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Recent Financial Market Developments
and Monetary Policy

Fiscal Policy and Public Finance

Recent Financial Market Developments and Monetary Policy

by Helka Jokinen

3

Fiscal Policy and Public Finance

by Immo Pohjola

7

Items: The Bank of Finland and the EC central banks strengthen their
monetary cooperation

The Bank of Finland modifies the system for regulating bank liquidity

The Bank of Finland's investment inquiry

Primary dealer system for government bonds

Supplementary budget

Publication of the Bank of Finland

11

Monetary and foreign exchange policy measures
from August 1991 to July 199215

Finland in brief

18

Statistics

List of tables on page S1

Charts

List of charts on page S27

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RECENT FINANCIAL MARKET DEVELOPMENTS AND MONETARY POLICY

by **Helka Jokinen**, BSc (Econ)
Central Bank Policy Department
Bank of Finland

GROWTH OF EXPORTS A BRIGHT SPOT

Despite a clear pick-up in exports, the Finnish economy continues to face serious difficulties. The prolongation of the problems is primarily due to the continued high level of interest rates combined with the heavy indebtedness of the private sector. High financing costs have led to a rise in the number of bankruptcies, which, in turn, has caused credit losses for the banks. The Government has, however, extended support to the banking sector, particularly in the form of arrangements for maintaining capital adequacy, thereby preventing a reduction in credit supply. This support will, of course, further increase the financing requirement of the central government.

Companies in the open sector are beginning to fare better as exports have picked up sharply. The growth of industrial production, which started at the end of 1991, has been more robust than expected, and in recent months output has been running some 10 per cent higher than in the trough of the recession last autumn. Output in the metal and engineering industries, in particular, is rising rapidly, and order books have continued to strengthen. In the second quarter of this year, the volume of merchandise exports, adjusted for the effect of the transport strike in June last year, was some 11–12 per cent higher than in the corresponding period in 1991. These favourable developments are expected to continue despite the sluggishness of the international economy, since Finnish firms have been able to gain market shares.

Preliminary data indicates that real GDP in the first quarter of this year was still more than 3 per cent lower than a year earlier, but there was no decline from the last quarter of 1991. According to different indicators, total output turned up in the second quarter of this year. Growth is still being restrained by the slump in the domestic sector. The biggest fall in output has occurred in construction. The survey of investment intentions conducted by the Bank of Finland in May–June indicates that fixed investment in industry will decline by about one-tenth in the current year and that the downward trend will continue next year.¹ Though output is recovering, firms are likely to use the added revenue for debt repayment rather than new investment, as long as they have spare capacity and interest rates remain at the current level. Hence, it will take some time before the expansion of the export sector, a prerequisite for the attainment of long-term equilibrium in the economy, starts to have any major impact on the domestic economy.

EXTERNAL BALANCE IS IMPROVING, INFLATION IS LOW BUT UNEMPLOYMENT IS WORSENING

The expansion of exports in the first half of this year has improved the trade balance and the 12-month cumulative trade surplus amounted to FIM 9.0 billion in June as against a deficit of FIM 0.2 billion a year earlier.

The current account deficit has also declined. The 12-month cumulative current account defi-

cit was FIM 20.9 billion in June, compared with FIM 28.6 billion a year earlier. Thanks to the growth of merchandise exports and the improvement in the travel account, the goods and services account is now in approximate balance. The current account deficit, which is forecast to amount to some 4 per cent of GDP this year, is almost entirely the result of interest payments on foreign debt. The bulk of the current account deficit is being financed by bonds issued abroad, mainly by the central government. The central government's net capital imports amounted to FIM 24 billion in the first six months of this year.

Largely as a result of subdued domestic demand and a relatively modest rise in foreign trade prices, inflationary pressures have been kept in check, and prices have risen in Finland at a rate that is among the lowest in the industrialized countries. Measured by the consumer price index, the 12-month change in prices amounted to 2.7 per cent in June.

Unemployment has continued to rise because of the slack in the labour-intensive domestic sector. Normally, employment picks up in May because of seasonal factors, but this year the pattern was not been repeated. Though the number of people laid off has declined in recent months, the number of long-term unemployed has continued to increase. In June, the number of unemployed amounted to 12.6 per cent of the labour force.

¹ See also the item in this issue of the Bulletin.

WEAK DOMESTIC ECONOMY IS STRAINING CENTRAL GOVERNMENT BUDGET²

In late June, the Government issued its proposal on the central government budget for 1993. The aim is to support the restoration of equilibrium to the economy and to strengthen the budget by cutting expenditure. The budget provides for spending cuts of FIM 7.5 billion in 1993; total expenditure is projected to decrease in real terms. Excluding the support package for the banking sector, the volume of central government expenditure is estimated to fall by some 2 per cent. This implies that the volume of other expenditure will have to be cut by nearly 5 per cent, as interest payments are rising rapidly. The central government's net financing requirement is estimated to decrease in 1993 as a result of a substantial reduction in financial investments.

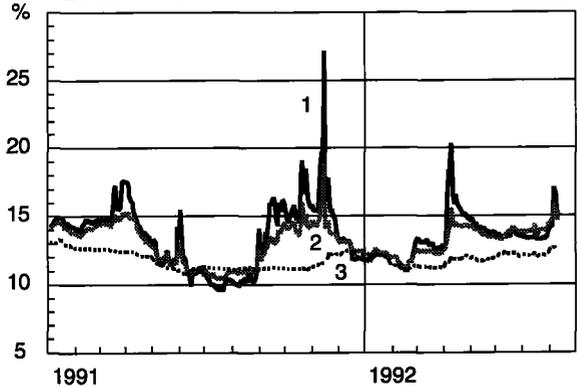
MARKET INTEREST RATES HAVE REMAINED HIGH

After the turbulence in the foreign exchange market in April, interest rates have remained at a high level. Short-term rates declined until early June, but they have subsequently moved higher again. The main reasons for the rise in market rates seem to be lingering doubts about the Government's economic policy, even after the publication of the stringent budget proposal for 1993, as well as stern warnings by some union leaders about the difficult incomes negotiations that lie ahead in the autumn. In addition, the municipal elections to be held in the autumn have increased political uncertainty. The uncertainties regarding developments in the autumn are clearly reflected in the fact that 6-month interest rates and, more recently, also 3-month rates have been particularly high.

The Bank of Finland has allowed interest rates to respond to market pressures with the aim of stabilizing the external value of

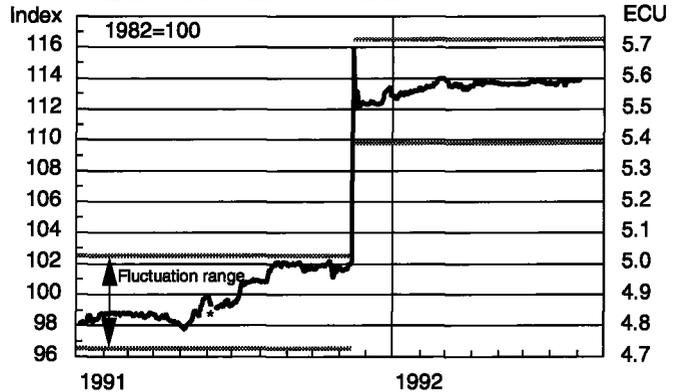
CHART 1.

