



BULLETIN

BANK OF FINLAND

December 1993 Vol. 67 No. 12

Recent Economic Developments
and Monetary Policy

Finnish Credit Institutions
in the Single Market

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RECENT ECONOMIC DEVELOPMENTS AND MONETARY POLICY

by Ilmo Pyyhtiä, Dr Soc Sc (Econ)
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The favourable trends in the Finnish economy have strengthened in recent months. The profitability of the exporting industries is improving, the level of external indebtedness has stopped rising and inflation is slowing down. Output in the exporting industries continues to expand at a rapid pace. Notwithstanding this, domestic demand remains depressed and the employment situation has deteriorated further.

The exports of almost all sectors are increasing and export prices are also rising slightly. In the first ten months of the year, exports of goods grew by 18.1 per cent compared with same period in 1992. Output growth in the major exporting industries accelerated in the autumn months. In the first three quarters, the volume of output in the forest industries was 9.8 per cent higher and that in the metal and engineering industries 6.9 per cent higher than one year earlier. However, total manufacturing production grew by only 3.8 per cent, owing to a contraction in the output of sectors serving the domestic market. Manufacturing companies expect their profitability to improve further. By contrast, the slump in the services and construction sectors continues.

The duality in the performance of the Finnish economy has led to a rapid improvement in the external balance. In October, the cumulative twelve-month surplus on the trade account stood at FIM 26.2 billion and the deficit on the current account shrank to FIM 7.3 billion. In the August–September period, the current account posted a modest surplus. Consumer prices have remained virtually unchanged since the

spring, and they rose by only 1.6 per cent in the twelve months to October. The Bank of Finland's indicator of underlying inflation rose by only 1.5 per cent at an annual rate in the third quarter of the year, whereas the twelve-month change to September was still 4.1 per cent.

Short-term market interest rates in Finland remained slightly above the corresponding German rates throughout the autumn, long-term rates declined and the long-term interest rate differential shrank to 1.7 percentage points in November. At the end of November, the three-month HELIBOR fell to 6.2 per cent and dropped below the corresponding German rate. The yield on ten-year government bonds was 7.3 per cent. The average interest rate on new bank loans displayed a declining trend throughout the autumn. Over the last few weeks, the exchange rate of the Finnish markka has remained almost unchanged, close to its early-August level.

EXPORTS GROW

The growth of Finnish exports has continued to outpace that of export markets by a clear margin. Exporters have succeeded in gradually regaining market shares lost over the last few years. In the ten months to October, the total value of exports to EU countries was 10 per cent higher and that of exports to EFTA countries 8 per cent higher than one year earlier. The growth of Finnish exports to the United States and to Asian markets seems to have been particularly favourable, and in these countries, too, Finland has gained market shares.

Low prices have, however, been a problem for exports. Ow-

ing to slack demand, competition has been intense, especially in European markets, and export prices have tended to decline in foreign currency terms. In the first ten months of the year, the terms of trade weakened by 3.9 per cent compared with the same period a year ago, as export prices rose by 7 per cent in markka terms and import prices by 11.3 per cent. During the last few months, export and import prices have remained relatively stable and there has been no significant change in the terms of trade.

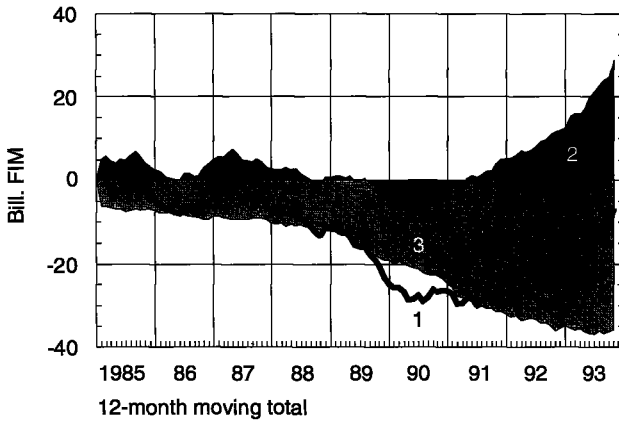
The contraction in domestic demand has curbed imports. Imports of raw materials and intermediate goods have nevertheless been boosted by rising exports, whereas imports of consumer goods have continued to decrease. The last few months have also seen an increase in imports of investment goods, pointing to an incipient recovery of investment activity in the exporting industries.

The major improvement in the external balance is largely due to the growing trade surplus. The increased price competitiveness of exports and the fall in domestic demand have also contributed to an improvement in the services account, particularly in the transport and travel accounts. In the first ten months of the year, interest payments on net foreign debt amounted to FIM 20 billion; this component thus constitutes a major structural burden on the current account (Chart 1). However, the current account showed a surplus of FIM 1.7 billion in the August–October period as against a deficit of FIM 5.4 billion in the ten months to October.

The fact that the current account is shifting into surplus also 3

CHART 1.

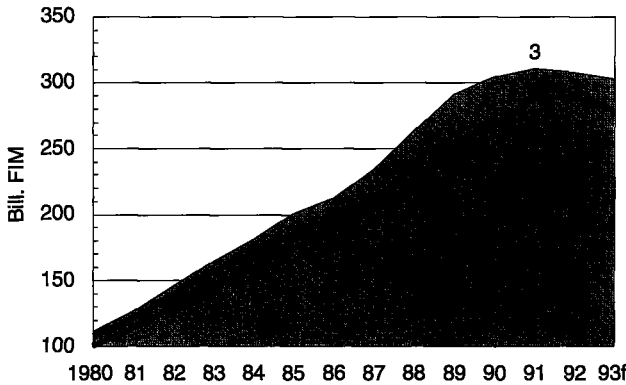
CURRENT ACCOUNT



1. Current account
2. Trade account
3. Other items

CHART 2.

HOUSEHOLD INCOME AND CONSUMPTION



1. Disposable income
2. Consumption
3. Consumption + loan repayments

Source: Anne Brunila, "Yksityisen sektorin velkakriisi: syistä, seurauksista ja tulevaisuudennäkymistä", Kansantaloudellinen aikakauskirja 4/1993.

PULL OF EXPORTS NOT ENOUGH

Although exports have been expanding for more than two years now, this has not, as yet, been sufficient to stop the contraction in domestic demand. The adverse effects of the weakening of the markka on the sectors relying on domestic demand have so far exceeded the favourable effects on output growth in the exporting industries. In the first half of this year, domestic demand declined by almost 9 per cent from the same period in 1992, and this downward trend seems to have been maintained in the third quarter of this year.

Several factors have contributed to the sharp contraction in consumption. The depreciation of the markka has increased the costs to companies of servicing their foreign debt, led to bankruptcies among over-indebted companies and raised unemployment. On the other hand, households' income has decreased owing to cuts in government spending and increases in taxes and social security contributions. Furthermore, the costs of servicing household debt, repayments of which are reflected in the current high household savings ratio, have absorbed an increasingly larger share of diminishing household income (Chart 2).

The multiplier effects of export growth on domestic demand have also remained subdued because there has not, as yet, been any need to increase export capacity. In the exporting industries, the need to increase machinery and equipment has so far been evident only in the metal and engineering industries, where investment activity has picked up. Because of their high debt levels, Finnish firms have used internal financing to strengthen their capital structure (Chart 3). However, in the exporting industries, expectations concerning returns on investment are improving rapidly along with rising profitability and the downward trend in interest rates. The rise in

means that the rise in Finland's external indebtedness is coming to a halt. During the overheated economic conditions that prevailed at the end of the previous decade, the level of Finland's external debt became quite high by international standards, and over the last few years it has risen further as a result of

and the depreciation of the markka. At the end of October, Finland's net foreign debt amounted to FIM 281 billion, equivalent to 60 per cent of GDP and 179 per cent of export earnings. At the same time, the central government's net foreign debt stood at FIM 175 billion or just over 37 per cent of GDP.

share prices in the course of this year is a clear indication of this. On the other hand, the slump in investment activity in the manufacturing industries serving the domestic market and in the services sector is likely to prove long-lived.

The improved competitiveness of Finnish companies and the moderate cost developments are beginning to bear fruit in the form of increased profitability in the exporting industries and to some extent also in the domestic-oriented industries. The impact of the depreciation of the markka on competitiveness, the fall in interest rates, broadly flat wages over the past two years and a fall in the price of roundwood are all helping to underpin the profitability of manufacturing and the rest of the business sector. The interim reports of listed companies point to an overall improvement in profitability.

In the domestic market, weak demand continues to be a serious problem, and this is clearly reflected in employment. So far, the level of employment has fallen in all sectors of the economy. In October, there was, however, a slight fall in the unemployment rate, and the seasonally adjusted unemployment rate stood at 18.8 per cent. The numbers laid off or on a short working week have increased in the autumn months. The number of unemployed totalled 458 000 in October. In the public sector, the workforce has been cut by 40 000 in the space of a year and there is still a considerable need for further labour-shedding, especially in the municipalities and other services sector.

CENTRAL GOVERNMENT'S NET FINANCING REQUIREMENT IS DECREASING

The government revenue deficit has remained broadly unchanged during the last few months, and the cumulative deficit in the twelve months to Sep-

tember amounted to FIM 49.9 billion. In the first three quarters, cash receipts before financial transactions decreased by 1.4 per cent and expenditure increased by 5.8 per cent, compared with the same period a year earlier. Tax receipts fell by 7.7 per cent, but revenue from excise duties grew by 9.7 per cent. The central government's net financing requirement appears to be diminishing to some extent, as outlays during the crisis will be smaller than expected this year. The net financing requirement for the twelve months to September was FIM 73.6 billion, and the corresponding figure for the entire year is estimated to remain slightly below FIM 70 billion (Chart 4).

Growing unemployment and bank support, together with the fall in tax revenue caused by the severe recession, have led to a dramatic increase in the central government deficit. Recently, the central government budget has had an expansionary impact on the economy, despite decisions on spending cuts. With rising unemployment, the operation of built-in stabiliz-

ers increases government outlays through transfers and unemployment benefits. The budget proposal for 1994 implies a clear tightening in fiscal stance, however, despite the package of expansionary measures decided on in early December.

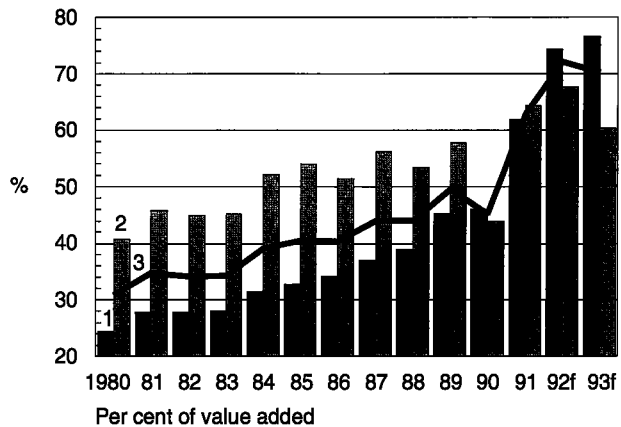
The rapid improvement in the external balance and the moderate pay settlements reached in the past few weeks were the main reasons prompting the Government's decision in early December to alleviate the tightening impact of the 1994 budget proposal. The changes concern mainly wage and salary earners' income tax. The Government also announced that it was seeking to promote the revival of investment activity in the business sector.

INFLATION SLOWING DOWN

Weak domestic demand and falling interest rates, together with stable import prices and domestic costs, have halted the rise in consumer prices. They rose by 1.6 per cent in the twelve months to October and have re-

CHART 3.

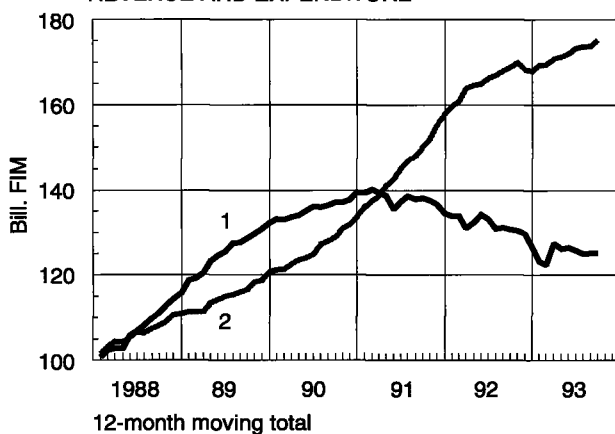
COMPANIES' DEBT-SERVICING COSTS, 1980 - 1993



1. Services
2. Manufacturing
3. All companies

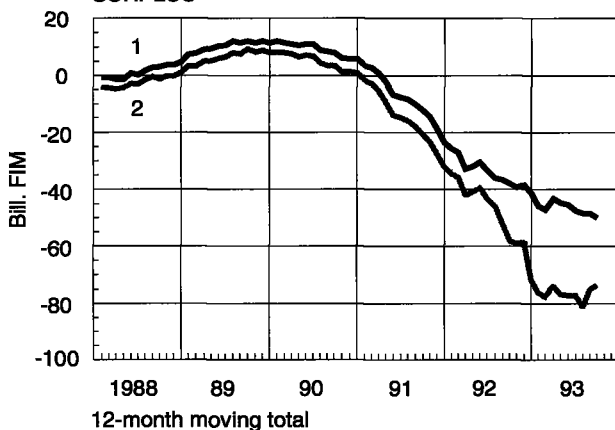
Source: Anne Brunila, "Yksityisen sektorin velkakriisi: syistä, seurauksista ja tulevaisuudennäkömistä", Kansantaloudellinen aikakauskirja 4/1993.

CHART 4.
CENTRAL GOVERNMENT FINANCES
REVENUE AND EXPENDITURE



1. Revenue (excl. financial transactions)
2. Expenditure (excl. financial transactions)

SURPLUS



1. Revenue surplus
2. Net financing requirement (-)

mained unchanged in the past six months or so. Inflation has been kept in check by the fall in the general level of interest rates, as reflected particularly in average interest rates on outstanding housing loans and consumer credit.

The effect of housing costs, as too of public taxes and charges, is excluded from the Bank of Finland's indicator of underlying inflation. Measured by this indicator, inflation was

6

per cent in September. In the last few months, the underlying inflation rate has slowed considerably because the rise in import prices has levelled off. In July-September, the indicator rose at an annual rate of only 1.5 per cent (Chart 5). Underlying inflation is expected to slow further during the next few months, if import prices remain stable and domestic cost developments are kept in check.

The fall in the prices of dwellings bottomed out in the first

quarter of the year. The average price of old, two-room flats in the greater Helsinki area, which is used as an indicator of the prices of dwellings, rose by 17 per cent in the January-October period. However, in the entire country, the prices of dwellings have risen by only 1.4 per cent from their low point. The fall in interest rates will continue to lower housing costs as a whole.

In manufacturing, the rise in producer prices has come to a halt in recent months. In October, the prices of the domestic goods included in the producer price index fell by 0.1 per cent, but the twelve-month rise was 2.6 per cent. In October, clearly above-average rises in producer prices were recorded, in particular, by oil products and iron and steel. Stumpage prices have also risen over the past few months. In the August-October period, the prices of saw timber and pulpwood increased by 3.3 and 3.5 per cent, respectively. The average level of stumpage prices in October was lower than a year ago.

Latest surveys of consumer and business confidence show that inflation expectations concerning the near future have abated. While consumers expect inflation to remain slow next year, the majority of the manufacturing firms included in the survey expect inflation to pick up during the first half of 1994. But it should be noted that the surveys yield only qualitative data on inflation expectations, and they can therefore be used only to indicate the direction of expected inflation.

The index of wage and salary earnings in the third quarter of this year showed a slight fall from the second quarter. Nominal wage and salary earnings in the third quarter were 0.8 per cent higher than a year earlier. The rise in average earnings is due wage drift and changes in the structure of employment. In the last twelve months, real wage and salary earnings have fallen by 1.2 per cent.

The wage negotiations for 1994 were transferred to union

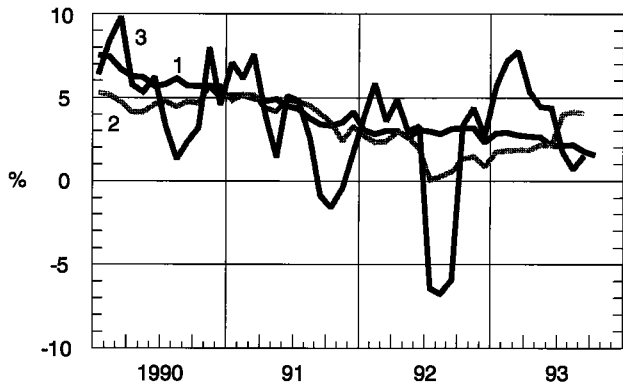
level in November, as the central organizations were unable to agree on a comprehensive national wage settlement. The first union-level collective settlements were concluded in mid-November, and settlements in other sectors followed in quick succession. In manufacturing, agreement was reached on general increases in hourly wages, to be phased in over the agreement period. These increases, together with other allowances, will raise basic hourly wages by approximately 3 per cent in each sector during the settlement period. In the services sector, the parties have for the most part agreed on a further freeze in negotiated wage rates or on pay settlements which will cause a slight decrease in total income. The collective agreement for employees in the central government sector will cut wage and salary costs by nearly 2 per cent. In the local government sector, contractual wage rates will remain unchanged, but wage and salary costs in 1994 and 1995 are to be cut by at least 2.7 per cent from their 1993 level through local agreements. If this savings target is not achieved by means of local agreements, there will be nationwide cuts in wage and salary costs.

The settlement periods range from one year to more than two years. All the settlements considerably widened the scope for local agreements and increased the flexibility of remuneration and working time arrangements in particular.

The agreed increases, together with expected average wage drift and the increase in employers' social security contributions, will increase labour costs in manufacturing by 4 to 5 per cent next year. When the growth of labour productivity is taken into consideration, the rise in labour costs is unlikely to generate any price pressures in the economy in the course of 1994. Unit labour costs in manufacturing and in other sectors are likely to decrease somewhat further.

CHART 5.

CONSUMER PRICES AND UNDERLYING INFLATION



1. Consumer price index, percentage change from the corresponding month of the previous year
2. Indicator of underlying inflation*, percentage change from the corresponding month of the previous year
3. Three-month change in underlying inflation at annual rate

* Consumer price index excl. effect of indirect taxes, subsidies and housing-related capital costs (house prices plus mortgage payments).

Consumer price inflation is expected to remain subdued in the near future, given that the rise in import prices has levelled off and interest rates are continuing to fall. The underlying rate of inflation is expected to slow in the final months of this year and in 1994, and thus it seems likely that the Bank of Finland's 2 per cent target will be within reach by 1995.

INTEREST RATE DIFFERENTIAL IN RELATION TO GERMAN RATES HAS NARROWED

The easing of inflation has increased the room for manoeuvre in monetary policy. It has proved possible to utilize this increased scope for action during the autumn months, despite various disturbances in the financial markets. Interest rates have fallen and the interest rate differential in relation to other countries has narrowed or disappeared altogether. The Bank of Finland's base rate was lowered to 5.5 per cent from the beginning of December.

Short-term market rates have kept slightly above the corresponding level for German rates, and long-term rates are now lower than the corresponding Swedish rates. Confidence in the way in which the Finnish economy is being managed has clearly increased. The interest rate differential in relation to German long-term rates has also narrowed slightly in the past months. The lowering of domestic interest rates in step with the fall in the level of European interest rates has been made possible by the improvement in the current account position, slower-than-expected inflation and the decisions on cutting central government spending. Policies aimed at preserving Finland's competitiveness have also been supported by moderate wage developments.

After the turmoil in the European currency markets died down in August, there was a general fall in market rates. This was followed by a renewed upward movement when the central banks did not ease their policies as expected when the

ERM currencies were floated. In October, there was again a marked fall in interest rates, when the Bundesbank lowered its key rates. The three-month HELIBOR remained below the 7 per cent level in the October–November period. In mid-September, there was a temporary rise in Finnish long-term rates following the release of unfavourable economic news about Finland and Sweden, but in the October–November period long-term rates also fell appreciably. The yield on 4–7 year government bonds has fallen below 6.5 per cent.

The yield curve slopes downward for maturities up to twelve months, but is clearly upward sloping for longer maturities. This reflects market expectations of slower inflation and lower interest rates in the short term. However, there seem to be expectations of rising inflation in the long term; alternatively, the current interest rate level may be construed to reflect general uncertainty concerning economic developments.

In the early autumn, the exchange rates of the Swedish krona and the Finnish markka moved hand in hand. The tensions within the ERM were also reflected in the Finnish and Swedish currencies. As the krona weakened, it pulled the markka down with it. However, conditions within the ERM stabilized quite quickly and confidence in the Swedish and Finnish currencies was gradually restored. In October, the markka appreciated somewhat more than the krona, and almost regained its early-August level, where it remained until the end of November. It seems, however, that the close link between the krona and the markka was broken in November, since the krona weakened markedly towards the end of the month.

GROWTH OF MONEY SUPPLY HAS ACCELERATED

The current account surplus led to a resumption in the growth

of all the monetary aggregates in the autumn months. The fastest growth was recorded by narrow money (M1), which increased by 7 per cent in the twelve months to October. The increase was evident in all components of narrow money, ie currency held by the public and funds in cheque and transaction accounts. The most important factor behind the growth of the narrow money supply was the improved liquidity of companies, but the run on savings association deposits caused by the debt restructuring of the wholesale and retail conglomerate EKA also contributed to the increase in deposits in transaction accounts with banks.

Broad money (M2) showed the slowest growth among the monetary aggregates in the autumn months. With the fall in interest rates, funds have shifted from fixed-term deposits to shares and bonds. During the twelve months to October, the value of an equity portfolio based on the stock exchange index has more than doubled and the total return on bonds has been more than 30 per cent. Fixed-term deposits also started to grow in October. This is largely due to the fact that it will no longer be possible to make tax-exempt 36-month deposits after the turn of the year.

The broadest money aggregate (M3) also increased markedly in the autumn months after turning down in the summer. In October, M3 grew by 1.7 per cent from the same period a year earlier. Besides the fall in interest rates, the expansion was also due to capital imports by the central government and the business sector. When these factors are taken into account, the growth of the money supply has been consistent with the inflation target.

Owing to the threat of a bank strike, the amount of currency in circulation grew by about FIM 4 billion to nearly FIM 18 billion in mid-November. After the threat had passed, the amount of currency in circulation decreased by about FIM 2 billion.

DOWNWARD TREND IN LENDING HAS COME TO A HALT

The decline in the amount of outstanding markka bank loans came to a halt in the summer months. Companies have continued to convert their foreign currency loans into markka loans, and the demand for housing loans has been brisk. In October, the amount of outstanding markka bank loans decreased by 1.7 per cent from the corresponding period a year earlier, but in September–October, the amount of outstanding loans remained at its August level. In October, the amount of outstanding foreign currency loans decreased by 4 per cent from the previous month.

Interest rates on new loans fell in the autumn and were 9.0 per cent on average in October. In the same month, interest rates on new housing loans declined to 9.1 per cent. The average interest rate on all outstanding loans fell to 9.3 per cent and that of outstanding housing loans to 9.5 per cent.

The amount of outstanding loans to the corporate sector decreased by FIM 300 million in October. Besides the sharp decline in foreign currency loans, the decrease was also due to the fact that the amount of new markka bank loans raised by companies in October, a little more than FIM 2 billion, was a third less than in September. The average interest rate on new markka bank loans raised by companies was 8.9 per cent in October.

Domestic funding has focused on bonds in the current year. By the end of the year, government bond issues will amount to more than FIM 30 billion. Other financial institutions, in practice the mortgage banks, have been paying back their bonds. In the first ten months of the year, corporate bond issues amounted to just over FIM 10 billion.

There have been virtually no bond issues by banks so far this year. The reported issues of Kansallis-Osake-Pankki, Union

Bank of Finland and Okobank and the cooperative banks together amount to FIM 3.5 billion. These bonds have had maturities of only two to three years. Aktia Oy is due to make a convertible bond issue before the end of the year.

Commercial paper funding by the corporate sector amounted to about FIM 1.7 billion in October. Owing to repayments during the first half of the year, the outstanding amount of commercial paper is broadly the same as at the end of 1992. In the first ten months of the year, Treasury bills sold in Finland amounted to just over FIM 10 billion.

