	653	634	636
IMF reserve tranche	1 747	1 484	1 475	1 443	1 447
Convertible currencies	28 882	50 950	49 862	48 480	48 794
Other foreign claims	5 058	5 114	5 114	5 114	5 114
Markka subscription to Finland's IMF quota	5 058	5 114	5 114	5 114	5 114
Term credit	—	—	—	—	—
Claims on financial institutions	8 677	3 366	3 667	6 353	5 677
Liquidity credits	1	—	—	—	—
Certificates of deposit	1 844	968	1 382	4 157	4 170
Securities with repurchase commitments	5 493	1 280	1 166	1 077	387
Term credits	—	—	—	—	—
Bonds	1 101	880	882	882	882
Other claims on financial institutions	238	238	238	238	238
Claims on the public sector	1 788	1 815	1 817	1 816	1 817
Treasury bills	—	—	—	—	—
Loans to the Government Guarantee Fund	—	—	—	—	—
Total coinage	1 788	1 815	1 817	1 816	1 817
Claims on corporations	3 303	3 209	3 203	3 198	3 198
Financing of domestic deliveries (KTR)	496	385	379	374	374
Other claims on corporations	2 807	2 824	2 824	2 824	2 824
Other assets	6 826	4 885	4 886	4 887	4 890
Loans for stabilizing the money market	5 752	4 732	4 732	4 732	4 732
Accrued items	907	—	—	—	—
Other assets	166	153	154	155	158
Capitalized expenditures and losses due to safeguarding the stability of the money market	1 400	1 400	1 400	1 400	1 400
Total	60 524	75 050	74 256	75 504	75 153
LIABILITIES					
Foreign currency liabilities	193	191	189	160	196
Convertible currencies	193	191	189	160	196
Other foreign liabilities	6 189	6 193	6 186	6 163	6 167
IMF markka accounts	5 058	5 114	5 114	5 114	5 114
Allocations of special drawing rights	1 131	1 079	1 073	1 049	1 053
Other foreign liabilities	—	—	—	—	—
Notes and coin in circulation	14 994	14 290	14 160	13 972	13 922
Notes	13 442	12 684	12 558	12 366	12 322
Coin	1 552	1 606	1 602	1 606	1 600
Certificates of deposit	14 837	35 618	31 533	33 015	35 040
Liabilities to financial institutions	8 201	7 132	10 623	11 528	8 854
Call money deposits	1 803	665	4 156	5 061	2 252
Term deposits	—	—	—	—	—
Minimum reserve deposits	6 398	6 467	6 467	6 466	6 602
Other liabilities to financial institutions	—	0	0	—	0
Liabilities to the public sector	784	85	95	45	71
Cheque accounts	8	1	1	1	1
Deposits of the Government Guarantee Fund	776	84	94	44	70
Other liabilities to the public sector	—	—	—	—	—
Liabilities to corporations	2 087	1 742	1 734	1 729	1 720
Deposits for investment and ship purchase	2 087	1 742	1 734	1 729	1 720
Other liabilities	627	102	94	95	96
Accrued items	536	—	—	—	—
Other liabilities	92	102	94	95	96
Valuation account and reserves	6 847	3 934	3 877	3 033	3 324
Capital accounts	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Profit/loss for the accounting year	—	—	—	—	—
Total	60 524	75 050	74 256	75 504	75 153

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

MILL. FIM.

End of period	Foreign sector							Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies	Foreign exchange reserves (1+2+3+4)	Other claims, net	Net claims (5+6)	Claims	Liabilities	Net claims (8-9)
	1	2	3	4	5	6	7	8	9	10
1989	2 179	966	950	18 822	22 917	- 166	22 752	1 137	5 325	- 4 188
1990	2 180	791	783	33 478	37 232	- 1 273	35 960	1 314	1 321	- 7
1991	2 180	932	1 136	29 381	33 629	- 424	33 204	1 375	3	1 372
1992	2 180	564	1 732	25 041	29 517	- 2 998	26 519	2 446	90	2 356
1993	2 180	664	1 747	28 882	33 473	- 1 324	32 148	1 788	784	1 004
1993										
Aug.	2 180	680	1 927	27 014	31 801	- 887	30 914	1 412	149	1 263
Sept.	2 180	675	1 869	22 359	27 083	- 929	26 154	1 444	149	1 295
Oct.	2 180	668	1 850	24 766	29 464	- 907	28 558	1 652	149	1 503
Nov.	2 180	678	1 854	26 375	31 087	- 905	30 182	1 801	649	1 152
Dec.	2 180	664	1 747	28 882	33 473	- 1 324	32 148	1 788	784	1 004
1994										
Jan.	2 180	645	1 697	36 652	41 174	- 1 347	39 827	1 739	904	835
Feb.	2 180	657	1 676	42 067	46 580	- 1 298	45 282	1 768	300	1 468
March	2 180	661	1 688	38 117	42 646	- 1 257	41 389	1 793	251	1 542
April	2 180	650	1 597	37 197	41 623	- 1 229	40 394	1 828	39	1 789
May	2 180	654	1 591	43 303	47 728	- 1 207	46 521	1 827	61	1 766
June	2 180	650	1 514	48 364	52 708	- 1 176	51 532	1 819	526	1 293
July	2 180	645	1 480	51 329	55 634	- 1 261	54 373	1 823	84	1 739
Aug.	2 180	636	1 447	48 794	53 058	- 1 249	51 809	1 817	71	1 746

End of period	Domestic financial sector					Corporate sector			Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	Term claims on deposit banks, net	Liquidity position of deposit banks ¹	Minimum reserve deposits of deposit banks ²	Other claims on financial institutions, net	Net claims (11+12+13+14)	Claims in the form of special financing	Special deposits and other items, net	Net claims (16+17)		
	11	12	13	14	15	16	17	18	19	20
1989	33 230	- 531	- 25 506	5 558	12 751	2 000	- 10 604	- 8 604	13 129	-
1990	9 411	- 418	- 17 401	5 744	- 2 665	1 477	- 9 724	- 8 247	14 555	-
1991	11 882	- 2 206	- 10 361	5 531	4 846	1 086	- 6 854	- 5 768	14 528	8 880
1992	3 738	- 550	- 13 165	4 572	- 5 405	747	- 2 651	- 1 904	14 508	4 880
1993	7 337	- 1 802	- 6 398	1 339	476	496	720	1 216	14 994	14 837
1993										
Aug.	6 953	408	- 6 310	1 459	2 509	575	524	1 099	13 297	18 259
Sept.	6 474	1 764	- 6 338	1 470	3 369	555	597	1 152	13 317	13 615
Oct.	6 759	- 386	- 6 320	1 429	1 481	535	614	1 149	13 653	14 480
Nov.	6 951	- 1 373	- 6 476	1 405	507	517	642	1 159	15 836	12 259
Dec.	7 337	- 1 802	- 6 398	1 339	476	496	720	1 216	14 994	14 837
1994										
Jan.	4 198	- 889	- 6 393	1 283	- 1 801	482	860	1 342	14 084	22 440
Feb.	1 802	- 426	- 6 346	1 250	- 3 720	466	950	1 416	13 855	26 290
March	3 842	- 1 083	- 6 276	1 241	- 2 276	449	1 003	1 452	14 194	23 435
April	2 093	- 483	- 6 411	1 220	- 3 581	431	1 014	1 445	13 927	21 695
May	3 208	- 485	- 6 360	1 197	- 2 441	413	1 034	1 447	14 164	28 412
June	2 684	- 536	- 6 446	1 162	- 3 137	397	1 066	1 463	14 355	32 108
July	2 488	- 796	- 6 467	1 126	- 3 649	386	1 081	1 467	14 176	35 985
Aug.	4 557	- 2 252	- 6 602	1 120	- 3 177	374	1 104	1 478	13 922	35 040

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

² Cash reserve deposits prior to 1 July 1993.

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

2.1 BANKS' LIQUIDITY POSITION AT THE BANK OF FINLAND,

MILL. FIM

Average of daily observations	Call money deposits	Liquidity credits ¹	Liquidity position, net ¹ (1-2)
1989	416	369	47
1990	806	132	674
1991	881	985	-103
1992	2 103	437	1 666
1993	831	425	407
1993			
Aug.	581	311	270
Sept.	482	480	2
Oct.	605	759	-154
Nov.	714	336	378
Dec.	955	103	852
1994			
Jan.	933	105	828
Feb.	767	0	767
March	715	0	715
April	1 275	0	1 275
May	891	16	875
June	1 821	0	1 821
July	1 014	0	1 014
Aug.	2 575	0	2 575

2.2 THE BANK OF FINLAND'S MINIMUM RESERVE SYSTEM²

End of period	Reserve requirement			Cash reserve requirement, %	Deposits, mill. FIM
	On liquid deposits, %	On other deposits, %	On domestic debt capital, %		
	1	2	3	4	5
1989	.	.	.	9.1	25 506
1990	.	.	.	7.0	17 401
1991	.	.	.	4.0	10 361
1992	.	.	.	5.0	13 165
1993	2.0	1.5	1.0	.	6 398
1993					
Aug.	2.0	1.5	1.0	.	6 310
Sept.	2.0	1.5	1.0	.	6 338
Oct.	2.0	1.5	1.0	.	6 320
Nov.	2.0	1.5	1.0	.	6 476
Dec.	2.0	1.5	1.0	.	6 398
1994					
Jan.	2.0	1.5	1.0	.	6 393
Feb.	2.0	1.5	1.0	.	6 346
March	2.0	1.5	1.0	.	6 276
April	2.0	1.5	1.0	.	6 411
May	2.0	1.5	1.0	.	6 360
June	2.0	1.5	1.0	.	6 446
July	2.0	1.5	1.0	.	6 467
Aug.	2.0	1.5	1.0	.	6 602

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

² Cash reserve system prior to 1 July 1993

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1-2-3)
1989	131 110	3 855	99 245	28 010
1990	163 326	26 379	160 797	-23 850
1991	109 568	30 380	81 969	-2 781
1992	76 230	137 940	-60 417	-1 293
1993	86 521	146 899	-50 486	-9 892
1993				
Aug.	7 240	14 950	-10 660	2 950
Sept.	7 920	7 720	-6 920	7 120
Oct.	10 110	11 970	1 180	-3 040
Nov.	8 310	9 200	-2 090	1 200
Dec.	9 250	9 690	1 250	-1 690
1994				
Jan.	5 720	17 000	-3 130	-8 150
Feb.	3 940	19 430	-10 230	-5 260
March	5 770	22 180	-21 540	5 130
April	4 080	17 730	-13 435	-215
May	2 000	27 940	-20 790	-5 150
June	2 870	32 690	-24 980	-4 840
July	2 000	34 770	-29 180	-3 590
Aug.	5 140	35 040	-32 970	3 070

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

During period	Intervention in the foreign exchange market			Spot transactions related to forward contracts, net	Central government's foreign exchange transactions, net
	Spot purchases	Spot sales	Forward exchange intervention = change in forward exchange position		
	1	2	3	4	5
1991	35 120	- 69 940	- 14 820	12 820	12 260
1992	20 050	- 70 640	- 1 650	390	45 060
1993	25 120	- 45 080	7 460	- 6 910	33 240
1993					
July	960	- 8 360	- 4 800	4 520	- 820
Aug.	510	- 3 580	960	- 810	- 420
Sept.	-	- 1 170	2 050	- 1 950	- 1 770
Oct.	2 790	- 100	1 540	- 1 510	2 980
Nov.	2 270	- 70	- 40	-	- 1 170
Dec.	3 720	-	370	- 340	1 430
1994					
Jan.	12 550	-	2 720	- 2 680	- 1 490
Feb.	1 310	- 750	- 270	280	4 670
March	-	- 2 200	-	-	- 1 800
April	-	-	330	- 330	- 700
May	-	- 920	110	- 110	6 810
June	-	- 1 350	-	-	6 360
July	-	- 930	-	-	4 610

2.5 FORWARD EXCHANGE CONTRACTS, MILL. FIM

Stock at end of period	Finnish banks' forward contracts							Non-residents' forward contracts with Finnish customers (excl. Finnish banks)			
	With Finnish customers (excl. Finnish banks)			With foreign customers			With the Bank of Finland	Total	Non-residents' forward contracts with Finnish customers (excl. Finnish banks)		
	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net	Currency purchases from foreign customers	Currency sales to foreign customers	Net			Net forward purchases from the Bank of Finland	Net	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net
1	2	3	4	5	6	7	8	9	10	11	
1989	10 531	3 563	6 967	44 885	36 854	8 031	205	15 204	..	..	..
1990	11 609	4 979	6 631	21 179	11 079	10 100	- 6 098	10 633	237	55	183
1991	33 004	36 352	- 3 348	40 056	37 505	2 550	8 953	8 155	1 404	645	759
1992	39 195	32 939	6 256	21 142	32 339	- 11 197	7 133	2 192	1 614	1 929	- 315
1993	38 373	23 721	14 652	14 346	21 895	- 7 548	1 939	9 043	11 632	2 173	9 459
1993											
July	34 287	26 687	7 600	15 428	29 360	- 13 932	6 718	386	6 882	854	6 029
Aug.	32 677	26 607	6 070	15 791	26 631	- 10 840	5 912	1 142	7 013	1 063	5 950
Sept.	34 391	29 105	5 287	14 931	25 519	- 10 588	4 221	- 1 080	7 072	1 625	5 447
Oct.	36 251	31 071	5 179	14 928	25 313	- 10 384	2 293	- 2 912	9 942	2 313	7 629
Nov.	36 988	26 544	10 444	14 010	26 027	- 12 018	2 527	953	8 755	1 840	6 915
Dec.	38 373	23 721	14 652	14 346	21 895	- 7 548	1 939	9 043	11 632	2 173	9 459
1994											
Jan.	43 162	19 298	23 864	13 803	23 618	- 9 815	439	14 488	13 494	2 622	10 872
Feb.	41 288	16 030	25 258	17 043	23 240	- 6 197	489	19 550	14 542	2 903	11 639
March	42 814	16 519	26 295	18 003	24 476	- 6 473	489	20 311	14 280	2 599	11 682
April	40 494	15 128	25 366	15 807	22 872	- 7 065	135	18 436	16 236	4 104	12 133
May	40 529	13 887	26 643	17 151	25 046	- 7 894	0	18 749	15 321	3 859	11 462
June	41 191	15 124	26 067	18 939	25 421	- 6 481	0	19 586	15 155	4 417	10 739
July	40 536	16 619	23 917	17 436	27 166	- 9 730	0	14 187	14 746	4 000	10 746

3. RATES OF INTEREST

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

Average of daily observations	Interbank overnight rate	HILIBOR				Bank of Finland rates		
		1 month	3 months	6 months	12 months	Liquidity credit rate ¹	Call money deposit rate	Base rate
	1	2	3	4	5	6	7	8
1989	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67
1990	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50
1991	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50
1992	13.32	13.49	13.27	13.08	12.96	14.90	7.41	9.17
1993	7.71	7.85	7.73	7.59	7.47	8.95	4.95	6.85
1993								
Aug.	6.18	6.70	6.65	6.56	6.52	7.74	3.74	6.24
Sept.	6.35	6.81	6.68	6.49	6.29	7.76	3.76	6.00
Oct.	6.97	7.13	6.87	6.60	6.29	8.08	4.08	6.00
Nov.	6.76	6.95	6.58	6.23	5.93	7.97	3.97	6.00
Dec.	6.22	6.16	5.90	5.68	5.52	8.21	4.21	5.50
1994								
Jan.	5.63	5.38	5.19	5.05	5.01	7.44	3.44	5.50
Feb.	4.52	4.82	4.82	4.88	5.05	6.84	2.84	5.25
March	4.39	4.82	4.80	4.88	5.12	6.76	2.76	5.25
April	4.31	5.01	5.13	5.43	5.75	6.99	2.99	5.25
May	4.29	4.97	5.14	5.46	5.78	6.97	2.97	5.25
June	3.93	5.20	5.61	6.24	6.86	7.18	3.18	5.25
July	4.61	5.17	5.46	6.13	6.91	7.17	3.17	5.25
Aug.	3.91	5.35	5.96	6.77	7.54	7.32	3.32	5.25

¹ Call money credit rate until 2 July 1992.

3.2 THE BANK OF FINLAND'S LIQUIDITY FACILITY

The Bank of Finland's tender rate, %	Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	Call money deposits: interest rate margin, %-points	Average of daily observations	ECU INTEREST RATE, PER CENT		
					ECU	3 currencies	Commercial ECU
1	2	3	4	1	2	3	
1992¹	13.85	1992	+1.00	7	-3.00		
1993	7.87	1993	+2.00	7	-2.00		
1993		1993					
Aug.	6.74	Aug.	+1.00	7	-3.00		
Sept.	6.76	Sept.	+1.00	7	-3.00		
Oct.	7.08	Oct.	+1.00	7	-3.00		
Nov.	6.97	Nov.	+1.00	7	-3.00		
Dec.	6.21	Dec.	+2.00	7	-2.00		
1994		1994					
Jan.	5.44	Jan.	+2.00	7	-2.00		
Feb.	4.84	Feb.	+2.00	7	-2.00		
March	4.76	March	+2.00	7	-2.00		
April	4.99	April	+2.00	7	-2.00		
May	4.97	May	+2.00	7	-2.00		
June	5.18	June	+2.00	7	-2.00		
July	5.17	July	+2.00	7	-2.00		
Aug.	5.32	Aug.	+2.00	7	-2.00		
01.08.1994	5.20						
04.08.1994	5.26						
09.08.1994	5.31						
11.08.1994	5.28						
16.08.1994	5.47						
22.08.1994	5.35						
25.08.1994	5.31						

¹ July - December.