KEY INTEREST RATES



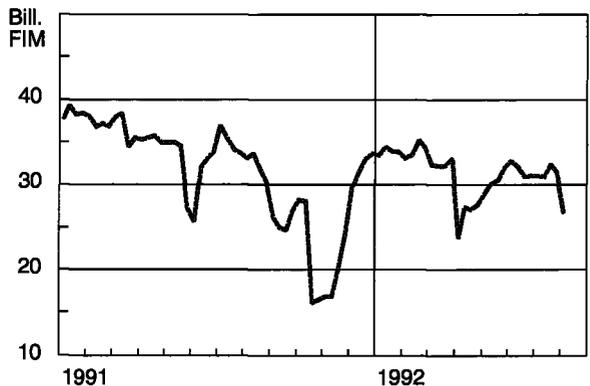
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. Rate on 5-year government bonds

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



* Markka linked to ECU since June 7, 1991

CONVERTIBLE FOREIGN EXCHANGE RESERVES



² See also the article by Immo Pohjola in this issue of the Bulletin.

the markka. In the first week of August, the Bank decided to raise the interest rates applied in the provision of central bank financing to commercial banks and to extend the maturity for central bank liquidity credits from 7 days to 14 days. This step was prompted by the capital outflow which had occurred in recent weeks.

The rise in interest rates has also affected bond yields. Since March, the yield on 5-year government bonds has risen by some one and a half percentage points to about 12.5 per cent, while the yield on bank-guaranteed bonds has risen to about 13.5 per cent. Denmark's rejection of the Maastricht agreement also increased yields on Finnish bonds by more than ten basis points, which, however, was relatively little in comparison with some other countries in Western Europe.

The differential between domestic interest rates and private ECU rates has recently been just under 3.5 percentage points for both 3-month and 5-year maturities. In real terms, however, the differential is some two percentage points higher. The real long-term interest rate in Finland is about 10 per cent, which is clearly the highest in Western Europe.

The markka's exchange rate has been kept stable. In order to strengthen the Bank's capacity to defend the exchange rate, swap agreements were negotiated with the central banks of the EC countries in July. In addition, the Bank of Finland has access to similar support arrangements previously agreed with the central banks of most EFTA countries.³

GOVERNMENT REAFFIRMS ITS COM- MITMENT TO FIXED EXCHANGE RATE

In order to remove the uncertainty prevailing in the market regarding its economic policy, the Government released an eight point declaration on 6 August. The declaration states that economic policy is based on the fixed exchange rate and curtailment of

the public sector deficit. If central government expenditure had to be increased, eg due to rising unemployment benefits, an equal amount would be cut from other expenditures. The plight of the banking sector will be alleviated by reducing the banks' funding costs through an extension of the taxfree status of deposits to include three-year deposits and a prolongation of the period during which fixed-term taxfree deposits are allowed. Moreover, the Government announced that it will secure the ability of the banking system to function under all circumstances.

OUTSTANDING BANK LOANS DECLINE

The stock of outstanding bank loans has been diminishing since November 1991; for markka loans the decline was over 2 per cent in the first six months of the current year. Apart from the high level of interest rates the reasons for the decline are the sluggishness of demand for credit due to the recession and the tighter loan conditions applied by the banks, including stricter collateral requirements. Firms are having difficulty in raising the collateral required for bank loans now that asset values have plummeted. The banks must adhere to strict lending policies in order to meet a tightening in capital requirements. The amount of outstanding foreign currency bank loans has declined by even more than that of markka loans in the first six months of the year, ie by over 9 per cent.

Short-term deposits of both households and firms have declined, but broad money has grown by one per cent in the first six months of the year, reflecting an increase in households' fixed-term deposits.

Banks' results for the first four months of 1992 were notably weaker than last year, one consequence of which has been a sharp decline in the prices of bank shares. The banks' difficulties stem primarily from increasing credit losses and non-performing loans. According to interim reports for the first four

months, commercial banks' credit losses amounted to FIM 2.6 billion, compared with FIM 0.8 billion for the corresponding period in 1991. Non-performing loans hurt banks' financial results because of their failure to generate interest income. Part of the non-performing loans are expected to show up later as credit losses.

GOVERNMENT SUPPORT FOR BANKS

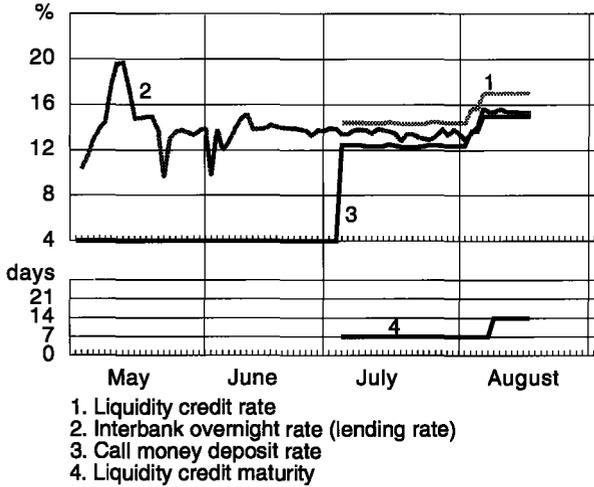
Following the decision reached in March to provide capital support to banks, the principles to be applied in the allocation of support were agreed in June. The basis for allocating support is a bank's size as measured by its risk-weighted claims and off-balance-sheet items. A bank must indicate whether it wishes to receive support by either 14 August or 16 December. The capital injection is intended specifically as a means of strengthening banks' capital ratios.

Saving banks have encountered more difficulties than banks on average, as they have heavily financed the hard-hit real estate and construction sectors and many of them pursued an aggressive lending strategy in the late 1980s. To alleviate these problems, the Government Guarantee Fund decided in June to grant FIM 5.5 billion in capital support to the Savings Bank of Finland (SBF). SBF is the outcome of a merger of more than 40 savings banks; the actual merger will take place in the autumn. The Fund will also provide SBF with a guarantee of FIM 1.7 billion. The support is subject to the condition that the bank be reorganized as a limited liability bank in the autumn and that its preferred capital certificate issue be convertible into shares. The support will be provided through the savings banks' own guarantee fund, most of it initially as a loan at market interest rates, to be used solely for strengthening the financial positions of savings banks merging with the SBF. Later, the support loan will be converted into capital support, and the Government

³ See the item in this issue of the Bulletin.

CHART 2.

THE BANK OF FINLAND'S LIQUIDITY FACILITY
(Business days)



Guarantee Fund will subscribe the bank's preferred capital certificates.