The amount of outstanding loans to households has remained practically unchanged since May. This is due to the fact that the decrease in the outstanding amount of housing loans has levelled off while the decrease in the outstanding amount of consumer credit has slowed down. The amount of new housing loans grew by 20 per cent in January–October

from the same period a year ago. Part of the growth is explained by the fact that the interest rate terms or repayment schedules of old loans have been changed, whereupon the loans concerned have been booked as new loans. The demand for housing loans has increased following the fall in interest rates on new housing loans from their peak of 13.7 per cent in 1992 to 9.1 per cent in October. The developments in housing loans have been reflected both in the prices of dwellings and in the number of building permits.

The rise in the prices of dwellings – especially of old one and two-roomed flats in the greater Helsinki area, which are purchased for investment purposes – together with the fall in the outstanding amount of fixed-term deposits may reflect an adjustment in investors' portfolios away from bank deposits towards shares and real assets. Though the average interest rate on new consumer credit has fallen to 10.8 per cent, de-

mand for consumer credit has nevertheless continued to decrease. In October, the outstanding amount of consumer credit declined by a further 10 per cent from the previous year, and the downward trend has continued in recent months.

Share prices were erratic in November, both in Finland and in the international stock markets. In November, the Helsinki Stock Exchange's all-share index (HEX) rose by 2.5 per cent. Sales of Finnish shares abroad have continued brisk. At the end of October, international investors' holdings corresponded to nearly 22 per cent of the market capitalization of listed shares. In November, the threat of a bank strike led to a temporary lull in trading on the stock exchange and the bond market, but activity soon resumed its previous level once a settlement had been reached.

9 December 1993

FINNISH CREDIT INSTITUTIONS IN THE SINGLE MARKET

by Jyrki Laakso,
Head of Department
The Finnish Bankers' Association

Structural change in the Finnish financial markets is advancing at a rapid pace. The initial impetus to change came in the 1980s along with the gradual deregulation of financial markets and the liberalization of capital movements. This was a logical consequence of a process under way in continental Europe and in the other Nordic countries. In Finland, the view taken by the Finnish Bankers' Association and its member banks, among others, is that participation in European monetary integration, implying the freedom to provide financial services in the single market, is essential.

In the 1980s, diversification of financial markets and increased competition led to the introduction of new financial instruments, the development of marketplaces and the improved availability of financing. The improved availability of financing was a major factor contributing to the overheating of the economy at the end of the decade. This was followed by a severe recession, a conspicuous feature of which was the bursting of the credit bubble. The collapse in the trade with the former Soviet Union and the prolonged recession in the western economies exacerbated the financial crisis and the banks found themselves in dire straits.

THE SINGLE MARKET

The difficulties experienced in the financial markets have intensified the process of structural change. At the same time integration in the EC has proceeded according to plan. After having been postponed once, the European Economic Area (EEA) agreement is likely to enter into force on 1 January 1994.

The EEA agreement will allow EFTA countries to participate in the EC single market in financial services. In parallel with this, the negotiations of Finland and the other applicant states for membership of the EC have reached quite an advanced stage.

Since the beginning of 1993, the single market in financial services has been a key component of the Community's integrated market. Free movement of people and goods exists alongside free movement of financial services and capital. Free movement of financial services covers banking, securities, ie investment business, and insurance business. A prerequisite for the free movement of financial services is the dismantling of currency controls in Member States and the removal of barriers to the free movement of capital across borders. In Finland, capital movements were progressively liberalized in the 1980s, so that the last major restriction, borrowing abroad by private individuals, was abolished in October 1991.

The impact of the single market covers basically the following areas:

- A credit institution's licence to operate and right to set up business; branches, subsidiaries and associated companies.
 - Authorization ('passport') to provide cross-border financial and banking services.
 - Authorized banking services; see the list of activities of a European credit institution in the box.
 - Investment services.
 - A credit institution's holdings in other companies and large exposures.
 - Solvency requirements for credit institutions and own funds.
- Deposit protection scheme.
 - Supervision of banks.
 - Consumer protection.
 - Competition policy.
 - Free movement of capital.
 - Technical cooperation and harmonization in banking.
 - Harmonization of taxation; taxation of capital income, financial transaction, business and banking activity.

One of the basic principles of free trade in the EEA is that a single licence – passport – is sufficient for the provision of financial services throughout the single market and that the prudential supervision of a firm's business is the responsibility of the authorities in the home state, ie the Member State in which the firm is authorized. However, supervision related, for example, to the conduct of monetary policy still remains the responsibility of the host state. Supervision, the solvency of companies in the financial sector and other aspects of business are governed by common banking provisions based on the EC banking directives. The EEA agreement requires the contracting states to harmonize their national legislation by adopting the principal banking provisions concerning the single market in financial services.

Credit institutions which have been granted a licence to operate in one Member State are free to provide financial services anywhere in the single market. The purpose of the single market is to remove cross-border obstacles and thereby to sharpen competition and increase efficiency. The aim is to generate savings for the consumer and to improve the availability of financial services. At the same time, the competitive position of credit institutions op-

erating in the single market will be strengthened in relation to credit institutions outside the Community.

Following the creation of the single market, the EC has focused attention on improving the efficiency of money transmission services. In the long term, this implies the establishment of a pan-European payment system and closer coordination of different systems. Increased competition will inevitably give rise to pressure to harmonize regulations and systems in different countries, for although a Member State can impose more stringent rules on its own credit institutions than those required by the directives, it cannot extend these rules to apply to institutions established in other Member States.

It is essential to ensure that the competitive conditions faced by companies are the same in different countries and to guarantee the security of the system. Special attention is being paid to the risks assumed by firms in the service sector and minimum capital requirements have been set for credit institutions' activities. Attention is also being focused on depositor and consumer protection, for example, by emphasizing the importance of prudential supervision of banks. Harmonization of competitive conditions also implies some degree of harmonization of taxation in regard to firms in the service sector and the services provided by them.

CREDIT INSTITUTIONS

The activities which a European credit institution is permitted to carry on are laid down in the Second Banking Co-Ordination Directive (89/646/EEC). The range of financial services is very wide. This reflects the universal banking practices applied in Germany and other continental European countries and the Nordic countries, which, apart from deposit-taking and lending, include money transmission services. Investment services constitute an important part of the activities listed in the

The activities of a European credit institution as listed in the Second Banking Co-Ordination Directive:

- acceptance of deposits and other repayable funds from the public,
- lending (consumer credit, mortgage credit, factoring and forfaiting),
- financial leasing,
- money transmission services,
- issuing and administering of means of payment (eg credit cards, travellers' cheques, bankers' drafts),
- guarantees and commitments,
- trading for own account and for account of customers in:
 - money market instruments (cheques, bills, CDs, etc),
 - foreign exchange,
 - financial futures and options,
 - exchange and interest rate instruments,
 - transferable securities,
- participation in share issues and the provisions of services related to such issues,
- advice to undertakings on capital structure, industrial strategies and related questions and advice and services relating to mergers and the purchase of undertakings,
- money broking,
- portfolio management and advice,
- safekeeping and administration securities,
- credit reference services,
- safe custody services.

Directive. The Capital Adequacy Directive, which is due to come into effect at the beginning of 1996, sets minimum capital requirements for investment firms and credit institutions engaging in investment business.

Finnish banking legislation has been gradually overhauled to bring it in line with the EC directives. Thus, the Deposit Banks Act of 1991 applies the minimum standards for determining capital adequacy issued by the Basle Committee on Banking Regulations and Supervisory Practices in 1988. A bank's capital must be at least 8 per cent of its risk-weighted assets.

The Financial Activities Act, which came into force at the beginning of 1992, extends the same provisions and supervision to apply to other financial institutions, notably finance companies. In connection with the EEA agreement, an Act concerning the activities of credit institutions was passed by Parliament in 1993. This Act brings Finnish national legislation in line with the requirements of the

EEA agreement and the EC Directives governing the single market in financial services. The changes that have occurred in the financial markets stem partly from the legislative reforms and the anticipated increase in competition in the single market. However, the biggest changes in the institutional structure of the financial system are due to domestic economic developments and the crisis in the banking industry, which has speeded up the dismantling of overcapacity. As competition has become more intense, the banks' potential to earn profits has improved. On the other hand, Finnish banks' payment systems and banking techniques are very advanced by international standards.

Despite the liberalization of financial markets and capital movements, the deposit banks still occupy a central position among credit institutions in Finland. Moreover, the deposit bank groups account for a major share of the business conducted by other institutions providing financial services, particularly mortgage institutions, fi- 11

TABLE 1. DEPOSIT BANKS AS AT 31 DECEMBER 1989 AND 31 DECEMBER 1992

	No. of banks		No. of branches		No. of staff		Total assets, bill. FIM	
	1989	1992	1989	1992	1989	1992	1989	1992
Commercial banks	14	14	1 004	906	29 150	24 121	465.7	530.1
Cooperative banks	360	310	1 206	1 020	10 834	9 560	95.5	116.5
Savings banks	178	41	1 318	891	13 182	8 544	121.3	114.0
All deposit banks	552	365	3 528	2 817	53 166	42 225	682.5	760.6

TABLE 2. COMMERCIAL BANKS AS AT 31 DECEMBER 1992

	No. of branches	No. of staff	Total assets, bill. FIM
Kansallis-Osake-Pankki	375	7 784	153.4
Union Bank of Finland Ltd	329	7 484	139.6
Postipankki Ltd	84	5 761	101
Okobank	3	932	52.5
Skopbank	4	555	51.6
STS-Bank Ltd ¹	80	1 135	14.4
Bank of Åland Ltd	21	216	3.9
Interbank Ltd	4	103	3.8
Kansallisuottopankki Oy	1	4	1.1
OP-Kotipankki Oy	1	42	1.1
Domestic commercial banks	902	24 021	522.4
Banque Indosuez Finlande S.A.			
Citibank Oy			
Nordbank Finland Oy			
Svenska Handelsbanken Oy			
Foreign subsidiaries and branches	4	100	7.7
All commercial banks	906	24 121	530.1

¹ The business operations of STS-Bank have been transferred to Kansallis-Osake-Pankki.

TABLE 3. COOPERATIVE BANKS AND SAVINGS BANKS AS AT 31 DECEMBER 1992

	No. of branches	No. of staff	Total assets, bill. FIM
Suur-Helsingin Osuuspankki ¹	23	506	8.8
Osuuspankki Yhteistuki ¹	11	257	6.6
Turun Seudun Osuuspankki	27	417	6.3
Keski-Suomen Osuuspankki	37	395	4.6
Tampereen Seudun Osuuspankki	35	321	3.6
All cooperative banks	1 020	9 560	115.6
	No. of branches	No. of staff	Total assets, bill. FIM
Savings Bank of Finland ²	694	6 918	95.4
Säästöpankki Aktia	67	740	8.7
Etelä-Karjalan Säästöpankki	17	164	1.5
Länsi-Uudenmaan Säästöpankki	13	118	1.0
Ylä-Savon Säästöpankki	9	80	0.9
All savings banks	891	8 544	114.0

¹ Suur-Helsingin Osuuspankki and Osuuspankki Yhteistuki were merged to form a regional cooperative bank on 1 September 1993.

² The Savings Bank of Finland was split up between Kansallis-Osake-Pankki, Okobank, Postipankki Ltd and Union Bank of Finland Ltd on 22 October 1993.

finance companies and credit card companies. With the liberalization of the markets, the range of institutions providing services has diversified and internationalized.

The number of firms providing investment services grew rapidly in the late 1980s, but levelled off with the downturn in the stock market. Their importance has begun to increase again following the revival of activity in the stock market. A contributory factor to this was the decision connected with the integration process to lift restrictions on foreign ownership of Finnish companies. Banks engaged in traditional banking business make up a fairly large share of the firms providing investment services. The same applies not only to direct securities broking activities, but also management companies for unit trusts (mutual funds) and other development and investment companies specializing in investment business.

DEPOSIT BANKS

The deposit banks comprise three categories of banks: the commercial banks plus two groups of local banks, the cooperative banks and the savings banks. Though all deposit banks are subject to the Deposit Banks Act, each category of banks has its own special legislation governing mainly their company form. Traditionally, the number of local banks has been high. This is still true as far as the cooperative banks are concerned. By contrast, the number of savings banks has declined substantially as a result of mergers. In 1992, two major savings banks were founded: the Savings Bank of Finland, consisting of 43 local banks, and Aktia Savings Bank Ltd, consisting of 18 savings banks in southern Finland and serving mainly the Swedish-speaking population. In October 1993, it was decided to sell off the Savings Bank of Finland, which had been acquired by the government through support operations, to the country's four ma-

major banking groups, Kansallis-Osake-Pankki, Okobank, Postipankki Ltd and Union Bank of Finland Ltd.

Traditionally, there have been very few commercial banks in Finland. In addition to the national commercial banks and a few specialized commercial banks, there are four foreign-owned commercial banks operating in Finland, three of which are branches. Aggregate figures on the number of banks, number of branches, number of staff and total assets for the three categories of deposit banks are given in Table 1. Corresponding figures for the commercial banks are given in Table 2 and for cooperative and savings banks in Table 3.

The internationalization of Finnish banking business accelerated along with the liberalization and expansion of foreign trade. In the mid-1960s, Finnish commercial banks established operations in continental Europe together with the Scandinavian banks. In the 1970s, banks were allowed to set up their own direct subsidiaries and, in the early 1980s, the first direct branches were authorized. The large banks have established direct subsidiaries and branches in the world's major financial centres.

The first foreign banks established subsidiaries in Finland in the early 1980s. Foreign banks were allowed to open direct branches from the beginning of 1991. In connection with the creation of the single market in financial services, legislation on banking activities and supervision has been drafted which makes it possible to supply financial services on a cross-border basis without the need to establish a presence in the host state. These provisions apply both to Finnish banks' operations abroad and to international banks' operations in Finland.

Developments in the structure of deposits in Finland are closely bound up with interest rate policy and taxation policy. Deposits can be divided into

tax-exempt deposits, which are the traditional form of savings, market-priced deposits of more recent origin, which are subject to withholding tax, and other taxable deposits. The interest rates applied to tax-exempt deposits are tied to the Bank of Finland's base rate, while market-priced fixed-rate deposits are subject to withholding tax, a final tax deductible at source.

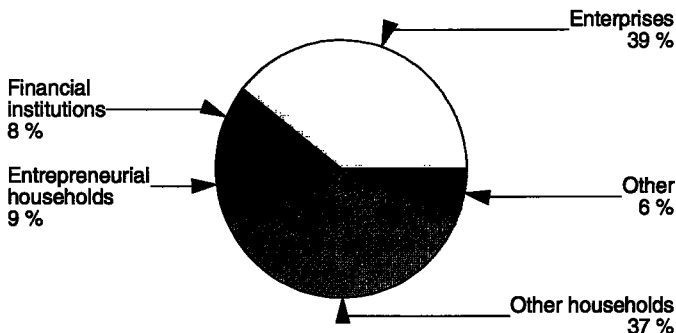
The withholding tax was introduced at the beginning of 1991, initially at a flat rate of 10 per cent. It was then raised to 20 per cent at the beginning of 1993 in connection with the reform of capital taxation. A Government bill currently before Parliament provides for a further increase to 25 per cent at the beginning of 1994, ie to the

same level as the corporate tax rate.

Although the Tax Relief Act governing tax-exempt deposits has been extended, market funding has become increasingly important to the banks, which has also meant a rise in the cost of their funding. The composition of the deposit banks' funding and lending is shown in Chart 1.

A significant change has taken place in short-term lending. The use of overdrafts and bills has decreased markedly, as especially large firms have satisfied their liquidity needs by issuing commercial paper. On the other hand, the lifting of the controls on capital imports in the second half of the 1980s has led to a substantial increase in

CHART 1.
DEPOSIT BANKS AS AT 31 DECEMBER 1992
DOMESTIC LENDING FIM 414.7 BILLION



DOMESTIC FUNDING FIM 504.6 BILLION

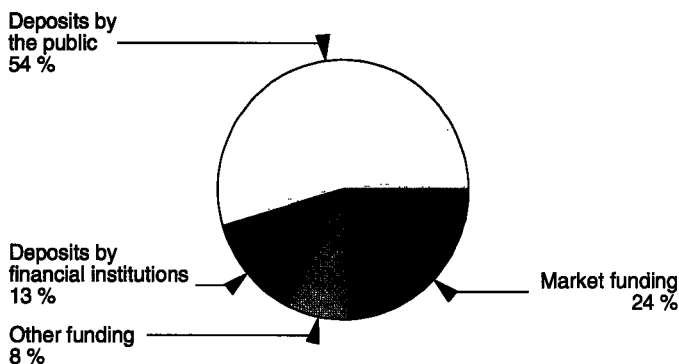


TABLE 4. DEPOSIT BANKS: DEPOSITS BY THE PUBLIC AND LENDING TO THE PUBLIC AS AT 31 DECEMBER 1992

Deposits by the public	Bill. FIM	Breakdown %
Tax-exempt deposits	141.4	50.50
Deposits subject to withholding tax	79.6	28.43
Other taxable accounts	43.5	15.54
Foreign currency deposits	15.5	5.54
Total	280.0	100.00
Lending to the public	Bill. FIM	Breakdown %
Cheques account overdrafts	16.9	4.53
Bills	3.3	0.88
Promissory note loans	215.7	57.80
Interest-subsidy loans	31.8	8.52
Loans granted from state funds	7	1.88
Foreign currency loans	98.5	26.39
Total	373.2	100.00

TABLE 5. BANKING GROUPS AS AT 31 DECEMBER 1992

	Total assets, bill. FIM
Kansallis Banking Group	172.9
Kansallis-Osake-Pankki	153.4
Kansallis Finance Ltd and subsidiaries ³	6.9
Nordfinanz Bank Zurich ¹	12.0
Kansallis Mortgage Bank Ltd ¹	1.1
Kansalliskortti Oy ³	1.4
STS-Bank Ltd and subsidiaries ¹	14.4
Unitas Group	149.1
Union Bank of Finland Ltd	139.6
American Scandinavian Banking Corporation ¹	8.4
UBF International, Luxembourg ¹	5.0
UBF, Singapore ¹	4.3
Industrial Bank of Finland Ltd ²	4.9
Finnish Corporate Finance Ltd ³	4.2
Finnish Customer Finance Ltd ³	1.8
Finnish Real Estate Finance Ltd ¹	1.2
Postipankki Group	104.0
Postipankki Oy	101.0
PSP-Finance Ltd ³	2.6
PSP-Municipality Bank Ltd ²	2.3
Suomen Tililuotto Oy ³	0.2
Skopbank Consolidated	61.2
Skopbank	51.6
Finnish Real Estate Bank Ltd ²	10.7
Skop Finance Group ³	2.1
Industrialization Fund of Finland Ltd ¹	2.9
Skopbank (Cayman) Ltd ¹	1.1
FennoSkandia Group ¹	1.4
Skopbank International S.A. ¹	1.6
Okobank Consolidated	59.7
Okobank	52.5
OKO Mortgage Bank Ltd ²	5.7
OP-Finance Centre Ltd ³	2.9
OP-Kotipankki Oy ¹	1.1

¹ Subsidiary

² Mortgage bank

14 ³ Finance company

banks' foreign currency lending, which now accounts for one-fifth of total domestic lending (Table 4).

Following the sale of the Savings Bank of Finland, there are now only four major banking groups in Finland. Each of them has a nationwide branch network and subsidiaries engaged in mortgage banking, financing, credit card business, investment business etc. Some of them have been re-merged with the parent bank as a result of legislative changes. The banking groups are shown in Table 5.

OTHER CREDIT INSTITUTIONS

The major mortgage banks in Finland are subsidiaries of the deposit banks and they specialize in granting long-term financing mainly to their corporate clients or parent banks. Thus, they are not specialized in the financing of housing, as is the case in many countries in the single market. Traditionally, the deposit banks have financed housing and generally the security given against such loans is a share in the housing company concerned, which is considered to be equivalent to real estate security in the EEA agreement and in the EC accession negotiations.

Mortgage institutions and special credit institutions which do not belong to deposit bank groups are shown in Table 6. In the EC accession negotiations, Finn-Fund, the Regional Development Fund Ltd and Finnish Export Credit Ltd have been placed on the exemption list included in the EC directive on credit institutions. Thus the banking provisions in the EC directives are not applied to these state-owned special credit institutions.

The leading mortgage banks are subsidiaries of deposit banks' (see Table 5). They complement the financial services provided by their parent banks. Those operating as separate subsidiaries finance their activities by issuing bonds. The competitive tax advantages that

were previously attached to this form of funding have disappeared with the evolution of the financial markets. Current legislation allows a mortgage bank to be converted into a commercial bank and thus to be merged with its parent bank.

The largest finance companies, which are engaged in factoring, leasing, forfaiting and credit card business, are part of the deposit bank groups. They fund their operations mainly by issuing certificates of deposit in the money market. The services provided by finance companies are typical of those provided in the single market in financial services, which are governed by the second banking directive. Consequently, the services offered by finance companies in Finland, such as factoring and leasing, are included in the Credit Institutions Act.

Hence, the special need which finance companies were originally intended to serve within banking groups in the early 1980s has partially disappeared as a result of the development of the markets. Nevertheless finance companies have become firmly established in this sector. Some have, however, been merged with larger units and some with their parent institutions. The largest finance companies are included in the figures on banking groups in Table 5.

Unit trusts (mutual funds) began operating in 1987, when, after a long period of preparation, the Unit Trust Act entered into force. Unit trusts, the importance of which has so far remained rather modest, have been established mainly by banks, which run the management companies set up to administer the trusts. The Unit Trust Act has, however, been revised to extend the range of permissible investment activities to correspond with the practice applied in the single market.

TABLE 6. OTHER CREDIT INSTITUTIONS
AS AT 31 DECEMBER 1992

	Total assets, bill. FIM	Ownership
Finnish Mortgage Society	2.2	Members
Finnish Export Credit Ltd	49.4	Government
Nordic Investment Bank	41.8	Nordic countries
Regional Development Fund	6.9	Government, other
Municipality Finance Ltd	5.9	Municipalities

TABLE 7. INSURANCE COMPANY GROUPINGS
AS AT 31 DECEMBER 1992

	Underwriting reserves, bill. FIM	Total assets bill. FIM
Pohjola companies	9.7	51.9
Ilmarinen	5.5	33.8
Teva-group	8.3	44.2
Eläke-Varma	4.6	33.4
Sampo-companies	6.4	31.4
Eläke-Sampo	3.3	18.5
Tapiola-companies	4.1	21.7
Eläke-Tapiola	2.1	13.6
Kansa-companies	1.9	11.4
Eläke-Kansa	0.5	4.9

INSURANCE COMPANIES

In Finland, insurance business—like banking business—is concentrated among a few large insurance companies. Over 90 per cent of all insurance premium income is collected by five insurance companies. The statutory occupational pension insurance scheme for private sector employees (TEL) is administered by private insurance institutions. Pension insurance companies cannot, however, belong directly to life or non-life insurance companies. Though they often belong to the same grouping, they operate as separate companies. The continuation of this practice has been agreed on in Finland's EC accession negotiations. The TEL system will, as part of the social security system, remain outside the scope of free competition at the international level.

Insurance companies play a major role in the credit market. This is due to the fact that a large part of pension insurance premiums is lent back to the companies which pay the contribu-

tions. The lending back of premiums under the TEL scheme accounts for about half of the outstanding loans granted by insurance institutions.

In addition, the insurance companies normally invest part of their income derived from pension, life and non-life insurance premium payments in the capital markets and real estate. Since the capital markets in Finland are rather narrow, these institutional investors play a dominant role in the stock and real estate markets. The major insurance company groupings are shown in Table 7. Figures for pension insurance companies are shown separately below each of the main insurance companies.

CREDIT INSTITUTIONS IN THE CREDIT MARKET

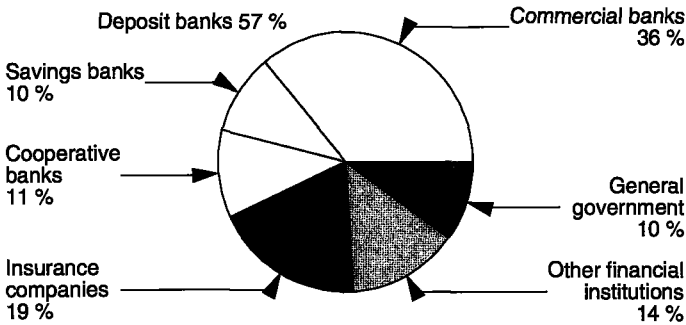
The deposit banks account for a major share—57 per cent—of the total outstanding credit granted by credit institutions. Largely due to the relending under the TEL scheme, the share of insurance companies is also quite high, about 19 per

CHART 2.