3.3 WEIGHTED EURORATES AND COMMERCIAL ECU INTEREST RATE, PER CENT

Average of daily observations	ECU INTEREST RATE, PER CENT		
	ECU	3 currencies	Commercial ECU
	1	2	3
1989	9.3	8.4	9.3
1990	10.5	9.1	10.4
1991	10.1	8.5	9.9
1992	10.4	7.8	10.6
1993	8.0	6.0	8.1
1993			
Aug.	7.5	5.5	7.7
Sept.	7.4	5.5	7.7
Oct.	7.2	5.6	7.5
Nov.	6.8	5.4	7.0
Dec.	6.5	5.2	6.5
1994			
Jan.	6.3	5.1	6.4
Feb.	6.3	5.1	6.4
March	6.2	5.2	6.3
April	6.0	5.1	6.2
May	5.7	5.0	5.9
June	5.6	4.9	6.0
July	5.6	5.0	6.0
Aug.	5.7	5.0	6.0

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

Average for period	Lending						Markku deposits and other markku funding					
	New credits				Average lending rate	Of which: Commercial banks	24-month tax-exempt deposits ¹	36-month tax-exempt deposits ¹	Other tax-exempt deposits, max. rate of interest ¹	Average rate of interest on deposits	Average rate of interest on other funding	Average rate of interest on markku funding
	Cheque account and post-al giro credits	Bills of exchange	Loans	New lending, total								
1	2	3	4	5	6	7	8	9	10	11	12	
1989	12.97	13.47	11.58	12.07	10.56	10.40	7.50	.	4.50	5.67	11.92	7.37
1990	13.24	15.62	13.33	13.85	11.84	11.61	7.50	.	4.50	6.43	13.55	8.41
1991	13.63	15.88	13.40	13.84	12.08	11.80	7.50	.	4.50	7.10	13.22	8.97
1992	14.04	15.86	13.32	13.75	12.46	12.13	7.50	8.50	4.50	7.41	12.84	9.14
1993	9.69	13.55	9.40	9.75	10.20	9.92	3.50	4.50	2.00	4.78	8.86	6.15
1993												
July	10.45	13.04	8.99	9.47	10.01	9.73	4.50	5.50	2.50	4.50	8.64	5.88
Aug.	10.67	13.20	8.79	9.25	9.58	9.26	4.00	5.00	2.50	4.10	8.09	5.44
Sept.	7.66	12.97	8.39	8.68	9.38	9.09	4.00	5.00	2.50	3.96	7.88	5.31
Oct.	9.92	12.39	8.66	9.04	9.28	8.97	4.00	5.00	2.50	3.89	7.77	5.24
Nov.	9.51	12.77	8.29	8.64	9.21	8.90	4.00	5.00	2.00	3.71	7.44	5.04
Dec.	8.83	11.55	7.32	7.62	8.85	8.48	3.50	4.50	2.00	3.33	6.94	4.55
1994												
Jan.	8.09	11.25	7.35	7.62	8.58	8.22	3.50	4.50	2.00	3.11	6.41	4.19
Feb.	8.25	11.92	7.14	7.46	8.34	7.97	3.25	4.25	2.00	2.93	5.95	3.92
March	4.99	11.73	6.73	6.78	8.17	7.79	3.25	4.25	2.00	2.88	5.77	3.85
April	7.29	11.68	6.87	7.10	8.12	7.91	3.25	4.25	2.00	2.88	5.79	3.85
May	7.63	11.66	7.18	7.43	8.08	7.87	3.25	4.25	2.00	2.88	5.67	3.86
June	7.19	11.70	7.25	7.44	8.09	7.88	3.25	4.25	2.00	2.89	5.77	3.92
July	8.25	11.76	7.58	7.86	8.14	7.90	3.25	4.25	2.00	3.01	5.85	4.03

¹ End of period.

3.5 YIELDS ON BONDS AND SHARES, PER CENT

Period	Bonds				Shares		
	Reference rates calculated by the Bank of Finland		Taxable government bonds		Taxable public issues	Taxfree public issues	Share yield
	3 years	5 years	5 years	10 years			
1	2	3	4	5	6	7	
1989	12.2	12.0	12.1	.	11.9	8.1	2.7
1990	13.7	13.5	13.2	.	13.3	9.2	4.0
1991	12.3	12.2	11.7	.	12.6	10.0	3.9
1992	13.1	13.0	12.0	11.5 ¹	13.8	9.9	3.1
1993	8.5	8.9	8.2	8.8	10.3	6.6	1.8
1993							
July	8.2	8.7	8.0	8.6	11.1	6.3	1.7
Aug.	7.4	7.9	7.2	7.9	9.2	5.9	1.6
Sept.	7.2	7.8	7.3	8.0	8.3	5.8	1.6
Oct.	7.1	7.6	6.9	7.7	9.8	5.5	1.5
Nov.	6.8	7.2	6.5	7.4	9.0	5.3	1.5
Dec.	6.5	7.0	6.2	7.0	9.2	4.9	1.4
1994							
Jan.	6.1	6.6	5.8	6.5	7.8	4.7	1.1
Feb.	6.1	6.6	5.9	6.6	7.8	4.8	1.1
March	6.6	7.5	6.7	7.5	7.7	4.8	1.2
April	7.7	8.6	7.6	8.3	7.2	4.8	1.4
May	7.9	8.9	7.9	8.5	7.4	4.8	1.4
June	9.1	10.0	9.0	9.5	8.6	4.6	1.5
July	9.7	10.4	9.3	9.9	10.4	6.1	1.5

¹ November and December only.

4. RATES OF EXCHANGE

4.1 MIDDLE RATES, FIM

Average of daily quotations	New York	Montreal	London	Dublin	Stockholm	Oso	Copenhagen	Frankfurt aM	Amsterdam	Brussels	Zurich	Paris
	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEF	1 CHF	1 FRF
	1	2	3	4	5	6	7	8	9	10	11	12
1989	4.2897	3.624	7.032	6.082	0.6654	0.6213	0.5869	2.2818	2.0226	0.1089	2.6243	0.6725
1990	3.8233	3.277	6.808	6.325	0.6459	0.6110	0.6181	2.3664	2.1002	0.1145	2.7576	0.7024
1991	4.0457	3.533	7.131	6.511	0.6684	0.6236	0.6322	2.4380	2.1634	0.1184	2.8208	0.7169
1992	4.4835	3.706	7.875	7.636	0.7714	0.7222	0.7444	2.8769	2.5552	0.1397	3.2000	0.8486
1993	5.7189	4.434	8.582	8.371	0.7350	0.8059	0.8822	3.4584	3.0787	0.1655	3.8706	1.0096
1993												
Aug.	5.8307	4.462	8.699	8.110	0.7237	0.7915	0.8429	3.4363	3.0540	0.1618	3.8905	0.9818
Sept.	5.7832	4.379	8.813	8.295	0.7219	0.8168	0.8707	3.5637	3.1734	0.1660	4.0737	1.0188
Oct.	5.7495	4.335	8.647	8.250	0.7172	0.8030	0.8682	3.5126	3.1255	0.1614	3.9946	1.0012
Nov.	5.8053	4.411	8.598	8.147	0.7026	0.7856	0.8578	3.4148	3.0428	0.1602	3.8777	0.9825
Dec.	5.7548	4.320	8.578	8.159	0.6887	0.7753	0.8585	3.3645	3.0038	0.1611	3.9282	0.9840
1994												
Jan.	5.6920	4.324	8.496	8.138	0.7001	0.7580	0.8407	3.2662	2.9173	0.1571	3.8683	0.9612
Feb.	5.5838	4.165	8.257	7.930	0.6992	0.7451	0.8245	3.2147	2.8669	0.1560	3.8297	0.9462
March	5.5326	4.050	8.248	7.932	0.6992	0.7530	0.8343	3.2688	2.9089	0.1586	3.8681	0.9591
April	5.4911	3.974	8.139	7.885	0.6965	0.7455	0.8246	3.2336	2.8795	0.1571	3.8174	0.9438
May	5.4072	3.918	8.134	7.956	0.7008	0.7529	0.8335	3.2629	2.9075	0.1585	3.8275	0.9531
June	5.4276	3.925	8.267	8.102	0.6945	0.7660	0.8486	3.3262	2.9676	0.1615	3.9399	0.9737
July	5.2014	3.762	8.036	7.939	0.6695	0.7573	0.8430	3.3120	2.9526	0.1607	3.9249	0.9666
Aug.	5.1384	3.728	7.927	7.826	0.6640	0.7490	0.8310	3.2852	2.9259	0.1594	3.8980	0.9589

Average of daily quotations	Rome	Vienne	Lisbon	Reykjavik	Madrid	Athens	Tullinn	Tokyo	Melbourne	ECU Commercial	SDR
	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 GRD	1 SEK	1 JPY	1 AUD	1 XEU	1 XDR
	13	14	15	16	17	18	19	20	21	22	23
1989	0.00313	0.3242	0.0273	0.0758	0.0362	..	..	0.03116	3.398	4.719	5.49536
1990	0.00319	0.3363	0.0268	0.0656	0.0375	..	..	0.02647	2.988	4.864	5.18322
1991	0.00326	0.3464	0.0280	0.0684	0.0389	0.022	..	0.03008	3.152	5.003	5.52733
1992	0.00364	0.4088	0.0332	0.0778	0.0438	0.024	0.4060	0.03546	3.289	5.798	6.31546
1993	0.00364	0.4916	0.0356	0.0846	0.0451	0.025	0.4323	0.05168	3.885	6.685	7.98758
1993											
Aug.	0.00363	0.4884	0.0336	0.0813	0.0420	0.025	0.4295	0.05621	3.957	6.555	8.17177
Sept.	0.00369	0.5064	0.0348	0.0833	0.0442	0.025	0.4455	0.05485	3.772	6.771	8.20308
Oct.	0.00359	0.4994	0.0340	0.0823	0.0435	0.024	0.4391	0.05378	3.797	6.671	8.09230
Nov.	0.00348	0.4856	0.0334	0.0811	0.0423	0.024	0.4268	0.05383	3.861	6.550	8.06368
Dec.	0.00341	0.4785	0.0330	0.0800	0.0410	0.023	0.4206	0.05237	3.874	6.494	7.96460
1994											
Jan.	0.00335	0.4647	0.0323	0.0779	0.0398	0.023	0.4083	0.05109	3.962	6.339	7.81835
Feb.	0.00331	0.4573	0.0318	0.0764	0.0395	0.022	0.4018	0.05251	4.000	6.236	7.74733
March	0.00332	0.4647	0.0318	0.0767	0.0398	0.022	0.4086	0.05264	3.937	6.309	7.75651
April	0.00338	0.4597	0.0317	0.0761	0.0398	0.022	0.4042	0.05310	3.934	6.251	7.71250
May	0.00339	0.4639	0.0316	0.0762	0.0396	0.022	0.4079	0.05215	3.916	6.288	7.65245
June	0.00340	0.4729	0.0321	0.0772	0.0404	0.0221	0.4158	0.05281	3.981	6.398	7.74158
July	0.00332	0.4708	0.0322	0.0759	0.0401	0.0219	0.4140	0.05276	3.821	6.329	7.57829
Aug.	0.00325	0.4669	0.0322	0.0749	0.0396	0.0217	0.4107	0.05147	3.805	6.261	7.47292

4.2 MARKKA VALUE OF THE ECU AND CURRENCY INDICES

Average of daily observations	Markka value of the ECU FIM/ECU	Currency indices, 1982=100		
		Trade-weighted currency index	Payments currency index	MERM index
	1	2	3	4
1989	4.73670	98.4	99.1	102.8
1990	4.85697	97.3	96.8	97.3
1991	5.00580	101.4	101.4	102.8
1992	5.80140	116.4	115.7	117.3
1993	6.69420	132.4	136.1	141.8
1993				
Aug.	6.60127	131.9	136.6	143.9
Sept.	6.81414	134.5	138.4	144.7
Oct.	6.69596	132.6	136.8	142.8
Nov.	6.55386	130.4	135.3	141.7
Dec.	6.49606	128.9	133.9	139.8
1994				
Jan.	6.34072	126.9	131.8	137.7
Feb.	6.23914	125.6	129.8	136.4
March	6.31275	126.5	130.2	136.6
April	6.25477	125.5	129.2	135.8
May	6.29981	125.9	129.0	135.3
June	6.41394	127.4	130.3	136.6
July	6.35263	125.2	127.2	133.6
Aug.	6.28705	123.8	125.8	131.9

5. OTHER DOMESTIC FINANCING

5.1 BANK FUNDING FROM THE PUBLIC, MILL. FIM

End of period	Cheque and giro deposits	Transaction deposits	Time deposits	Other deposits	Markka deposits, total (1+2+3+4)	Foreign currency deposits	Total deposits (5+6)	Other funding	Total funding (7+8)
	1	2	3	4	5	6	7	8	9
1989	28 942	85 396	125 748		240 085	7 358	247 444	35 298	282 742
1990	30 953	96 176	124 930		252 058	6 818	258 876	38 835	297 711
1991	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
1992	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
1993	36 379	92 357	112 413	21 766	262 915	14 883	277 798	63 173	340 971
1993									
June	36 554	87 629	108 571	22 615	255 368	13 402	268 770	67 806	336 576
July	35 787	87 997	107 557	23 582	254 924	15 616	270 540	63 737	334 277
Aug.	36 548	88 515	105 708	23 870	254 640	14 861	269 502	65 157	334 659
Sept.	35 312	88 067	105 958	23 259	252 596	16 642	269 239	66 050	335 289
Oct.	35 746	89 439	109 350	22 387	256 922	16 192	273 114	67 314	340 428
Nov.	36 098	87 692	109 769	21 451	255 010	15 799	270 809	64 128	334 937
Dec.	36 379	92 357	112 413	21 766	262 915	14 883	277 798	63 173	340 971
1994									
Jan.	38 657	94 042	108 694	22 740	264 133	14 050	278 183	70 115	348 298
Feb.	37 462	96 507	106 185	22 548	262 702	12 324	275 027	68 874	343 901
March	38 058	97 847	105 867	22 734	264 506	13 201	277 708	72 348	350 056
April	38 242	98 146	106 551	22 748	265 687	13 574	279 261	75 636	354 897
May	41 132	97 145	106 163	22 337	266 778	14 281	281 059	75 753	356 811
June	42 094	98 377	105 973	21 679	268 123	14 353	282 476	72 209	354 685

5.2 BANK LENDING TO THE PUBLIC, MILL. FIM

End of period	Cheque account and postal giro credits	Bills of exchange	Loans	Markka lending, total (1+2+3)	Foreign currency credits	Total lending (4+5)
	1	2	3	4	5	6
1989	15 270	5 650	257 768	278 688	73 176	351 864
1990	19 152	5 777	260 790	285 720	103 134	388 853
1991	18 037	4 712	262 859	285 609	107 714	393 323
1992	16 045	3 335	252 163	271 544	95 168	366 712
1993	14 217	2 223	248 406	264 846	66 931	331 777
1993						
June	15 221	2 812	251 305	269 339	83 482	352 821
July	15 192	2 858	251 610	269 660	82 922	352 582
Aug.	15 427	2 670	251 295	269 392	81 558	350 950
Sept.	15 425	2 656	251 667	269 748	79 676	349 424
Oct.	15 094	2 780	251 342	269 216	75 184	344 401
Nov.	14 872	2 664	250 554	268 090	73 810	341 899
Dec.	14 217	2 223	248 406	264 846	66 931	331 777
1994						
Jan.	14 081	2 248	247 259	263 587	64 220	327 807
Feb.	14 120	2 008	247 884	264 012	63 158	327 170
March	14 125	1 942	247 795	263 862	61 114	324 976
April	13 971	1 759	247 095	262 825	59 077	321 902
May	14 079	1 736	246 531	262 345	58 233	320 578
June	14 139	1 763	245 939	261 841	57 756	319 597

5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL.FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M ₁	M ₂ (1+4+5)	M ₃
		Claims on the central government	Claims on the public	Total (2+3)				
	1	2	3	4	5	6	7	8
1989	- 59 049	- 18 691	408 344	389 653	- 79 084	124 295	251 519	272 603
1990	- 82 881	- 19 072	453 720	434 648	- 85 385	141 524	266 383	291 045
1991	- 86 555	- 6 516	470 852	464 336	- 102 540	130 644	275 241	310 924
1992	- 68 099	81	439 937	440 018	- 97 909	134 829	274 011	310 733
1993*	- 25 989	1 848	403 742	405 589	- 100 006	141 759	279 595	322 408
1993*								
July	- 34 515	1 349	428 478	429 827	- 125 718	135 157	269 594	309 002
Aug.	- 33 338	2 158	426 871	429 028	- 126 590	136 005	269 101	312 036
Sept.	- 29 387	4 183	424 966	429 149	- 132 462	134 600	267 299	312 044
Oct.	- 20 713	3 530	419 951	423 482	- 130 352	136 989	272 417	319 050
Nov.	- 23 710	3 430	417 372	420 803	- 125 479	137 095	271 614	312 034
Dec.	- 25 989	1 848	403 742	405 589	- 100 006	141 759	279 595	322 408
1994*								
Jan.	- 23 257	57	399 953	400 011	- 96 519	145 301	280 234	328 482
Feb.	- 18 440	475	397 966	398 440	- 101 379	146 600	278 621	327 591
March	- 19 743	1 101	397 404	398 505	- 97 766	148 907	280 996	333 304
April	- 23 247	3 534	392 075	395 609	- 90 780	148 783	281 582	335 879
May	- 14 545	5 988	390 173	396 160	- 98 989	150 750	282 626	338 847
June	- 6 902	2 034	390 056	392 090	- 100 713	153 360	284 475	338 340
July	..	..	..	..	..	154 975	286 252	340 438