In June, Scopulus Oy, owned by the Bank of Finland, sold its shares in Skopbank, as well as its holdings of Skopbank capital certificates, to the Government Guarantee Fund.⁴

CHANGES IN THE MONEY AND CAPITAL MARKETS

The Bank of Finland's call money deposit and credit facility was replaced by a new liquidity facility with effect from 1 July 1992.⁵ The essential change was that, under the new facility, deposit and credit interest rates are closer to, and generally move in line with, market interest rates. In addition, longer maturities are now available for credits. The main purpose of the change is to reduce the volatility of short-term rates, though it also provides the central bank with a flexible means of raising the interest rate applied to central bank financing whenever necessary (Chart 2).

The State Treasury and the Ministry of Finance have agreed with the banks on the setting up of a primary dealer system for trading in serial bonds and Housing

Fund bonds. Trading under the new arrangement commenced at the beginning of August.⁶

11 August 1992

⁴ See the item in the June–July 1992 issue of the Bulletin.

⁶ See the item in this issue of the Bulletin.

⁶ See the item in this issue of the Bulletin.

FISCAL POLICY AND PUBLIC FINANCE

by **Immo Pohjola**, Financial Councillor
Economics Department
Ministry of Finance

As a result of social reforms public income transfers attained quite generous levels in Finland in the 1980s. The reforms carried the risk that they would lead to an excessive expansion of the public sector with its concomitant upward pressure on the tax burden. This risk became a reality at the beginning of the 1990s when the Finnish economy entered a severe recession. A sharp contraction in GDP and domestic demand and a rapid rise in unemployment have, in a short time, raised social security expenditure and hence total government spending to a new level. At the same time, tax revenue has plunged, so that the financial deficit of the public sector is likely to rise to as much as 7 per cent of GDP this year.

The recession has called into question the traditional links between macroeconomic policies – particularly the link between fiscal policy and incomes policy – as well as the feasibility of fiscal fine tuning. The economic policy environment has changed primarily because of financial market liberalization and the integration goals adopted by Finland, a prerequisite for which is a fixed exchange rate policy. Continuation of expansionary fiscal policies in the present economic circumstances would further exacerbate the imbalances in the economy with adverse effects on employment in the medium term.

RECESSION BOTTOMED OUT IN EARLY 1992

The growth of the Finnish economy came to a virtual standstill in 1990, and GDP declined by 6½ per cent in 1991. GDP is likely to fall, on average, in the current year as well. However, industrial production, which turned up to-

wards the end of 1991, is continuing to increase. In 1993 GDP is expected to grow somewhat aided by the momentum of exports, though domestic demand will remain subdued.

Among the reasons for the slump in economic activity in Finland were the economic recession in other industrialized countries, the collapse of trade between Finland and the former Soviet Union, higher real interest rates and over-indebtedness in the domestic economy. The collapse of trade with the area of the former Soviet Union is estimated to have contributed 2 percentage points to the fall in GDP in 1991. Total merchandise exports nevertheless resumed growth in the second half of 1991, a development which has been supported by the devaluation of the markka in November and by other measures taken to promote the competitiveness and profitability of the business sector. The expected recovery in the world economy in 1993 would further improve Finland's export prospects. But the continuing economic crisis in Russia and high debt levels at home are likely to dampen Finland's recovery.

FISCAL POLICY STRONGLY COUNTERCYCLICAL

Fiscal policy was tightened in Finland in the late 1980s in order to curb domestic demand, but the steps taken did not go far enough and in part they came too late. The latter applies particularly to the income tax reform, the first phase of which did not get under way until 1989. The changes in taxation reduced the tax-exempt status of bank deposits and increased competition for financial savings, thereby also pushing up lending rates. The reduction in

the deductibility of interest payments resulted in a rise in the level of after-tax real interest rates faced by households; the rise in house prices in the boom operated in the same direction by substantially increasing the average size of loans needed to finance home purchase.

Fiscal policy swung over to an expansionary stance at the beginning of the 1990s after the slowdown in economic activity. The fiscal stimulus arose both through the operation of built-in stabilizers – as tax revenue decreased and expenditure on unemployment benefits increased – and discretionary measures. The expansionary impact was particularly strong in 1991.

Fiscal policy will provide a further significant stimulus to the economy in the current year through the automatic effects of tax revenue and unemployment benefits, but according to high-employment budget calculations the discretionary component of fiscal policy will become restrictive. Several tax increases – some temporary – have been decided on and spending has been cut or deferred. It should, however, be noted that some expansionary measures have not been included in the calculation, most notably a substantial increase in financial investments by the central government and a 2½ percentage point cut in contributions to the earnings-related, labour market pension scheme, which is managed for the most part by private insurance institutions.

To ward off the dual threat of a banking crisis and a 'credit crunch', the state has, as an exceptional measure, made available FIM 8 billion in budgetary funds this year for strengthening banks' capital positions. In addi-

tion, the Government has decided to set up a guarantee fund (off budget) with access to up to FIM 20 billion for ensuring the stability of the banking system and protecting depositors' claims.

Fiscal policy is projected to be mildly expansionary yet in 1993, largely because of the postponement of tax refunds from December 1992 to the following January. According to the 1993 budget proposal, some of the tax increases in force in the current year will be reduced, in addition to which tax revenue will remain at a very low level because of the continued depressed state of domestic demand. The volume of public expenditure is projected to decline.

Though more than half of this year's general government financial deficit will still be cyclical in origin, the structural deficit has become rather large. Moreover, it is growing rapidly along with the accumulation of debt and rising interest payments. Its elimination will require a significant tightening in fiscal policy and reorganization of the public sector in the years ahead.

In fact, the reorganization of the public sector has already been in progress for some years. Efforts to enhance the efficiency of the public sector have gained added importance as a result of the process of European integration and the goals set for convergence of economic performance in connection with economic and monetary union (EMU). They have become even more urgent since Finland applied for membership in the Community in March. Although, according to the EMU timetable, the convergence criteria will not become binding for several years, both the EC and the financial markets already use them as a benchmark for judging Finland's economic performance.