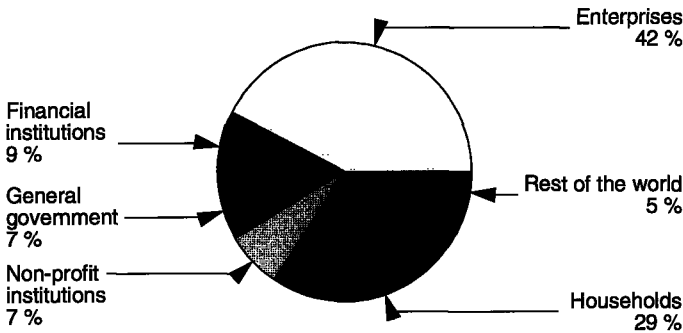
OUTSTANDING CREDIT BY LENDER AND BORROWER GROUP AS AT 31 DECEMBER 1992

Total outstanding credit FIM 758.0 billion

OUTSTANDING CREDIT BY LENDER GROUP



OUTSTANDING CREDIT BY BORROWER GROUP



cent. The share of the other credit institutions has decreased markedly as a result of structural change in the financial markets, although the special credit institutions in which the state has a majority shareholding have expanded the scope of their activities in recent years. The share of general government in total outstanding credit has also clearly declined. The breakdown of total outstanding credit by lender and borrower group is shown in Chart 2.

12 November 1993

COLLATERAL REQUIREMENTS FOR BANKS' INTRA-DAY AND LIQUIDITY CREDIT

The Bank of Finland's inter-bank funds transfer system is a real-time gross settlement system in which individual (irrevocable) transactions are settled across the banks' current accounts at the Bank of Finland. Initially, the participating banks had unlimited intra-day overdraft facilities without any collateral requirements. On 1 March 1993, however, overdraft limits and collateral requirements were introduced on a trial basis.

These requirements became permanent with effect from 1 December 1993. 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 financial institutions which do not meet the criteria and whose risks are not closely monitored by the central bank are required to put up collateral for the full amount of their limits.

The Bank has further decided that liquidity credit must always be fully collateralized as from 1 December 1993.

Banks can provide collateral by giving the Bank of Finland the right to set off credit against their (non-liquid) minimum reserve deposits or in another form such as government securities or Bank of Finland certificates of deposit.

SUPPLEMENTARY BUDGET

The fifth supplementary budget for 1993 was approved by Parliament in December. It involves an increase of FIM 6.9 billion in central government expenditure, more than FIM 5 billion of which consists of statutory or other mandatory outlays. To alleviate the difficult unemployment situation, a sum of about FIM 1 billion has been allocated for various employment, promoting purposes, public works etc. A further FIM 1.8 billion has been authorized for covering the increase in unemployment benefits caused by higher unemployment. Budgeted central government outlays for unemployment benefits this year now amount to FIM 13.6 billion, some FIM 4.7 billion more than originally planned.

A sum of FIM 1.2 billion has been earmarked for financial arrangements connected with the public takeover of Finnish Export Credit Ltd and for the Bank of Finland to cover an outstanding claim arising from export credit extended to the Soviet Union under the former clearing arrangements. The rest of the outlays consist mainly of various transfer payments, including agricultural and housing support totalling FIM 1.5 billion. All in all, budgeted central government expenditure for 1993 now amounts to FIM 204.8 billion, which is nearly 17 per cent more than in the original budget.

Tax revenue is estimated to fall by about a further FIM 0.6 billion but other revenue, including interest income, is projected to increase by FIM 3.3 billion. An extra FIM 4.3 billion in new borrowing will be needed to cover

expenditure. Net borrowing totalling FIM 77.7 billion has now been budgeted to cover the deficit in 1993. Budgeted expenditure includes transferable appropriations, inter alia bank support, part of which will be paid after the current year. Therefore, actual expenditure and the net borrowing requirement will probably fall short of the budgeted figures.

REORGANIZATION OF JOBS AT THE BANK OF FINLAND

The Bank of Finland's Board of Management has approved a set of general guidelines for promoting the mobility of staff within the Bank and decided on a number of specific changes in the duties of heads of departments and advisers as from 1 January 1994.

Two heads of department will change departments at the beginning of 1994 and one new head of department will be appointed. Three heads of department will move horizontally to posts as advisers to the Board of Management, each reporting to the Board member in whose area of responsibility they serve. In their new posts the advisers will continue to exercise influence in the Bank's key areas of operation in cooperation with the units involved.

By reorganizing jobs the Bank seeks to broaden staff members' expertise and to strengthen its human resources in key areas.

— Mr Kari Puumanen, head of the Economics Department, will move, at the head of department level, to the post of Adviser to the Board of Management, 17

which is attached to the Research Department.

– Mr Johnny Åkerholm, head of the Central Bank Policy Department, will move to the post of head of the Economics Department. The activities of the department will be more closely integrated than hitherto with policy preparation.

– The name of the Central Bank Policy Department is to be changed to Monetary Policy Department and Mr Pentti Pikkarainen has been appointed to the post of head of department.

– Mr Heikki Koskenkylä, head of the Research Department, will move, at the head of department level, to the post of Adviser to the Board of Management, which is attached to the Financial Markets Department.

– Mr Anton Mäkelä, head of the Personnel Department, will move, at the head of department level, to the Post of Adviser to the Board of Management, which is attached to the Personnel Department.

– Ms Riitta Jokinen, head of the Data Processing Depart-

ment, will move to the post of head of the Personnel Department.

In the same connection, the positions of Mr Peter Nyberg and Mr Ralf Pauli, both advisers at the head of department level in the Financial Markets Department, will be changed to advisers to the Board of Management, also at the head of department level.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM JANUARY TO DECEMBER 1993

JANUARY

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 9.5 per cent to 8.5 per cent with effect from 1 January.

Cash reserve requirement. The Bank of Finland raises the banks' cash reserve requirement from 5.0 per cent to 5.5 per cent of the cash reserve base at end-December.

Interest on cash reserve deposits. The Bank of Finland decides to lower the rate of interest paid on cash reserve deposits as from 1 January in accordance with the current cash reserve agreement. The new interest rate will be 3 percentage points below three-month HELIBOR, however not less than 8 per cent.

Swap agreement between the Nordic central banks. The Nordic central banks decide to revise and substantially enlarge their agreement on short-term currency support, which has been in force since 1 January 1984. The revised agreement enters into force on 1 January for an indefinite period.

New legislation on foreign ownership. The 1939 Restriction Act is repealed at the end of December, and new legislation lifting the restrictions on foreign ownership of Finnish companies enters into force on 1 January. The new legislation also liberalizes the acquisition of real estate by foreigners.

FEBRUARY

Monetary policy. The Bank of Finland specifies the guidelines in accordance with which monetary policy will be conducted over the next few

years. The aim is to stabilize the rate of inflation, measured by the annual rise in consumer prices, permanently at two per cent by 1995. Inflation will be measured by the consumer price index; however, changes due to public charges, taxes and developments in housing prices will not be taken into account in monetary policy.

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 8.5 per cent to 7.5 per cent with effect from 15 February.

Finnish State guarantees banks' operations. On 23 February, Parliament unanimously approves a resolution requiring the Finnish State to guarantee that Finnish banks meet their commitments under all circumstances. At the same time, Parliament undertakes to grant the Government whatever funds and powers might be necessary for this purpose.

MARCH

Organization of the Government Guarantee Fund. The internal organization of the Government Guarantee Fund is changed on 11 March. The changes are designed to improve the Fund's prerequisites for providing bank support. The main changes are: (1) the board of management of the Fund comprises at most five members, at least one of whom represents the Ministry of Finance; the Parliamentary Supervisory Board of the Bank of Finland continues to function as the Fund's supervisory body and 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.

MAY

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

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

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

JUNE

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

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

Market in government securities. On 15 June, the Bank of Finland announces

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

JULY

Introduction of minimum reserve system. In June, an amendment to the Regulations for the Bank of Finland enters into force providing for a mandatory minimum reserve system. On 30 June, the Bank decides to terminate the existing cash reserve agreement with the banks and replace it by the minimum reserve system. Deposit banks and branches of foreign credit institutions are required to hold 2.0 per cent of their liquid deposits, 1.5 per cent of their other deposits and 1.0 per cent of their other domestic liabilities as non-interest-bearing minimum reserves at the Bank of Finland. The system is applied for the first time to the reserve base for June and the corresponding deposits are to be made by the end of July.

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

AUGUST

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

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

On 19 August, the Government makes a decision in principle to guarantee the acquisition of new equity capital by the Union Bank of Finland (UBF) and

Kansallis-Osake-Pankki (KOP). The final decision is subject to approval by Parliament of the necessary revisions to the budgetary powers.

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

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

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

OCTOBER

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

Sale of the Savings Bank of Finland to other banks. On 22 October, the Government approves the proposal of the Government Guarantee Fund for an arrangement whereby the Savings Bank of Finland (SBF) is to be sold to four buyers. Kansallis-Osake-Pankki,

Postipankki Ltd, Union Bank of Finland Ltd and the cooperative banks designated by the Central Association of the Cooperative Banks will each buy one-quarter of the business operations of the SBF.

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.

LAND, CLIMATE AND POPULATION

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

Finland has a population of 5 055 700 (1 January 1993) and an average population density of 16.6 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 502 000 inhabitants, Espoo (Esbo) 178 850, Tampere (Tammerfors) 175 300, Turku (Åbo) 160 200 and Vantaa (Vanda) 159 300.

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

FORM OF GOVERNMENT

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

The legislative power of the country is exercised by Parliament and the President of the Republic. The supreme executive power is vested in the President, who is elected for a period of six years. The President for the current term, 1 March 1988 to 1 March 1994, is Dr Mauno Koivisto.

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

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

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

Of the 17 ministerial posts in the present Government appointed in April 1991, 8 are held by the Centre Party, 6 by the National Coalition Party, 2 by the Swedish People's Party and 1 by the Christian League. The Prime Minister is Mr Esko Aho of the Centre Party.

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

INTERNATIONAL RELATIONS

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

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

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

THE ECONOMY

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

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

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

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

Foreign trade. OECD countries absorb the bulk of Finnish merchandise exports. In 1988-92, their share was, on average, 78.1 per cent, of which the share of EC countries was 47.7 percentage points and that of EFTA countries 20.2 percentage points. Over the same period, Finland's exports to East European countries (including the Soviet Union) accounted for 14.4 per cent and the rest of the world for 9.6 per cent. The regional distribution of Finland's merchandise imports has been quite similar to that of exports.

In 1992, the share of forest industry products in total merchandise exports was 38 %, the share of metal and engineering products 43 % and the share of other goods 19 %. Raw materials and intermediate goods (incl. crude oil) accounted for 62 % of merchandise imports, fuels for 4 %, investment goods for 14 % and consumption goods for 22 %.

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

The annual growth increment totals 79 million cubic metres and the total drain calculated on the basis of commercial fellings was 38 million cubic metres in 1992.

Energy. In 1992, gross consumption of primary energy amounted to 30 Mtoe, of which industry accounted for 45 %, heating for 22 %, transportation for 14 % and other purposes for 19 %. The sources of primary energy in 1992 were as follows: oil 29 %, coal 9 %, nuclear power 15 %, hydro-electric power, peat and other indigenous sources 31 %, others 16 %. Compared

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

FINANCE AND BANKING

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

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

Bank), founded in 1811, operates under the supervision of the Parliamentary Supervisory Board, the nine members of which are entrusted with overall supervision of the Bank and certain specific decisions such as fixing the Bank's base rate and the limits for other rates. The Governor and a maximum of five other Members of the Board of Management are appointed by the President of the Republic. The Board manages all affairs not expressly entrusted to the Parliamentary Supervisory Board, including the terms of banks' central bank finance, open market operations, intervention in the foreign exchange market and determination of the external value of the currency within the fluctuation limits. The powers vested in the Bank and its independence of the Government make the Bank of Finland one of the world's stronger central banks. In practice, the Bank liaises closely with the Government, so as to coordinate economic policy. The Bank of Finland has a head office in Helsinki and 7 branch offices in other towns.

Other banks (31 December 1992). Finland has three major groups of deposit banks with a total of about 2 700 offices. There are three big commercial banks with national branch networks and ten smaller ones, two of which are foreign-owned. The commercial banks have a total of 29 foreign branches, subsidiaries and associate banks and 31 representative offices abroad. There are 41 savings banks and 310 cooperative banks with their own extensive branch networks. In addition, foreign banks have three branches and eight representative offices in Finland.

Financial market. Of the total stock of FIM 758 billion in outstanding

domestic credit at the end of 1992, 58 % was provided by deposit banks 3 % by private mortgage banks, 19 % by insurance companies, 3 % by other private credit institutions, 6 % by public financial institutions and 10 % by the state, local authorities and social security funds. There are no quantitative restrictions or interest rate limitations on lending. Regulation of bank lending rates was progressively relaxed earlier in the 1980s and finally abolished in 1986.

In the money market, 75 % of the instruments, which totalled approximately FIM 158 billion at end-1992, were negotiable instruments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds raised through bank trust departments and non-negotiable bank debt instruments make up the bulk of non-negotiable instruments. In its open market operations, the Bank of Finland deals in bank certificates of deposit and also issues its own certificates of deposit.

There are 63 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 64 billion (at end-1992). Two foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1992 totalled FIM 162 billion; government bonds made up 27 % of the total. Turnover on the Stock Exchange in 1992 amounted to FIM 26 billion; the share of shares and subscription rights in the total was approximately 40 %.



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1. THE BALANCE SHEET OF THE BANK OF FINLAND

1.1 THE BALANCE SHEET OF THE BANK OF FINLAND,

MILL. FIM

	1992		1993		
	31 Dec.	8 Nov.	15 Nov.	23 Nov.	30 Nov.
ASSETS					
Gold and foreign currency claims	29 517	31 085	32 012	31 106	31 087
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	564	663	670	674	678
IMF reserve tranche	1 732	1 836	1 857	1 843	1 854
Convertible currencies	25 041	26 406	27 305	26 409	26 375
Other foreign claims	4 867	5 363	5 368	5 368	5 370
Markka subscription to Finland's IMF quota	4 464	4 904	4 904	4 904	4 904
Term credit	404	459	464	464	465
Claims on financial institutions	14 595	7 556	8 469	9 242	8 356
Liquidity credits	1 585	11	653	815	-
Certificates of deposit	3 930	1 472	1 353	2 416	1 566
Securities with repurchase commitments	4 408	4 650	5 050	4 035	5 385
Term credits	100	-	-	563	-
Till-money credits	2 872	-	-	-	-
Bonds	1 462	1 182	1 175	1 175	1 167
Other claims on financial institutions	238	240	238	238	238
Claims on the public sector	2 446	1 692	1 773	1 798	1 801
Treasury notes and bills	-	-	-	-	-
Loans to the Government Guarantee Fund	1 000	-	-	-	-
Total coinage	1 446	1 692	1 773	1 798	1 801
Claims on corporations	1 458	3 337	3 331	3 326	3 324
Financing of domestic deliveries (KTR)	747	529	523	519	517
Other claims on corporations	711	2 807	2 807	2 807	2 807
Other assets	10 925	7 471	7 471	7 471	7 475
Loans for stabilizing the money market	9 474	7 307	7 307	7 307	7 307
Accrued items	1 298	-	-	-	-
Other assets	153	164	164	164	168
Capitalized expenditures and losses due to safeguarding the stability of the money market	1 700	1 700	1 700	1 700	1 700
Total	65 509	58 204	60 124	60 010	59 113
LIABILITIES					
Foreign currency liabilities	101	213	283	207	216
Convertible currencies	101	213	283	207	216
Other foreign liabilities	7 764	6 047	6 060	6 052	6 059
IMF markka accounts	4 464	4 904	4 904	4 904	4 904
Allocations of special drawing rights	1 026	1 143	1 156	1 148	1 155
Other foreign liabilities	2 274	-	-	-	-
Notes and coin in circulation	14 508	13 809	14 172	17 393	15 836
Notes	13 209	12 520	12 791	15 917	14 343
Coin	1 299	1 289	1 381	1 476	1 493
Certificates of deposit	4 880	14 686	15 680	12 730	12 259
Liabilities to financial institutions	20 000	7 050	6 365	6 774	7 849
Call money deposits	2 135	730	28	436	1 373
Term deposits	4 700	-	-	-	-
Minimum reserve deposits	13 165	6 320	6 337	6 338	6 476
Other liabilities to financial institutions	-	-	0	0	0
Liabilities to the public sector	90	648	1 327	650	649
Cheque accounts	72	3	681	1	1
Deposits of the Government Guarantee Fund	18	646	646	649	649
Other liabilities to the public sector	-	-	-	-	-
Liabilities to corporations	3 362	2 182	2 178	2 167	2 165
Deposits for investment and ship purchase	3 362	2 182	2 178	2 167	2 165
Other liabilities	4 399	157	152	158	155
Accrued items	4 242	-	-	-	-
Other liabilities	156	157	152	158	155
Valuation account and reserves	4 642	7 648	8 142	8 114	8 160
Capital accounts	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
S2 Profit/loss for the accounting year	-	-	-	-	-
Total	65 509	58 204	60 124	60 010	59 113

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

MILL.FIM

End of period	Foreign sector									Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies, net	Convertible reserves, total (1+2+3+4)	Tied currencies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabilities	Net claims (10-11)
	1	2	3	4	5	6	7	8	9	10	11	12
1988	2 128	1 120	940	24 373	28 561	945	29 506	1 117	30 623	1 128	1 903	-775
1989	2 179	966	950	18 780	22 875	-564	22 312	440	22 752	1 137	5 325	-4 188
1990	2 180	791	783	33 451	37 205	-882	36 324	-364	35 960	1 314	1 321	-7
1991	2 180	932	1 136	29 336	33 584	33	33 616	-412	33 204	1 375	3	1 372
1992	2 180	564	1 732	24 940	29 416	-	29 416	-2 897	26 519	2 446	90	2 356
1992												
Nov.	2 180	552	1 908	33 474	38 114	-	38 114	-2 858	35 256	1 466	6 173	-4 707
Dec.	2 180	564	1 732	24 940	29 416	-	29 416	-2 897	26 519	2 446	90	2 356
1993												
Jan.	2 180	595	1 829	27 247	31 851	-	31 852	-661	31 191	2 449	92	2 357
Feb.	2 180	655	1 972	23 778	28 585	-	28 585	-710	27 875	2 121	90	2 031
March	2 180	655	1 974	22 521	27 330	-	27 330	-716	26 614	1 954	102	1 852
April	2 180	615	1 842	29 986	34 623	-	34 624	-678	33 946	2 639	59	2 580
May	2 180	634	1 819	29 778	34 411	-	34 410	-692	33 718	2 416	64	2 352
June	2 180	650	1 866	32 156	36 852	-	36 851	-699	36 152	1 396	591	805
July	2 180	661	1 899	30 157	34 897	-	34 898	-681	34 217	1 396	150	1 246
Aug.	2 180	680	1 927	26 834	31 621	-	31 621	-707	30 914	1 412	149	1 263
Sept.	2 180	675	1 869	22 134	26 858	-	26 858	-704	26 154	1 444	149	1 295
Oct.	2 180	668	1 850	24 552	29 250	-	29 251	-693	28 558	1 652	149	1 503
Nov.	2 180	678	1 854	26 159	30 871	-	30 871	-689	30 182	1 801	649	1 152

End of period	Domestic financial sector						Corporate sector				
	Term claims on deposit banks	Liquidity position of deposit banks, net ¹	Minimum reserve deposits of deposit banks ²	Till-money credits to deposit banks	Other claims on financial institutions, net	Net claims (13+14+15+16+17)	Claims in the form of special financing	Special deposits and other items, net	Net claims (19+20)	Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	13	14	15	16	17	18	19	20	21	22	23
1988	7 187	335	-19 039	2 920	3 733	-4 864	2 823	-6 579	-3 756	11 550	1 130
1989	33 230	-531	-25 506	3 310	2 248	12 751	2 000	-10 604	-8 604	13 129	-
1990	9 411	-418	-17 401	3 427	2 317	-2 664	1 477	-9 724	-8 247	14 555	-
1991	11 882	-2 206	-10 361	3 528	2 003	4 846	1 086	-6 854	-5 768	14 528	8 880
1992	3 738	-550	-13 165	2 872	1 700	-5 405	747	-2 651	-1 904	14 508	4 880
1992											
Nov.	9 211	1 875	-11 900	2 778	1 737	3 701	787	-3 238	-2 451	14 062	14 885
Dec.	3 738	-550	-13 165	2 872	1 700	-5 405	747	-2 651	-1 904	14 508	4 880
1993											
Jan.	6 804	-3 732	-14 734	3 023	1 665	-6 974	728	-2 072	-1 344	14 906	6 710
Feb.	7 448	-690	-14 806	3 511	1 639	-2 898	710	-1 915	-1 205	13 840	7 220
March	8 069	142	-14 698	2 994	1 626	-1 867	686	-1 808	-1 122	13 720	10 270
April	2 688	-815	-14 599	2 747	1 608	-8 371	662	-1 744	-1 082	13 834	13 490
May	5 359	-3 395	-11 790	2 750	1 591	-5 485	643	392	1 035	13 870	16 190
June	4 275	945	-	-	1 556	6 776	608	428	1 036	13 864	28 367
July	4 763	75	-6 262	-	1 488	64	592	475	1 067	13 553	18 956
Aug.	6 953	408	-6 310	-	1 459	2 510	575	524	1 099	13 297	18 259
Sept.	6 474	1 764	-6 338	-	1 470	3 370	555	597	1 152	13 317	13 615
Oct.	6 759	-386	-6 320	-	1 429	1 482	535	614	1 149	13 653	14 480
Nov.	6 951	-1 373	-6 476	-	1 405	507	517	642	1 159	15 836	12 259

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

² Cash reserve deposits prior to 1 July 1993.