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

End of period	Foreign currency-denominated debt			Markka-denominated debt				Total central government debt (3+8)	Out-standing lending	Cash funds	
	Bonds	Other debt	Total (1+2)	Public bonds	Other long-term liabilities	Treasury notes and bills	Miscellaneous items				Total (4+5+6+7)
	1	2	3	4	5	6	7	8	9	10	11
1989	18 505	4 281	22 786	24 126	5 750	250	.	30 126	52 912	43 499	21 248
1990	20 917	3 876	24 793	23 982	8 263	-	.	32 245	57 038	48 121	23 114
1991	38 703	4 943	43 646	31 018	12 208	5 180	.	48 406	92 052	55 165	15 956
1992	100 244	6 143	106 387	40 578	13 555	14 762	.	68 895	175 282	61 671	19 781
1993	142 824	12 753	155 577	71 082	16 060	22 824	.	109 966	265 543	64 233	36 487
1993											
July	142 159	13 919	156 078	59 997	12 769	21 459	.	94 225	250 303	64 796	40 718
Aug.	143 148	13 868	157 016	63 086	15 355	23 460	.	101 901	258 917	65 317	43 091
Sept.	145 375	13 759	159 134	64 904	15 354	24 615	.	104 873	264 007	65 879	42 793
Oct.	143 854	13 139	156 993	69 251	15 354	23 754	.	108 359	265 352	66 435	42 816
Nov.	144 122	13 020	157 142	71 833	15 313	22 647	.	109 793	266 935	64 381	47 493
Dec.	142 824	12 753	155 577	71 082	16 060	22 824	.	109 966	265 543	64 233	36 487
1994											
Jan.	140 312	10 565	150 877	72 215	18 260	19 629	.	110 104	260 981	64 706	24 095
Feb.	148 138	9 990	158 128	74 481	18 260	19 391	- 5 524	106 608	264 736	65 008	31 679
March	147 889	9 894	157 783	75 083	18 230	19 182	- 5 409	107 086	264 869	65 687	20 834
April	146 940	10 891	157 831	76 001	17 541	18 625	- 5 384	106 943	264 774	65 808	18 547
May	156 684	11 106	167 790	76 282	17 442	19 704	- 5 379	108 049	275 839	66 001	22 405
June	163 930	11 658	175 588	77 129	16 901	24 915	- 5 410	113 535	289 123	65 007	30 119
July	169 523	11 952	181 475	78 286	16 891	30 159	- 5 440	119 896	301 371	..	41 465

5.5 MARKKA BOND MARKET

A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corpo- rations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
						1	2		3	4	5	6	7	8	9
1989	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
1990	4 640	17 891	4 420	490	1 007	17 234	607	10 607	28 447
1991	7 277	25 737	11 073	1 320	-	30 160	-	15 247	45 407
1992	6 984	15 043	12 965	2 674	4	23 858	-	13 812	37 671
1993*	11 691	12 134	36 512	2 235	63	51 179	-	11 456	62 634
1993*									
July	510	165	2 286	-	-	2 451	-	510	2 961
Aug.	372	632	3 833	60	-	4 883	-	15	4 898
Sept.	50	497	2 023	10	-	2 480	-	100	2 580
Oct.	410	697	4 859	222	-	5 956	-	232	6 188
Nov.	989	4 160	2 793	18	50	7 828	-	182	8 010
Dec.	477	1 753	600	205	-	2 769	-	266	3 034
1994*									
Jan.	-	2 000	2 216	45	-	4 261	-	-	4 261
Feb.	560	7	2 359	280	-	3 206	-	-	3 206
March	2 311	713	2 555	190	-	5 769	-	-	5 769
April	100	1 480	942	-	-	2 522	-	-	2 522
May	331	2 226	1 348	30	-	3 935	-	-	3 935
June	500	160	2 673	62	-	3 394	-	-	3 394
July	-	-	1 171	-	-	1 171	-	-	1 171

B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corpo- rations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
						1	2		3	4	5	6	7	8	9
1989	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
1990	23 522	59 756	28 812	1 756	1 298	52 273	22 970	39 902	115 145
1991	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
1992	26 617	82 319	44 005	5 237	3 358	89 534	13 917	58 085	161 536
1993*	32 996	74 372	73 682	6 894	2 009	120 571	10 391	58 991	189 953
1993*									
II	33 614	79 950	60 316	6 618	2 369	107 775	11 558	63 534	182 867
III	33 334	77 791	67 504	6 517	2 018	113 846	10 727	62 591	187 164
IV	32 996	74 372	73 682	6 894	2 009	120 571	10 391	58 991	189 953
1994*									
I	34 235	72 084	77 676	7 255	1 007	126 390	8 898	56 969	192 258
II	33 236	71 920	78 990	7 297	964	130 760	8 584	53 063	192 407

C) TURNOVER, MILL. FIM

During period	Interbank	Between banks and customers	Primary dealers' transactions in benchmark government bonds		
			Purchases from other primary dealers	Purchases from others	Sales to others
	1	2	3	4	5
1989	6 500	9 660	.	.	.
1990	5 401	6 058	.	.	.
1991	3 343	29 134	.	.	.
1992	18 221	58 594	10 744	12 156	13 354
1993	45 966	241 273	42 945	95 647	117 489
1993					
Aug.	4 426	20 776	4 387	9 812	10 579
Sept.	5 364	24 405	5 124	11 436	12 459
Oct.	4 958	33 749	4 717	13 465	15 832
Nov.	4 454	28 725	4 069	12 703	12 069
Dec.	6 012	26 948	5 414	10 765	12 500
1994					
Jan.	8 899	41 502	8 437	17 411	19 133
Feb.	14 265	40 081	12 427	16 883	18 485
March	34 926	56 958	32 256	28 635	28 693
April	24 666	37 825	23 300	17 241	17 960
May	10 588	20 896	9 731	8 753	10 958
June	14 560	20 091	14 132	8 225	11 496
July	5 171	12 950	5 081	4 961	7 745
Aug.	22 933	21 706	22 791	10 728	10 987

5.6 HELSINKI STOCK EXCHANGE

Average of daily observations	Share prices									Turnover ¹ , mill. FIM		
	HEX Index (28 Dec., 1990=1000)									Shares and subscription rights	Bonds and debentures	Total
	All-share index	By ownership		By industry								
		Re-restricted	Non-restricted	Banks and finance	Insurance and investment	Manufacturing	Of which:					
						Forest industries	Metal and engineering	Conglomerates				
	1	2	3	4	5	6	7	8	9	10	11	12
1989	1 827	1 850	1 689	1 958	1 528	1 818	1 728	1 748	2 061	33 160	7 375	40 536
1990	1 332	1 324	1 393	1 263	1 185	1 376	1 436	1 282	1 474	15 521	4 550	20 071
1991	962	949	1 062	901	898	1 003	1 075	1 076	1 021	6 339	1 315	7 655
1992	772	759	868	425	467	942	1 123	1 206	890	10 277	15 377	25 654
1993	1 240	.	.	608	644	1 601	1 695	1 749	1 751	46 337	59 977	106 314
1993												
Aug.	1 410	.	.	830	813	1 782	1 954	1 893	1 944	6 081	4 509	10 589
Sept.	1 378	.	.	790	788	1 745	1 887	1 860	1 913	4 689	6 036	10 725
Oct.	1 502	.	.	820	781	1 943	1 958	2 098	2 212	6 638	6 936	13 574
Nov.	1 542	.	.	810	770	2 003	2 093	2 156	2 253	4 842	7 153	11 995
Dec.	1 549	.	.	773	801	2 003	2 114	2 240	2 209	4 810	6 375	11 185
1994												
Jan.	1 797	.	.	870	952	2 315	2 357	2 733	2 537	8 781	276	9 057
Feb.	1 917	.	.	942	1 011	2 462	2 410	2 982	2 704	6 395	558	6 953
March	1 861	.	.	824	948	2 423	2 249	2 842	2 793	7 060	334	7 394
April	1 815	.	.	771	914	2 376	2 188	2 689	2 818	4 849	107	4 956
May	1 839	.	.	749	862	2 427	2 207	2 723	2 891	4 035	71	4 105
June	1 709	.	.	676	727	2 271	2 114	2 527	2 732	3 719	49	3 768
July	1 776	.	.	688	727	2 377	2 253	2 503	2 987	3 891	99	3 990
Aug.	1 876	.	.	647	759	2 536	2 405	2 742	3 185	6 594	134	6 728

¹ During period.

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, feb	Transport receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Investment income	Transfers and other income	Current account receipts (6+7+8)	Imports of goods, cif	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
1989	98 265	7 662	4 497	6 277	18 436	116 701	10 212	3 652	130 565	104 400	3 869	8 969	8 759
1990	99 750	8 347	4 650	6 081	19 077	118 827	12 739	4 461	136 027	101 967	4 363	10 766	9 503
1991	91 100	7 508	5 044	5 636	18 189	109 289	10 003	5 336	124 628	86 348	3 974	11 089	11 011
1992	105 809	8 643	6 089	7 730	22 462	128 272	6 423	5 920	140 614	93 187	4 360	10 962	13 369
1993	132 550	10 191	7 079	9 379	26 649	159 199	8 589	6 506	17 429	101 494	5 241	9 237	17 008
1992*													
I	24 783	2 002	1 159	1 702	4 863	29 645	2 301	1 367	33 313	22 698	1 001	2 725	3 422
II	26 452	2 152	1 493	1 681	5 326	31 778	1 269	1 374	34 421	24 180	1 064	2 813	3 039
III	24 820	2 323	1 958	1 923	6 203	31 023	1 204	1 480	33 707	20 677	1 119	2 853	3 242
IV	29 754	2 167	1 480	2 424	6 071	35 825	1 649	1 699	39 173	25 632	1 176	2 572	3 666
1993*													
I	31 016	2 305	1 351	2 778	6 434	37 450	2 470	1 470	41 390	25 707	1 201	2 401	4 445
II	32 625	2 562	1 763	2 281	6 606	39 231	2 335	1 756	43 322	24 801	1 294	2 276	4 015
III	32 116	2 792	2 203	2 102	7 098	39 213	1 867	1 584	42 665	23 973	1 334	2 242	4 206
IV	36 793	2 532	1 761	2 218	6 511	43 305	1 916	1 695	46 916	27 012	1 411	2 319	4 341
1994*													
I	34 536	2 617	1 424	2 309	6 350	40 886	1 408	1 594	43 888	24 851	1 319	1 902	4 240
II	38 519	2 924	1 745	2 118	6 786	45 305	2 962	1 492	49 759	29 472	1 397	2 048	3 946

During period	Services expenditure, total (11+12+13)	Imports of goods and services (10+14)	Investment expenditure	Transfers and other expenditure	Current account expenditure (15+16+17)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account (20+21+22)	Goods and services account (19+23)	Investment income, net (7-16)	Transfers and other, net (8-17)	Current account (24+25+26) = (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1989	21 596	125 996	21 882	7 561	155 439	-6 134	3 793	-4 471	-2 482	-3 160	-9 294	-11 670	-3 910	-24 874
1990	24 632	126 599	26 973	8 967	162 540	-2 218	3 984	-6 117	-3 422	-5 555	-7 772	-14 234	-4 506	-26 513
1991	26 074	112 421	28 674	10 229	151 325	4 752	3 534	-6 044	-5 374	-7 885	-3 132	-18 671	-4 893	-26 696
1992	28 690	121 878	30 424	10 347	162 649	12 622	4 283	-4 873	-5 639	-6 228	6 394	-24 001	-4 428	-22 035
1993*	31 486	132 980	35 667	10 390	179 037	31 056	4 951	-2 159	-7 629	-4 837	26 219	-27 079	-3 885	-4 744
1992														
I	7 148	29 845	8 435	3 124	41 405	2 085	1 001	-1 566	-1 720	-2 285	-200	-6 134	-1 758	-8 092
II	6 916	31 096	7 400	2 381	40 877	2 272	1 087	-1 320	-1 358	-1 590	682	-6 131	-1 007	-6 456
III	7 214	27 891	6 765	2 402	37 058	4 143	1 204	-895	-1 319	-1 011	3 132	-5 561	-922	-3 351
IV	7 413	33 045	7 824	2 440	43 309	4 122	991	-1 092	-1 241	-1 342	2 780	-6 174	-741	-4 136
1993*														
I	8 047	33 755	10 409	2 808	46 972	5 309	1 103	-1 049	-1 667	-1 613	3 695	-7 939	-1 338	-5 582
II	7 585	32 386	10 811	2 393	45 590	7 824	1 268	-512	-1 735	-980	6 844	-8 475	-637	-2 268
III	7 782	31 756	7 074	2 640	41 469	8 143	1 458	-39	-2 104	-685	7 458	-5 206	-1 055	1 196
IV	8 071	35 083	7 374	2 549	45 006	9 781	1 122	-558	-2 123	-1 559	8 222	-5 458	-854	1 910
1994*														
I	7 461	32 311	9 031	2 957	44 299	9 685	1 298	-477	-1 931	-1 110	8 575	-7 623	-1 363	-411
II	7 391	36 862	8 669	2 217	47 748	9 047	1 527	-304	-1 828	-604	8 443	-5 707	-725	2 011

6.2 CAPITAL AND FINANCIAL ACCOUNT, MILL.FIM

During period	Imports of capital												Total (1+7+12)
	Direct investment in Finland	Portfolio investment					Total (2+3+5+6)	Other investment				Total (8+9+10+11)	
		Shares	Bonds	Of which: market-denominated bonds	Money market instruments	Financial derivatives		Trade credits	Loans	Currency and deposits	Other		
1	2	3	4	5	6	7	8	9	10	11	12	13	
1991	-997	47	38 751	11 786	-4 511	..	34 287	846	7 496	131	-9 737	-1 265	32 024
1992*	1 822	397	39 309	-5 312	-1 791	..	37 915	3 931	2	1 690	-17 415	-11 792	27 945
1993*	4 390	12 748	30 353	3 616	-4 382	..	38 719	4 179	5 357	-5 347	-24 454	-20 265	22 843
1991													
III	-435	29	10 469	3 958	-592	..	9 906	556	1 277	1 703	-17 879	-14 344	-4 872
IV	-777	-516	4 541	-580	-3 899	..	127	1 343	225	-1 230	-515	-177	-828
1992*													
I	563	199	4 102	-1 545	1 244	..	5 545	390	111	-1 050	952	402	6 510
II	74	145	13 023	114	-3 179	..	9 990	-559	-395	801	-5 471	-5 624	4 439
III	340	6	5 474	-2 712	-485	..	4 995	2 460	16	828	648	3 953	9 288
IV	845	47	16 710	-1 169	629	..	17 386	1 641	270	1 110	-13 544	-10 523	7 707
1993*													
I	455	1 405	15 542	320	-2 314	..	14 632	1 754	7 326	901	-8 593	1 387	16 473
II	1 054	1 515	16 269	3 420	-1 348	..	16 435	-82	815	-1 268	-6 612	-7 147	10 342
III	664	6 529	2 267	2 523	-2 755	..	6 041	-670	-1 495	1 671	-8 143	-8 637	-1 933
IV	2 217	3 300	-3 725	-2 646	2 036	..	1 611	3 177	-1 289	-6 650	-1 106	-5 868	-2 040
1994*													
I	3 638	4 389	3 047	-999	-1 734	23	5 725	-1 009	-4 389	772	6 665	2 039	11 401
II	2 509	2 202	7 082	-2 244	2 545	272	12 100	-285	854	-1 748	-2 875	-4 054	10 555

During period	Exports of capital											Errors and omissions	Change in central bank's reserve assets	
	Direct investment abroad	Portfolio investment					Trade credits	Other investment						Total (14+19+24)
		Shares	Bonds	Money market instruments	Financial derivatives	Total (15+16+17+18)		Loans	Currency and deposits	Other	Total (20+21+22+23)			
14	15	16	17	18	19	20	21	22	23	24	25	26	27	
1991	-501	-369	-3	1 499	..	1 128	520	2 341	1 054	6 587	10 503	11 129	-1 575	7 375
1992*	-3 372	46	321	2 748	..	3 115	3 696	3 409	3 745	3 132	13 983	13 725	-1 365	9 180
1993*	8 925	873	767	1 932	..	3 571	1 827	-839	-6 063	14 516	9 442	21 938	5 058	-1 219
1991														
III	130	41	393	719	..	1 153	1 319	-723	-1 835	239	-1 001	282	2 550	6 923
IV	-599	-175	-182	-1 962	..	-2 319	707	1 214	-3 487	-13 043	-14 609	17 527	-4 908	-5 860
1992*														
I	-581	27	155	91	..	273	819	1 229	2 528	-4 078	499	190	149	1 623
II	-1 544	-19	1 161	-1 490	..	-348	-296	-807	522	-559	-1 140	-3 033	-2 030	1 015
III	-552	13	-895	786	..	-96	1 260	553	2 619	3 493	7 925	7 277	-4 710	6 051
IV	-695	25	-100	3 361	..	3 286	1 912	2 435	-1 924	4 276	6 699	9 290	5 227	492
1993*														
I	967	158	2 823	-577	..	2 404	1 577	-726	-1 516	15 387	14 722	18 093	1 615	5 586
II	1 118	2	-1 095	-972	..	-2 065	478	-185	247	-3 820	-3 279	-4 227	-1 617	-10 684
III	-538	77	-841	3 975	..	3 211	-250	-1 008	1 514	9 514	9 769	12 443	2 160	11 019
IV	7 378	636	-120	-494	..	21	21	1 081	-6 308	-6 564	-11 770	-4 371	2 900	-7 141
1994*														
I	5 344	43	-662	211	-201	-609	-1 336	-1 279	2 612	-5 779	-5 781	-1 047	-1 757	-10 279
II	5 083	-68	-3 283	-4 468	-27	-7 846	1 418	-1 508	-681	6 203	5 431	2 668	274	-10 172