Though government debt embarked on a sharp upward trend with the onset of recession, it was nevertheless still only 24 per cent of GDP at the end of 1991 (the EMU convergence criterion is 60 per cent), calculated

TABLE 1. FISCAL IMPACT

	1988	1989	1990	1991*	1992**
	% of GDP				
Change in general government financial balance	- 2.8	- 1.6	1.8	7.1	1
Built-in stabilizers	- 1.1	- 1.1	0.9	4.5	2
Discretionary component (high-employment deficit)	- 1.7	- 0.5	0.9	2.6	- 1
Growth of real GDP	5.4	5.4	0.4	- 6.5	- 1

* Preliminary

** Forecast

TABLE 2. PUBLIC SECTOR INDICATORS

	1970-79 annual averages	1980-88	1989	1990	1991*	1992**
	% of GDP					
Public consumption and investment	20.0	23.1	22.9	24.5	28.0	27
Transfers to the private sector	11.3	12.8	12.2	12.8	16.3	17½
Total public expenditure	34.3	39.5	38.3	41.0	48.9	51
Taxes, gross	34.1	35.3	37.2	37.7	37.5	38½
Taxes, net	22.8	22.6	25.0	24.9	21.2	21
Financial surplus (net lending)	3.5	0.2	2.9	1.1	- 6.0	- 7
Financial surplus, incl. TEL	5.6	2.9	5.7	4.8	- 2.3	- 4
Debt	12.5	20.0	17.0	17.6	24	34

* Preliminary

** Forecast

according to the EC definition of government debt. By contrast, the government budget deficit, calculated according to the national definition, failed to meet the 3 per cent convergence criterion last year, and is expected to deteriorate further this year because of the continuing recession. If, however, the statutory labour market pension (TEL) funds¹ are included in the public sector, then the deficit would almost satisfy the convergence criterion this year.

With the ongoing integration process, the relative size of the public sector and the level and structure of the tax burden are becoming increasingly important factors for international competi-

tion. In Finland, the share of GDP accounted for by the public sector has been around the average level for OECD countries and distinctly below that for the other Nordic countries. Economic integration implies the need for tax harmonization and thus pressures in Finland for lowering, *inter alia*, the level of progressive income taxation. Correction of the structural problem also calls for the transfer of resources from the sheltered sector to the competing sector.

PUBLIC EXPENDITURE

The growth of public expenditure slowed in the late 1980s, in part because of deliberate policy action but primarily because of Finland's good economic performance. Vigorous economic growth reduced expenditure related to unemployment and public investments were postponed so as to prevent the overheating of the economy.

¹ In most countries earnings-related pension schemes are included in the government sector in the national accounts. In Finland the Labour Market Pension Scheme (TEL) is mainly managed by private insurance companies, even though it is statutory and compulsory.

TABLE 3. PUBLIC CONSUMPTION, INVESTMENT AND TRANSFERS TO THE PRIVATE SECTOR

	1987	1988	1989	1990	1991*	1992**
	Volume change, %					
Consumption						
Central government	4.4	1.8	1.6	7.7	3.9	0
Local government	4.7	2.5	3.0	3.1	2.8	-1
Investment						
Central government	11.8	-0.3	-0.9	17.5	12.6	0
Local government	7.4	-2.7	-2.3	10.7	-0.6	-14
Transfers	3.2	2.0	3.4	8.5	16.6	7½
TOTAL	4.5	1.9	2.7	6.7	8.5	2

* Preliminary

** Forecast

The ratio of public expenditure to GDP declined in 1988 and 1989 but then resumed a clear upward trend, which has been maintained in the current year. Besides a rise in spending, the growth in the ratio was due to the slowdown and subsequent contraction in total output.

As a result of the measures taken to curb public expenditure, the number of employees in the public sector is already declining. The growth of consumption has come to a halt in both the central and local government sectors, and spending is projected to fall next year. Public investment will decrease both this year and in 1993.

Increasing efforts are also being made to curb the growth of public transfers, although transfers to the private sector grew at an exceptionally rapid pace at the beginning of the 1990s. As part of the incomes policy settlement reached at that time, the government undertook, *inter alia*, to increase child allowances and the number of places in daycare centres. Towards the end of 1991, soaring unemployment led to a sharp increase in expenditure related to unemployment. The rapid rise in expenditure applies to transfer payments by both the central and local government sectors, and is continuing in the current year; however, the volume of transfers is expected to fall slightly in 1993.

Efforts to improve the efficiency of public sector activities have centred around management reforms launched in the 1980s.

In central government, management is being enhanced by the gradual introduction of result-oriented management and budgeting systems over the period 1990-1995. The reform gives government organizations greater responsibility for output and results while allowing them greater freedom in their day-to-day operations.

In local government, the reform of the state-aid system will be implemented at the beginning of 1993 after a preparatory stage lasting several years. Up till now, the state-aid system has been based on the automatic reimbursement of a specified proportion of municipalities' expenditure. Under the new system, the state-aid received by municipalities will be determined on the basis of average imputed costs, thus enabling municipalities to benefit directly from any savings they can achieve. The abandonment of the old system will reduce the need for monitoring systems in both central and local government, and provide an incentive to municipalities to improve the efficiency of their activities. However, the reform *per se* will not entail any change in the division of costs between central and local government.

A measure of major importance for controlling the growth of public expenditure was an amendment made to constitutional law in June 1992 which allows government spending to be cut or the enforcement of laws to be suspended by a simple majority in Parliament. Basic social

security benefits, ie certain specified transfers to households, cannot be curtailed in this way, which limits the scope of application of this procedure to some extent. Prior to the change, cuts in government expenditure required a qualified (2/3) majority and in practice the cooperation of the opposition parties and the tacit support of the trade unions.

Besides the acceleration in the growth of spending, the government budget balance has been strained by the relative rise in the price component of public expenditure. This is due to the rapid rise in wages in the local government sector around the beginning of the decade and to higher rates of contribution to central and local government pension funds. Pensions are being funded in anticipation of a rapid increase in public expenditure on pensions in later years. Over the long term, the public consumption deflator has risen at a rate which has been one percentage point higher on average than the GDP deflator, but in the years 1990-1991 the gap widened to as much as 3 to 4 percentage points. The decision to introduce a 3 per cent pension contribution to the TEL scheme for employees in 1993 and to lower the corresponding contribution rates for employers, should slow the rise in the public consumption deflator over the next few years.

TAXATION

The tax ratio (gross taxes in relation to GDP) has remained fairly steady at around 37 per cent for the past five years. In connection with the comprehensive income tax reform launched in 1989, tax rates were lowered and deductions reduced. But, with the recession and consequent contraction in tax bases, both the central government and the municipalities have been forced to raise national and local income tax rates again, though partly on a temporary basis. The sales tax rate was raised in December 1989 and twice in 1991, in January and October. The temporary reductions in the private em-

ployers' sickness insurance contribution rates came to an end in June of this year. Two new taxes were introduced: the credit tax in 1990 and the travel tax in 1991. The fuel tax has been raised on environmental grounds.

The tax ratio is estimated to rise in 1992 to 38½ per cent. Among the factors contributing to the rise are the 0.8 point increase in the sales tax rate implemented in autumn 1991, the imposition of a 2 per cent 'employment' tax on wage and salary earners and the non-adjustment of income tax scales for inflation. In addition, an extra sickness insurance contribution is being levied on persons earning more than FIM 80 000 a year and the deduction for medical expenses in personal income taxation has been abolished. Because of the sharp rise in unemployment, it proved necessary to raise the employers' unemployment insurance contribution rate by more than two percentage points.