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

2.1 BANKS' LIQUIDITY POSITION AT THE BANK OF FINLAND,

MILL. FIM

Average of daily observations	Call money deposits	Liquidity credits ¹	Liquidity position, net ¹ (1-2)
	1	2	3
1988	621	127	494
1989	416	369	47
1990	806	132	674
1991	881	985	-103
1992	2 103	437	1 666
1992			
Nov.	1 512	296	1 215
Dec.	1 193	640	553
1993			
Jan.	1 511	594	917
Feb.	1 305	23	1 282
March	416	1 008	-592
April	629	390	239
May	763	186	577
June	1 032	387	645
July	981	518	462
Aug.	581	311	270
Sept.	482	480	2
Oct.	605	759	-154
Nov.	714	336	378

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

2.2 THE BANK OF FINLAND'S MINIMUM RESERVE SYSTEM²

End of period	Reserve requirement			Cash reserve requirement, %	Deposits, mill. FIM Total
	On illiquid deposits, %	On other deposits, %	On domestic debt capital, %		
	1	2	3	4	5
1988	.	.	.	7.6	19 039
1989	.	.	.	9.1	25 506
1990	.	.	.	7.0	17 401
1991	.	.	.	4.0	10 361
1992	.	.	.	5.0	13 165
1992					
Nov.	.	.	.	4.5	11 900
Dec.	.	.	.	5.0	13 165
1993					
Jan.	.	.	.	5.5	14 734
Feb.	.	.	.	5.5	14 806
March	.	.	.	5.5	14 698
April	.	.	.	5.5	14 599
May	.	.	.	4.5	11 790
June	.	.	.	.	.
July	2.0	1.5	1.0	.	6 262
Aug.	2.0	1.5	1.0	.	6 310
Sept.	2.0	1.5	1.0	.	6 338
Oct.	2.0	1.5	1.0	.	6 320
Nov.	2.0	1.5	1.0	.	6 476

² Cash reserve system prior to 1 July 1993

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1-2-3)
	1	2	3	4
1988	13 840	19 190	-16 850	11 500
1989	131 110	3 855	99 245	28 010
1990	163 326	26 379	160 797	-23 850
1991	109 568	30 380	81 969	-2 781
1992	76 230	137 940	-60 417	-1 293
1992				
Nov.	8 030	7 570	-2 420	2 880
Dec.	12 070	5 680	-2 560	8 950
1993				
Jan.	5 490	5 400	3 890	-3 800
Feb.	6 500	8 340	-260	-1 580
March	10 470	12 750	660	-2 940
April	5 870	11 310	1 450	-6 890
May	4 250	21 140	-775	-16 115
June	4 041	22 169	-19 911	1 783
July	7 070	12 260	-18 300	13 110
Aug.	7 240	14 950	-10 660	2 950
Sept.	7 920	7 720	-6 920	7 120
Oct.	10 110	11 970	1 180	-3 040
Nov.	8 310	9 200	-2 090	1 200

S4

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

During period	Intervention in the foreign exchange market			Spot transactions related to forward contracts, net	Central government's foreign exchange transactions, net
	Spot purchases	Spot sales	Forward exchange intervention = change in forward exchange position		
	1	2	3	4	5
1991	35 120	-69 940	-14 820	12 820	12 260
1992	20 870	-70 640	-1 650	390	45 060
1992					
Oct.	5 870	-	670	-2 210	3 510
Nov.	4 530	-	6 190	-6 610	13 020
Dec.	-	-2 990	5 100	-5 710	-1 200
1993					
Jan.	-	-9 390	-440	-580	12 660
Feb.	-	-8 830	3 600	-2 000	7 870
March	-	-7 470	-3 920	4 030	2 690
April	3 610	-3 010	4 510	-1 650	10 820
May	5 220	-2 090	2 410	-2 300	660
June	6 040	-1 010	1 220	-1 600	-1 690
July	960	-8 360	-4 800	4 520	-820
Aug.	510	-3 580	960	-810	-420
Sept.	-	-1 170	2 050	-1 950	-1 770
Oct.	2 790	-100	1 540	-1 510	2 980

2.5 FORWARD EXCHANGE MARKET, MILL. FIM

End of period	Banks' forward positions with					
	Domestic companies		Net (1-2)	Foreign banks, net	Bank of Finland, net	Total, net (3+4+5)
	Forward exchange bought by banks	Forward exchange sold by banks				
	1	2	3	4	5	6
1988	16 488	1 543	14 946	9 086	-377	23 654
1989	10 531	3 563	6 967	8 031	205	15 204
1990	11 609	4 979	6 631	10 100	-6 098	10 633
1991	33 004	36 352	-3 348	2 550	8 953	8 155
1992	39 195	32 939	6 256	-11 197	7 133	2 192
1992						
Oct.	37 048	38 820	-1 771	-10 681	17 921	5 469
Nov.	40 986	35 550	5 436	-11 623	11 617	5 430
Dec.	39 195	32 939	6 256	-11 197	7 133	2 192
1993						
Jan.	35 125	32 711	2 414	-9 056	6 433	-209
Feb.	33 968	32 896	1 072	-8 308	2 585	-4 651
March	33 115	34 059	-944	-10 187	9 815	-1 316
April	36 298	33 616	2 682	-11 158	7 460	-1 016
May	36 027	31 763	4 264	-6 992	4 144	1 416
June	36 401	26 908	9 493	-5 785	2 204	5 912
July	34 287	26 687	7 600	-13 932	6 718	386
Aug.	32 677	26 607	6 070	-10 840	5 912	1 142
Sept.	34 391	29 105	5 287	-10 588	4 221	-1 080
Oct.	36 251	31 071	5 179	-10 384	2 293	-2 912

3. RATES OF INTEREST

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

Average of daily observations	Inter-bank overnight rate	HELIBOR				Bank of Finland rates		
		1 month	3 months	6 months	12 months	Liquidity credit rate ¹	Call money deposit rate	Base rate
	1	2	3	4	5	6	7	8
1988	8.47	9.77	9.97	10.16	10.50	11.50	7.04	7.63
1989	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67
1990	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50
1991	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50
1992	13.32	13.49	13.27	13.08	12.96	14.90	7.41	9.17
1992								
Nov.	10.66	11.04	11.50	11.63	11.72	12.03	8.03	9.50
Dec.	10.20	10.55	10.68	10.70	10.70	11.69	7.69	9.50
1993								
Jan.	10.20	10.53	10.64	10.63	10.57	11.49	7.49	8.50
Feb.	8.47	9.16	9.19	9.22	9.30	10.34	6.34	8.00
March	9.13	8.99	8.90	8.69	8.62	9.96	5.96	7.50
April	8.93	8.85	8.73	8.57	8.44	9.85	5.85	7.50
May	8.48	8.41	8.25	8.14	7.97	9.42	5.42	7.26
June	7.77	7.70	7.62	7.57	7.55	8.72	4.72	7.00
July	7.45	7.31	7.27	7.22	7.12	8.31	4.31	6.73
Aug.	6.18	6.70	6.65	6.56	6.52	7.74	3.74	6.24
Sept.	6.35	6.81	6.68	6.49	6.29	7.76	3.76	6.00
Oct.	6.97	7.13	6.87	6.60	6.29	8.08	4.08	6.00
Nov.	6.76	6.95	6.58	6.23	5.93	7.97	3.97	6.00

¹ Call money credit rate until 2 July 1992.

3.2 THE BANK OF FINLAND'S LIQUIDITY FACILITY

	The Bank of Finland's tender rate, %	Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	Call money deposits: interest rate margin, %-points
	1	2	3	4
1992				
Oct.	13.69	+1.00	7	-3.00
Nov.	11.03	+1.00	7	-3.00
Dec.	10.69	+1.00	7	-3.00
1993				
Jan.	10.49	+1.00	7	-3.00
Feb.	9.34	+1.00	7	-3.00
March	8.96	+1.00	7	-3.00
April	8.85	+1.00	7	-3.00
May	8.42	+1.00	7	-3.00
June	7.72	+1.00	7	-3.00
July	7.31	+1.00	7	-3.00
Aug.	6.74	+1.00	7	-3.00
Sept.	6.76	+1.00	7	-3.00
Oct.	7.08	+1.00	7	-3.00
Nov.	6.97	+1.00	7	-3.00
01.11.1993	7.14			
02.11.1993	7.10			
04.11.1993	7.05			
10.11.1993	6.95			
16.11.1993	7.09			
23.11.1993	6.88			
26.11.1993	6.65			

3.3 WEIGHTED EURORATES AND COMMERCIAL ECU INTEREST RATE, PER CENT

Average of daily observations	ECU 3 currencies Commercial ECU		
	3 months		
	1	2	3
1988	6.9	6.0	6.9
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
1992			
Nov.	9.9	7.3	10.4
Dec.	10.3	7.2	10.9
1993			
Jan.	9.9	6.8	10.1
Feb.	9.9	6.6	9.6
March	9.3	6.4	9.2
April	8.6	6.3	8.9
May	7.9	6.1	7.9
June	7.6	6.1	7.5
July	7.7	5.9	7.8
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

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

Average for period	Lending						Markka deposits and other markka funding					
	New credits			Average lending rate	Of which: Commercial banks	24-month tax-exempt deposits ¹	36-month tax-exempt deposits ¹	Other tax-exempt deposits, max. rate of interest ¹	Average rate of interest on deposits	Average rate of interest on other funding	Average rate of interest on markka funding	
	Cheque account and postal giro credits	Bills of exchange	Loans									New lending, total
	1	2	3	4	5	6	7	8	9	10	11	12
1988	10.22	12.27	10.50	10.72	9.88	9.74	8.00	.	3.75	5.24	9.80	6.20
1989	12.97	13.47	11.58	12.07	10.56	10.40	7.50	.	4.50	5.67	11.92	7.37
1990	13.24	15.62	13.33	13.85	11.84	11.61	7.50	.	4.50	6.43	13.55	8.41
1991	13.63	15.88	13.40	13.84	12.08	11.80	7.50	.	4.50	7.10	13.22	8.97
1992	14.04	15.86	13.32	13.75	12.46	12.13	7.50	8.50	4.50	7.41	12.84	9.14
1992												
Oct.	16.70	16.29	13.76	14.29	12.87	12.43	7.50	8.50	4.50	7.66	13.11	9.41
Nov.	14.18	15.74	13.10	13.47	12.70	12.26	7.50	8.50	4.50	7.41	12.26	8.99
Dec.	12.63	14.99	11.64	11.98	12.34	11.93	7.50	8.50	4.50	7.06	11.78	8.62
1993												
Jan.	11.87	15.36	12.32	12.53	11.89	11.68	6.50	7.50	4.50	6.56	11.18	8.04
Feb.	12.07	14.78	11.34	11.68	11.33	11.15	5.50	6.50	4.50	6.05	10.51	7.53
March	11.35	14.50	10.93	11.29	11.07	10.84	5.50	6.50	4.50	5.87	10.04	7.30
April	10.82	14.23	10.29	10.60	10.89	10.62	5.50	6.50	4.50	5.74	9.72	7.11
May	9.78	14.23	10.13	10.40	10.56	10.27	5.00	6.00	2.50	4.90	9.42	6.43
June	5.59	13.88	9.51	9.44	10.35	10.06	5.00	6.00	2.50	4.75	9.08	6.18
July	10.45	13.04	8.99	9.47	10.01	9.73	4.50	5.50	2.50	4.50	8.64	5.88
Aug.	10.67	13.20	8.79	9.25	9.58	9.26	4.00	5.00	2.50	4.10	8.09	5.44
Sept.	7.66	12.97	8.39	8.68	9.38	9.09	4.00	5.00	2.50	3.96	7.88	5.31
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

¹ End of period.

3.5 YIELDS ON BONDS AND DEBENTURES, PER CENT

Period	Reference rates calculated by the Bank of Finland		Taxable government bonds		Taxable public issues	Taxfree public issues
	3 years	5 years	5 years	10 years		
	1	2	3	4	5	6
1988	10.7	10.8	10.6	.	10.6	7.8
1989	12.2	12.0	12.1	.	11.9	8.1
1990	13.7	13.5	13.2	.	13.3	9.2
1991	12.3	12.2	11.9	.	12.6	10.0
1992	13.1	13.0	12.1	11.5 ¹	13.8	9.9
1992						
Oct.	14.3	14.2	13.0	.	15.3	9.9
Nov.	12.8	12.9	12.0	12.0	14.7	9.4
Dec.	11.7	11.8	10.9	11.0	13.2	9.5
1993						
Jan.	11.4	11.6	10.7	10.9	12.2	8.6
Feb.	10.5	10.7	9.9	10.3	12.1	8.0
March	9.7	10.0	9.4	9.9	11.4	7.6
April	9.6	10.0	9.3	9.8	11.0	7.8
May	9.2	9.6	8.9	9.5	11.0	6.7
June	8.8	9.2	8.4	9.0	9.3	6.7
July	8.2	8.7	8.0	8.5	11.1	6.3
Aug.	7.4	7.9	7.2	7.7	9.2	5.9
Sept.	7.2	7.8	7.3	7.9	8.3	5.8
Oct.	7.1	7.6	6.9	7.6	9.8	5.5

¹ November and December only.

4. RATES OF EXCHANGE

4.1 MIDDLE RATES, FIM

Average of daily quotations	New York 1 USD	Montreal 1 CAD	London 1 GBP	Dublin 1 IEP	Stockholm 1 SEK	Oslø 1 NOK	Copen- hagen 1 DKK	Frankfurt am 1 DEM	Amster- dam 1 NLG	Brussels 1 BEF	Zurich 1 CHF	Paris 1 FRF
	1	2	3	4	5	6	7	8	9	10	11	12
1988	4.187	3.405	7.446	6.377	0.6829	0.6424	0.6220	2.3842	2.1185	0.11390	2.8631	0.7029
1989	4.290	3.624	7.032	6.082	0.6654	0.6213	0.5869	2.2818	2.0226	0.10890	2.6243	0.6725
1990	3.823	3.277	6.808	6.325	0.6459	0.6110	0.6181	2.3664	2.1002	0.11447	2.7576	0.7024
1991	4.046	3.533	7.131	6.511	0.6684	0.6236	0.6322	2.4380	2.1634	0.11841	2.8208	0.7169
1992	4.483	3.706	7.875	7.636	0.7714	0.7222	0.7444	2.8769	2.5552	0.13973	3.2000	0.8486
1992												
Nov.	5.048	3.982	7.714	8.394	0.8140	0.7805	0.8263	3.1812	2.8281	0.15465	3.5330	0.9404
Dec.	5.136	4.034	7.969	8.570	0.7457	0.7710	0.8395	3.2477	2.8890	0.15784	3.6137	0.9526
1993												
Jan.	5.419	4.242	8.304	8.863	0.7475	0.7885	0.8699	3.3561	2.9850	0.16307	3.6685	0.9899
Feb.	5.830	4.622	8.387	8.641	0.7747	0.8352	0.9247	3.5526	3.1565	0.17228	3.8416	1.0488
March	5.972	4.790	8.716	8.810	0.7720	0.8527	0.9441	3.6258	3.2254	0.17604	3.9274	1.0673
April	5.597	4.435	8.646	8.551	0.7519	0.8268	0.9131	3.5076	3.1212	0.17038	3.8346	1.0371
May	5.479	4.317	8.493	8.321	0.7484	0.8067	0.8888	3.4137	3.0432	0.16604	3.7865	1.0126
June	5.549	4.339	8.394	8.212	0.7489	0.7961	0.8793	3.3664	3.0017	0.16381	3.7713	1.0001
July	5.778	4.506	8.638	8.150	0.7262	0.7906	0.8698	3.3682	2.9954	0.16313	3.8123	0.9897
Aug.	5.831	4.462	8.699	8.110	0.7237	0.7915	0.8429	3.4363	3.0540	0.16183	3.8905	0.9818
Sept.	5.783	4.379	8.813	8.295	0.7219	0.8168	0.8707	3.5637	3.1734	0.16601	4.0737	1.0188
Oct.	5.750	4.335	8.647	8.250	0.7172	0.8030	0.8682	3.5126	3.1255	0.16140	3.9946	1.0012
Nov.	5.805	4.411	8.598	8.147	0.7026	0.7856	0.8578	3.4148	3.0428	0.16018	3.8777	0.9825

Average of daily quotations	Rome 1 ITL	Vienna 1 ATS	Lisbon 1 PTE	Reykjavik 1 ISK	Madrid 1 ESP	Athens 1 GRD	Tullian 1 EEK	Tokyo 1 JPY	Mel- bourne 1 AUD	ECU Commer- cial 1 XEU	SDR 1 XDR
	13	14	15	16	17	18	19	20	21	22	23
1988	0.00322	0.3391	0.0291	0.0980	0.0359	..	..	0.03266	3.288	4.944	5.61826
1989	0.00313	0.3242	0.0273	0.0758	0.0362	..	..	0.03116	3.398	4.719	5.49375
1990	0.00319	0.3363	0.0268	0.0656	0.0375	..	..	0.02647	2.988	4.864	5.18345
1991	0.00326	0.3464	0.0280	0.0684	0.0389	0.0224	..	0.03008	3.152	5.003	5.53082
1992	0.00364	0.4088	0.0332	0.0778	0.0438	0.0235	0.4060	0.03546	3.289	5.798	6.31247
1992											
Nov.	0.00370	0.4522	0.0357	0.0840	0.0444	0.0244	..	0.04075	3.483	6.247	7.00171
Dec.	0.00364	0.4615	0.0362	0.0817	0.0455	0.0246	0.4060	0.04141	3.542	6.359	7.13363
1993											
Jan.	0.00364	0.4771	0.0373	0.0849	0.0473	0.0251	0.4195	0.04333	3.652	6.576	7.46369
Feb.	0.00377	0.5049	0.0390	0.0898	0.0497	0.0267	0.4441	0.04824	3.970	6.904	7.99711
March	0.00375	0.5153	0.0392	0.0918	0.0507	0.0270	0.4532	0.05103	4.225	7.034	8.24353
April	0.00364	0.4985	0.0378	0.0886	0.0484	0.0256	0.4384	0.04982	3.985	6.830	7.90874
May	0.00371	0.4851	0.0362	0.0868	0.0453	0.0250	0.4267	0.04970	3.826	6.672	7.76351
June	0.00370	0.4784	0.0354	0.0858	0.0438	0.0249	0.4208	0.05172	3.747	6.582	7.82674
July	0.00365	0.4786	0.0345	0.0806	0.0430	0.0248	0.4210	0.05365	3.913	6.564	8.03185
Aug.	0.00363	0.4884	0.0336	0.0813	0.0420	0.0245	0.4295	0.05621	3.957	6.555	8.17177
Sept.	0.00369	0.5064	0.0348	0.0833	0.0442	0.0250	0.4455	0.05485	3.772	6.771	8.20308
Oct.	0.00359	0.4994	0.0340	0.0823	0.0435	0.0242	0.4391	0.05378	3.797	6.671	8.09230
Nov.	0.00348	0.4856	0.0334	0.0811	0.0423	0.0240	0.4268	0.05383	3.861	6.550	8.06368

4.2 MARKKA VALUE OF THE ECU AND CURRENCY INDICES

Average of daily observations	Markka value of the ECU FIM/ECU	Currency indices, 1982=100		
		Trade-weighted currency index	Payments currency index	MERM index
	1	2	3	4
1988	4.96108	102.0	101.7	104.7
1989	4.73670	98.4	99.1	102.8
1990	4.85697	97.3	96.8	97.3
1991	5.00580	101.4	101.4	102.8
1992	5.80140	116.4	115.7	117.3
1992				
Nov.	6.25533	125.2	126.2	129.2
Dec.	6.36242	125.0	126.8	129.8
1993				
Jan.	6.57212	128.9	131.3	134.7
Feb.	6.89952	135.6	138.8	143.9
March	7.03656	138.2	141.6	147.4
April	6.83031	134.0	136.2	141.6
May	6.67350	131.7	133.5	139.3
June	6.58470	130.9	133.2	140.1
July	6.57241	131.0	134.6	142.2
Aug.	6.60127	131.9	135.7	143.9
Sept.	6.81414	134.5	137.6	144.7
Oct.	6.69596	132.6	136.0	142.8
Nov.	6.55386	130.4	134.4	141.7

5. OTHER DOMESTIC FINANCING

5.1 BANK FUNDING FROM THE PUBLIC, MILL. FIM

End of period	Cheque and giro deposits	Transaction deposits	Time deposits	Other deposits	Markka deposits, total (1+2+3+4)	Foreign currency deposits	Total deposits (5+6)	Other funding	Total funding (7+8)
	1	2	3	4	5	6	7	8	9
1988	25 473	76 958	121 670		224 102	4 643	228 745	28 844	257 589
1989	28 942	85 396	125 748		240 085	7 358	247 444	35 298	282 742
1990	30 953	96 176	124 930		252 058	6 818	258 876	38 835	297 711
1991	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
1992	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
1992									
Aug.	33 067	83 283	122 056	17 976	256 381	11 525	267 906	60 054	327 961
Sept.	30 779	82 078	120 918	18 662	252 436	15 698	268 134	61 377	329 510
Oct.	34 447	82 734	119 726	19 659	256 566	15 429	271 995	59 666	331 661
Nov.	34 675	82 763	118 536	19 613	255 587	14 807	270 394	61 800	332 194
Dec.	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
1993									
Jan.	36 386	90 643	112 861	21 500	261 390	15 643	277 033	62 732	339 766
Feb.	34 514	90 871	111 873	21 643	258 901	16 995	275 896	67 225	343 122
March	36 713	88 594	110 246	21 576	257 130	16 498	273 627	67 271	340 898
April	34 626	88 277	109 522	21 839	254 264	15 708	269 972	64 776	334 747
May	36 856	86 814	108 988	22 119	254 776	14 521	269 297	67 714	337 011
June	36 554	87 629	108 571	22 615	255 368	13 402	268 770	67 806	336 576
July	35 787	87 997	107 557	23 582	254 924	15 616	270 540	63 737	334 277
Aug.	36 548	88 515	105 708	23 870	254 640	14 861	269 502	65 157	334 659

5.2 BANK LENDING TO THE PUBLIC, MILL. FIM

End of period	Cheque account and postal giro credits	Bills of exchange	Loans	Markka lending, total (1+2+3)	Foreign currency credits	Total lending (4+5)
	1	2	3	4	5	6
1988	11 358	5 920	234 268	251 545	50 235	301 780
1989	15 270	5 650	257 768	278 688	73 176	351 864
1990	19 152	5 777	260 790	285 720	103 134	388 853
1991	18 037	4 712	262 859	285 609	107 714	393 323
1992	16 045	3 335	252 163	271 544	95 168	366 712
1992						
Aug.	17 249	3 719	256 976	277 944	92 605	370 550
Sept.	17 366	3 610	256 359	277 335	103 654	380 989
Oct.	16 738	3 538	255 133	275 409	100 976	376 385
Nov.	16 545	3 449	254 411	274 405	101 162	375 567
Dec.	16 045	3 335	252 163	271 544	95 168	366 712
1993						
Jan.	15 948	3 017	251 227	270 192	96 543	366 735
Feb.	16 086	2 944	251 618	270 647	97 973	368 621
March	15 718	2 894	251 528	270 140	95 576	365 717
April	15 326	2 891	251 556	269 774	88 604	358 378
May	15 198	2 848	251 553	269 599	85 075	354 675
June	15 221	2 812	251 305	269 339	83 482	352 821
July	15 192 ^r	2 858	251 610	269 660	82 922	352 582
Aug.	15 427	2 670	251 295	269 392	81 558	350 950

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5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL.FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M ₁	M ₂ (1+4+5)	M ₃
		Claims on the central government	Claims on the public	Total (2+3)				
	1	2	3	4	5	6	7	8
1988	-40 670	-15 356	353 681	338 325	-63 387	111 259	234 268	256 947
1989	-59 049	-18 691	408 344	389 653	-79 084	124 295	251 519	272 603
1990	-82 881	-19 072	453 720	434 648	-85 385	141 524	266 383	291 045
1991	-86 555	-6 516	470 852	464 336	-102 540	130 644	275 241	310 924
1992*	-68 099	81	439 937	440 018	-97 909	134 829	274 011	310 733
1992*								
Oct.	-66 406	5 737	451 432	457 170	-119 914	128 012	270 850	313 340
Nov.	-65 532	-8 253	448 726	440 473	-105 066	128 610	269 875	312 343
Dec.	-68 099	81	439 937	440 018	-97 909	134 829	274 011	310 733
1993*								
Jan.	-58 784	-103	441 263	441 160	-106 350	138 722	276 026	315 321
Feb.	-55 354	-997	443 883	442 886	-114 185	136 779	273 346	307 399
March	-52 886	-162	445 947	445 785	-121 904	135 990	270 994	311 305
April	-41 746	271	431 871	432 142	-121 662	134 069	268 734	308 513
May	-39 870	687	430 307	430 993	-121 897	134 801	269 227	307 799
June	-38 803	41	429 134	429 175	-120 187	135 602	270 184	307 449
July	-34 515	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	424 399	428 582	-131 896	134 600	267 299	312 044
Oct.	..	..	..	..	..	136 951	272 023	318 658