6.3 FINLAND'S INTERNATIONAL INVESTMENT POSITION, MILL.FIM

Position at end of period	Liabilities												
	Direct investment in Finland	Portfolio investment					Total (2+3+5+6)	Other investment				Total (8+9+10+11)	Total liabilities (1+7+12)
		Shares	Bonds	Of which: market denominated bonds	Money market instruments	Financial derivatives		Trade credits	Loans	Currency and deposits	Other		
1	2	3	4	5	6	7	8	9	10	11	12	13	
1991	17 443	4 149	141 055	19 036	20 834	..	166 038	8 559	68 892	8 555	85 281	171 287	354 769
1992*	19 348	5 138	211 361	14 366	19 391	..	235 889	11 943	78 330	11 880	78 804	180 958	436 195
1993*	24 000	30 375	265 376	27 149	14 718	-6 103	304 365	16 419	92 355	4 025	55 478	168 276	496 641
1991													
III	18 273	4 154	128 768	18 607	23 551	..	156 473	14 029	64 707	9 408	82 592	170 735	345 481
IV	17 443	4 149	141 055	19 036	20 834	..	166 038	8 559	68 892	8 555	85 281	171 287	354 769
1992*													
I	18 027	4 279	150 644	17 366	15 612	..	170 535	8 900	69 353	7 607	96 351	182 210	370 772
II	18 122	4 083	160 415	17 851	18 160	..	182 658	8 369	66 741	8 275	81 099	164 483	365 263
III	18 483	3 367	184 851	15 547	18 023	..	206 242	10 875	72 530	9 942	89 639	182 986	407 711
IV	19 348	5 138	211 361	14 366	19 391	..	235 889	11 943	78 330	11 880	78 804	180 958	436 195
1993*													
I	19 868	8 121	253 159	16 281	15 513	..	276 793	13 684	96 786	13 135	77 587	201 192	497 853
II	20 988	11 901	254 886	21 118	15 200	..	281 986	13 503	93 408	11 461	67 867	186 239	489 214
III	21 717	22 725	265 540	23 460	13 010	..	301 276	12 862	95 327	13 276	61 185	182 650	505 643
IV	24 000	30 375	265 376	27 149	14 718	-6 103	304 365	16 419	92 355	4 025	55 478	168 276	496 641
1994*													
I	27 165	39 079	266 599	28 087	11 656	-8 855	308 479	15 338	86 166	4 724	60 047	166 275	501 919
II	29 686	42 719	272 721	24 622	14 788	-7 931	322 297	15 035	86 918	2 964	56 930	161 847	513 830

Position at end of period	Assets												
	Direct investment abroad	Portfolio investment					Total (15+16+17+18)	Other investment				Total (20+21+22+23)	Total assets (14+19+24)
		Shares	Bonds	Money market instruments	Financial derivatives	Trade credits		Loans	Currency and deposits	Other			
14	15	16	17	18	19	20	21	22	23	24	25		
1991	44 823	426	7 004	4 154	..	11 584	16 163	28 504	7 647	72 498	124 812	181 218	
1992*	44 921	469	8 697	7 917	..	17 083	21 063	35 251	12 665	76 520	145 499	207 502	
1993*	54 000	1 285	10 706	11 028	446	23 465	25 039	34 018	5 701	89 301	154 059	231 524	
1991													
III	41 915	569	6 823	6 041	..	13 434	16 430	26 074	10 495	75 623	128 623	183 971	
IV	44 823	426	7 004	4 154	..	11 584	16 163	28 504	7 647	72 498	124 812	181 218	
1992*													
I	43 876	428	7 472	4 550	..	12 450	17 160	30 223	10 193	68 559	126 135	182 461	
II	41 966	408	8 681	2 881	..	11 970	16 811	28 128	10 558	65 317	120 814	174 750	
III	45 982	442	8 176	4 032	..	12 650	18 622	30 676	14 188	68 195	131 682	190 314	
IV	44 921	469	8 697	7 917	..	17 083	21 063	35 251	12 665	76 520	145 499	207 502	
1993*													
I	51 973	676	11 952	7 766	..	20 394	23 292	36 976	12 275	92 136	164 680	237 047	
II	49 165	671	10 801	6 627	..	18 099	23 477	34 148	12 159	97 012	166 796	234 060	
III	49 413	759	10 074	10 689	..	21 522	23 386	34 208	13 929	97 734	169 258	240 194	
IV	54 000	1 285	10 706	11 028	446	23 465	25 039	34 018	5 701	89 301	154 059	231 524	
1994*													
I	59 494	1 296	9 576	10 910	622	22 403	22 941	31 396	8 107	91 319	153 763	235 660	
S16 II	64 720	1 206	5 956	6 320	550	14 031	24 335	29 705	7 224	106 738	168 002	246 753	

6.4 FINLAND'S NET INTERNATIONAL INVESTMENT POSITION (LIABILITIES LESS ASSETS),
BY SECTOR, MILL. FIM

Position at end of period	Corporate sector	Banks	Bank of Finland	Other financial institutions	Central government	Local government	Net (1+2+3+4+5+6)	Net interest and dividend expenditure	Net interest and dividend expenditure in relation to current account receipts, %
	1	2	3	4	5	6	7	8	9
1991	27 735	107 434	- 34 046	18 960	52 748	719	173 550	15 671	12.7
1992*	29 464	82 343	- 27 546	28 283	113 801	2 347	228 693	19 011	13.6
1993*	49 100	48 615	- 33 279	29 973	167 753	2 956	265 117	22 329	12.9
1991									
III	33 869	95 634	- 27 372	17 818	40 840	721	161 509	3 409	10.8
IV	27 735	107 434	- 34 046	18 960	52 748	719	173 550	3 713	11.1
1992*									
I	27 883	110 668	- 33 471	20 750	60 859	1 623	188 311	4 887	14.7
II	28 111	94 368	- 31 437	21 931	75 837	1 703	190 513	4 883	14.2
III	29 872	83 775	- 16 715	24 364	94 143	1 958	217 397	4 314	12.8
IV	29 464	82 343	- 27 546	28 283	113 801	2 347	228 693	4 926	12.6
1993*									
I	33 576	65 540	- 27 782	29 780	156 756	2 937	260 806	6 751	16.3
II	35 152	61 618	- 37 288	27 393	165 469	2 810	255 154	7 288	16.8
III	43 843	44 880	- 27 318	27 435	173 642	2 967	265 449	4 018	9.4
IV	49 100	48 615	- 33 279	29 973	167 753	2 956	265 117	4 271	9.1
1994*									
I	55 542	53 969	- 42 504	28 463	167 556	3 233	266 259	7 023	16.0
II	54 663	53 177	- 52 617	26 049	182 557	3 247	267 077	5 107	10.3

7. FOREIGN TRADE

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

During period	Exports, feb	Imports, cff	Balance (1-2)
	1	2	3
1989	99 784	105 516	- 5 732
1990	101 327	103 027	- 1 700
1991	92 842	87 744	5 098
1992	107 463	94 947	12 516
1993*	133 927	103 078	30 849
1993*			
July	10 905	8 130	2 775
Aug.	10 127	8 210	1 917
Sept.	11 452	8 029	3 423
Oct.	13 906	8 405	5 501
Nov.	12 369	9 620	2 749
Dec.	10 812	9 443	1 369
1994*			
Jan.	11 896	8 316	3 580
Feb.	10 930	7 421	3 509
March	12 151	9 515	2 636
April	12 355	9 409	2 946
May	13 323	10 884	2 439
June	13 278	9 570	3 708
July	13 093	9 142	3 951

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

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1989	121	144	156	126	123
1990	125	138	154	128	120
1991	114	115	154	131	118
1992	124	112	164	145	113
1993	147	109	172	163	106
1992					
I	118	112	162	142	114
II	125	118	162	143	113
III	117	102	163	142	115
IV	133	116	171	154	111
1993					
I	135	108	176	165	106
II	143	105	174	165	105
III	141	101	174	165	105
IV	165	116	170	161	105
1994*					
I	155	107	170	161	106
II	168	129	175	158	111

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, feb					Imports by use of goods, cff				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
1989	7 416	32 513	8 844	32 682	18 329	51 786	8 310	20 606	24 055	759
1990	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
1991	6 984	29 695	10 539	29 188	16 436	42 505	9 399	13 973	21 195	672
1992	7 892	32 587	12 172	35 741	19 071	49 514	9 745	13 348	20 826	1 514
1993*	10 889	37 410	14 192	48 099	23 337	54 778	10 911	15 337	21 045	1 007
1993*										
June	774	2 753	1 162	4 390	1 826	4 368	950	987	1 646	179
Aug.	668	2 991	1 255	3 304	1 909	4 350	969	1 147	1 682	62
Sept.	988	3 255	1 328	3 767	2 114	4 360	951	873	1 713	132
Oct.	1 133	3 508	1 258	5 869	2 138	4 718	863	978	1 835	11
Nov.	1 061	3 294	1 354	4 479	2 181	4 969	1 377	1 282	1 946	46
Dec.	964	2 954	1 069	3 766	2 059	4 999	1 107	1 349	1 892	96
1994*										
Jan.	978	3 009	1 282	4 272	2 355	4 511	691	1 153	1 807	154
Feb.	1 018	3 060	1 060	3 741	2 051	4 215	603	934	1 620	49
March	1 026	3 623	1 248	4 061	2 193	5 141	755	1 309	2 193	117
April	1 165	3 487	1 156	4 338	2 209	4 811	976	1 657	1 911	54
May	1 431	3 506	1 511	4 538	2 337	6 033	1 293	1 302	2 227	29
June	1 318	3 358	1 289	4 882	2 431	5 488	866	1 189	1 947	80
July	1 012	3 286	1 300	5 787	1 708	4 826	938	1 232	2 115	31

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, feb				Imports, cif			
	1993*		1994* January - July		1993*		1994* January - July	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	102 135	76.3	65 515	13.7	81 607	79.2	50 050	5.8
OECD Europe	86 513	64.6	55 014	10.6	66 956	65.0	40 165	4.0
Of which:								
Austria	1 427	1.1	890	7.2	1 179	1.1	723	10.5
Belgium and Luxembourg	2 955	2.2	1 934	12.5	3 008	2.9	1 748	8.6
Denmark	4 479	3.3	3 019	24.8	3 231	3.1	1 987	6.2
France	7 114	5.3	4 456	2.2	4 716	4.6	2 765	4.9
Germany	17 628	13.2	11 753	17.0	16 901	16.4	9 480	- 8.4
Italy	4 350	3.2	2 518	- 5.1	3 811	3.7	2 612	17.6
Netherlands	6 729	5.0	4 584	15.8	3 847	3.7	2 277	6.2
Norway	4 277	3.2	2 684	14.1	5 010	4.9	3 086	13.7
Spain	3 263	2.4	2 013	- 6.9	1 245	1.2	927	33.1
Sweden	14 855	11.1	8 973	11.2	10 531	10.2	6 759	13.1
Switzerland	2 111	1.6	1 316	12.3	2 044	2.0	1 157	- 1.8
United Kingdom	14 020	10.5	9 056	12.7	9 160	8.9	5 223	0.3
Other OECD	15 622	11.7	10 501	33.5	14 651	14.2	9 885	14.2
Of which:								
Canada	1 075	0.8	580	- 13.3	724	0.7	400	- 1.9
Japan	2 187	1.6	1 734	53.2	5 958	5.8	4 059	18.1
United States	10 506	7.8	7 048	40.8	7 498	7.3	5 084	11.7
Non-OECD European countries	12 679	9.5	10 056	56.5	11 207	10.9	7 883	24.4
Of which:								
Russia	6 051	4.5	4 538	55.8	7 813	7.6	5 726	25.2
Other countries	19 113	14.3	11 512	2.6	10 264	10.0	6 381	11.0
Of which:								
OPEC countries	3 266	2.4	1 523	- 10.4	542	0.5	316	33.4
TOTAL	133 927	100.0	87 083	15.7	103 078	100.0	64 314	8.3
Of which:								
EC countries	62 850	46.9	40 731	10.9	47 974	46.5	28 285	1.0
EFTA countries	22 799	17.0	13 935	11.5	18 831	18.3	11 784	11.6

8. DOMESTIC ECONOMIC DEVELOPMENTS

8.1 SUPPLY AND USE OF RESOURCES, MILL. FIM, 1990 PRICES

(seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4						5	6	7	8	9
1989	269 879	104 526	129 905	15 149	5 975	525 434	117 241	127 311	515 364
1990	269 754	108 535	121 858	17 286	5 769	523 202	118 828	126 600	515 430
1991	260 031	111 256	93 722	17 243	- 2 451	479 801	110 965	111 755	479 011
1992	247 363	108 799	75 338	16 899	4 075	452 474	122 059	112 989	461 544
1993*	237 559	102 932	60 332	14 369	8 264	423 456	142 292	113 352	452 396
1991									
IV	64 377	27 636	20 982	4 005	- 1 412	115 587	28 210	27 437	116 360
1992									
I	63 141	27 475	20 375	4 330	66	115 387	29 364	28 357	116 394
II	61 810	27 280	19 850	4 445	1 348	114 733	30 631	29 229	116 134
III	61 472	27 111	18 420	4 006	1 254	112 263	30 501	27 577	115 187
IV	60 941	26 933	16 693	4 118	1 407	110 091	31 563	27 826	113 829
1993*									
I	60 061	26 072	15 707	3 689	1 861	107 390	34 169	29 033	112 527
II	59 087	25 842	14 785	3 697	1 770	105 181	34 744	27 487	112 438
III	58 998	25 638	15 040	3 665	3 248	106 589	36 134	28 657	114 066
IV	59 413	25 380	14 800	3 318	1 385	104 296	37 245	28 176	113 365
1994*									
I	60 290	24 850	15 242	3 259	700	104 341	37 165	27 206	114 300

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1990=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manu- facturing	Wood and paper industries	Metal and engineering industries	Other manu- facturing	Energy and water supply
	(100.0)	(1.3)	(89.6)	(16.8)	(31.3)	(41.3)	(9.1)
	1	2	3	4	5	6	7
1989	100.3	101.9	100.5	102.3	99.6	100.8	97.9
1990	100.2	99.8	100.2	100.1	100.4	100.1	100.0
1991	91.2	91.3	89.9	91.5	85.6	92.6	103.6
1992	92.4	88.4	91.4	94.6	91.1	90.2	103.0
1993	97.1	85.8	96.2	104.3	99.4	90.4	107.9
1993*							
June	96.5	77.3	96.2	104.0	98.4	91.2	109.3
July	98.0	100.9	97.2	104.7	100.8	91.7	107.5
Aug.	96.3	86.8	95.7	104.5	96.9	90.6	106.1
Sept.	99.5	77.3	98.8	107.6	102.6	92.4	110.1
Oct.	100.7	83.8	100.1	110.3	105.0	92.2	110.6
Nov.	101.2	83.4	100.3	109.3	104.9	93.7	109.7
Dec.	101.8	84.9	100.6	109.4	106.9	93.1	113.1
1994*							
Jan.	102.4	82.1	101.4	111.6	104.6	93.8	113.0
Feb.	103.4	74.8	101.8	109.9	109.8	93.1	119.2
March	103.6	80.9	102.7	111.4	113.9	88.8	116.1
April	105.5	85.2	105.1	112.1	113.5	96.2	114.5
May	108.7	84.8	107.1	114.0	118.0	97.8	116.2
June	108.6	94.0	108.4	114.4	118.9	98.1	117.4

8.3 INDICATORS OF DOMESTIC SUPPLY AND DEMAND, 1985=100

(seasonally adjusted figures)