The tax ratio is likely to fall again in 1993. This will be partly for technical reasons; after delays in the past two years, the final assessment and settlement of income tax liabilities will return to the normal timetable in 1993, so that there will be two tax refunds in the course of the year. Tax revenue will also fall because of the major reform of capital taxation due to take effect next year and the introduction of employees' contributions to the labour market pension scheme, which will be deductible in income taxation. The prospects for tax revenue are modest in subsequent years as well, so that budget consolidation will require continued cut-backs in public expenditure.

FINANCIAL BALANCE AND DEBT

In the late 1980s, the public sector financial surplus increased substantially as a result of the growth of both domestic demand and tax revenue. But the surplus quickly shrank when the overheated economy entered recession, and in 1991 it turned into a deficit. The deterioration in the 10 financial position of the public

TABLE 4. GENERAL GOVERNMENT FINANCIAL SURPLUSES (NET LENDING)

	1987	1988	1989	1990	1991*	1992**
					Bill. FIM	
Central government	- 3.6	5.4	13.7	6.3	- 21.9	- 29
Local government	- 2.1	- 0.2	0.3	0.4	- 5.9	- 6
Social security funds	- 0.1	0.5	0.4	- 0.9	- 2.5	0
					% of GDP	
General government	- 1.5	1.3	2.9	1.1	- 6.0	- 7

* Preliminary

** Forecast

sector has continued and is proving to be a particularly serious problem in the current year. A further deterioration is expected in 1993; if, however, this and next year's tax refunds were to take place according to the normal timetable the financial deficit would actually decrease slightly next year.

With the deterioration in the financial position of the public sector, the central government and to a lesser extent the municipalities began to accumulate debt at a rapid pace. Adding to the central government's borrowing requirement was a significant increase in outlays for the financing of housing loans as a result of the establishment of the State Housing Fund and the introduction of a new, uniform scheme for the provision of state-subsidized housing loans. The reform entailed a marked increase in the state's financing share. Furthermore, the number of dwellings partly financed by the state has been increased as a countercyclical measure. The central government's financial investments have been boosted in the current year by the exceptional arrangements for the injection of new capital into the banks. Though the central government's net financing requirement is projected to decrease in 1993, it will still be large.

The central government debt amounted to FIM 92 billion at the end of 1991. Nearly FIM 8 billion of this was covered by a loan from the state pension fund, so that the

debt outstanding to other sectors totalled FIM 84 billion. More than half of this amount was denominated in foreign currency, in addition to which foreign investors held FIM 10 billion worth of markka-denominated debt. The rapid growth of domestically placed debt has acted as a spur to the development of the Finnish capital market. The central government makes use of 12-month Treasury bills in the short end of the market, while 3-year savings bonds are used as the vehicle for borrowing from households and 4-10 year bonds for borrowing from institutional investors.

By international standards, the ratios of central government debt and public debt to GDP are still relatively low in Finland. Though debt will increase rapidly in the next few years, the steps taken to restore balance to government finances should halt the growth in the debt/GDP ratio in the middle of the decade. The 1993 budget proposal estimates that central government expenditure will fall somewhat in real terms, even if the funds set aside for dealing with the banking crisis in 1992 are not taken into account. Under the framework set for spending by the Government, the level of total central government expenditure is to be frozen in subsequent years. The paucity of tax receipts will be the main factor restricting the growth of local government expenditure, on top of which the reform of the state-aid system will encourage municipalities to make savings.

The ratio of public expenditure to GDP is expected to fall sharply in 1993 and to continue declining in the following years.

6 August 1992

ITEMS

THE BANK OF FINLAND AND THE EC CENTRAL BANKS STRENGTHEN THEIR MONETARY COOPERATION

The Governors of the central banks of the EEC Member States and the Governor of the Bank of Finland issued the following communiqué on 15 July 1992:

"Against the background of Finland's close ties with the Community and the authorities' strategy for further European integration, the Governors of the central banks of the Member States of the European Economic Community and the Governor of Suomen Pankki have agreed to strengthen bilateral co-operation between their institutions. Suomen Pankki undertakes to take due account of the EMS agreement and exchange rate policies. The central banks of the Member States of the European Economic Community and Suomen Pankki are concluding bilateral swap agreements governed by uniform terms and conditions.

These arrangements are supportive of Finland's determination to pursue a strategy which is conducive to monetary stability, fiscal discipline and free competition in the environment of free capital movements and is compatible with the stability objectives of the European Monetary System and further economic and monetary integration in Europe."

The agreements concerning the European Monetary System imply that the Bank of Finland will also take money and foreign exchange market conditions in the EC countries into account in its own decisions, particularly in its operations. Consequently, it will

be consulting continuously with the central banks of the EC countries.

The existing agreements with Germany and Denmark were replaced by bilateral agreements with the central banks of all the EC countries. In addition, the Bank of Finland has at its disposal the support agreements concluded with the central banks of Norway and Sweden. Similar arrangements have also been agreed with the central banks of Austria and Switzerland.

As a result of the agreements concluded, the Bank of Finland now has access to a significantly larger network of swap arrangements, which can be used if needed to support the foreign exchange reserves.

THE BANK OF FINLAND MODIFIES THE SYSTEM FOR REGULATING BANK LIQUIDITY

On 1 July, the Bank of Finland replaced the call money facility with a new arrangement for regulating the supply of bank liquidity. The new arrangement differs from old one in that deposit and borrowing rates are now closer to market interest rates and move in step with them. In addition, the Bank of Finland may, at its discretion, extend the maturity of liquidity credit from one day up to twenty-eight days. Previously, the maturity for call money credit was fixed at one day.

The arrangement is designed to reduce fluctuations in money market interest rates, in so far as they are not caused by attempts to stabilize conditions in the foreign exchange market.

Under the new system, both the call money deposit rate and 11

the liquidity credit rate are tied to the Bank of Finland's tender interest rate, ie the weighted average of all accepted bids or offers for money market instruments in tenders held by the Bank. The current tender rate, the margins for deposit and credit rates and the maturity for liquidity credit are displayed continuously on the money market electronic information systems.

THE BANK OF FINLAND'S INVESTMENT INQUIRY

The downturn in investment by industry, which had started in 1990, accelerated in 1991. According to the Bank of Finland's survey of investment intentions carried out in May-June 1992, the volume of fixed investment declined by more than one-fifth in industry as a whole and by nearly 30 per cent in manufacturing.

Except for the export sector, where a recovery is under way, the economy is still in recession. This is reflected in the low level of planned investment reported by industry. The results of the inquiry point to a decline of about one-tenth in fixed investment by industry in 1992. Furthermore, it appears that the downward trend will continue next year, since firms' planned investment for 1993 was less than firms normally report for the following year in the May-June inquiry.

The capacity utilization rate in manufacturing will turn up in the course of 1992 along with the growth of output. Companies estimate that their capacity utilization rates will rise further next year. The moderateness of the rise, however, points to fairly cautious expectations concerning output growth. The faster-than-expected growth of industrial output in the first months of this year could improve the preconditions for investment. Because of companies' high debt levels and the high costs of financing, the lag between the recovery in output and the pick-up in investment is in any case expected to be longer than 12 usual.