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

End of period	Foreign currency-denominated debt				Markka-denominated debt			Total central government debt (4+8)	Out-standing lending	Cash funds	
	Bonds	Other bonds and debentures	Long-term promissory notes	Total (1+2+3)	Public bonds	Other long-term liabilities	Treasury notes and bills				
	1	2	3	4	5	6	7	8	9	10	11
1988	20 202	1 804	4 273	26 279	24 243	5 272	2 290	31 805	58 084	41 011	15 858
1989	18 505	852	3 429	22 786	24 126	5 750	250	30 126	52 912	43 499	21 248
1990	20 917	732	3 144	24 793	23 982	8 263	-	32 245	57 038	48 121	23 114
1991	38 703	2 437	2 506	43 646	31 018	12 208	5 180	48 406	92 052	55 165	15 956
1992	100 244	3 669	2 474	106 387	40 578	13 555	14 762	68 895	175 282	61 671	19 781
1992											
Oct.	84 008	3 599	2 549	90 156	37 427	11 460	14 533	63 420	153 576	61 672	22 952
Nov.	85 971	3 704	2 599	92 274	38 928	11 460	14 716	65 104	157 378	61 743	22 448
Dec.	100 244	3 669	2 474	106 387	40 578	13 555	14 762	68 895	175 282	61 671	19 781
1993											
Jan.	116 428	7 343	2 607	126 378	41 597	13 555	16 900	72 052	198 430	62 268	22 958
Feb.	130 937	8 155	4 440	143 532	44 537	13 598	20 397	78 532	222 064	62 742	16 444
March	135 192	8 185	4 422	147 799	47 824	13 593	22 315	83 732	231 531	63 632	39 402
April	139 909	7 834	4 221	151 964	49 146	12 897	22 570	84 613	236 577	64 197	45 211
May	139 488	8 701	4 209	152 398	51 126	12 771	22 014	85 911	238 309	64 292	43 522
June	139 102	9 018	4 263	152 383	57 718	12 770	22 126	92 614	244 997	64 436	43 203
July	142 159	9 510	4 409	156 078	59 997	12 769	21 459	94 225	250 303	64 796	40 718
Aug.	143 148	9 457	4 411	157 016	63 086	15 355	23 460	101 901	258 917	65 317	43 091
Sept.	145 375	9 350	4 409	159 134	64 904	15 354	24 615	104 873	264 007	65 879	42 793 ^r
Oct.	143 854	8 868	4 271	156 993	69 251	15 354	23 754	108 359	265 352	..	42 816 ^r S11

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
1988	3 027	8 418	6 889	268	61	7 861	6 522	4 280	18 663
1989	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
1990	4 640	17 891	4 420	490	1 007	17 234	607	10 607	28 447
1991	7 277	25 737	11 073	1 320	-	30 160	-	15 247	45 407
1992*	6 984	15 043	12 965	2 674	4	23 858	-	13 812	37 671
1992*									
Oct.	1 371	692	2 966	208	-	3 307	-	1 930	5 237
Nov.	140	1 478	430	120	-	1 918	-	250	2 168
Dec.	1 065	4 559	-	600	-	2 178	-	4 046	6 224
1993*									
Jan.	624	592	1 766	276	-	2 318	-	940	3 258
Feb.	471	843	3 480	200	-	4 342	-	652	4 995
March	871	657	3 944	656	13	4 991	-	1 149	6 140
April	504	207	1 835	89	-	2 125	-	509	2 634
May	3 281	1 262	2 761	407	-	4 257	-	3 454	7 711
June	3 132	670	6 658	93	-	7 107	-	3 446	10 553
July	510	165	2 286	-	-	2 451	-	510	2 961
Aug.	372	818	4 829	60	-	6 064	-	15	6 079
Sept.	50	497	2 023	10	-	2 480	-	100	2 580
Oct.	410	820	5 126	222	-	6 346	-	232	6 578

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
1988	19 195	42 892	28 953	1 413	292	32 028	30 054	30 663	92 745
1989	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
1990	23 522	59 756	28 812	1 756	1 298	52 273	22 970	39 902	115 145
1991	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
1992*	26 617	82 319	44 005	5 237	3 358	89 534	13 917	58 085	161 536
1992*									
III	26 079	80 658	39 579	4 457	3 720	86 058	14 329	54 106	154 493
IV	26 617	82 319	44 005	5 237	3 358	89 534	13 917	58 085	161 536
1993*									
I	27 751	81 343	51 244	6 092	3 030	97 679	12 097	59 684	169 460
II	33 614	79 950	60 316	6 618	2 369	107 775	11 558	63 534	182 867
III	33 426	78 136	67 504	6 600	2 018	114 359	10 717	62 608	187 684

C) TURNOVER, MILL. FIM

During period	Interbank	Between banks and customers	Primary dealers' transactions in benchmark government bonds		
			Purchases from other primary dealers	Purchases from others	Sales to others
	1	2	3	4	5
1988	..	..	.	.	.
1989	6 500	9 660	.	.	.
1990	5 401	6 058	.	.	.
1991	3 343	29 134	.	.	.
1992	18 221	58 594	10 744	12 156	13 354
1992					
Nov.	1 481	8 642	1 270	2 469	3 201
Dec.	1 460	8 073	1 370	2 932	2 966
1993					
Jan.	2 566	10 760	2 350	3 889	4 923
Feb.	2 762	14 290	2 690	4 909	7 933
March	3 760	15 481	3 400	5 482	8 300
April	2 073	12 289	1 840	4 409	7 048
May	2 165	14 069	2 114	4 977	8 328
June	2 539	21 079	2 115	5 810	7 307
July	4 886	18 701	4 725	7 990	10 211
Aug.	4 426	20 776	4 387	9 812	10 579
Sept.	5 364	24 405	5 124	11 436	12 459
Oct.	4 958	33 749	4 717	13 465	15 832
Nov.	4 454	28 725	4 069	12 703	12 069

5.6 HELSINKI STOCK EXCHANGE

Average of daily observations	Share prices									Turnover', mill. FIM		
	HEX index (28 Dec., 1990 = 1000)									Shares and subscription rights	Bonds and debentures	Total
	All-share index	By ownership		By industry								
		Re-stricted	Non-re-stricted	Banks and finance	Insur-ance and invest-ment	Manu-factur-ing	Of which:					
						Forest indus-tries	Metal and engi-neer-ing	Con-glom-erates				
	1	2	3	4	5	6	7	8	9	10	11	12
1988	1 692	1 727	1 473	1 825	1 371	1 705	1 591	1 629	2 013	31 734	5 718	37 452
1989	1 827	1 850	1 689	1 958	1 528	1 818	1 728	1 748	2 061	33 160	7 375	40 536
1990	1 332	1 324	1 393	1 263	1 185	1 376	1 436	1 282	1 474	15 521	4 550	20 071
1991	962	949	1 062	901	898	1 003	1 075	1 076	1 020	6 339	1 315	7 655
1992	772	759	868	425	467	942	1 123	1 206	890	10 277	15 377	25 654
1992												
Nov.	809	796	905	344	429	1 033	1 184	1 311	1 012	1 474	2 562	4 037
Dec.	845	829	959	329	424	1 096	1 203	1 296	1 127	2 521	6 543	9 064
1993												
Jan.	875	.	.	314	422	1 143	1 158	1 331	1 214	1 803	4 114	5 917
Feb.	913	.	.	348	449	1 187	1 246	1 378	1 250	2 268	4 461	6 730
March	994	.	.	429	483	1 295	1 437	1 417	1 371	3 019	5 354	8 374
April	1 091	.	.	464	551	1 419	1 478	1 566	1 535	3 019	3 260	6 279
May	1 200	.	.	575	602	1 542	1 637	1 748	1 644	4 451	4 805	9 257
June	1 132	.	.	508	600	1 461	1 569	1 597	1 570	1 906	4 118	6 024
July	1 241	.	.	579	631	1 618	1 720	1 659	1 808	2 810	2 855	5 665
Aug.	1 410	.	.	830	813	1 782	1 954	1 893	1 944	6 081	4 509	10 589
Sept.	1 378	.	.	790	788	1 745	1 887	1 860	1 913	4 689	6 036	10 725
Oct.	1 502	.	.	820	781	1 943	1 958	2 095	2 212	6 638	6 936	13 574
Nov.	1 542	.	.	810	770	2 003	2 093	2 156	2 253	4 842	7 153	11 995

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
1988	91 313	7 026	4 280	6 132	17 438	108 750	9 377	4 415	122 543	91 232	3 338	7 907	7 390
1989	98 265	7 662	4 497	6 277	18 436	116 701	10 212	3 652	130 565	104 400	3 869	8 969	8 759
1990	99 750	8 347	4 650	6 081	19 077	118 827	12 739	4 461	136 027	101 967	4 363	10 766	9 503
1991	91 100	7 508	5 044	5 636	18 189	109 289	10 003	5 336	124 628	86 348	3 974	11 089	11 011
1992*	105 809	8 643	6 089	7 730	22 462	128 272	6 423	5 920	140 614	93 187	4 360	10 962	13 369
1991													
I	21 947	1 759	915	1 462	4 136	26 084	3 022	1 289	30 395	22 015	968	2 592	2 833
II	21 204	1 850	1 256	1 282	4 389	25 593	2 376	1 421	29 391	20 895	1 019	2 583	2 599
III	22 749	2 030	1 629	1 274	4 932	27 681	2 557	1 268	31 506	20 526	1 020	2 899	2 439
IV	25 199	1 869	1 244	1 618	4 731	29 931	2 047	1 359	33 337	22 912	967	3 014	3 139
1992*													
I	24 783	2 002	1 159	1 702	4 863	29 645	2 301	1 367	33 313	22 698	1 001	2 725	3 422
II	26 452	2 152	1 493	1 681	5 326	31 778	1 269	1 374	34 421	24 180	1 064	2 813	3 039
III	24 820	2 323	1 958	1 923	6 203	31 023	1 204	1 480	33 707	20 677	1 119	2 853	3 242
IV	29 754	2 167	1 480	2 424	6 071	35 825	1 649	1 699	39 173	25 632	1 176	2 572	3 666
1993*													
I	30 900	2 222	1 351	2 894	6 468	37 368	2 275	1 659	41 303	25 643	1 126	2 401	4 390
II	32 522	2 461	1 763	2 402	6 626	39 148	2 073	1 945	43 166	24 753	1 023	2 276	3 960
III	32 140	2 560	2 203	2 233	6 997	39 136	1 664	1 773	42 573	24 397	1 063	2 242	4 151

During period	Services expenditure, total (11+12+13)	Imports of goods and services (10+14)	Investment expenditure (15+16)	Transfers and other expenditure (17)	Current account expenditure (15+16+17)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account and services (20+21+22)	Goods services account (19+23)	Investment income, net (7-16)	Transfers and others, net (8-17)	Current account (24+25+26) (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1988	18 634	109 866	17 033	6 975	133 874	80	3 689	-3 627	-1 258	-1 196	-1 116	-7 656	-2 560	-11 331
1989	21 596	125 996	21 882	7 561	155 439	-6 134	3 793	-4 471	-2 482	-3 160	-9 294	-11 670	-3 910	-24 874
1990	24 632	126 599	26 973	8 967	162 540	-2 218	3 984	-6 117	-3 422	-5 555	-7 772	-14 234	-4 506	-26 513
1991	26 074	112 421	28 674	10 529	151 624	4 752	3 534	-6 044	-5 374	-7 885	-3 132	-18 671	-5 192	-26 996
1992*	28 690	121 878	30 424	10 347	162 649	12 622	4 283	-4 873	-5 639	-6 228	6 394	-24 001	-4 428	-22 035
1991														
I	6 394	28 408	7 642	3 020	39 070	-67	791	-1 677	-1 371	-2 257	-2 325	-4 620	-1 731	-8 676
II	6 201	27 096	7 805	2 259	37 161	309	831	-1 326	-1 317	-1 812	-1 503	-5 429	-838	-7 771
III	6 358	26 884	6 716	2 524	36 124	2 223	1 010	-1 270	-1 165	-1 425	797	-4 159	-1 257	-4 618
IV	7 121	30 033	6 510	2 725	39 268	2 288	902	-1 770	-1 521	-2 389	-102	-4 463	-1 367	-5 931
1992*														
I	7 148	29 845	8 435	3 124	41 405	2 085	1 001	-1 566	-1 720	-2 285	-200	-6 134	-1 758	-8 092
II	6 916	31 096	7 400	2 381	40 877	2 272	1 087	-1 320	-1 358	-1 590	682	-6 131	-1 007	-6 456
III	7 214	27 891	6 765	2 402	37 058	4 143	1 204	-895	-1 319	-1 011	3 132	-5 561	-922	-3 351
IV	7 413	33 045	7 824	2 440	43 309	4 122	991	-1 092	-1 241	-1 342	2 780	-6 174	-741	-4 136
1993*														
I	7 917	33 560	10 352	3 099	47 011	5 257	1 096	-1 049	-1 496	-1 449	3 808	-8 076	-1 440	-5 708
II	7 259	32 012	10 701	2 689	45 402	7 769	1 438	-512	-1 558	-633	7 136	-8 628	-744	-2 237
III	7 456	31 853	7 149	2 945	41 947	7 743	1 497	-39	-1 917	-459	7 284	-5 486	-1 172	626

6.2 CAPITAL ACCOUNT¹, MILL. FIM

During period	Imports of long-term capital					Exports of long-term capital					Long-term capital account (5-10)	Basic balance
	Direct investment in Finland	Portfolio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Portfolio investment abroad	Loans	Other long-term capital	Total (6+7+8+9)		
	1	2	3	4	5	6	7	8	9	10	11	12
1988	2 218	14 355	3 062	85	19 720	10 919	1 248	3 931	292	16 390	3 331	-8 001
1989	2 095	14 756	8 608	79	25 538	13 327	180	5 323	273	19 103	6 435	-18 439
1990	3 010	22 656	19 674	169	45 509	12 471	577	-499	294	12 843	32 666	6 153
1991	-997	37 284	14 840	825	51 952	4 240	-372	1 052	101	5 022	46 931	19 935
1992*	1 777	36 772	5 509	479	44 537	1 821	367	3 461	304	5 953	38 584	16 549
1991												
I	116	7 881	3 994	-493	11 499	1 183	-16	184	165	1 516	9 983	1 308
II	99	16 050	4 888	585	21 621	1 155	-433	694	-19	1 397	20 224	12 453
III	-435	10 416	2 747	114	12 843	1 315	434	-522	-2	1 225	11 617	6 999
IV	-777	2 937	3 211	619	5 989	587	-356	697	-44	883	5 106	-825
1992*												
I	564	4 173	-399	795	5 133	624	182	621	273	1 699	3 433	-4 658
II	74	12 934	371	-261	13 118	-208	1 142	121	187	1 242	11 876	5 420
III	340	5 302	786	259	6 688	775	-882	1 117	182	1 192	5 495	2 144
IV	799	14 362	4 751	-314	19 598	630	-75	1 602	-337	1 820	17 779	13 643
1993*												
I	187	15 167	8 939	-384	23 909	1 368	2 981	-688	-105	3 556	20 354	14 646
II	805	15 158	4 233	-477	19 719	1 475	-1 094	478	148	1 006	18 713	16 476
III	167	4 572	2 908	-456	7 191	407	-811	-791	636	-559	7 750	8 376

During period	Imports of short-term capital				Exports of short-term capital				Errors and omissions	Short-term capital account (16-20+21)	Overall balance excl. reserve movements (12+22)	Change in central bank's foreign exchange reserves
	Short-term capital imports of authorized banks	Trade credits	Other short-term capital	Total (13+14+15)	Short-term capital exports of authorized banks	Trade credits	Other short-term capital	Total (17+18+19)				
	13	14	15	16	17	18	19	20	21	22	23	24
1988	10 950	-399	-811	9 740	2 331	644	1 995	4 971	3 415	8 183	183	-183
1989	4 285	1 627	3 679	9 592	1 462	475	710	2 647	5 533	12 478	-5 961	5 961
1990	16 258	1 119	-1 357	16 020	-2 290	-1 254	1 244	-2 300	-9 381	8 939	15 092	-15 092
1991	-13 436	399	-1 301	-14 338	6 261	882	3 285	10 427	-1 574	-26 339	-6 404	6 404
1992*	-29 022	7 744	10 880	-10 399	-567	4 115	6 586	10 134	-5 265	-25 798	-9 249	9 249
1991												
I	18 274	-1 105	2 367	19 536	22 472	-628	3 978	25 821	1 876	-4 410	-3 102	3 102
II	-10 919	-68	-605	-11 592	515	-495	1 970	1 990	-1 092	-14 674	-2 221	2 221
III	-16 407	340	-583	-16 650	-3 091	1 027	1 869	-195	2 550	-13 905	-6 905	6 905
IV	-4 383	1 232	-2 481	-5 632	-13 635	977	-4 531	-17 189	-4 908	6 649	5 824	-5 824
1992*												
I	-2 542	458	3 694	1 610	-4 134	1 003	1 723	-1 408	-1	3 017	-1 641	1 641
II	-9 587	3 973	491	-5 123	-1 612	1 167	-3 403	-3 848	-5 194	-6 469	-1 049	1 049
III	-11 212	1 155	12 230	2 173	6 064	217	176	6 457	-4 026	-8 310	-6 165	6 165
IV	-5 681	2 157	-5 535	-9 059	-885	1 729	8 090	8 934	3 956	-14 036	-394	394
1993*												
I	-3 093	270	-5 941	-8 764	14 868	1 419	-1 306	14 982	3 406	-20 340	-5 694	5 694
II	-5 939	2 257	-1 544	-5 227	-3 008	1 046	-254	-2 216	-2 759	-5 770	10 706	-10 706
III	-9 314	2 688	2 780	-3 845	12 840	1 045	4 309	18 194	2 596	-19 443	-11 067	11 067

¹ Capital account data are based on surveys as from the beginning of 1991. The resulting figures conform more closely to the IMF's recommendations.

6.3 FINLAND'S FOREIGN LIABILITIES AND ASSETS, MILL. FIM

End of period	Long-term liabilities					Long-term assets					Long-term debt, net (5-10)
	Direct investment in Finland	Portfolio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Portfolio investment abroad	Loans	Other long-term capital	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
1988	12 673	68 957	33 117	915	115 662	24 199	8 223	19 417	2 484	54 323	61 339
1989	16 093	82 313	40 110	994	139 510	33 234	7 680	24 572	2 757	68 243	71 267
1990	18 651	98 399	51 744	4 630	173 424	43 931	7 184	25 595	5 487	82 196	91 228
1991	17 443	143 685	75 772	5 827	242 728	53 560	7 430	27 907	6 161	95 057	147 671
1992*	19 260	209 864	94 568	7 919	331 611	61 659	9 165	34 108	7 670	112 602	219 009
1991											
I	18 714	110 303	60 239	4 116	193 373	45 453	7 312	25 970	5 914	84 649	108 723
II	18 760	126 800	66 420	4 725	216 704	46 947	6 923	27 125	6 061	87 056	129 648
III	18 273	132 499	68 747	4 877	224 395	48 601	7 392	26 056	5 934	87 983	136 412
IV	17 443	143 685	75 772	5 827	242 728	53 560	7 430	27 907	6 161	95 057	147 671
1992*											
I	18 017	151 064	77 508	6 768	253 357	53 857	7 900	29 179	6 738	97 674	155 683
II	18 101	160 511	75 713	6 441	260 765	53 322	9 089	28 025	6 648	97 084	163 681
III	18 451	183 997	84 821	7 290	294 559	61 356	8 618	31 039	7 397	108 410	186 149
IV	19 260	209 864	94 568	7 919	331 611	61 659	9 165	34 108	7 670	112 602	219 009
1993*											
I	19 447	252 513	114 168	8 233	394 361	69 244	12 628	35 652	8 324	125 848	268 513
II	20 252	255 154	114 904	7 363	397 673	66 924	11 472	33 601	8 287	120 284	277 389
III	20 419	273 990	121 048	7 255	422 711	68 250	10 784	33 805	9 290	122 129	300 582

End of period	Short-term liabilities					Short-term assets					Short-term liabilities, net (11+22)	Debt, net (11+23)	Net interest and dividend expenditure in relation to current account receipts	
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits	Other short-term liabilities	Total (12+13+14+15)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits	Other short-term assets	Total (17+18+19+20)				
	12	13	14	15	16	17	18	19	20	21	22	23	24	25
1988	3 341	83 828	11 070	9 039	107 278	32 037	32 108	16 041	4 789	84 975	22 303	83 642	7 933	6.5
1989	3 558	88 751	12 697	12 883	117 889	25 113	33 569	16 516	5 666	80 864	37 024	108 291	10 453	8.0
1990	3 922	106 548	13 466	13 864	137 801	39 506	27 190	14 372	6 608	87 676	50 125	141 353	13 130	9.7
1991	3 149	99 502	13 798	14 703	131 152	35 922	36 727	15 840	10 545	99 034	32 118	179 788	15 734	12.7
1992*	7 849	84 253	21 637	22 274	136 013	33 966	43 534	21 069	16 656	115 225	20 788	239 797	19 007	13.6
1991														
I	3 399	126 600	12 237	17 232	159 468	37 748	48 792	13 813	11 336	111 690	47 778	156 502	3 886	12.8
II	2 889	117 188	12 160	17 498	149 735	36 023	50 406	13 339	13 721	113 489	36 245	165 893	4 695	16.0
III	2 826	99 953	12 500	16 703	131 982	29 006	47 064	14 371	15 121	105 561	26 421	162 833	3 424	10.9
IV	3 149	99 502	13 798	14 703	131 152	35 922	36 727	15 840	10 545	99 034	32 118	179 788	3 729	11.2
1992*														
I	3 185	100 961	14 219	18 439	136 804	35 429	32 960	17 007	12 765	98 161	38 643	194 326	4 886	14.7
II	3 242	89 647	18 218	18 211	129 318	33 516	32 786	18 123	8 932	93 356	35 961	199 642	4 882	14.2
III	14 067	86 647	19 397	21 248	141 359	29 484	43 316	18 829	9 575	101 204	40 155	226 304	4 313	12.8
IV	7 849	84 253	21 637	22 274	136 013	33 966	43 534	21 069	16 656	115 225	20 788	239 797	4 925	12.6
1993*														
I	5 836	86 548	21 884	19 820	134 088	31 998	60 816	23 176	16 308	132 297	1 791	270 304	6 827	16.5
II	6 173	78 062	24 088	17 254	125 577	41 889	56 831	23 948	14 823	137 491	-11 914	265 475	7 378	17.1
III	6 293	70 466	26 803	20 144	123 705	31 987	71 362	25 144	19 089	147 582	-23 877	276 706	4 236	10.0

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

End of period	Long-term liabilities					Long-term assets						Long-term liabilities, net (6-12)	
	Corporate sector	Banks	Other financial institutions	Central government	Other	Total (1+2+3+4+5)	Corporate sector	Banks	Other financial institutions	Central government	Other		Total (7+8+9+10+11)
	1	2	3	4	5	6	7	8	9	10	11	12	13
1988	46 471	27 427	14 339	26 926	499	115 662	25 093	21 607	3 573	3 101	949	54 323	61 339
1989	58 009	40 199	17 665	23 063	574	139 510	34 828	26 048	2 313	3 517	1 537	68 243	71 267
1990	65 553	56 394	21 694	29 174	610	173 424	45 372	28 423	2 075	4 279	2 047	82 196	91 228
1991	79 212	70 795	35 623	56 377	721	242 728	57 749	27 641	2 121	4 752	2 794	95 057	147 671
1992*	91 304	70 253	49 558	118 081	2 415	331 611	69 963	30 619	3 096	5 627	3 298	112 602	219 009
1991													
I	71 221	58 776	26 529	36 123	724	193 373	47 585	28 021	2 140	4 651	2 252	84 649	108 723
II	76 980	67 005	33 210	38 814	696	216 704	49 995	27 536	2 122	5 040	2 362	87 056	129 648
III	76 925	68 223	34 193	44 332	723	224 395	51 794	26 862	2 138	4 655	2 534	87 983	136 412
IV	79 212	70 795	35 623	56 377	721	242 728	57 749	27 641	2 121	4 752	2 794	95 057	147 671
1992*													
I	80 610	69 700	36 053	65 370	1 624	253 357	58 653	28 466	2 298	5 367	2 890	97 674	155 683
II	78 623	64 232	37 674	78 534	1 703	260 765	58 461	28 235	2 290	5 147	2 951	97 084	163 681
III	85 281	68 903	39 531	98 824	2 020	294 559	66 650	30 514	2 451	5 528	3 268	108 410	186 149
IV	91 304	70 253	49 558	118 081	2 415	331 611	69 963	30 619	3 096	5 627	3 298	112 602	219 009
1993*													
I	101 873	72 568	54 996	162 000	2 925	394 361	77 701	34 821	3 350	6 259	3 716	125 848	268 513
II	101 959	69 550	51 715	171 676	2 774	397 673	76 058	31 083	3 297	6 535	3 311	120 284	277 389
III	111 481	74 132	53 499	180 678	2 922	422 711	77 911	30 462	3 539	7 044	3 174	122 129	300 582