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
1989	124.2	117.0	130.3	132.9	137.6	125.2	161.4	116.7
1990	119.9	111.6	127.3	124.8	161.7	122.1	144.6	117.5
1991	99.4	103.5	103.9	94.4	127.7	109.9	102.1	110.2
1992	87.2	92.9	79.5	73.8	76.2	87.5	84.5	106.9
1993	82.5	87.6	59.5	60.5	52.9	59.8	82.9	105.2
1993*								
May	81.6	88.1	..	..	..	..	..	102.7
June	85.5	86.3	..	..	..	..	..	104.9
July	83.1	85.7	..	..	..	..	..	104.6
Aug.	83.2	85.9	..	..	..	..	..	104.5
Sept.	81.9	85.3	..	..	..	..	..	105.3
Oct.	81.3	86.1	..	..	..	..	..	105.7
Nov.	82.9	86.7	..	..	..	..	..	106.7
Dec.	83.5	88.7	..	..	..	..	..	107.1
1993*								
I	82.1	89.5	61.9	63.5	47.2	67.7	117.8	105.7
II	82.7	87.9	59.9	61.8	54.3	65.7	73.3	104.0
III	82.7	85.6	58.7	59.7	49.3	64.4	60.4	104.8
IV	82.6	87.2	57.8	56.8	62.0	50.4	78.7	106.5
1994*								
Jan.	79.3	85.5	..	..	..	..	..	106.9
Feb.	85.0	89.5	..	..	..	..	..	107.1
March	85.1	94.9	..	..	..	..	..	108.7
April	80.0	86.6	..	..	..	..	..	109.5
May	92.2	92.0	..	..	..	..	..	110.4
1994*								
I	83.1	89.9	53.4	60.1	37.9	15.2	72.7	107.6

8.4 WAGES AND PRICES, 1990=100

Period	Index of wage and salary earnings	By sectors			Consumer price index	Indicator of underlying inflation	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private	Of which: Manufacturing (SIC 3)	Public				Domestic goods	Imported goods		Exported goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1989	91.5	91.7	91.1	91.2	94.2	94.9	96.6	96.9	99.1	98.1	100.5	96.9	94.1
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	106.4	106.4	106.1	106.4	104.3	104.1	100.0	99.8	100.8	99.4	98.5	99.8	102.2
1992	108.4	108.1	108.3	109.0	107.4	107.1	101.4	99.5	108.5	101.6	102.7	101.1	100.4
1993¹	109.6	109.2	110.0	110.6	109.7	109.9	104.8	100.8	119.3	105.5	109.2	103.9	100.7
1993													
July	..	..	..	..	109.7	110.0	105.0	100.9	120.0	105.5	108.9	104.0	100.7
Aug.	..	..	..	..	109.5	110.1	105.0	100.7	120.5	105.6	109.4	104.0	100.7
Sept.	..	..	..	..	109.7	110.6	105.1	101.2	119.2	106.1	110.0	104.4	100.9
Oct.	..	..	..	..	109.9	110.8	104.9	101.1	119.1	106.1	110.3	104.3	101.0
Nov.	..	..	..	..	109.7	110.8	104.7	101.0	118.3	105.6	109.4	104.0	101.0
Dec.	..	..	..	..	109.7	110.6	104.5	100.8	118.2	105.2	109.2	103.5	100.8
1993¹													
II	109.5	109.1	109.8	110.3	110.0	110.0	105.2	101.0	120.7	106.0	110.1	104.3	100.7
III	109.4	108.7	109.6	110.8	109.6	110.2	105.0	100.9	119.9	105.7	109.4	104.1	100.8
IV	110.4	110.1	111.5	111.3	109.8	110.7	104.7	101.0	118.5	105.6	109.6	103.9	100.9
1994													
Jan.	..	..	..	..	109.4	110.3	104.8	101.2	117.8	105.5	109.4	103.9	101.6
Feb.	..	..	..	..	109.8	110.8	105.1	101.7	117.4	105.5	108.4	104.3	101.6
March	..	..	..	..	110.0	111.0	105.4	101.9	118.1	105.7	108.0	104.7	101.7
April	..	..	..	..	110.2	111.3	105.8	102.1	119.2	105.8	108.0	104.8	101.7
May	..	..	..	..	110.3	111.3	105.8	102.2	119.1	106.4	109.0	105.2	101.9
June	..	..	..	..	111.3	111.3	106.1	102.5	119.5	107.0	110.3	105.6	102.2
July	..	..	..	..	111.4	..	106.6	103.1	119.3	107.7	110.9	106.3	102.1
1994¹													
I	110.9	110.8	113.2	111.4	109.7	110.7	105.1	101.6	117.8	105.6	108.6	104.3	101.6
II	111.4	111.3	114.6	111.7	110.6	111.3	105.9	102.3	119.3	106.4	109.1	105.2	101.9

¹ Preliminary figures for columns 1-4.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds %	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status			By industry			Unem- ployed	Unem- ployment rate
				Self-employed	Wage and salary earners	Agri- culture and forestry	Industry	Con- struction	Service industries		
1000 persons											
	1	2	3	4	5	6	7	8	9	10	11
1989	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5
1990	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4
1991	67.4	2 533	2 340	340	2 000	197	502	179	1 461	193	7.6
1992	66.1	2 502	2 174	325	1 849	188	454	150	1 382	328	13.1
1993	65.3	2 484	2 041	312	1 729	173	423	124	1 319	444	17.9
1993											
July	65.1	2 475	2 023	303	1 720	174	418	116	1 316	451	18.2
Aug.	65.6	2 493	2 035	302	1 733	167	421	124	1 324	458	18.4
Sept.	65.5	2 491	2 021	319	1 702	172	424	117	1 308	470	18.9
Oct.	65.1	2 480	2 016	316	1 700	172	416	124	1 304	465	18.7
Nov.	65.3	2 487	2 027	297	1 730	172	414	119	1 321	461	18.5
Dec.	65.2	2 485	2 014	320	1 694	172	419	114	1 309	471	18.9
1994											
Jan.	64.7	2 466	1 991	352	1 639	170	410	116	1 295	476	19.3
Feb.	65.5	2 496	2 031	301	1 731	170	420	112	1 330	465	18.6
March	65.2	2 489	2 013	313	1 700	166	422	109	1 317	476	19.1
April	64.6	2 468	1 999	310	1 689	164	419	111	1 304	469	19.0
May	64.9	2 482	2 014	307	1 707	167	419	112	1 317	468	18.9
June	64.9	2 482	2 021	311	1 710	171	420	105	1 324	461	18.6
July	64.5	2 469	2 000	293	1 707	163	420	116	1 301	469	19.0

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

During period	Revenue							Expenditure			
	Direct taxes	Indirect taxes	Other taxes and similar revenue	Other revenue	Revenue before financial transactions (1+2+3+4)	Redemptions of loans granted by the state	Revenue before borrowing (5+6)	Consumption	Transfers and subsidies	Of which:	
	1	2	3	4	5	6	7	8	9	10	11
1989	39 397	76 458	471	15 990	132 316	3 926	136 241	35 082	72 008	33 244	35 715
1990	42 611	77 364	953	18 423	139 351	4 260	143 611	41 535	81 190	37 646	40 313
1991	41 054	73 251	1 136	19 182	134 624	4 442	139 069	45 085	101 220	42 297	55 160
1992	34 312	69 541	1 512	21 251	126 616	5 054	131 669	49 291	105 184	42 990	59 180
1993	31 667	67 291	1 443	28 823	129 224	7 366	136 593	46 880	108 608	42 720	63 535
1993											
June	2 870	5 633	86	2 748	11 337	591	11 928	4 110	8 842	3 958	4 672
July	3 208	5 626	119	1 759	10 712	197	10 909	4 719	8 225	3 287	4 696
Aug.	3 011	5 884	102	2 166	11 163	154	11 318	3 424	7 820	3 395	4 102
Sept.	2 792	5 185	129	2 247	10 353	108	10 461	3 658	9 482	3 371	5 987
Oct.	2 774	5 548	118	1 072	9 512	64	9 576	3 381	9 774	3 375	6 235
Nov.	2 736	5 757	147	2 672	11 312	2 638	13 952	3 708	9 371	3 437	5 820
Dec.	2 078	6 543	115	5 142	13 878	759	14 637	4 256	10 357	3 609	6 318
1994											
Jan.	2 827	6 024	67	1 857	10 775	27	10 802	3 699	9 936	3 118	6 609
Feb.	2 757	5 500	115	1 770	10 142	496	10 637	3 090	8 334	3 084	4 939
March	3 774	4 727	100	2 283	10 884	2 386	13 270	4 097	9 474	3 521	5 820
April	2 374	5 134	100	1 945	9 553	224	9 777	3 320	9 049	3 849	5 068
May	2 567	5 970	98	2 717	11 352	241	11 592	3 633	8 999	3 684	5 166
June	2 786	5 511	524	1 977	10 798	1 503	12 300	4 654	9 930	3 725	6 028

During period	Expenditure					Financial balance			
	Fixed investment	Other expenditure	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)
	12	13	14	15	16	17	18	19	20
1989	8 393	5 343	120 826	7 566	128 390	11 490	7 851	- 4 009	3 842
1990	5 962	4 927	133 614	9 319	142 934	5 737	678	1 201	1 879
1991	5 370	6 368	158 044	13 328	171 372	- 23 420	- 32 304	25 659	- 6 645
1992	5 042	8 499	168 016	35 501	203 516	- 41 400	- 71 847	70 691	- 1 155
1993	4 306	18 076	177 870	19 753	197 623	- 48 646	- 61 030	84 036	23 009
1993									
June	384	2 650	15 986	768	16 753	- 4 649	- 4 825	4 424	- 401
July	406	914	14 264	3 935	18 200	- 3 552	- 7 291	7 157	- 134
Aug.	416	874	12 534	723	13 258	- 1 371	- 1 940	5 079	3 139
Sept.	417	1 135	14 692	1 756	16 448	- 4 339	- 5 987	3 529	- 2 457
Oct.	369	2 497	16 021	740	16 761	- 6 509	- 7 185	6 076	- 1 109
Nov.	349	771	14 199	767	14 966	- 2 887	- 1 014	1 230	216
Dec.	477	1 744	16 834	2 491	19 325	- 2 956	- 4 688	91	- 4 596
1994									
Jan.	187	3 336	17 158	545	17 703	- 6 383	- 6 901	519	- 6 383
Feb.	224	1 202	12 850	1 044	13 895	- 2 708	- 3 258	7 659	4 402
March	245	3 120	16 936	3 116	20 052	- 6 052	- 6 782	- 41	- 6 823
April	227	2 081	14 677	1 450	16 129	- 5 124	- 6 352	789	- 5 563
May	257	1 438	14 327	717	15 045	- 2 975	- 3 453	9 209	5 756
June	342	2 424	17 350	663	18 013	- 6 552	- 5 713	13 429	7 716

NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

GENERAL

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

Symbols used

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

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

NOTES AND EXPLANATIONS TO TABLES

1 THE BALANCE SHEET OF THE BANK OF FINLAND

Table 1.2 Domestic financial sector.
Term claims on deposit banks, net (Column 11) = bank certificates of deposit held by the Bank of Finland + securities with repurchase commitments + term credits - term deposits. Liquidity position of deposit banks (Column 12): see explanation to Table 2.1. Other claims on financial institutions, net (Column 14) = till-money credits to deposit banks (until May 1993) + bonds + other claims on financial institutions - other liabilities to financial institutions.

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

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

Table 2.2 The minimum reserve requirement is reported for the month by the end of which the deposit must be made with the Bank of Finland. The requirement is determined on the basis of the reserve base for the previous month. No interest is paid on minimum reserve deposits. The cash reserve figures for 1989 include the additional deposit requirement of 1.1 per cent under the supplementary cash reserve agreement in force at the time, together with the corresponding non-interest-bearing deposits of FIM 3 159 million.

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

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

Table 2.5 The markka value of forward contracts is given.

3 RATES OF INTEREST

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

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

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

Table 3.3 The rates shown are based on the lending rates quoted for the respective currencies in the Euro-market. ECU (Column 1): the weights of the ECU basket. 3 currencies (Column 2): DEM 60, USD 30 and GBP 10 per cent.

Table 3.4 Lending. New credits (Columns 1-4): rates of interest on new credits drawn during the month are

average monthly rates weighted by loan amounts. Annual rates are arithmetic averages of monthly observations until 1987 after which they are weighted by loan amounts. Average lending rates (Columns 5 and 6) are all weighted by loan amounts. As from January 1989, the loans of Postipankki Ltd have been included in the commercial banks' outstanding stock of loans. Deposits. 24-month and 36-month tax-exempt deposits (Columns 7 and 8): from May (September) 1992, 24-month(36-month) deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less two percentage points (one percentage point). In the period from January 1989 to April 1992, 24-month deposits (Column 7) were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less one percentage point. Other tax-exempt deposits (Column 9): in the period from January 1989 to April 1992, deposits other than 24-month deposits were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less 4 percentage points. From May 1992, deposits other than 24 month or 36-month deposits are tax-exempt if they carry a maximum rate of interest as prescribed by law. The maximum rate was first set at 4.5 per cent. From 6 May 1993 it has been 2.5 per cent. All markka deposits (Column 10): the stock of deposits comprises all markka deposits by the public. The monthly and annual average rates of interest are weighted by deposit amounts. Other funding (Column 11): CDs outstanding + promissory notes + bonds. The average rate of interest is weighted by amounts. Total markka funding (Column 12); markka deposits by the public + banks' other markka funding. The rate of interest is weighted by amounts.

Table 3.5 Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered rates for taxable, fixed-rate bonds quoted daily by the five largest banks. Yields on taxable government bonds (Columns 3 and 4) are calculated by the Bank of Finland in a similar fashion. Until January 1992, the yield on 5-year taxable government bonds (Column 3) was calculated on a bullet bond due on 15 March 1994 with a coupon rate of 13 per cent. From February 1992 onwards the yield is calculated on a bullet bond due on 15 January 1999 with a coupon rate of 11 per cent. Until June 1993, the yield on 10-year taxable government bonds (Column 4) is calculated on a housing bond (bullet) due on 15 March 2002 with a coupon rate of 10.75 per cent. From July 1993 onwards the yield is calculated on a bullet bond due on 15 March 2004 with a coupon rate of 9.50 per cent. The yield on taxable public issues (Column 5) is calculated as the arithmetic mean of yields on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued by all S25

issuers except the central government with a remaining maturity of between 3 and 6 years. The yield on taxfree public issues (Column 6) is calculated as the arithmetic mean of yields on fixed-rate public bonds with a remaining maturity of between 4 and 5 years. The Bank of Finland calculates the yields for columns 5 and 6 once a week on the basis of the trading quotations of the Helsinki Stock Exchange. Monthly observations are the averages of weekly observations and annual observations the averages of monthly observations. The share yield (Column 7) is the weighted effective yield on shares quoted on the Helsinki Stock Exchange. Source: Statistics Finland.

4 RATES OF EXCHANGE

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

5 OTHER DOMESTIC FINANCING

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

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

Table 5.3 Foreign assets, net (Column 1) = the Bank of Finland's foreign claims + banks' foreign claims (incl.

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

Table 5.4 Source: State Treasury Office. Other foreign currency-denominated debt (Column 2) consists of other bonds and debentures and long-term promissory notes. Other bonds and debentures are so-called private placings; long-term promissory notes are bank loans. Miscellaneous items (Column 7) include, inter alia, the liability for coinage (total coinage), promissory notes given to international financial organizations and, as a minus item, the liability to the State Pension Fund. Outstanding lending (Column 10) comprises the stock of loans granted from the central government budget and from extra-budgetary funds. Cash funds (Column 11) comprise the cash funds held in central government accounting offices, funds held in cheque and postal giro accounts, as well as placements of central government cash funds. The main part of the latter is reserved for covering transferable allocations budgeted in previous years (for details, see the article "State Borrowing and Cash Management" by Pekka Laajanen and Pekka Saarinen in the August 1987 issue of the Bulletin). Transferable allocations amounted to FIM 8.1 billion at the end of 1988.

Table 5.5 Source: Table B: Statistics Finland from the beginning of 1991. Tables A and B include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland. Table C includes transactions in markka-denominated bonds outside the Helsinki Stock Exchange. Inter-bank transactions (Column 1) and transactions (purchases and sales) between banks and customers (Column 2) are transactions by the banks

entitled to central bank financing. The State Treasury and the five largest banks (KOP, Okobank, Postipankki, Skopbank and Union Bank of Finland) agreed on a market making arrangement for benchmark government bonds with effect from 1 August 1992. Evli Securities Ltd (from 1 December 1993 Evli Fixed Income Securities) was accepted as primary dealer with effect from 1 May 1993 and the Danish broking firm Unibørs Securities from 1 October 1993. Unibørs is the first foreign primary dealer in benchmark government bonds; it has not established operations in Finland. The primary dealers' quotes are published daily (page JVKD on Reuters). Purchases from and sales to others (Columns 4 and 5) consist of transactions in benchmark government bonds between primary dealers and other parties. Other parties refer to all parties that are not primary dealers.

Table 5.6 Source: The Helsinki Stock Exchange.

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

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

Tables 6.2-6.4 Since the beginning of 1994, the former capital account of Finland's balance of payments has been compiled according to the IMF's new recommendations (IMF Balance of Payments Manual, Fifth Edition, 1993). As a result of the new classification, the contents of many of the items in the capital and financial account have been revised to some extent. In the same context, a number of other revisions and clarifications have been made. The main changes are listed below.