TABLE 1. ANNUAL CHANGE IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT, 1991-1993, PER CENT

	1991*	Planned	
		1992	1993
By sector			
Forest industries	- 29	- 21	- 30
Metal and engineering industries	- 38	- 4	7
Other manufacturing	- 20	- 1	- 25
MANUFACTURING	- 28	- 10	- 19
ENERGY AND WATER SUPPLY	- 2	12	2
TOTAL INDUSTRY (incl. mining)	- 23	- 5	- 13
By type of investment			
Construction	- 16	- 2	- 24
Machinery and equipment	- 25	- 6	- 10

* According to national accounts.

TABLE 2. INTANGIBLE INVESTMENT IN MANUFACTURING, 1991-1993

	Planned					
	1991		1992		1993	
	Million FIM	Per-centage change	Million FIM	Per-centage change	Million FIM	Per-centage change
Forest industries	526	7	428	- 19	387	- 10
Metal and engineering industries	1 026	- 1	1 065	4	983	- 8
Other manufacturing	1 524	19	1 410	- 7	1 275	- 10
MANUFACTURING	3 076	9	2 903	- 6	2 645	- 9

TABLE 3. CAPACITY UTILIZATION RATE IN MANUFACTURING, 1991-1993, PER CENT

	1991		1992		1993	
	I	II	I	II	I	II
Forest industries	84	82	81	82	83	84
Metal and engineering industries	83	79	80	82	84	86
Other manufacturing	80	78	77	78	78	81
MANUFACTURING	82	78	79	81	82	84

Fixed investment. For industry as a whole, the value of fixed investment amounted to nearly FIM 24 billion in 1991, of which the share of the manufacturing sector was just under FIM 18 billion. Companies trimmed and delayed their investment projects to a larger extent than the inquiries carried out in 1991 had indicated. Investment declined in almost all sectors: in the metal and engineering industries by almost 40 per cent, in the forest industries by close to 30 per cent and in other manufacturing by one-fifth.

The volume of industrial fixed investment will decline by 5 per cent in the current year, according to companies' plans. In the inquiries carried out in the spring, estimates of the volume of investment for the same year have regularly exceeded the actual investment figure. When this tendency to overestimate is taken into consideration, industrial investment seems likely to decline by about 10 per cent this year and manufacturing investment by some 15 per cent. The investment ratio in manufacturing, ie investment in relation to value

added, could fall to a level not seen since the recession of the 1970s. An exception to the downward trend in industrial investment is energy and water supply, where investment is expected to increase by more than one-tenth from the previous year.

In volume terms, companies' planned investment for 1993 currently amounts to 13 per cent less than for 1992 for industry as a whole and almost 20 per cent less for manufacturing. Although the estimates of investment for the following year reported in the inquiries carried out in the spring have regularly been smaller than realized investment, the low level of planned investment in manufacturing points to a continuance of the recession in investment activity. However, this does not apply to all sectors, as companies in the metal and engineering industries expect their investment to increase slightly.

Intangible investment. Intangible investment in manufacturing amounted to FIM 3.1 billion last year or 18 per cent of the value of fixed investment. These outlays increased by 10 per cent in nominal terms and by 2-3 per cent in real terms. The share of the metal and engineering industries in intangible investment was just over one-third, that of the chemical industry slightly less than 30 per cent and that of the paper industry just over 10 per cent. According to the inquiry, intangible investment will decline to some extent in 1992-93 in both real and nominal terms.

Capacity utilization. According to the inquiry, the capacity utilization rate in manufacturing amounted to 79 per cent on average in the first half of this year. Firms expect their utilization rates to rise slightly in the latter half of this year and again next year. The utilization rate in manufacturing is expected to rise to 84 per cent in the latter half of 1993, which is still lower than the average level for the previous decade.

PRIMARY DEALER SYSTEM FOR GOVERNMENT BONDS

On 30 June, the State Treasury and five Finnish banks signed an agreement on the issue of certain government bonds and the maintenance of a secondary market in these bonds. According to the agreement, Kansallis-Osake-Pankki, Okobank, Postipankki Ltd, Skopbank and Union Bank of Finland Ltd undertake to make bids and offers for benchmark government bonds to other primary dealers and to customers.

In return for agreeing to act as market makers, only primary dealers are allowed to participate in tenders for benchmark bonds arranged by the State Treasury. In addition, primary dealers may buy more of the offered bonds on the day after the tender at a price which is at least the price obtained in the tender.

The agreement entered into force on 1 August. Other domestic and foreign banks or securities brokers may participate in the arrangement by agreement with the State Treasury.

The State Treasury and the primary dealers have agreed that a bond maturing in 1995 (serial bond III/91) and a bond maturing in 1997 (serial bond I/92) will be the first benchmark bonds. It seems probable that a bond maturing in 2002 (Housing Fund bond I/92) will be approved as a benchmark bond in August. In addition, the State Treasury intends to issue a bond in the autumn which will be the fourth one included in the primary dealer arrangement.

Primary dealers are obliged to display indicative two-way quotations for benchmark bonds on public electronic market information systems (eg Reuters) and to quote binding prices by telephone. Contrary to international practice, prices are quoted in terms of yields. The standard lot has been fixed at FIM 10 million. In deals in standard lots, primary dealers are required to aim at spreads of five basis points.

The purpose of the primary dealer system is to increase the li-

quidity of government bonds. The aim is also to improve the transparency and quality of information on the secondary market. The primary dealers have undertaken to provide the Bank of Finland with daily data on traded amounts and prices. The Bank of Finland publishes these data daily.

In addition to the dissemination of information, the Bank of Finland has drawn up a code of conduct for market makers in the secondary market for government bonds. The Bank of Finland will endeavour to ensure that good trading practices are observed by primary dealers.

SUPPLEMENTARY BUDGET

The second supplementary budget for 1992 was approved by Parliament in late June. In keeping with the Government's earlier decisions in principle to cut public expenditure, the supplementary budget includes saving measures totalling FIM 1.4 billion. Among the savings are cuts in education, health care and outlays for the promotion of employment. On the other hand, the supplementary budget provides for an increase of FIM 0.9 billion mainly in statutory outlays, eg agricultural support and unemployment benefits. Thus, in net terms, the cut in expenditure amounts to FIM 0.5 billion, which is 0.3 per cent of the ordinary budget. After these changes, budgeted central government expenditure amounts to FIM 182 billion.

Central government income is budgeted to decrease by FIM 0.5 billion in spite of an increase in petrol taxes. Sales tax receipts are estimated to fall by FIM 1.4 billion as a result of a greater-than-expected fall in domestic demand. As virtually no extra borrowing is required in this supplementary budget, the maximum borrowing powers of FIM 45 billion set in the first supplementary budget (excluding extra-budgetary funds) have been left unchanged. For the whole central government sector (including 13

extra-budgetary funds), the net financing requirement is estimated at some FIM 49 billion, equivalent to about 9½ per cent of GDP this year.