7. FOREIGN TRADE

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

During period	Exports, fob	Imports, cif	Balance (1-2)
	1	2	3
1988	92 902	92 118	784
1989	99 784	105 516	-5 732
1990	101 327	103 027	-1 700
1991	92 842	87 744	5 098
1992*	107 471	94 988	12 483
1992*			
Oct.	10 199	8 746	1 453
Nov.	10 532	8 740	1 792
Dec.	9 441	8 613	828
1993*			
Jan.	9 452	6 601	2 851
Feb.	10 453	9 069	1 384
March	11 465	10 407	1 058
April	11 370	9 696	1 674
May	11 422	7 807	3 615
June	10 197	7 768	2 429
July	10 793	8 079	2 714
Aug.	10 170	8 232	1 938
Sept.	11 394	8 413	2 981
Oct.	13 867	8 291	5 576

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

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1988	121	130	145	122	119
1989	121	144	156	126	123
1990	125	138	154	128	120
1991	114	115	154	131	118
1992*	124	112	164	145	113
1991					
II	107	112	153	130	118
III	113	109	156	132	119
IV	124	118	157	135	116
1992*					
I	118	112	162	142	114
II	125	118	162	143	113
III	117	102	163	142	115
IV	133	116	171	154	111
1993*					
I	135	107	175	166	106
II	143	104	174	166	105
III	141	103	174	165	105

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, fob					Imports by use of goods, cif				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
1988	7 567	30 474	8 450	29 225	17 186	45 791	7 533	17 274	20 828	692
1989	7 416	32 513	8 844	32 682	18 329	51 786	8 310	20 606	24 055	759
1990	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
1991	6 984	29 695	10 539	29 188	16 436	42 505	9 399	13 973	21 195	672
1992*	7 892	32 587	12 172	35 741	19 079	49 514	9 745	13 348	20 826	1 555
1992*										
Oct.	797	3 186	1 027	3 331	1 858	4 498	1 064	1 199	1 890	95
Nov.	770	3 010	1 205	3 789	1 758	4 809	1 058	1 039	1 755	79
Dec.	644	2 949	870	3 421	1 557	4 280	1 300	1 122	1 534	377
1993*										
Jan.	706	2 677	1 048	3 330	1 691	3 691	555	888	1 392	75
Feb.	776	3 069	1 134	3 336	2 138	4 355	1 103	1 665	1 852	94
March	898	3 438	1 213	3 991	1 925	4 658	897	2 845	1 919	88
April	964	3 403	1 306	3 824	1 873	5 446	713	1 349	2 067	121
May	1 017	3 120	1 111	4 314	1 860	4 556	519	1 044	1 605	83
June	928	2 929	966	3 701	1 673	4 272	1 029	904	1 479	84
July	760	2 751	1 162	4 295	1 825	4 337	921	978	1 649	194
Aug.	667	3 081	1 253	3 263	1 906	4 335	993	1 143	1 679	82
Sept.	988	3 254	1 328	3 718	2 106	4 346	975	1 242	1 712	138
Oct.	1 127	3 504	1 258	5 845	2 133	4 708	754	977	1 834	18

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, fob				Imports, cif			
	1992 *		1993 *		1992 *		1993 *	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	88 347	82.2	85 013	16.5	75 180	79.1	66 465	7.7
OECD Europe	78 566	73.1	71 711	10.3	62 972	66.3	54 387	5.3
Of which:								
Austria	1 368	1.3	1 195	3.4	1 162	1.2	949	-0.6
Belgium and Luxembourg	2 785	2.6	2 452	7.0	2 688	2.8	2 362	8.0
Denmark	3 858	3.6	3 692	15.8	3 192	3.4	2 665	1.4
France	7 204	6.7	5 919	-3.8	4 382	4.6	3 851	11.8
Germany	16 806	15.6	14 560	3.6	16 085	16.9	14 043	4.7
Italy	4 302	4.0	3 650	2.9	3 425	3.6	3 129	9.1
Netherlands	5 628	5.2	5 519	19.5	3 458	3.6	3 185	12.3
Norway	3 775	3.5	3 478	11.2	3 825	4.0	4 037	37.6
Spain	2 842	2.6	2 824	20.4	1 167	1.2	959	0.9
Sweden	13 771	12.8	12 221	7.6	11 133	11.7	8 559	-6.6
Switzerland	1 921	1.8	1 761	11.0	1 842	1.9	1 676	7.3
United Kingdom	11 519	10.7	11 696	25.4	8 213	8.6	7 081	6.4
Other OECD	9 781	9.1	13 302	66.8	12 209	12.9	12 079	19.8
Of which:								
Canada	751	0.7	923	40.9	616	0.6	601	13.4
Japan	1 370	1.3	1 760	60.8	5 202	5.5	4 915	13.1
United States	6 365	5.9	9 094	73.6	5 792	6.1	6 186	30.9
Non-OECD European countries	7 310	6.8	9 771	69.4	9 681	10.2	9 181	24.8
Of which:								
Russia	3 020	2.8	4 544	97.8	6 725	7.1	6 475	28.6
Other countries	11 814	11.0	15 798	81.0	10 127	10.7	8 716	1.7
Of which:								
OPEC countries	1 927	1.8	2 655	80.4	1 497	1.6	417	-68.7
TOTAL	107 471	100.0	110 582	26.4	94 988	100.0	84 363	8.7
Of which:								
EC countries	57 150	53.2	52 236	10.3	44 801	47.2	38 994	5.9
EFTA countries	20 959	19.5	18 760	8.2	18 033	19.0	15 274	4.0

8. DOMESTIC ECONOMIC DEVELOPMENTS

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

(seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4	5	6	7	8	9
1988	259 533	102 595	109 614	17 275	- 712	488 305	115 761	116 898	487 168
1989	269 911	105 099	129 905	15 149	4 818	524 882	117 241	127 311	514 812
1990	269 588	109 238	121 858	17 285	4 647	522 616	118 828	126 600	514 844
1991	260 290	111 557	93 381	17 232	- 3 186	479 274	110 965	111 755	478 484
1992*	246 728	111 063	75 282	16 326	1 255	450 654	121 877	113 299	459 232
1991									
I	65 409	27 789	26 719	4 351	101	124 369	27 279	29 069	122 579
II	65 346	27 929	23 871	4 688	- 594	121 240	26 182	27 106	120 317
III	65 180	27 958	21 965	4 307	- 1 196	118 214	29 175	28 127	119 263
IV	64 355	27 881	20 825	3 886	- 1 496	115 450	28 328	27 454	116 325
1992*									
I	63 182	27 736	20 272	4 229	- 955	114 465	29 526	28 284	115 706
II	61 963	27 801	19 890	4 305	229	114 188	30 588	29 273	115 503
III	61 047	27 799	18 577	3 897	1 405	112 724	30 090	27 739	115 075
IV	60 537	27 727	16 543	3 895	575	109 277	31 674	28 002	112 948
1993*									
I	59 976	26 351	16 160	3 395	- 290	105 592	33 764	28 618	110 737
II	58 867	26 386	15 174	3 330	50	103 807	34 784	27 241	111 351

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1990=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manufacturing	Wood and paper industries	Metal and engineering industries	Other manufacturing	Energy and water supply
	(100.0)	(1.3)	(89.6)	(16.8)	(31.3)	(41.5)	(9.1)
	1	2	3	4	5	6	7
1988	97.1	94.1	97.1	98.7	93.8	99.0	97.5
1989	100.3	101.9	100.5	102.3	99.6	100.8	97.9
1990	100.2	99.8	100.2	100.1	100.4	100.1	100.0
1991	91.2	91.3	89.9	91.5	85.6	92.6	103.6
1992*	92.6	91.2	91.5	94.8	90.9	90.6	103.2
1992*							
Sept.	92.2	90.9	91.4	97.4	90.6	89.5	101.8
Oct.	93.5	78.2	92.0	96.5	89.6	92.1	111.5
Nov.	93.8	87.6	92.1	98.0	92.0	89.9	111.5
Dec.	92.1	80.8	90.8	96.9	91.1	88.8	107.4
1993*							
Jan.	93.5	86.3	92.1	98.6	92.4	88.6	105.6
Feb.	94.5	82.9	93.0	100.2	94.7	89.5	106.0
March	94.5	82.9	92.8	100.8	95.2	88.2	109.1
April	95.9	83.4	95.0	104.3	98.0	89.1	105.4
May	93.2	78.7	92.4	99.0	96.7	86.6	103.5
June	97.7	65.8	97.5	106.9	100.2	90.9	109.5
July	98.4	81.9	98.2	105.2	100.9	93.2	106.3
Aug.	95.5	73.3	95.1	105.7	95.8	90.3	104.7
Sept.	99.7	82.0	99.0	110.2	101.0	93.0	110.6

8.3 INDICATORS OF DOMESTIC SUPPLY AND DEMAND, 1985=100

(seasonally adjusted figures)

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
1988	116.7	113.0	108.6	106.0	113.4	110.6	135.0	111.5
1989	124.2	117.0	130.3	132.9	137.6	125.2	161.4	116.7
1990	119.9	111.7	127.3	124.8	161.7	122.1	144.6	117.5
1991	101.2	103.9	103.9	94.4	127.7	109.9	102.1	110.2
1992*	87.9	93.8	79.5	73.8	76.2	87.5	84.5	107.0
1992*								
Aug.	82.7	89.3	..	..	..	..	..	105.8
Sept.	87.2	93.6	..	..	..	..	..	106.5
Oct.	84.8	91.7	..	..	..	..	..	105.8
Nov.	81.3	86.3	..	..	..	..	..	106.6
Dec.	82.6	89.8	..	..	..	..	..	106.6
II	89.3	94.8	82.9	79.3	72.1	94.8	107.3	107.0
III	86.6	91.6	78.1	73.4	80.2	82.8	64.1	106.7
IV	82.9	89.3	67.4	59.9	53.2	74.5	80.1	106.4
1993*								
Jan.	76.8	87.2	..	..	..	..	..	105.1
Feb.	82.4	92.3	..	..	..	..	..	106.5
March	84.5	91.6	..	..	..	..	..	105.1
April	81.0	89.7	..	..	..	..	..	104.5
May	81.9	88.8	..	..	..	..	..	103.2
June	86.5	87.3	..	..	..	..	..	104.8
July	84.9	84.4	..	..	..	..	..	104.4
Aug.	83.1	85.2	..	..	..	..	..	104.1
I	81.2	90.4	57.6	60.6	43.4	61.0	117.6	105.6
II	83.1	88.6	54.6	59.5	45.6	54.6	73.2	104.2

8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which: Manufacturing (SIC3)	Central government	Local government	Non-profit institutions			Domestic goods	Imported goods		Exported goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1988	124.7	124.6	122.7	128.8	122.0	128.0	112.6	101.5	104.9	89.1	101.7	103.8	100.7	116.3
1989	135.7	136.5	133.8	137.4	132.1	137.1	120.0	107.3	111.3	92.6	107.8	110.5	106.4	125.5
1990	148.2	148.8	146.8	149.8	144.7	150.0	127.3	110.9	115.7	93.6	110.0	110.4	109.8	134.5
1991	157.6	158.3	156.2	157.9	154.8	158.9	132.6	111.2	115.8	94.2	109.9	108.7	110.4	137.3
1992¹	160.6	160.9	159.9	160.6	159.1	162.4	136.0	112.4	115.6	100.9	112.6	113.4	112.3	134.9
1992¹														
Oct.	..	..	..	..	..	..	136.9	113.3	115.7	104.3	113.8	115.9	112.8	134.7
Nov.	..	..	..	..	..	..	137.1	113.4	115.5	105.5	114.1	116.7	112.8	134.4
Dec.	..	..	..	..	..	..	136.8	113.4	115.5	105.9	114.0	115.9	113.0	134.0
II	160.6	161.1	160.2	160.4	158.7	162.1	136.1	112.3	115.7	99.9	112.4	112.6	112.3	134.7
III	160.4	160.5	159.3	160.7	159.5	162.7	136.2	112.2	115.6	99.6	112.8	113.3	112.6	134.0
IV	161.2	161.4	160.8	161.0	160.3	163.0	136.9	113.4	115.6	105.2	113.9	116.2	112.9	134.3
1993¹														
Jan.	..	..	..	..	..	..	138.2	113.9	115.8	107.1	114.4	116.5	113.4	134.9
Feb.	..	..	..	..	..	..	138.6	115.3	116.6	109.8	115.9	118.9	114.5	134.8
March	..	..	..	..	..	..	138.8	116.2	117.1	112.4	116.9	120.5	115.2	134.7
April	..	..	..	..	..	..	139.3	116.4	117.3	112.4	117.4	121.0	115.7	135.2
May	..	..	..	..	..	..	139.4	116.1	116.8	112.7	117.3	121.6	115.4	135.3
June	..	..	..	..	..	..	139.2	116.1	117.1	111.8	117.2	120.7	115.6	135.5
July	..	..	..	..	..	..	138.8	116.0	117.1	111.6	116.7	119.8	115.2	135.3
Aug.	..	..	..	..	..	..	138.7	116.0	116.8	112.1	116.9	120.4	115.2	135.3
Sept.	..	..	..	..	..	..	139.0	116.1	117.4	110.9	117.4	121.1	115.7	135.6
Oct.	..	..	..	..	..	..	139.1	115.9	117.2	110.8	117.4	121.4	115.5	135.7
I	161.8	162.0	161.8	161.6	160.9	163.3	138.5	115.1	116.5	109.8	115.7	118.6	114.4	134.8
II	162.0	162.2	162.7	161.9	161.2	163.6	139.3	116.2	117.1	112.3	117.3	121.1	115.6	135.3

¹ Preliminary figures for columns 1—6.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status			By industry			Unemployed	Unemployment rate	
				Self-employed	Wage and salary earners	Agri-culture and forestry	Industry	Con-struction	Service Industries			
		1000 persons									%	
	%	1	2	3	4	5	6	7	8	9	10	11
1988	68.4	2 546	2 431	368	2 062	238	553	188	1 452	116	4.6	
1989	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5	
1990	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4	
1991	67.4	2 533	2 340	340	2 000	197	502	179	1 461	193	7.6	
1992	66.1	2 502	2 174	325	1 849	188	454	150	1 382	328	13.1	
1992												
Oct.	66.1	2 505	2 138	319	1 818	180	455	127	1 376	367	14.7	
Nov.	66.2	2 509	2 125	316	1 809	178	440	142	1 365	384	15.3	
Dec.	65.3	2 477	2 095	311	1 783	182	436	136	1 341	383	15.4	
1993												
Jan.	65.7	2 492	2 092	307	1 785	178	438	127	1 349	400	16.1	
Feb.	65.7	2 493	2 077	317	1 761	171	424	132	1 351	415	16.7	
March	65.2	2 475	2 053	312	1 741	180	431	132	1 311	421	17.0	
April	65.5	2 487	2 056	319	1 737	179	428	129	1 320	432	17.4	
May	65.3	2 481	2 051	318	1 734	175	432	129	1 315	430	17.3	
June	64.8	2 462	2 016	307	1 709	166	420	128	1 302	446	18.1	
July	65.0	2 472	2 026	315	1 711	172	422	123	1 310	445	18.0	
Aug.	65.6	2 494	2 039	307	1 732	163	423	127	1 326	455	18.3	
Sept.	65.6	2 497	2 021	318	1 703	171	423	119	1 307	476	19.1	
Oct.	65.3	2 486	2 018	311	1 706	170	415	125	1 308	469	18.9	

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

During period	Revenue						Expenditure				
	Direct taxes	Indirect taxes	Other taxes and similar revenue	Other revenue	Revenue before financial transactions (1+2+3+4)	Redemptions of loans granted by the state	Revenue before borrowing (5+6)	Consumption	Transfers and subsidies	Of which:	
										Local government	Other domestic sectors
	1	2	3	4	5	6	7	8	9	10	11
1988	35 339	66 348	473	13 629	115 789	2 557	118 346	32 266	65 502	29 757	33 108
1989	39 397	76 458	471	15 990	132 316	3 926	136 241	35 082	72 008	33 244	35 715
1990	42 611	77 364	953	18 423	139 351	4 260	143 611	41 535	81 190	37 646	40 313
1991	41 054	73 251	1 136	19 182	134 624	4 442	139 069	45 085	101 220	42 297	55 160
1992	34 312	69 541	1 512	21 251	126 616	5 054	131 669	49 207	105 184	42 990	59 180
1992											
Sept.	3 091	5 663	117	1 510	10 381	137	10 517	3 887	8 179	3 440	4 575
Oct.	2 896	5 336	136	1 448	9 816	187	10 003	4 169	9 599	3 498	5 933
Nov.	2 984	5 925	110	1 751	10 770	704	11 474	3 806	9 072	3 463	5 492
Dec.	853	6 371	-50	2 978	10 152	1 043	11 195	4 395	9 323	3 671	5 263
1993											
Jan.	-560	5 900	70	919	6 329	15	6 345	4 129	9 084	3 230	5 701
Feb.	3 730	4 446	240	1 257	9 673	113	9 785	3 869	7 807	3 347	4 273
March	2 456	6 205	127	3 496	12 284	2 119	14 403	4 145	9 295	3 698	5 440
April	3 875	4 926	93	2 657	11 551	98	11 649	3 835	9 436	4 055	5 278
May	2 697	5 638	97	2 688	11 120	510	11 630	3 646	9 115	3 958	5 013
June	2 870	5 633	86	2 748	11 337	591	11 928	4 110	8 842	3 958	4 672
July	3 208	5 626	119	1 759	10 712	197	10 909	4 719	8 225	3 287	4 696
Aug.	3 011	5 884	102	2 166	11 163	154	11 318	3 424	7 820	3 395	4 102
Sept.	2 792	5 185	129	2 247	10 353	108	10 461	3 658	9 482	3 371	5 987

During period	Expenditure					Financial balance			
	Fixed investment	Other expenditure	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)
1988	7 565	5 614	110 946	6 529	117 476	4 842	870	2 417	3 287
1989	8 393	5 343	120 826	7 566	128 390	11 490	7 851	-4 009	3 842
1990	5 962	4 927	133 614	9 319	142 934	5 737	678	1 201	1 879
1991	5 370	6 368	158 044	13 328	171 372	-23 420	-32 304	25 659	-6 645
1992	5 042	8 499	167 932	35 501	203 433	-41 316	-71 764	70 691	-1 071
1992									
Sept.	442	816	13 324	4 950	18 275	-2 943	-7 758	5 267	-2 491
Oct.	439	1 229	15 436	937	16 373	-5 620	-6 370	8 365	1 995
Nov.	410	102	13 390	1 010	14 400	-2 620	-2 926	15 124	12 199
Dec.	664	1 117	15 499	11 897	27 396	-5 347	-16 201	3 174	-13 027
1993									
Jan.	261	1 691	15 165	662	15 826	-8 836	-9 481	16 891	7 410
Feb.	290	842	12 808	1 289	14 097	-3 135	-4 312	15 636	11 324
March	313	2 248	16 001	3 211	19 211	-3 717	-4 808	9 245	4 437
April	306	1 554	15 131	2 060	17 191	-3 580	-5 542	12 592	7 050
May	318	1 156	14 235	1 351	15 586	-3 115	-3 956	2 086	-1 870
June	384	2 650	15 986	768	16 753	-4 649	-4 825	4 424	-401
July	406	914	14 264	3 935	18 200	-3 552	-7 291	7 157	-134
Aug.	416	874	12 534	723	13 258	-1 371	-1 940	5 079	3 139
Sept.	417	1 135	14 692	1 756	16 448	-4 339	-5 987	3 529	-2 457

NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

GENERAL

Source

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

Symbols used

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

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

NOTES AND EXPLANATIONS TO TABLES

1 THE BALANCE SHEET OF THE BANK OF FINLAND

Table 1.2 Domestic financial sector. Term claims on deposit banks (Column 13) = bank certificates of deposit held by the Bank of Finland + securities with repurchase commitments. Liquidity position of deposit banks, net (Column 14): see explanation to Table 2.1. Other claims on financial institutions, net (Column 17) = bonds + other claims on financial institutions – other liabilities to financial institutions. *Corporate sector.* Special deposits and other items, net (Column 20) = bonds: other + other claims on corporations – deposits for investment and ship purchase – other liabilities to corporations.

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

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

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

Table 2.3 Money market instruments are the instruments used by the Bank of Finland in its money market operations. Matured money market in-

struments, net, comprise both instruments purchased and sold. Money market transactions are recorded according to trade dates.

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

Table 2.5 As from the beginning of 1990, the statistics on the forward exchange market are based on data on individual contracts against the Finnish markka as reported by banks (excluding Columns 5 and 6). The statistics cover all authorized banks and contracts. The rates of exchange used in the statistics are the forward rates on the contract date.

3 RATES OF INTEREST

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

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

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

Table 3.3 The rates shown are based on the lending rates quoted for

the respective currencies in the Euro-market. ECU (Column 1); the weights of the ECU basket. 3 currencies (Column 2); DEM 60, USD 30 and GBP 10 per cent.

Table 3.4 Lending. New credits (Columns 1–4): rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts. Annual rates are arithmetic averages of monthly observations until 1987 after which they are weighted by loan amounts. Average lending rates (Columns 5 and 6) are all weighted by loan amounts. As from January 1989, the loans of Postipankki Ltd have been included in the commercial banks' outstanding stock of loans. *Deposits.* 24-month and 36-month tax-exempt deposits (Columns 7 and 8): from May (September) 1992, 24-month(36-month) deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less two percentage points (one percentage point). In the period from January 1989 to April 1992, 24-month deposits (Column 7) were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less one percentage point. Other tax-exempt deposits (Column 9): in the period from January 1989 to April 1992, deposits other than 24-month deposits were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less 4 percentage points. From May 1992, deposits other than 24 month or 36-month deposits are tax-exempt if they carry a maximum rate of interest as prescribed by law. The maximum rate was first set at 4.5 per cent. From 6 May 1993 it has been 2.5 per cent. All markka deposits (Column 10): the stock of deposits comprises all markka deposits by the public. The monthly and annual average rates of interest are weighted by deposit amounts. Other funding (Column 11): CDs outstanding + promissory notes + bonds. The average rate of interest is weighted by amounts. Total markka funding (Column 12); markka deposits by the public + banks' other markka funding. The rate of interest is weighted by amounts.

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

fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued by all issuers except the central government with a remaining maturity of between 3 and 6 years. The yield on taxfree public issues (Column 6) is calculated as the arithmetic mean of yields on fixed-rate public bonds with a remaining maturity of between 4 and 5 years. The Bank of Finland calculates the yields for columns 5 and 6 once a week on the basis of the trading quotations of the Helsinki Stock Exchange. Monthly observations are the averages of weekly observations and annual observations the averages of monthly observations.

4 RATES OF EXCHANGE

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

5 OTHER DOMESTIC FINANCING

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

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

Table 5.3 Foreign assets, net (Column 1) = the Bank of Finland's foreign

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

Table 5.4 Source: State Treasury Office. Other bonds and debentures (Column 2) are so-called private placings. Long-term promissory notes (Column 3) are bank loans. Outstanding lending (Column 10) comprises the stock of loans granted from the central government budget and from extra-budgetary funds. Cash funds (Column 11) comprise the cash funds held in central government accounting offices, funds held in cheque and postal giro accounts, as well as placements of central government cash funds. The main part of the latter is reserved for covering transferable allocations budgeted in previous years (for details, see the article "State Borrowing and Cash Management" by Pekka Laajanen and Pekka Saarinen in the August 1987 issue of the Bulletin). Transferable allocations amounted to FIM 8.1 billion at the end of 1988.

Table 5.5 Source: Table B: Statistics Finland from the beginning of 1991. Tables A and B include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland. Table C includes transactions in markka-denominated bonds outside the Helsinki Stock Exchange. Interbank transactions (Column 1) and transactions (purchases and sales) between banks and customers (Column 2) are transactions by the banks entitled to central bank financing. The State Treasury and the five largest banks (KOP, Okobank, Postipankki, Skopbank and Union Bank of Finland) agreed on a market making arrangement for benchmark government bonds with effect from 1 August 1992. Evi Securities Ltd was accepted as

primary dealer with effect from 1 May 1993. The primary dealers' quotes are published daily (page JVKD on Reuters). Purchases from and sales to others (Columns 4 and 5) consist of transactions in benchmark government bonds between primary dealers and other parties. Other parties refer to all parties that are not primary dealers.

Table 5.6 Source: The Helsinki Stock Exchange.