Table 6.2 Short-term foreign exchange transfers related to cash management flows between direct investors and their direct investment enterprises are classified as direct investment (Columns 1 and 14). Loans received by resident direct investors from group "in-house" finance companies located abroad (intra-group loans) are also classified as direct investment (Columns 14). Money market instruments are classified as portfolio investment (Columns 5 and 17). Premiums and margin payments arising from transactions in financial derivatives are included as a new item under portfolio investment (Columns 6 and 18). Financial derivatives also include payments arising from currency and interest rate swaps related to loans, ie outstanding loans are recorded according to the original loan contract. Medium-term notes (MTNs) are included under bonds (Columns 3 and 16). The category other investment (Columns 8-12 and 20-24) covers transactions related to

trade credits, loans, currency and deposits and other assets and liabilities. Transactions in assets and liabilities related to short- and long-term supplier credits and advance payments related to imports and exports are recorded under trade credits (Columns 8 and 20). The item 'Other' (Columns 11 and 23) includes transactions in short- and long-term assets and liabilities of different sectors not covered by any of the items above. In addition, this category includes changes in the central government's subscriptions to and quotas in international organizations as well as transactions in the Bank of Finland's short- and long-term assets and liabilities (excl. reserve items). The most important sub-item under the item 'other' comprises banks' other short-term assets and liabilities (in practice interbank deposits). The central bank's reserve assets (Column 27) comprise gold, special drawings rights (SDRs), the reserve position in the IMF and convertible currency claims.

Table 6.3 The data are classified as in Table 6.2. The items have been translated into markkaa using the spot rates for each date; thus the figures include the impact of changes in exchange rates.

Table 6.4 This contains data on Finland's net international investment position (liabilities less assets) classified by sector.

7 FOREIGN TRADE

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

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

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

8 DOMESTIC ECONOMIC DEVELOPMENTS

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

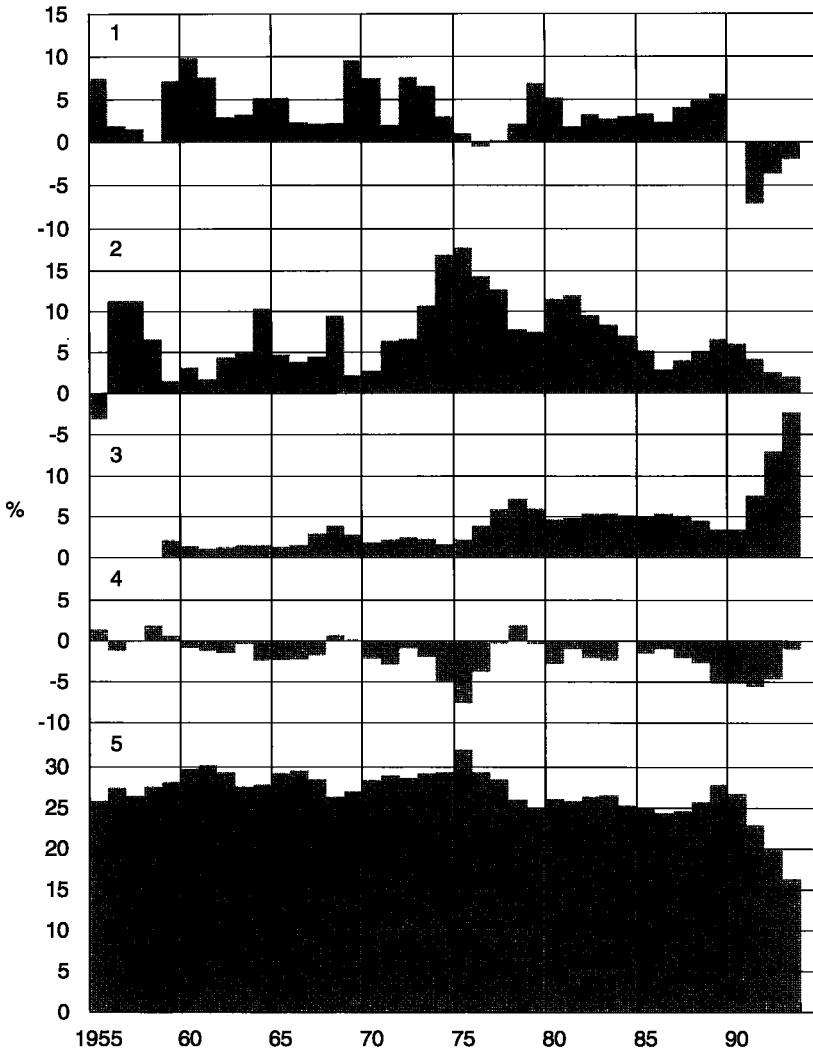
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

Table 8.4 The indicator of underlying inflation (Column 6) is the consumer price index from which the effect of indirect taxes, subsidies and housing-related capital costs (house prices and mortgage interest payments) has been removed (see the article by Pentti Pikkariainen and Timo Tyrväinen in the June–July 1993 issue of the Bulletin). Statistics Finland calculates the indicator and publishes it together with the consumer price index on the 15th of every month (or the next business day). It is lagged by one month in comparison with the consumer price index.

Table 8.6 Source: Ministry of Finance.

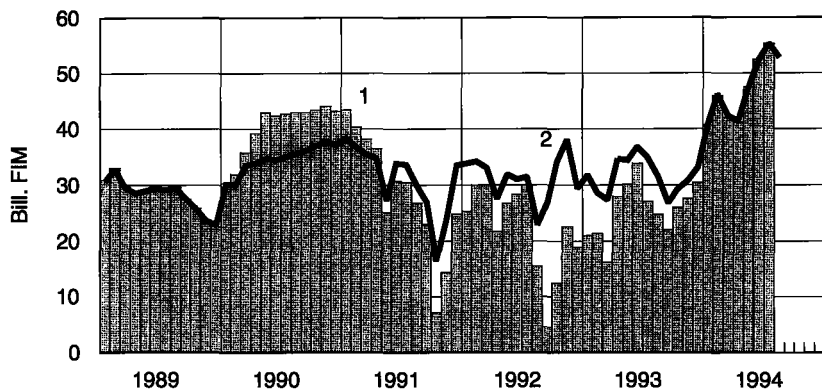
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Rates of interest set by the Bank of Finland	S29
5. Banks' liquidity position with the Bank of Finland	S30
6. Liquidity management interest rates	S30
7. HELIBOR rates of interest, daily	S30
8. HELIBOR rates of interest, monthly	S31
9. Differential between Finnish and German interest rates	S31
10. Yields on bonds	S31
11. Bank of Finland currency index and the markka value of the ECU	S32
12. Daily spot rates for the markka against the Deutschmark and the US dollar	S32
13. Daily spot rates for the markka against the pound sterling and the Swedish krona	S32
14. Monthly spot rates for the markka against the Deutschmark and the US dollar	S33
15. Monthly spot rates for the markka against the pound sterling and the Swedish krona	S33
16. Banks' markka lending rates and markka funding rates	S33
17. Bank funding from the public	S34
18. Bank lending to the public	S34
19. Money supply	S34
20. Current account	S35
21. Net interest and dividend expenditure	S35
22. Balance of payments	S36
23. Foreign debt	S36
24. Foreign trade	S37
25. Foreign trade: prices and terms of trade	S37
26. Finland's export performance	S37
27. Production	S38
28. Fixed investment	S38
29. Employment and the unemployment rate	S39
30. Prices and wages	S39
31. Central government finances	S40
32. Central government debt	S40

1. LONG-TERM INDICATORS



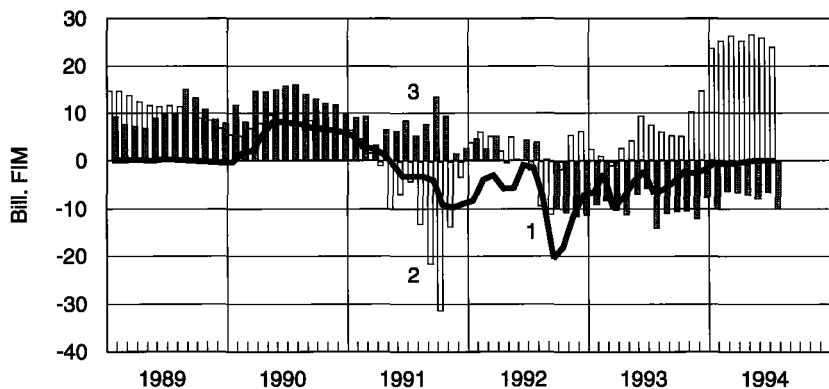
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



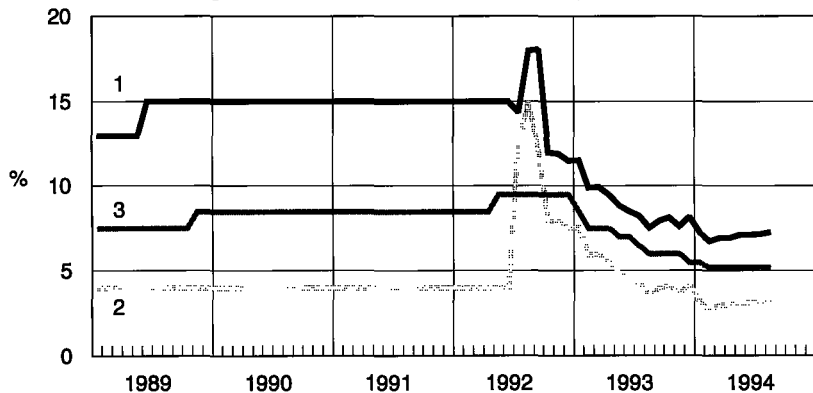
1. Foreign exchange reserves plus forward position
2. Foreign exchange reserves

3. FORWARD MARKET



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

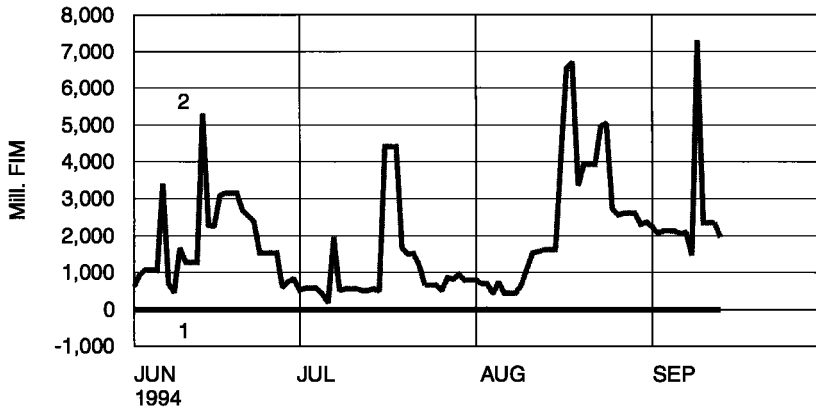
4. RATES OF INTEREST SET BY THE BANK OF FINLAND



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

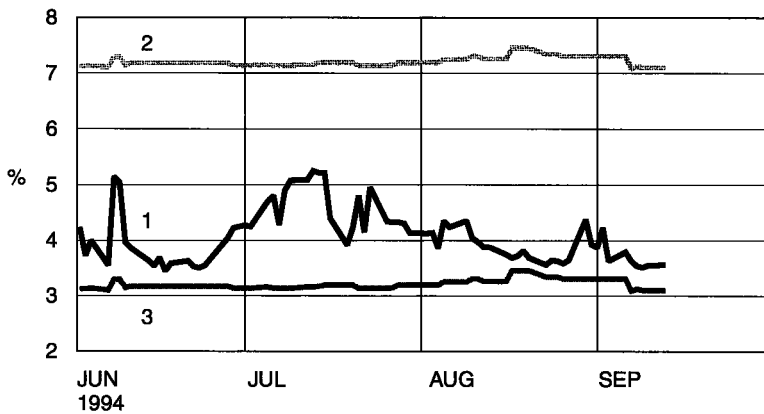
End-of-month observations

5. BANKS' LIQUIDITY POSITION WITH THE BANK OF FINLAND



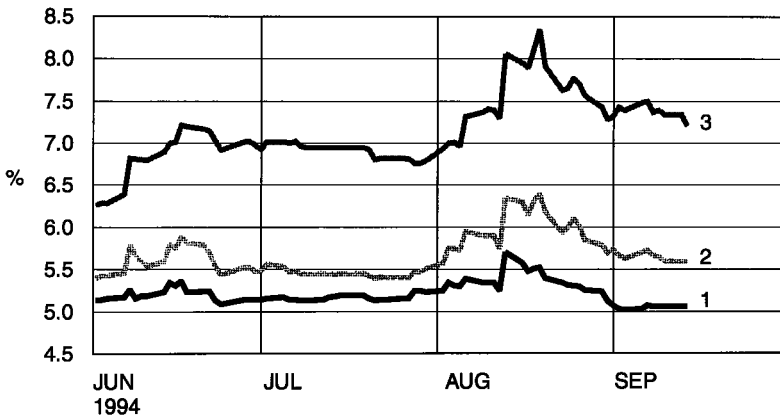
- 1. Liquidity credits (-)
- 2. Call money deposits

6. LIQUIDITY MANAGEMENT INTEREST RATES



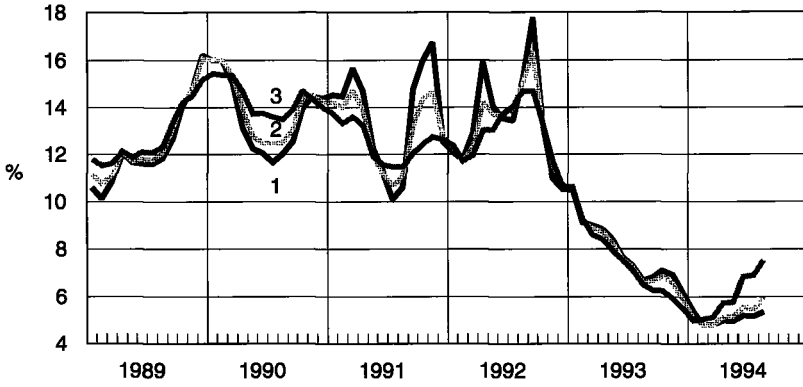
- 1. Inter-bank overnight rate
 - 2. Liquidity credit rate
 - 3. Call money deposit rate
- Daily observations

7. HELIBOR RATES OF INTEREST, DAILY



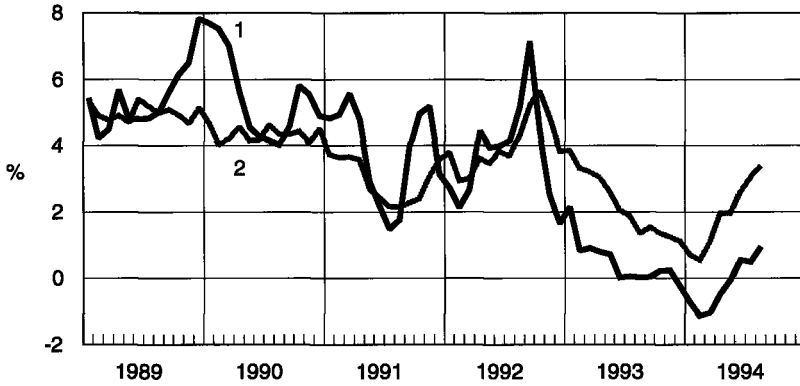
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

8. HELIBOR RATES OF INTEREST, MONTHLY



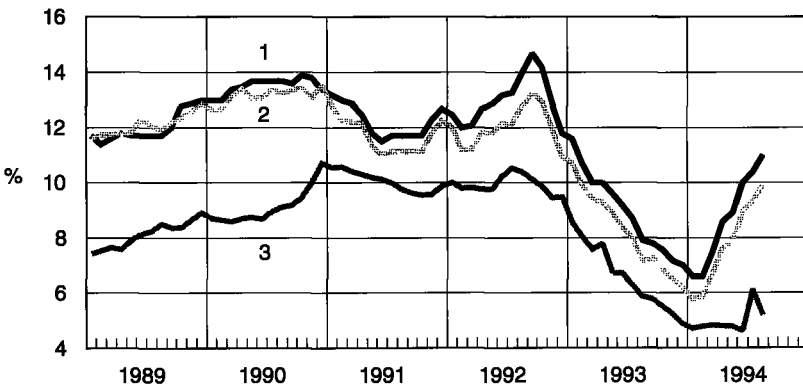
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

9. DIFFERENTIAL BETWEEN FINNISH AND GERMAN INTEREST RATES



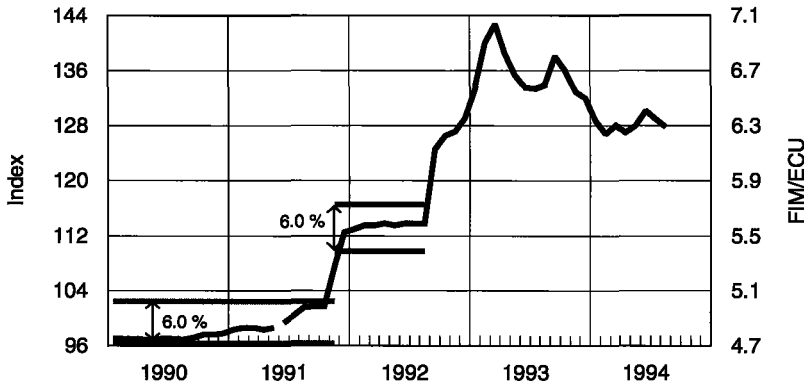
- 1. 3-month HELIBOR *minus* 3-month DEM eurorate
- 2. 5-year Finnish government bond yield *minus* 5-year German government bond yield