PUBLICATION OF THE BANK OF FINLAND

The following publication has appeared in series B:46: Alpo Willman, *Studies in the Theory of Balance-of-Payments Crises*, doctoral dissertation presented to the Faculty of Social Sciences of the University of Helsinki, Helsinki 1992, 122 pp. ISBN 951-686-316-7, ISSN 0357-4776.

The dissertation consists of a summary and five previously published articles. These studies extend the theory of balance-of-payments crises in several directions. The first article considers the rationale behind the assumption that there exists a minimum level below which foreign reserves cannot or are not allowed to fall. It was shown that with a cash-in-advance constraint on financial market transactions a negative level of net foreign re-

serves results in a welfare loss and, hence, a welfare-maximizing government does not allow its net foreign reserves to fall below zero.

In the two following articles, the collapse of the fixed exchange rate regime is examined by taking into account the possibility that when the speculative attack on the currency occurs, the central bank tries to defend the prevailing exchange rate regime. It was shown that with uncovered interest parity and a rigidly fixed exchange rate in the pre-attack exchange rate regime, uncertainty as to monetary policy reactions has no effect on the timing of the speculative attack. However, if the assumption of uncovered interest parity is relaxed or the pre-attack exchange rate regime is the target-zone, the speculative attack is delayed by policy uncertainty.

The fourth article introduces uncertainty as to the threshold level of foreign reserves, which triggers a devaluation. Further, the assumption of risk-neutral agents is abandoned and the risk premium is allowed to be deter-

mined endogenously. It is shown that, depending on whether the threshold level is fixed but unknown to the public or stochastic (no specific threshold level exists), currency speculation reveals itself as, respectively, sudden repeated speculative attacks on the currency or a speculative outflow distributed over a longer time period.

In the fifth article, wage stickiness is introduced into the analysis and the real effects associated with balance-of-payments crises are examined. It is shown that the effects of an expansive policy may be qualitatively quite different depending on the initial size of the current account surplus: if initially the current account surplus is not high enough, expansive policy turns the current account surplus into a permanent deficit, which eventually results in the collapse of the fixed exchange rate regime. If the wage formation scheme is forward looking, wages and domestic prices start to rise and real output starts to decrease immediately after the collapse of the fixed exchange rate is anticipated.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM AUGUST 1991 TO JULY 1992

1991

AUGUST

Cash reserve requirement.

The Bank of Finland lowers the banks' cash reserve requirement from 5.2 per cent to 4.9 per cent of the cash reserve base at end-July 1991.

SEPTEMBER

Cash reserve requirement.

The Bank of Finland lowers the banks' cash reserve requirement from 4.9 per cent to 4.6 per cent of the cash reserve base at end-August 1991.

Skopbank. On 19 September 1991, the Bank of Finland decides to take control of Skopbank so as to restore confidence in the bank's activities and states that it will ensure Skopbank's solvency and liquidity under all circumstances.

OCTOBER

Cash reserve requirement.

The Bank of Finland lowers the banks' cash reserve requirement from 4.6 per cent to 4.3 per cent of the cash reserve base at end-September 1991.

Call money credit rate. On 23 October 1991, the Bank of Finland temporarily ceases to apply the 30 per cent penalty rate on call money credit.

The Bank of Finland's borrowing powers. On 25 October 1991, the Parliamentary Supervisory Board decides to raise the Bank's foreign borrowing powers from USD 1.5 billion to USD 5 billion; the previous borrowing powers dated from 1980.

NOVEMBER

Cash reserve requirement.

The Bank of Finland lowers the banks' cash reserve requirement from 4.3 per cent to 4.0 per cent of the cash reserve base at end-October 1991.

Call money credit rate. On 8 November 1991, the Bank of Finland reinstates the 30 per cent penalty rate on call money credit.

On 14 November 1991, the Parliamentary Supervisory Board of the Bank of Finland extends the powers of the Bank of Finland to set interest rates. The maximum call money credit rate is raised from 30 per cent to 50 per cent. The Bank of Finland raises the interest rate on call money credit from 15 per cent to 20 per cent, implying a penalty rate of 40 per cent.

On 19 November 1991, the Bank of Finland lowers the interest rate on call money credit to 15 per cent again, implying a 30 per cent penalty rate.

Devaluation of the markka.

On 14 November 1991, the Bank of Finland decides to allow the markka's exchange rate to float temporarily. The next day, 15 November, the Government decides, on the basis of a proposal by the Parliamentary Supervisory Board, to raise the limits of the markka's fluctuation range against the ECU by 14 per cent, implying a 12.3 per cent fall in the external value of the markka. The new midpoint is 5.55841 (FIM/ECU) and the limits are 5.39166 and 5.72516.

Till-money credits. The Bank of Finland revises the base amounts, the share of banks' till-money holdings which is not financed by the Bank of Finland under the till-money credit arrangement. The combined

total of base amounts is kept unchanged in proportion to currency in circulation with the public. Owing to a reduction in currency in circulation with the public, the combined total of the banks' base amounts falls by FIM 49 million and amounts to FIM 1 194 million as from the last business day in November.

1992

JANUARY

Cash reserve requirement.

The Bank of Finland lowers the banks' cash reserve requirement from 4.0 per cent to 3.7 per cent of the cash reserve base at end-December.

APRIL

Interest on cash reserve deposits.

As part of the financial support package for the banking sector, the Parliamentary Supervisory Board raises the rate of interest payable on the banks' cash reserve deposits at the Bank of Finland by one percentage point with effect from 1 April 1992. The new rate is 3-month HELIBOR less two percentage points, not however less than 8 per cent.

Call money credit rate. On 5 April 1992, the Parliamentary Supervisory Board extends the powers of the Bank of Finland to set interest rates. The maximum call money credit rate is raised from 50 per cent to 80 per cent.

The Government Guarantee Fund.

The law establishing the Government Guarantee Fund is approved by Parliament on 30 April. The purpose of the fund is to help ensure the stability of deposit banking and secure depositors' claims. The fund is authorized to use up to FIM 20

billion for these purposes. Decisions on possible support measures by the fund are taken by the representatives of the Ministry of Finance, the Banking Supervision Office and the Bank of Finland on the board of the fund.

MAY

Base rate. As part of the financial support package for the banking sector, the Parliamentary Supervisory Board raises the Bank of Finland's base rate by one percentage point to 9.5 per cent with effect from 1 May 1992. As a result of this decision, the banks are allowed to raise the rate of interest on loans that are tied to the base rate by one percentage point, but the Bank of Finland recommends that the rise should not be applied to rates that are already 12 per cent or more. Owing to an amendment to the law on the tax relief of deposits and bonds, the base-rate rise does not apply to interest rates on tax-exempt deposits.