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

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

Table 6.2 Columns 1-5: Net change in long-term liabilities. Columns 6-10: Net change in long-term assets. Portfolio investment in Finland (Column 2) and abroad (Column 7) (marketable instruments): Primary and secondary market transactions in securities. Loans (Column 3) (non-marketable instruments): Financial loans, import credits, prepayments related to exports and leasing credits. Other long-term capital (Column 4): Finland's subscriptions to international financial institutions paid in the form of promissory notes + long-term deposit liabilities of banks + other long-term liabilities of central government, banks and other financial institutions. Loans (Column 8): Financial loans, development credits, export credits, prepayments related to imports and leasing credits. Other long-term capital (Column 9): Finland's subscriptions to international financial institutions + long-term deposits of banks + other long-term assets of central government, banks and other financial institutions.

Table 6.3 Net foreign debt (Columns 1-23) at the end of a period is classified in the same way as the corresponding data on changes in the capital account (Table 6.2). The items included in net foreign debt have been translated into markkaa using the spot rates for each date. Thus the figures include the impact of changes in exchange rates.

Table 6.4 The sectoral figures for short-term foreign liabilities and assets correspond to the figures shown in Columns 12-22 of Table 6.3.

7 FOREIGN TRADE

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

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

the import unit value index multiplied by one hundred.

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

8 DOMESTIC ECONOMIC DEVELOPMENTS

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

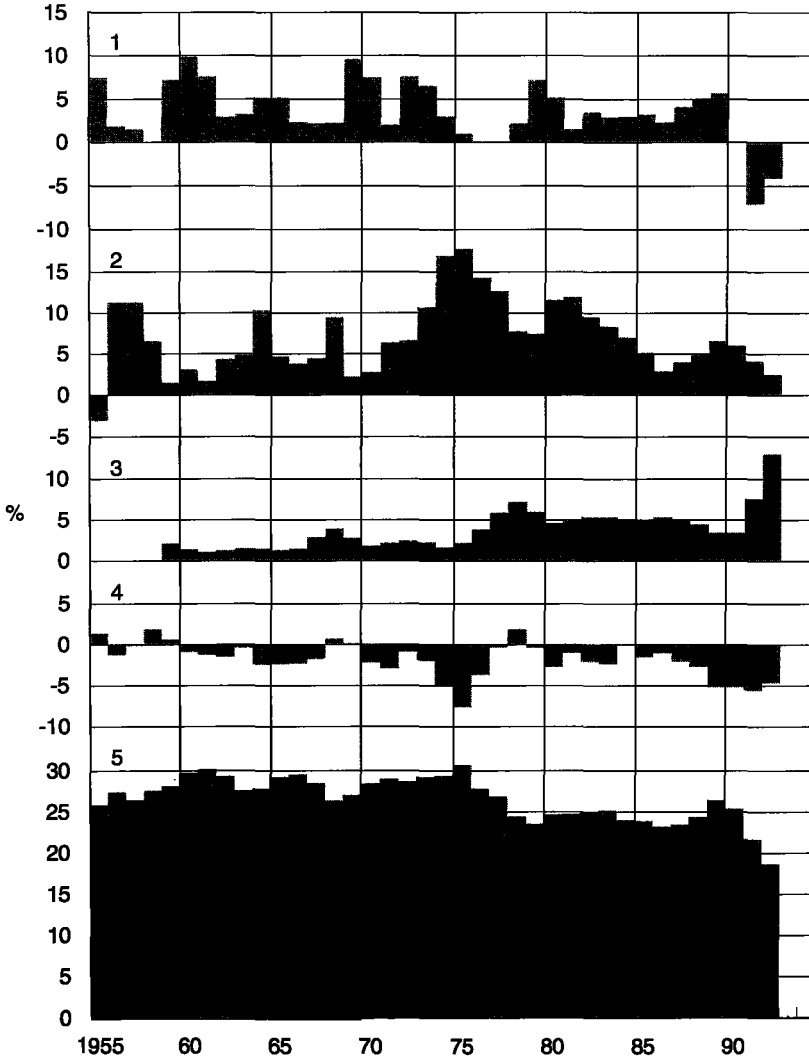
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

Table 8.4 The consumer price index (Column 7) was revised as from January 1988. Both the weights and the methods of calculation were changed (see the item in the March 1988 issue of the Bulletin). The base year is 1985.

Table 8.6 Source: Ministry of Finance.

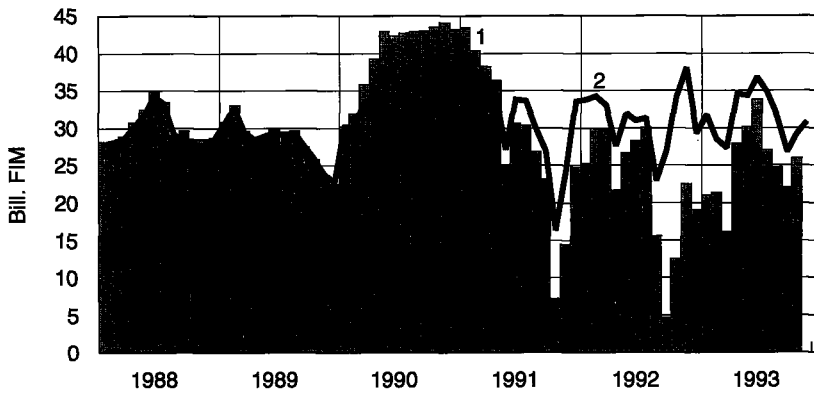
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
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5. Banks' liquidity position with the Bank of Finland	S30
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17. Bank funding from the public	S34
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29. Employment and the unemployment rate	S39
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32. Central government debt	S40

1. LONG-TERM INDICATORS



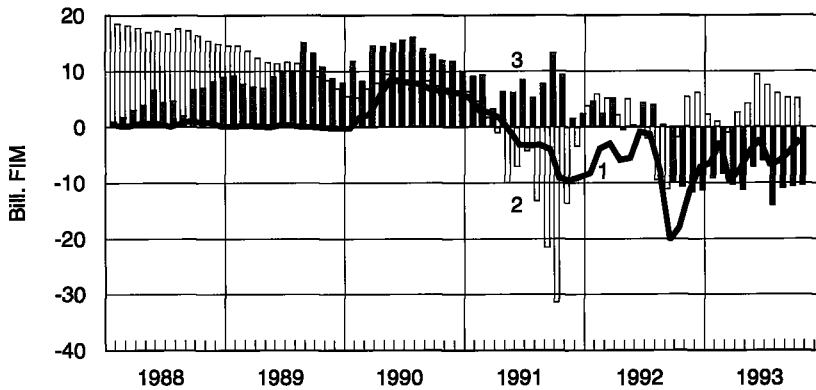
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



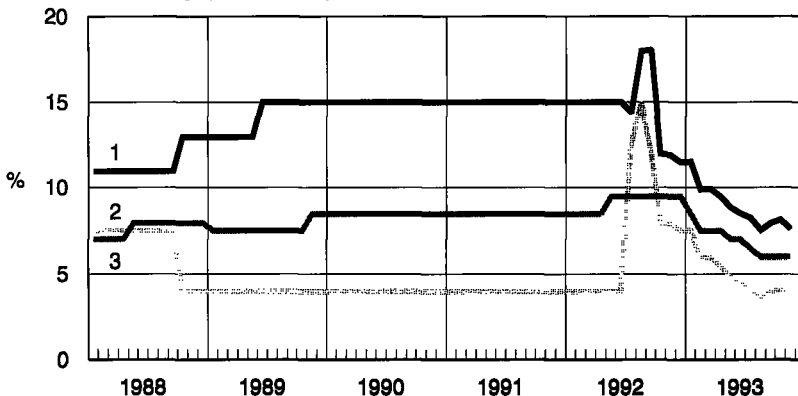
1. Foreign exchange reserves plus forward position
2. Foreign exchange reserves

3. FORWARD MARKET



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

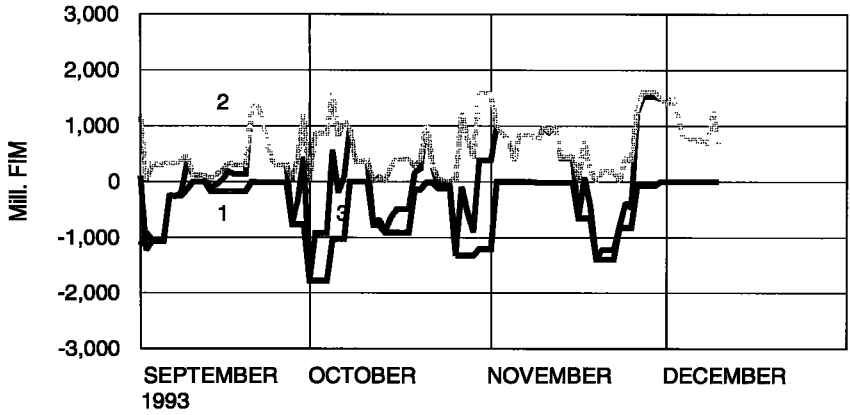
4. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



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

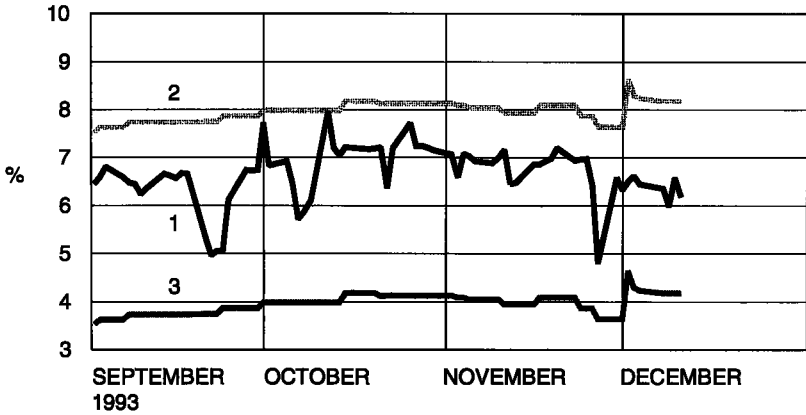
End-of-month observations

5. BANKS' LIQUIDITY POSITION WITH THE BANK OF FINLAND



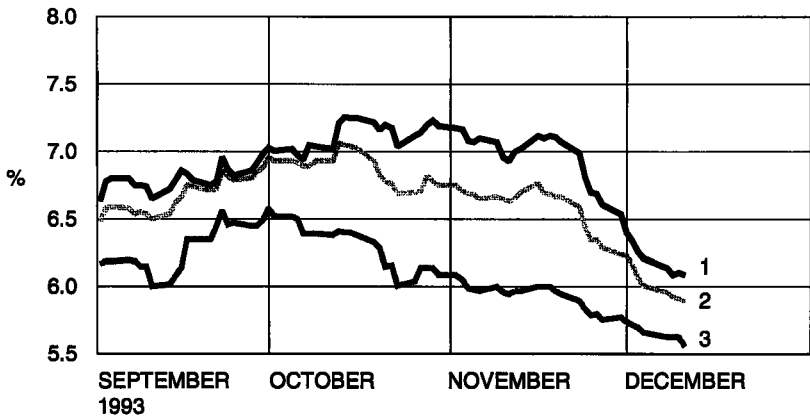
- 1. Liquidity credits (-)
- 2. Call money deposits
- 3. Net

6. LIQUIDITY MANAGEMENT INTEREST RATES



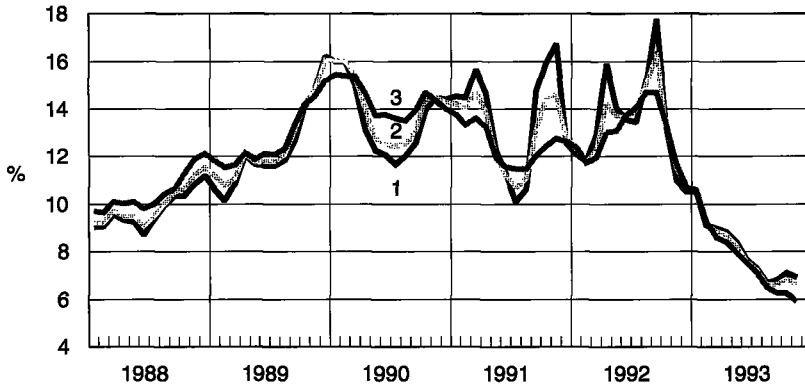
- 1. Inter-bank overnight rate
 - 2. Liquidity credit rate
 - 3. Call money deposit rate
- Daily observations

7. HELIBOR RATES OF INTEREST, DAILY



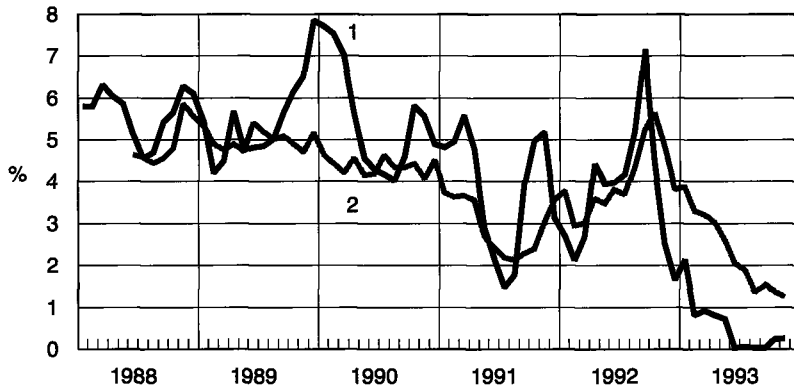
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

8. HELIBOR RATES OF INTEREST, MONTHLY



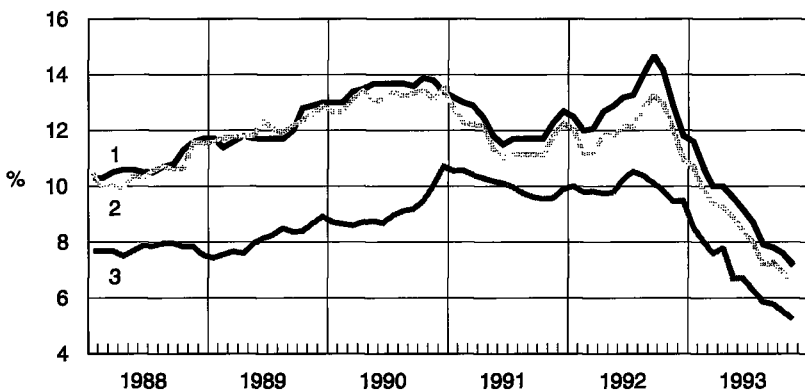
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

9. DIFFERENTIAL BETWEEN FINNISH AND GERMAN INTEREST RATES



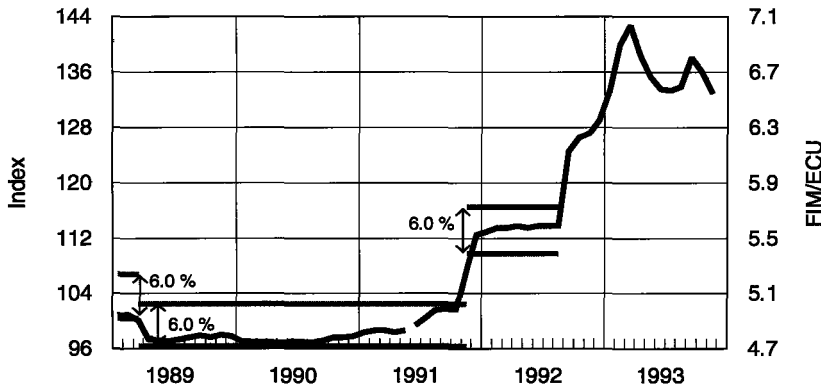
- 1. 3-month HELIBOR *minus* 3-month DEM eurorate
- 2. 5-year Finnish government bond yield *minus* 5-year German government bond yield

10. YIELDS ON BONDS



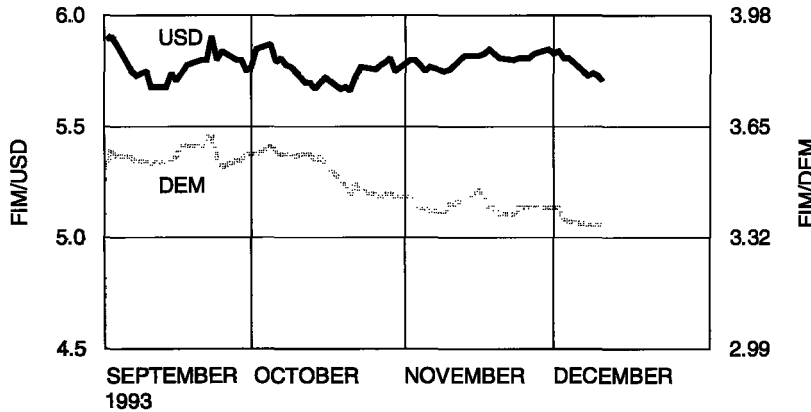
- 1. Bank of Finland's 5-year reference rate
- 2. Until April 1991, yield on (4-5 year) taxable government bonds
Since May 1991, yield on government bond due on 15 March 1996, coupon rate 11.75 per cent
- 3. Yield on (4-5 year) tax-free government bonds

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



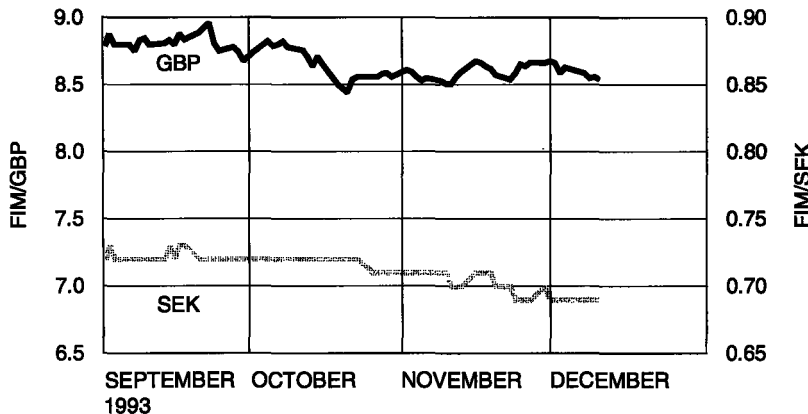
Until 7 June 1991, the Bank of Finland currency index. From 7 June 1991, the markka's exchange rate against the ECU, the fluctuation limits of which were 4.72953–5.02207 in the period 7 June – 14 November 1991, and 5.39166–5.72516 in the period 15 November 1991 – 7 September 1992. Since 8 September 1992,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

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



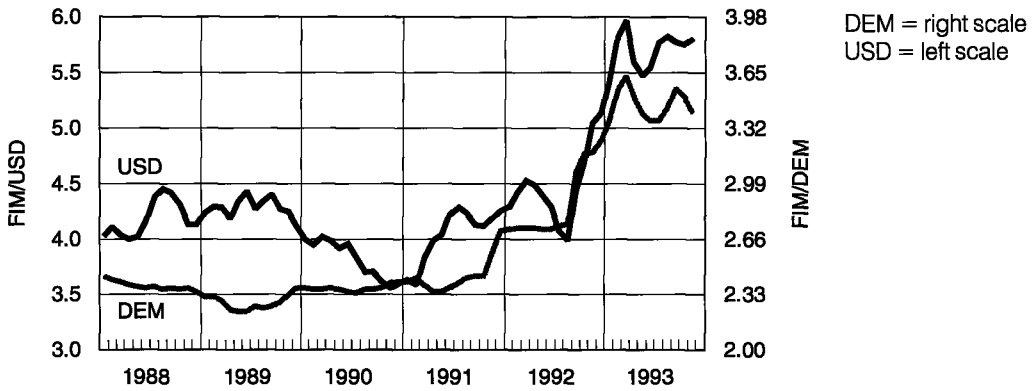
Middle rates
DEM = right scale
USD = left scale

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

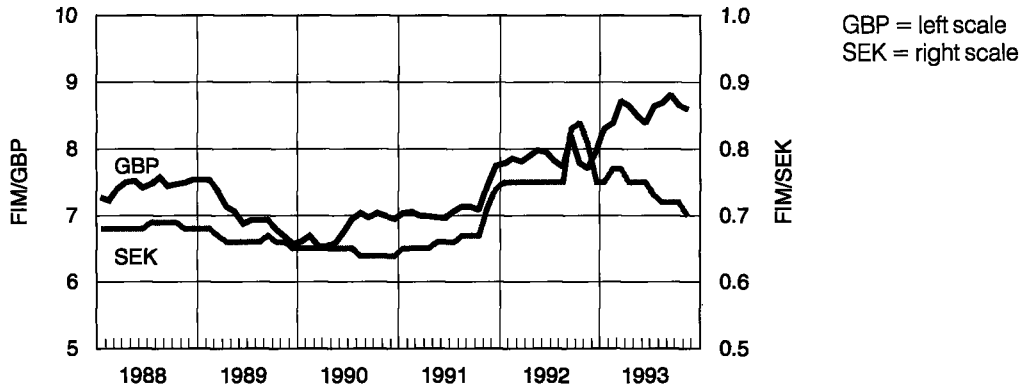


Middle rates
GBP = left scale
SEK = right scale

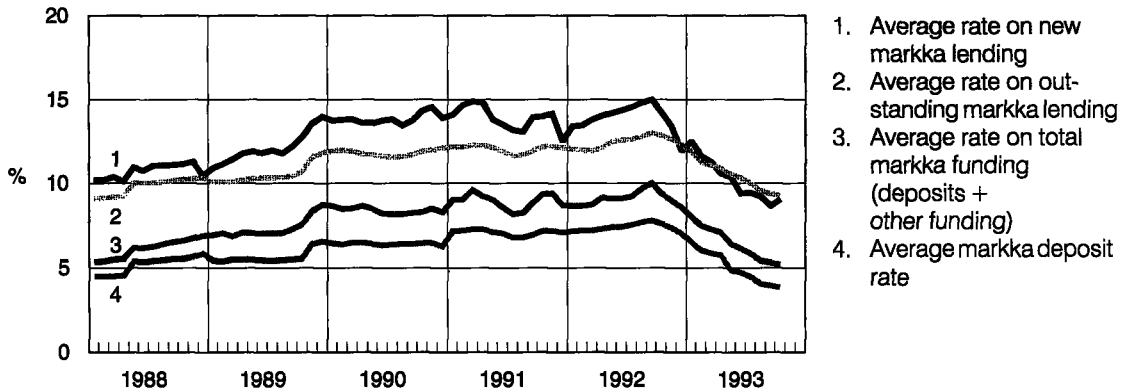
14. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE DEUTSCHMARK AND THE US DOLLAR



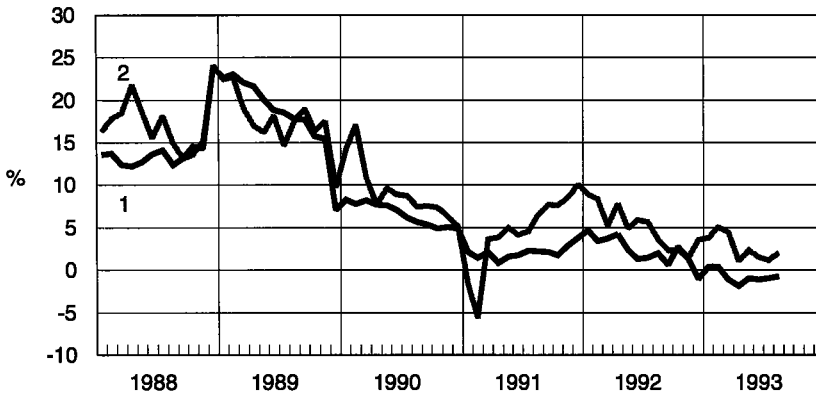
15. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE POUND STERLING AND THE SWEDISH KRONA