10. YIELDS ON BONDS



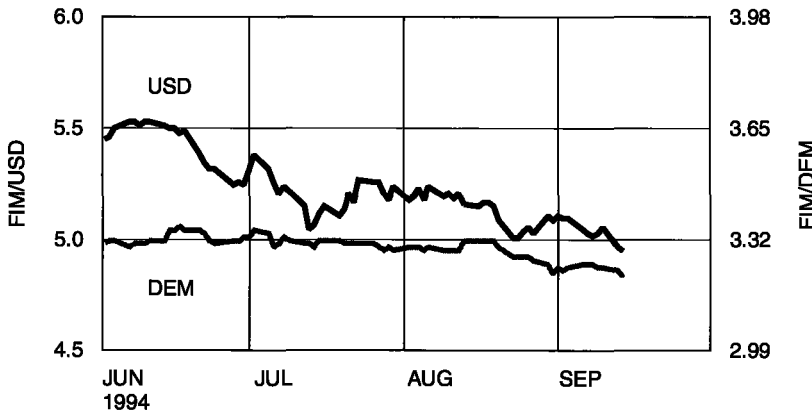
- 1. Bank of Finland's 5-year reference rate
- 2. Yield on (4-5 year) taxable government bonds
- 3. Yield on (4-5 year) taxfree government bonds

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



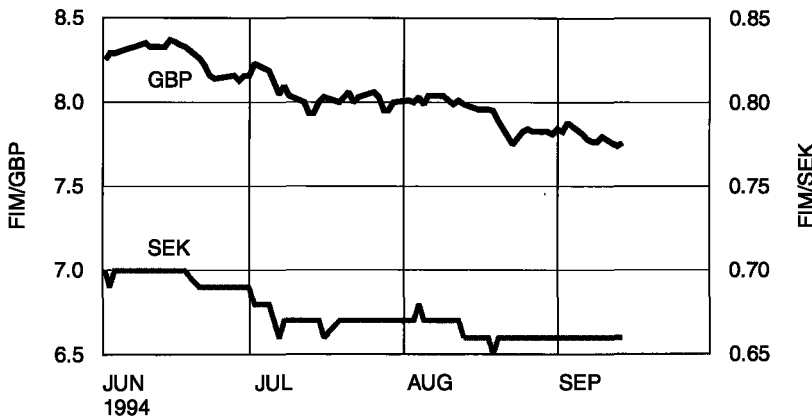
Until 7 June 1991, the Bank of Finland currency index. From 7 June 1991, the markka's exchange rate against the ECU, the fluctuation limits of which were 4.72953-5.02207 in the period 7 June - 14 November 1991, and 5.39166-5.72516 in the period 15 November 1991 - 7 September 1992. Since 8 September 1992,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

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



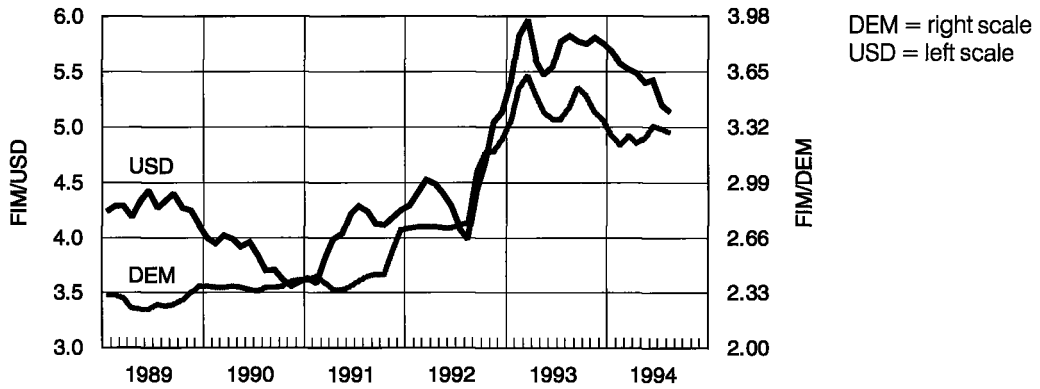
Middle rates
DEM = right scale
USD = left scale

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

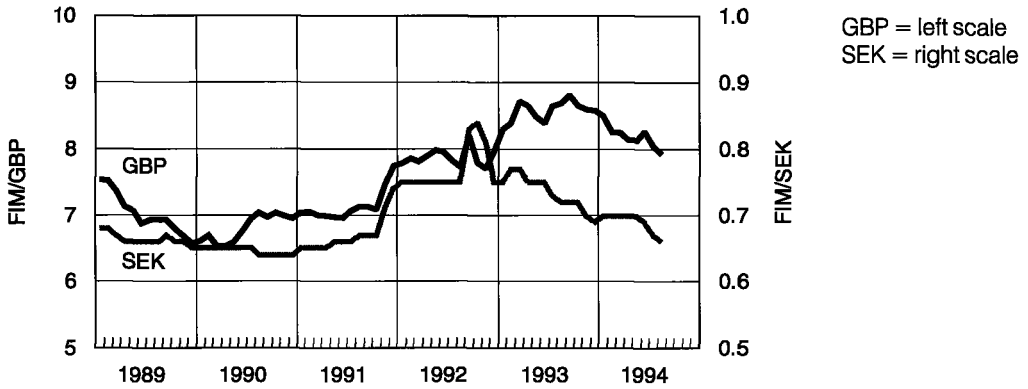


Middle rates
GBP = left scale
SEK = right scale

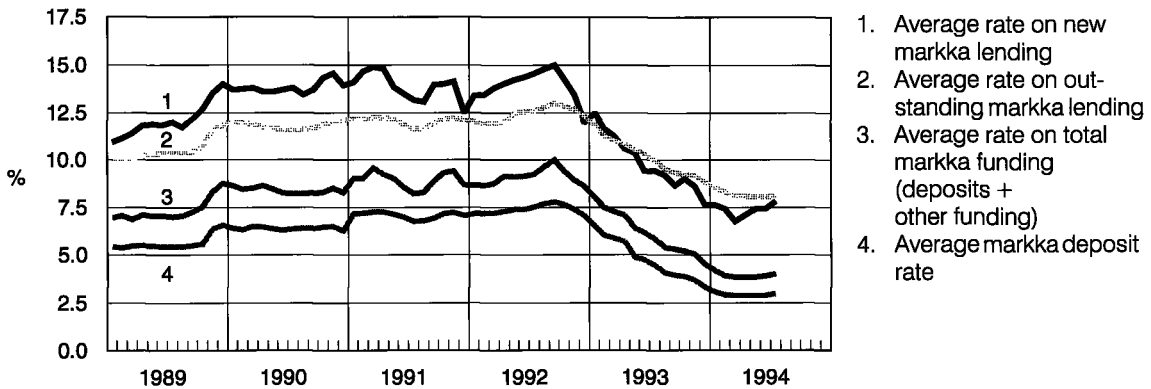
14. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE DEUTSCHMARK AND THE US DOLLAR



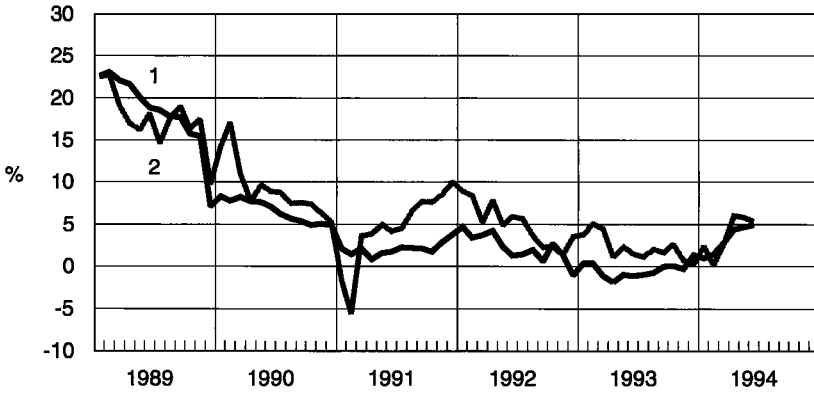
15. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE POUND STERLING AND THE SWEDISH KRONA



16. BANKS' MARKKA LENDING RATES AND MARKKA FUNDING RATES



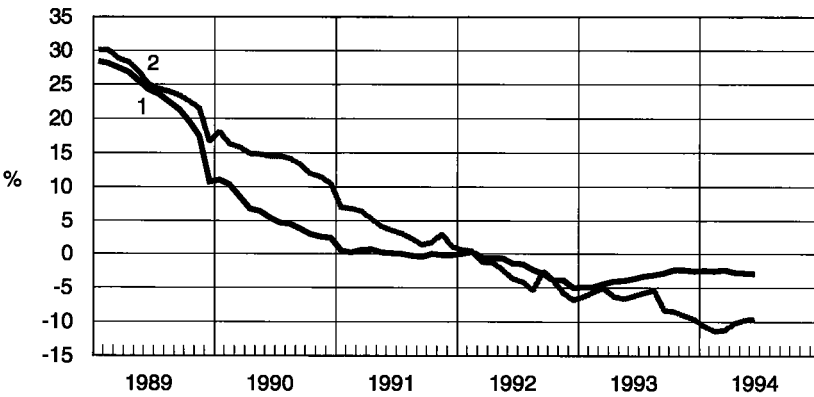
17. BANK FUNDING FROM THE PUBLIC



- 1. Markka deposits
- 2. Total funding

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

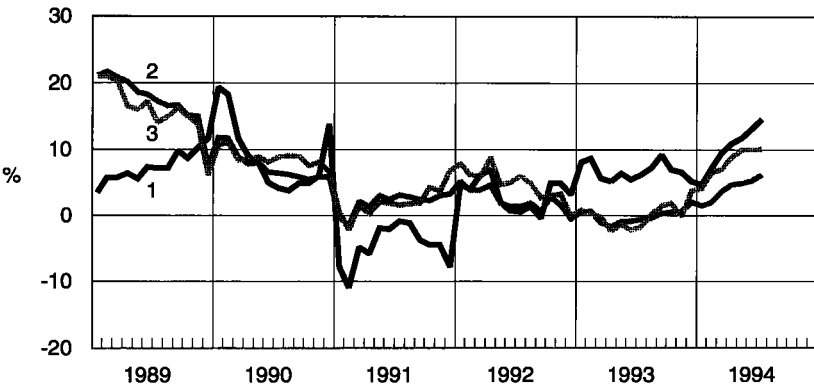
18. BANK LENDING TO THE PUBLIC



- 1. Markka lending
- 2. Total lending

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

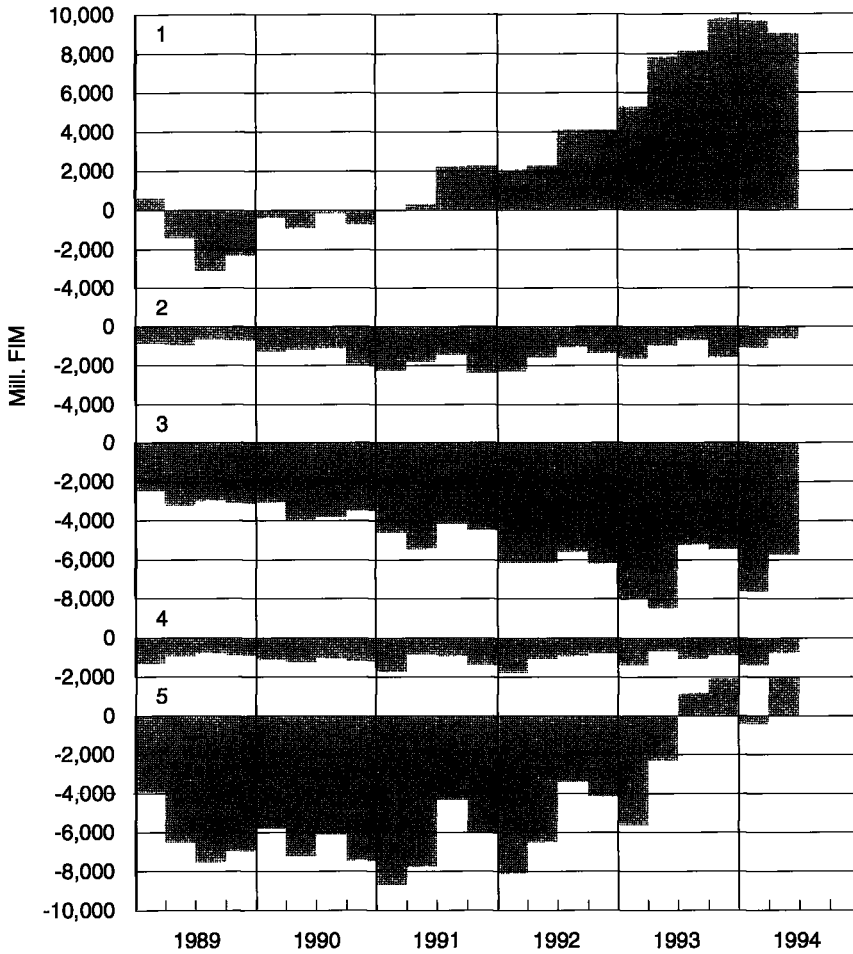
19. MONEY SUPPLY



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

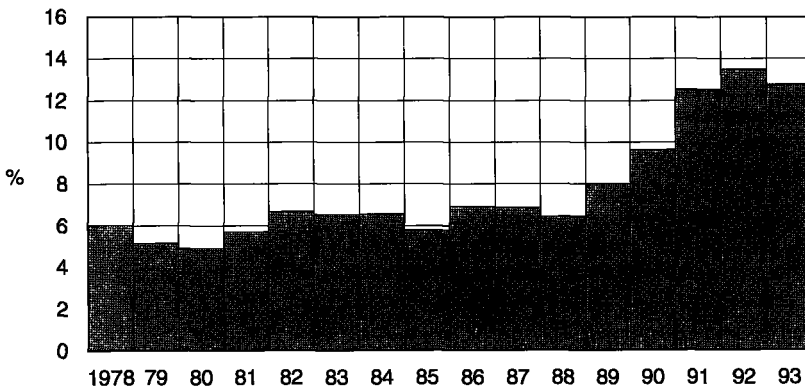
Change from the corresponding month of the previous year, per cent

20. CURRENT ACCOUNT



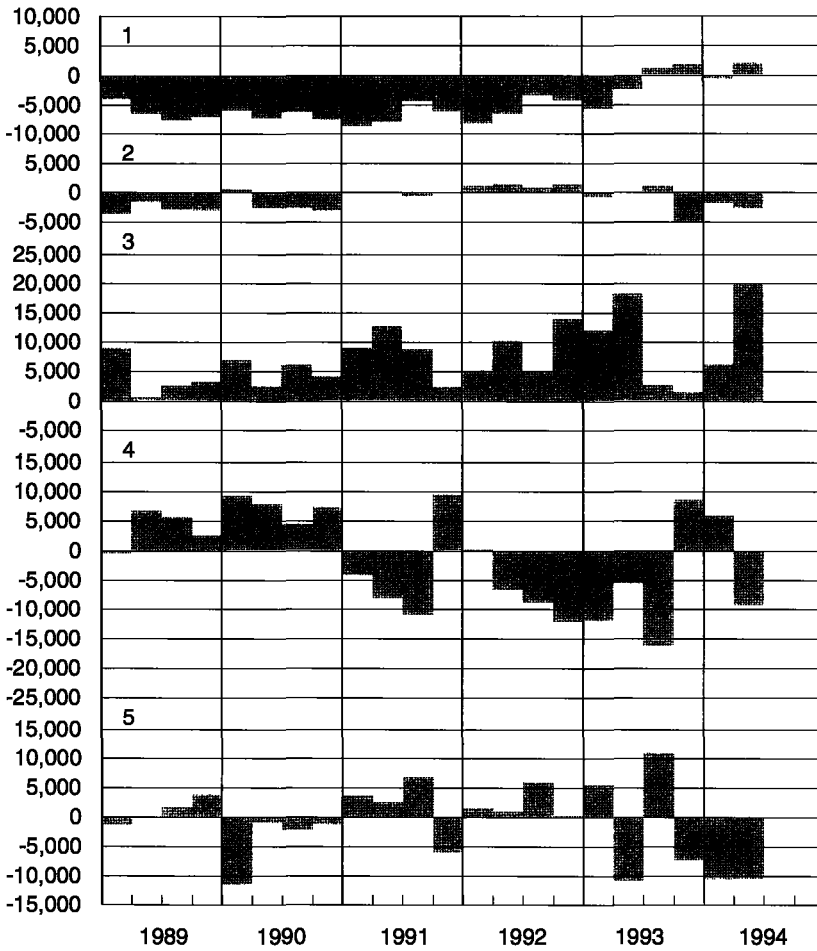
1. Trade account
2. Services account
3. Investment income account
4. Unrequited transfers account and other items, net
5. Current account

21. NET INTEREST AND DIVIDEND EXPENDITURE



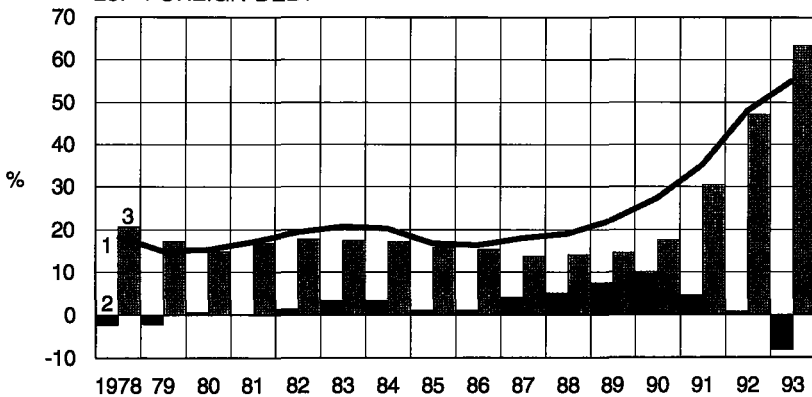
As a percentage of current account receipts

22. BALANCE OF PAYMENTS



1. Current account
2. Direct investment
3. Portfolio investment
4. Other investment
5. Change in central bank's reserve assets
(increase = -)

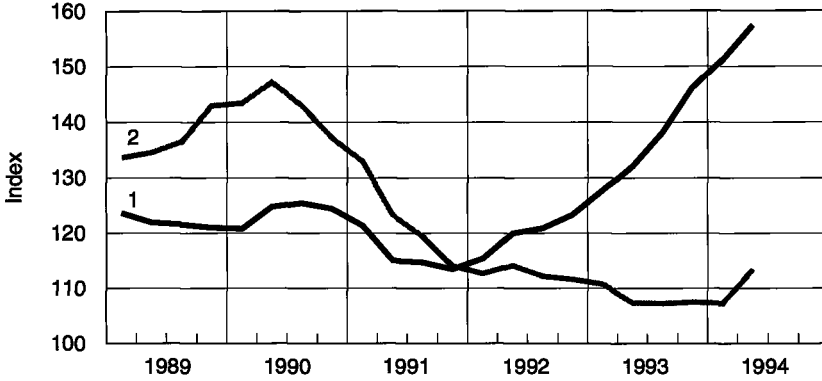
23. FOREIGN DEBT



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

As a percentage of GDP

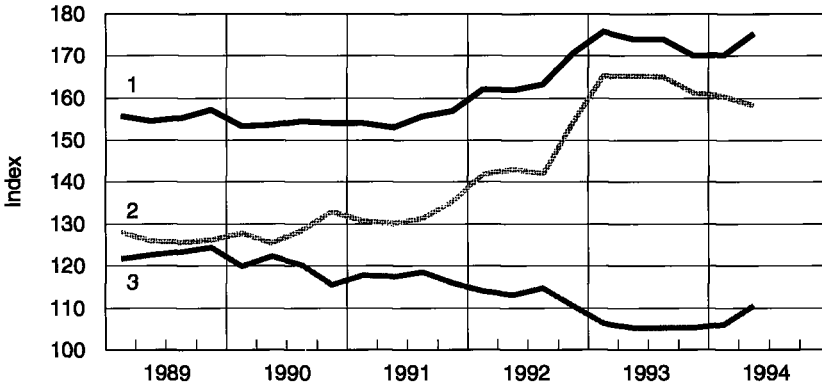
24. FOREIGN TRADE



1. Total exports
2. Total imports

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

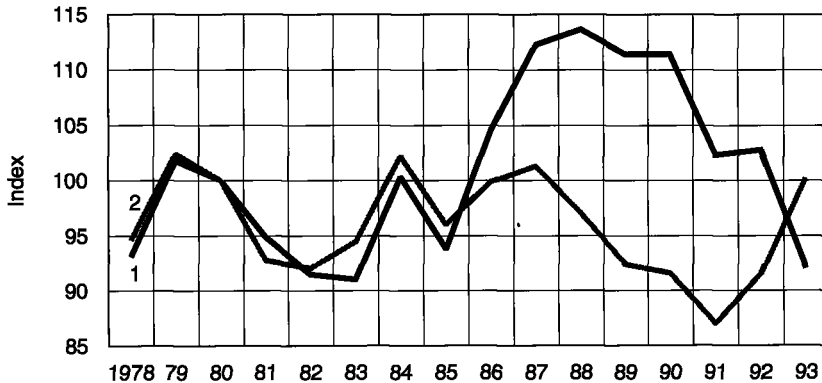
25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



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

1980 = 100

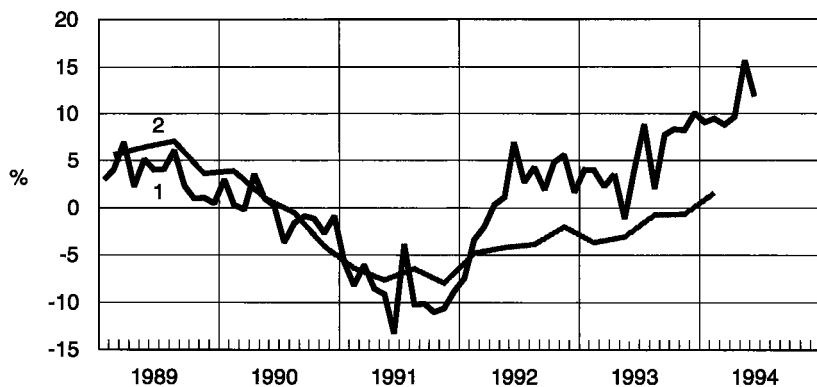
26. FINLAND'S EXPORT PERFORMANCE



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

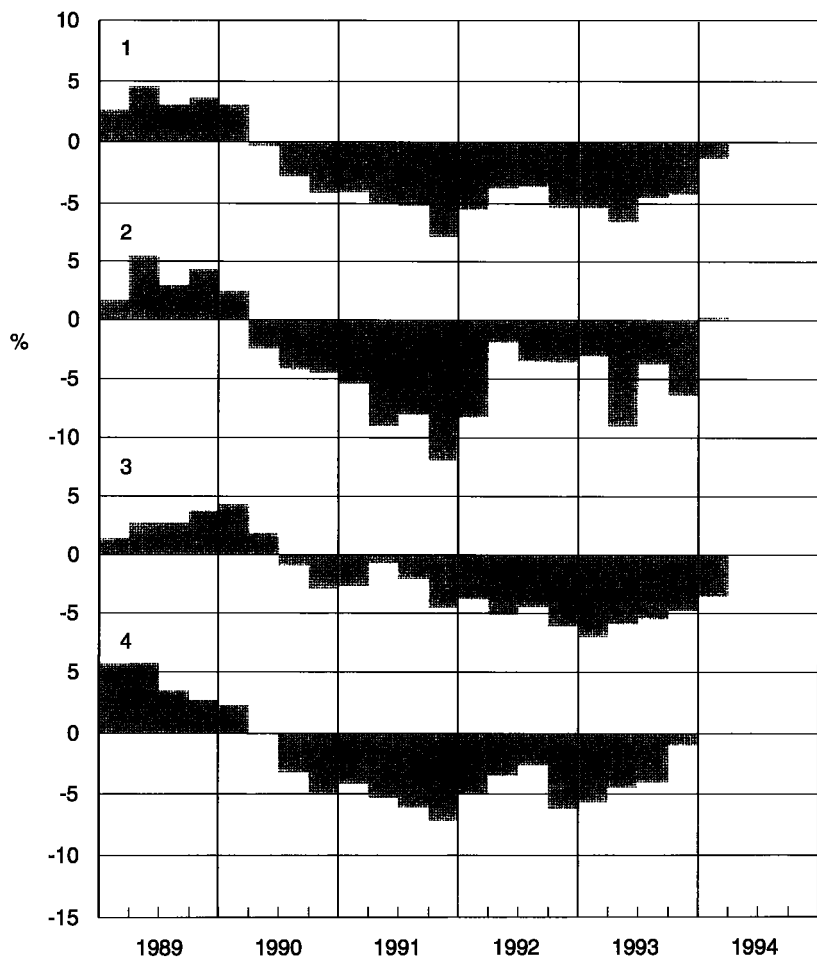
1980 = 100

27. PRODUCTION



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

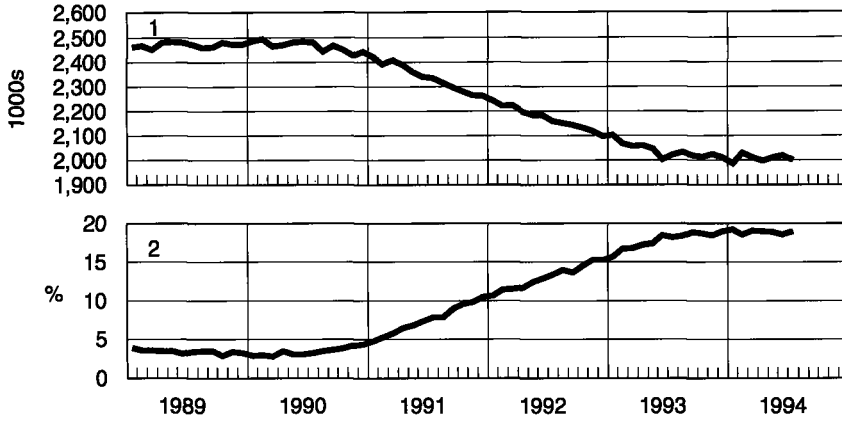
28. FIXED INVESTMENT



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

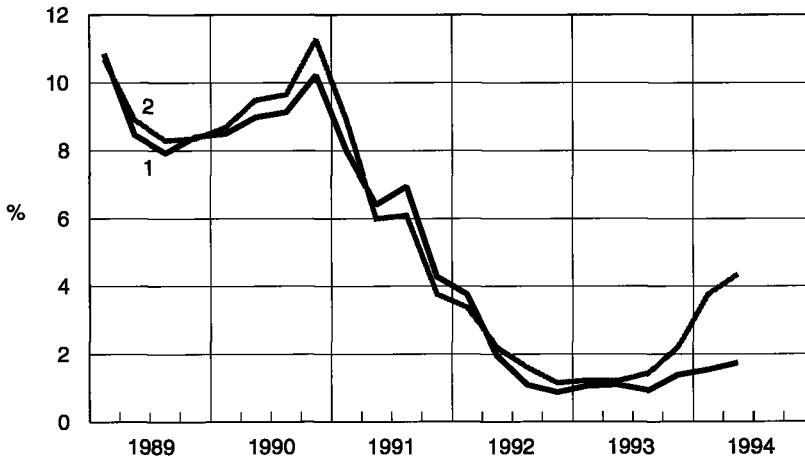
Volume changes calculated from four-quarter moving totals and plotted at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE



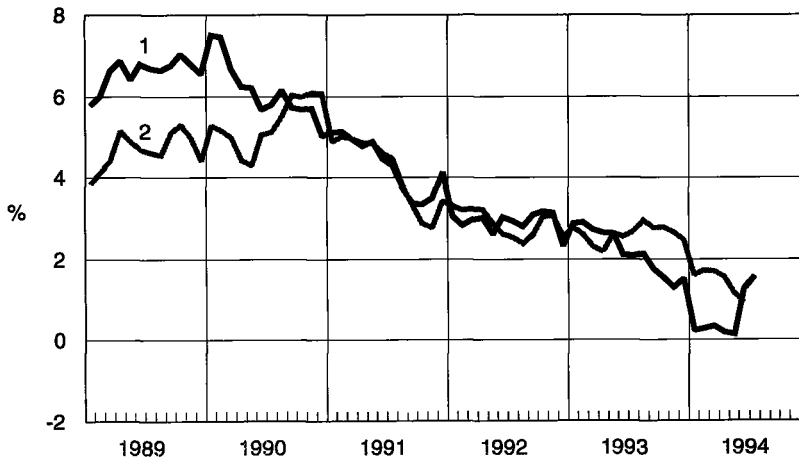
- 1. Employment, 1000 persons
- 2. Unemployment rate, per cent

30. PRICES AND WAGES



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

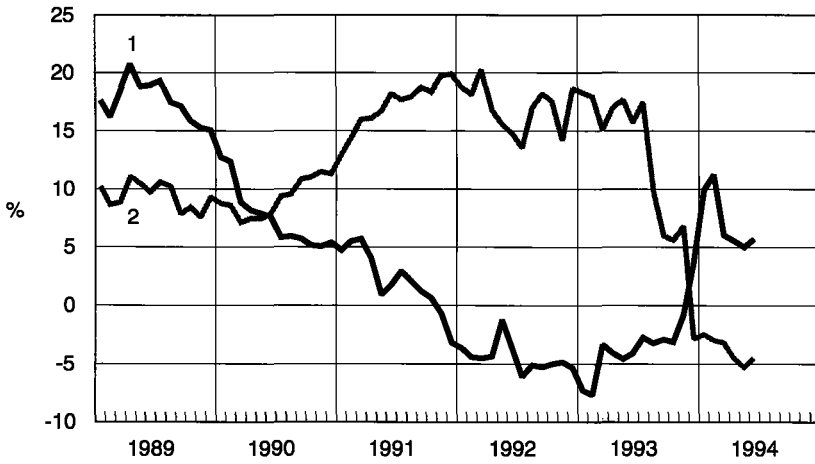
Change from the corresponding quarter of the previous year, per cent



- 1. Consumer price index
- 2. Indicator of underlying inflation

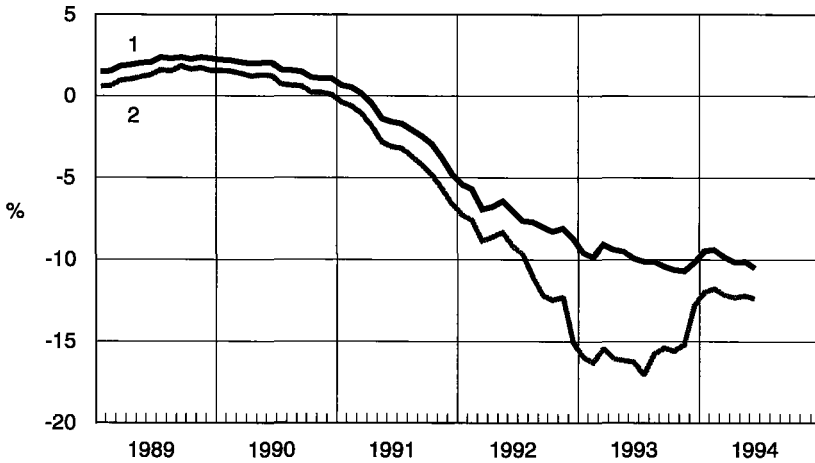
Change from the corresponding month of the previous year, per cent

31. CENTRAL GOVERNMENT FINANCES



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

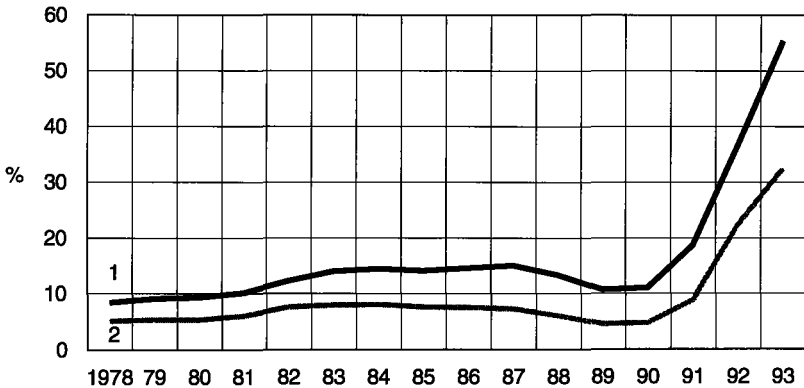
12-month changes calculated from 12-month moving totals and plotted at the last month, per cent



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

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

32. CENTRAL GOVERNMENT DEBT



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

As a percentage of GDP

BANK OF FINLAND*

30 June 1994

THE PARLIAMENTARY SUPERVISORY BOARD

PENTTI MÄKI-HAKOLA, Chairman
JUSSI RANTA, Vice Chairman
PAAVO VÄYRYNEN

MAURI MIETTINEN
TUULIKKI HÄMÄLÄINEN
OLAVI ALA-NISSILÄ

JÖRN DONNER
ESKO SEPPÄNEN
TELLERVO RENKO

THE BOARD

SIRKKA HÄMÄLÄINEN, Chairman

HARRI HOLKERI

KALEVI SORSA

ESKO OLLILA

MATTI VANHALA

DIRECTOR

PENTTI KOIVIKKO

DEPARTMENTS AND OTHER UNITS

Accounting OSSI LEPPÄNEN

Administration URPO LEVO

Data Processing PERTTI SIMOLA

Economics JOHNNY ÅKERHOLM

Financial Markets KAARLO JÄNNÄRI,
Advisers to the Board: HEIKKI KOSKENKYLÄ,
PETER NYBERG, RALF PAULI

Information ANTTI JUUSELA

Internal Audit TIMO MÄNNISTÖ

International Secretariat KJELL PETER SÖDERLUND

Legal Affairs ARNO LINDGREN

Market Operations MARKUS FOGELHOLM

Monetary Policy PENTTI PIKKARAINEN

Organization and Management Development
PIRKKO POHJOISAHO-ÅARTI

Payments and Settlement RAIMO HYVÄRINEN

Payment Instruments ANTTI HEINONEN

Personnel RIITTA JOKINEN,
Adviser to the Board: ANTON MÄKELÄ

Publication and Language Services ANTERO ARIMO

Research PEKKA ILMAKUNNAS,
Adviser to the Board: KARI PUUMANEN

Security JYRKI AHVONEN

Information Services ESA OJANEN

Eastern European Economies KARI PEKONEN

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

BRANCH OFFICES

Kuopio, Oulu, Tampere, Turku

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

VELI TARVAINEN, Managing Director

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