16. BANKS' MARKKA LENDING RATES AND MARKKA FUNDING RATES



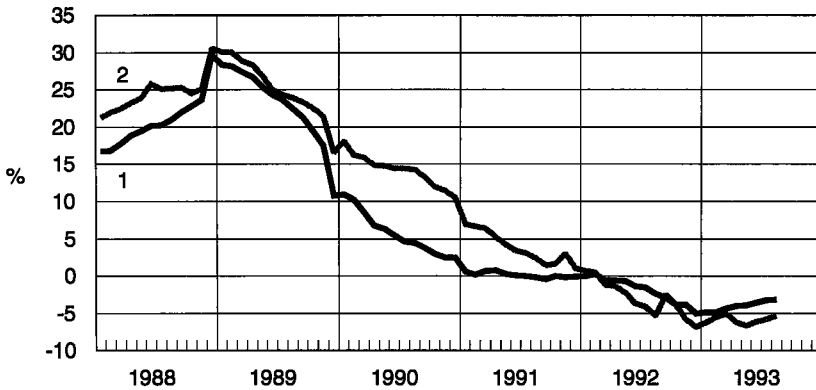
17. BANK FUNDING FROM THE PUBLIC



- 1. Markka deposits
- 2. Total funding

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

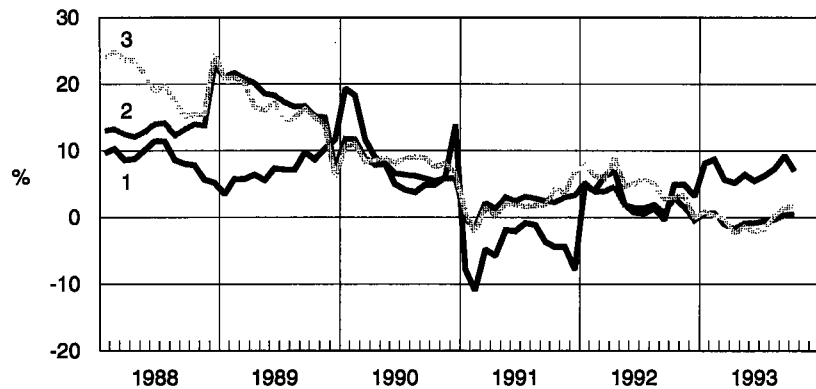
18. BANK LENDING TO THE PUBLIC



- 1. Markka lending
- 2. Total lending

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

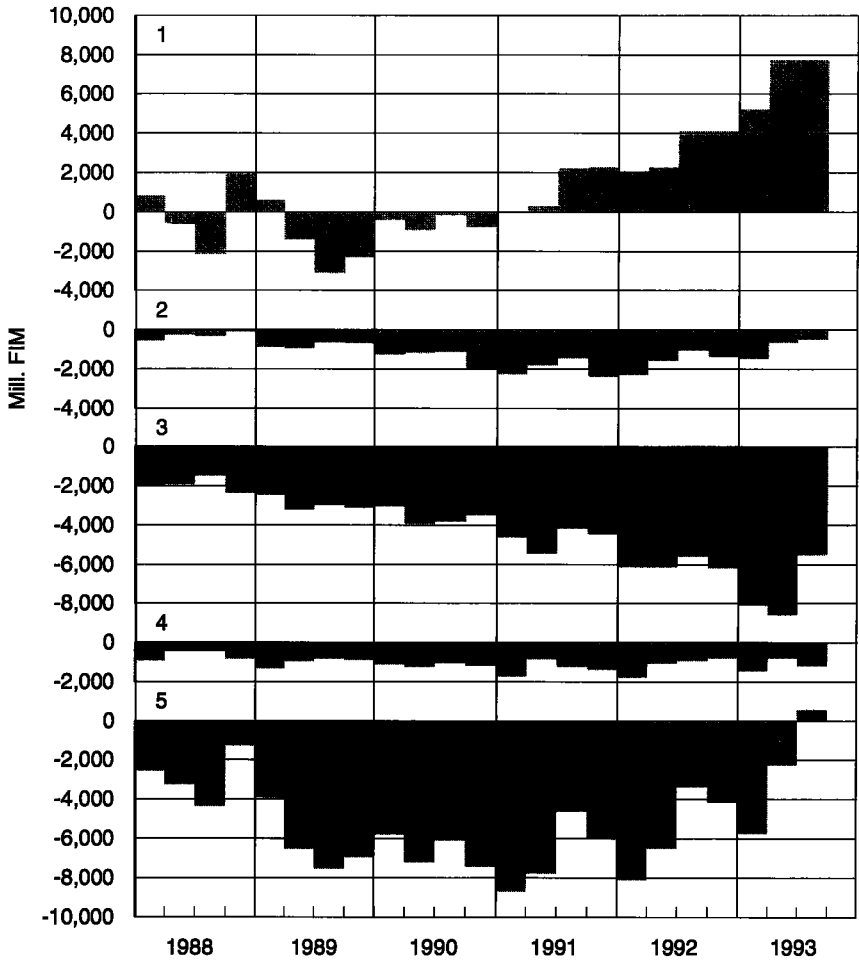
19. MONEY SUPPLY



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

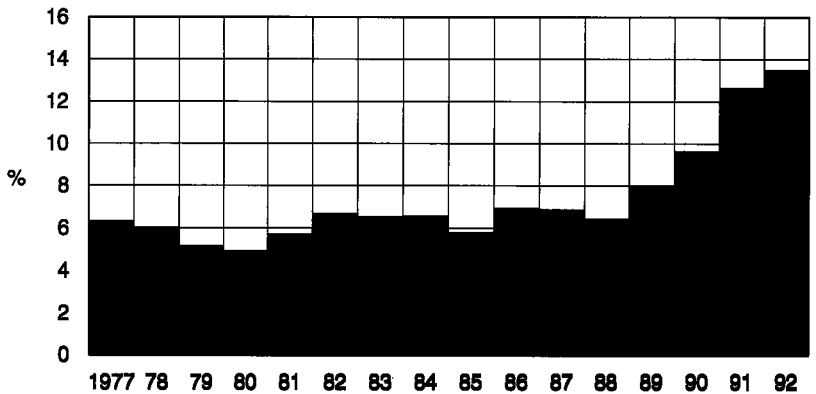
Change from the corresponding month of the previous year, per cent

20. CURRENT ACCOUNT



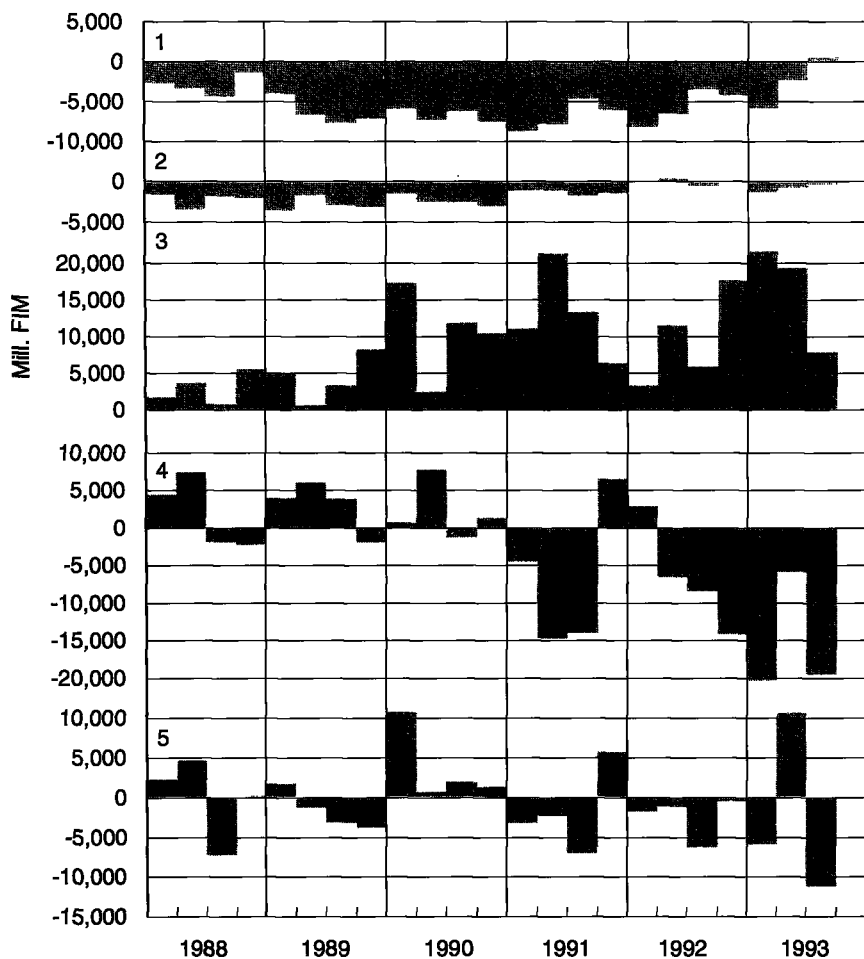
- 1. Trade account
- 2. Services account
- 3. Investment income account
- 4. Unrequited transfers account and other items, net
- 5. Current account

21. NET INTEREST AND DIVIDEND EXPENDITURE



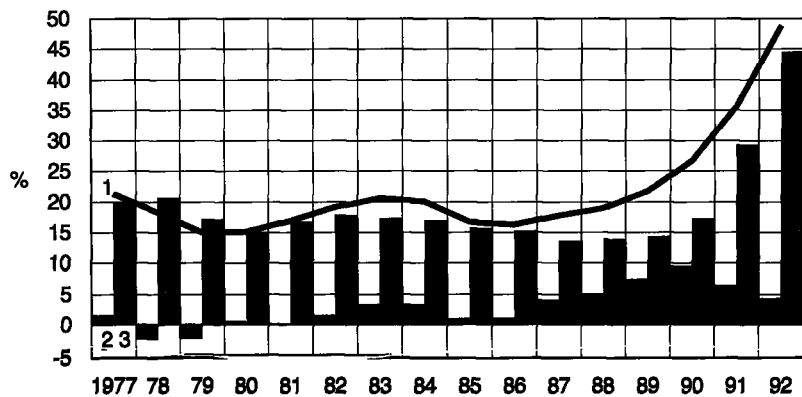
As a percentage of current account receipts

22. BALANCE OF PAYMENTS



1. Current account
2. Direct investment
3. Other long-term capital account
4. Short-term capital account
5. Overall balance = change in the foreign exchange reserves of the Bank of Finland

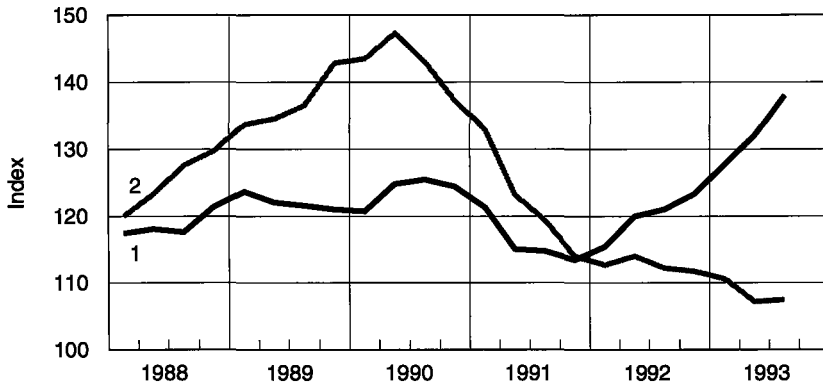
23. FOREIGN DEBT



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

As a percentage of GDP

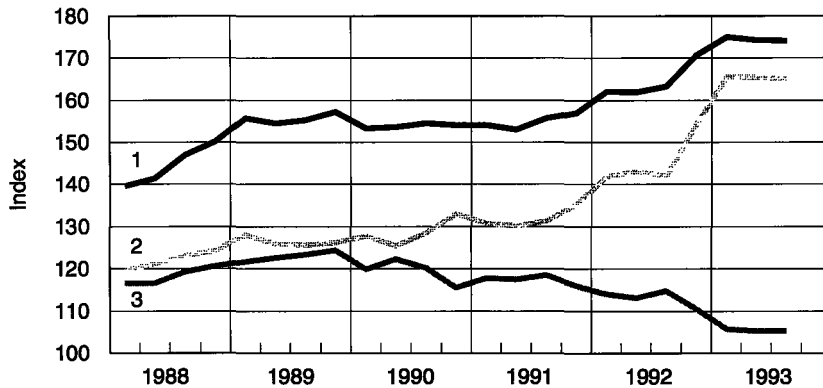
24. FOREIGN TRADE



1. Total exports
2. Total imports

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

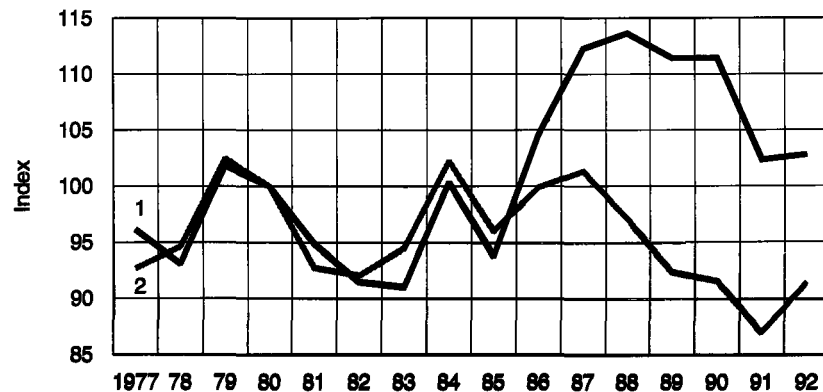
25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



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

1980 = 100

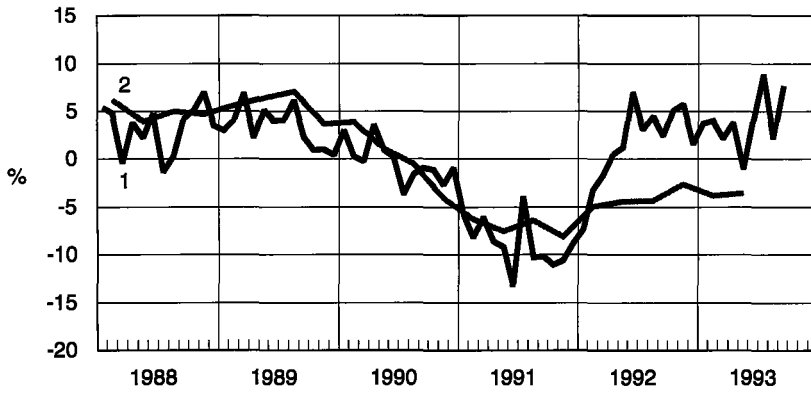
26. FINLAND'S EXPORT PERFORMANCE



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

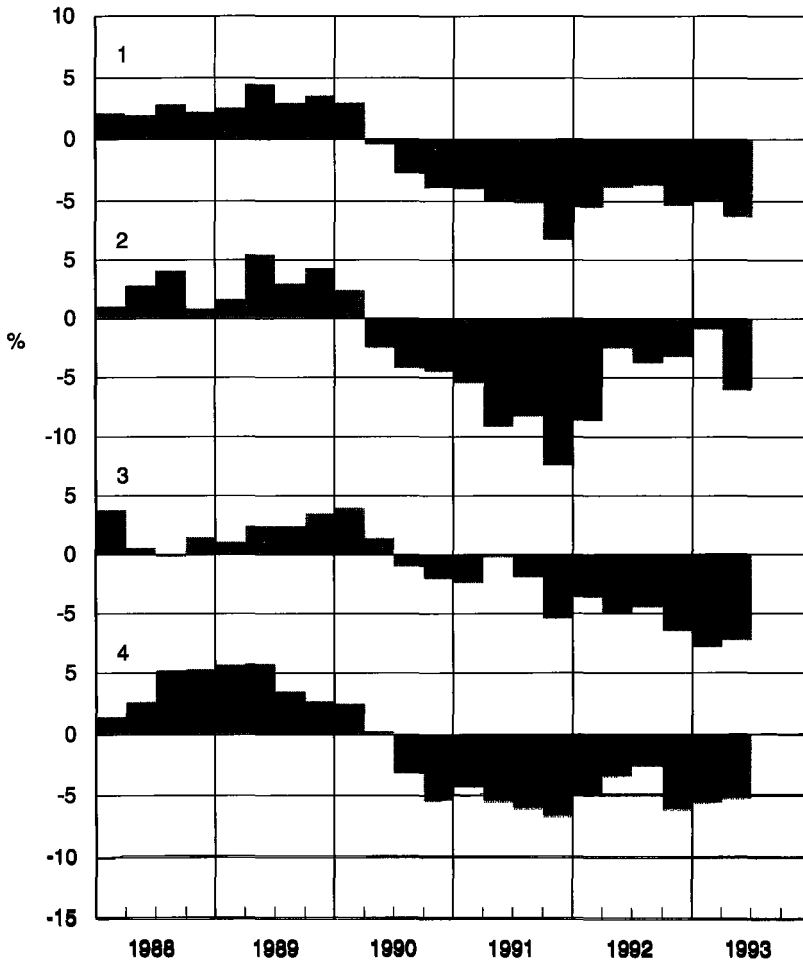
1980 = 100

27. PRODUCTION



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

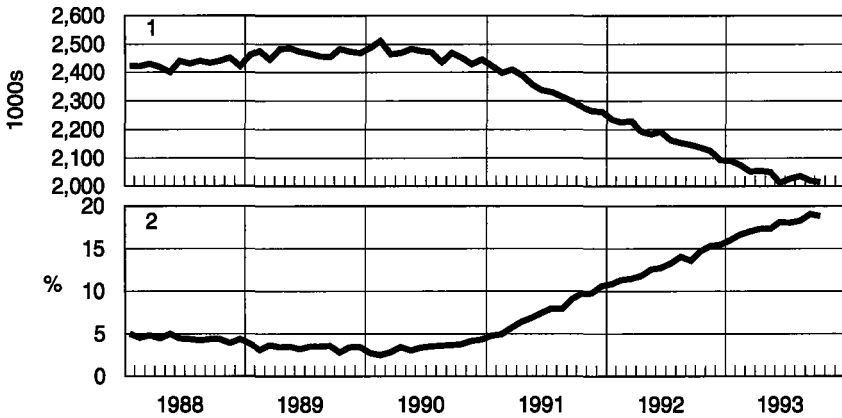
28. FIXED INVESTMENT



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

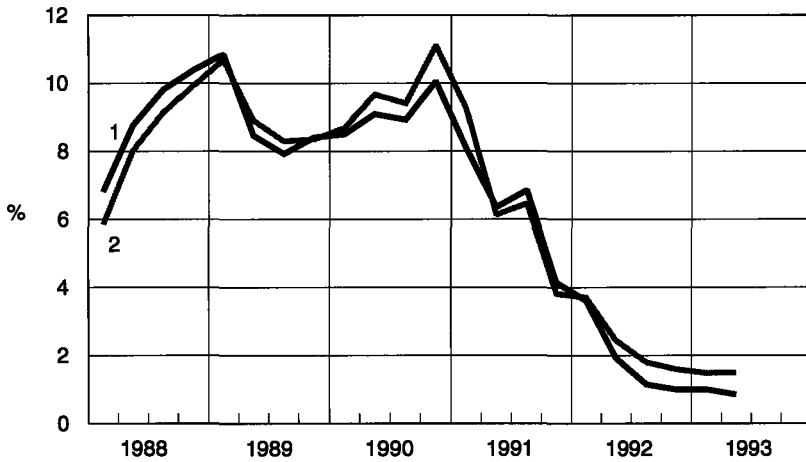
Volume changes calculated from four-quarter moving totals and plotted at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE



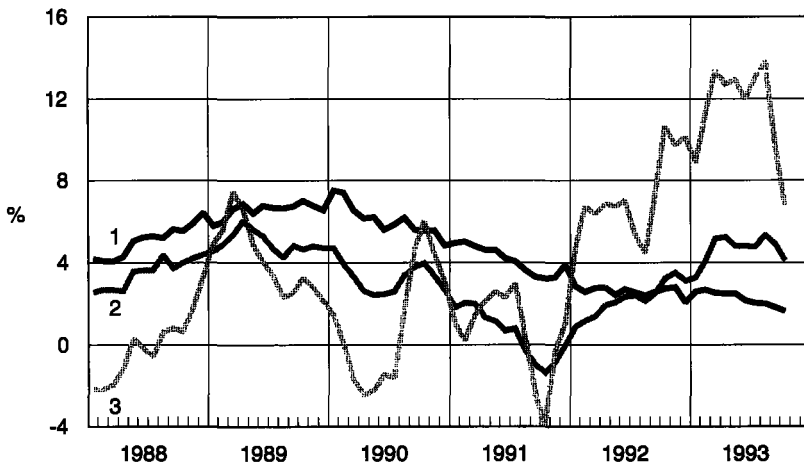
1. Employment, 1000 persons
2. Unemployment rate, per cent

30. PRICES AND WAGES



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

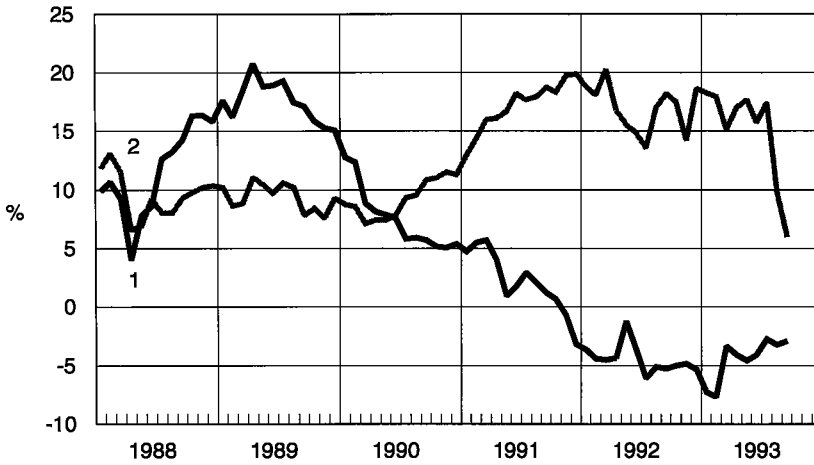
Change from the corresponding quarter of the previous year, per cent



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

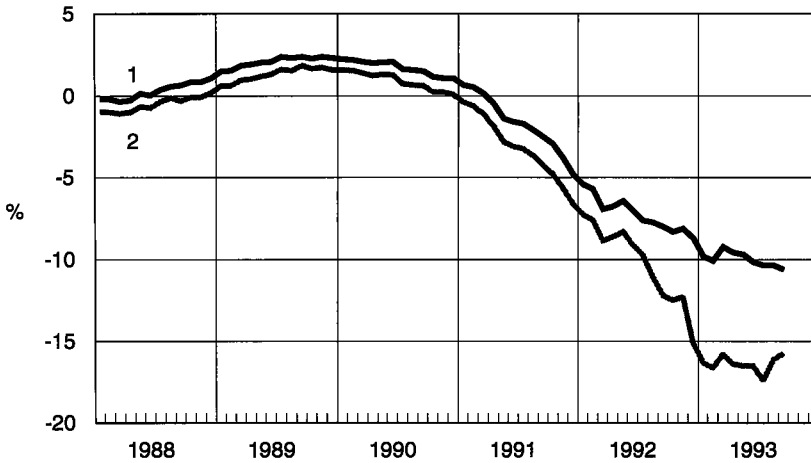
Change from the corresponding month of the previous year, per cent

31. CENTRAL GOVERNMENT FINANCES



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

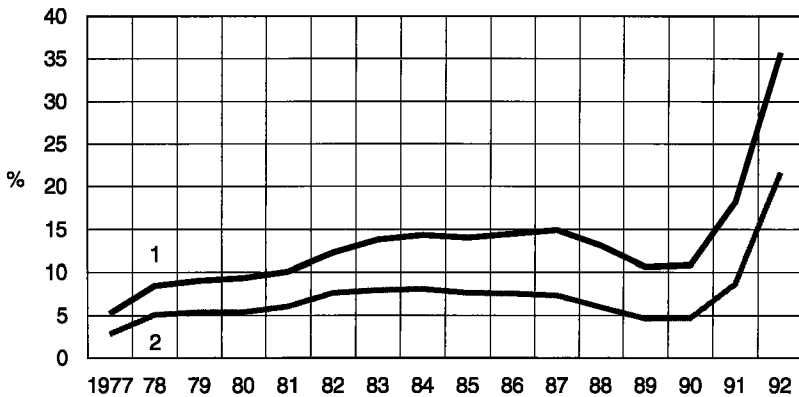
12-month changes calculated from 12-month moving totals and plotted at the last month, per cent



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

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

32. CENTRAL GOVERNMENT DEBT



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

As a percentage of GDP

BANK OF FINLAND*

30 November 1993

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