JUNE

Government Guarantee Fund becomes new owner of Skopbank. On June 12, the Parliamentary Supervisory Board approved a deal whereby Scopulus Oy, owned by the Bank of Finland, sold its holdings of Skopbank shares and preferred capital certificates to the Government Guarantee Fund.

Government offer of capital for banks. Based on the decision by the Government in March to make available FIM 8 billion for investment in banks' core capital, the Government makes a formal offer of investment to the banks on 17 June. Capital will be offered to Finnish deposit banks according to their size, as measured by the BIS risk-weighted assets and off-balance-sheet commitments. The capital will be available at two dates, either in August or in December 1992, depending on the preference of the bank.

Government Guarantee Fund supports the Savings Bank of Finland. On 26 June 1992, the Government Guarantee Fund decides to grant capital support amounting to FIM 5.5 billion and a guarantee of FIM 1.7 billion to the Savings Bank of Finland. The latter will be established in autumn 1992 by merging 41 savings banks.

JULY

The system for regulating bank liquidity changes. The Bank of Finland decides to replace the existing call money facility by a new system for regulating the supply of bank liquidity with effect from 1 July 1992. The new system differs from that applied hitherto in that deposit and borrowing rates are closer to market interest rates and move in line with changes in market rates. In addition, the Bank of Finland may, at its discretion, extend the maturity of liquidity credit from one day up to four weeks.

Central banks of Finland and EC countries strengthen cooperation. The central banks of the European Communities and the Bank of Finland decide on 15 July to strengthen their monetary cooperation. The primary means of achieving this is a network of credits available whenever necessary to support the foreign exchange reserves.

Visiting Scholars Programme

BANK OF FINLAND

The Bank of Finland welcomes applications from foreign scholars for a post available to academic visitors.

A visiting scholar would be expected to conduct research on a subject relevant to the field of monetary / financial economics and policy, as agreed between the applicant and the Research Department. The results of the research could be presented in a report, publishable in the Bank's series; the scholar would also be expected to participate in the exchange of comments and advice among researchers working at the Bank.

The department is willing to consider both short and long-term (up to one year) visits. Normally, only one scholar could be received at any one time.

Remuneration for visiting scholars will be determined on the basis of the research experience of the selected applicant.

Persons interested in applying are invited to write to Dr. Heikki Koskenkylä, Head of the Research Department, enclosing a CV and specifying their academic and research background, suggestions for research topics and salary requirement. The address is:

**Research Department
BANK OF FINLAND
P.O.Box 160
SF-00101 Helsinki, Finland**

FINLAND IN BRIEF

LAND, CLIMATE AND POPULATION

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

Finland has a population of 5 029 300 (1 January 1992) and an average population density of 16.5 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 497 400 inhabitants, Espoo (Esbo) 175 700, Tampere (Tammerfors) 174 150, Turku (Åbo) 159 500 and Vantaa (Vanda) 157 450.

There are two official languages: 93.5 % 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 18 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 pursues a policy of neutrality in foreign affairs. 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 and the Council of Europe in 1989.

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. The Finnish economy is essentially based on private enterprise, with over 80 % of manufacturing output and some 90 % of banking services produced by private companies. Of the gross domestic product of FIM 440 billion in basic values in 1991, 3 % was generated in agriculture and fishing, 2 % in forestry, 21 % in industry, 8 % in construction, 10 % in trade, restaurants

and hotels, 8 % in transport and communications, 4 % in finance and insurance, 22 % in other private services and 21 % by producers of government services. Of total employment of 2.3 million persons in 1991, 8 % were engaged in primary production, 29 % in industry and construction and 63 % in services.

In 1991, expenditure on the gross domestic product in purchasers' values amounted to FIM 503 billion and was distributed as follows: net exports -0.6 % (exports 21.8 %, imports -22.4 %), gross fixed capital formation 23 %, private consumption 55 % and government consumption 24 %. Finland's gross tax ratio (gross taxes in relation to GDP) was 37 % and the net tax ratio (net taxes in relation to GDP) 20 %, which is about the average for OECD 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 4.0 % in 1990-91. Finland's GDP per capita in 1991 was USD 24 800.

Foreign trade. OECD countries absorb the bulk of Finnish merchandise exports. In 1987-91, their share was, on average, 76.6 per cent, of which the share of EC countries was 45.5 percentage points and that of EFTA countries 20.8 percentage points. Over the same period, Finland's exports to East European countries (including the Soviet Union) accounted for 14.1 per cent and the rest of the world for 9.3 per cent. The regional distribution of Finland's merchandise imports has been quite similar to that of exports.

In 1991, the share of forest industry products in total merchandise exports was 40 %, the share of metal and engineering products 41 % and the share of other goods 19 %. Raw materials and intermediate goods (incl. crude oil) accounted for 56 % of merchandise imports, fuels for 4 %, investment goods for 16 % and consumption goods for 24 %.

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 43 million cubic metres in 1991.

Energy. In 1991, gross consumption of primary energy amounted to 30 Mtoe, of which industry accounted for

44 %, heating for 22 %, transportation for 14 % and other purposes for 20 %. The sources of primary energy in 1991 were as follows: oil 29 %, coal 12 %, nuclear power 15 %, hydro-electric power, peat and other indigenous sources 30 %, others 14 %. 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). Since 7 June 1991, the markka has been 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 4.87580 (FIM/ECU). Since the devaluation of the markka on 15 November 1991, the midpoint has been 5.55841 and the fluctuation limits FIM 5.39166 and FIM 5.72516, where the lower limit means the highest permissible value for the markka and the upper limit the lowest permissible value. Under the Currency Act, the fluctuations limits are set by the Government on the proposal of the Bank of Finland.

International payments. Though the use of the markka in foreign trade and as a eurocurrency has increased, most international payments are effected in other currencies. Finland adopted Article VIII status at the International Monetary Fund in 1979.

The remaining exchange controls were dismantled as from 1 October 1991.

The foreign exchange operations of financial institutions are still controlled through the issue of licences. Authorized banks may freely engage in the full range of foreign exchange activities; financial institutions which have been granted a licence to engage in foreign exchange activity are entitled to carry on a limited range of foreign exchange activities. The purpose of the licensing requirement is merely to facilitate the monitoring of financial institutions' risks by the Bank of Finland.

With effect from 1 January 1991, trade and payments between Finland and the Soviet Union were put on a convertible currency basis and the special restrictions on payments to and from the Soviet Union were rescinded.

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, determination of the external value of the currency within the fluctuation limits, direct lending and permits for international capital transactions. 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 8 branch offices in other towns.

Other banks (31 December 1991). Finland has three major groups of deposit banks with a total of more than

3 000 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 32 foreign branches, subsidiaries and associate banks and 27 representative offices abroad. There are 86 savings banks and 328 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 733 billion in outstanding domestic credit at the end of 1990, 64 % was provided by deposit banks, 3 % by private mortgage banks, 16 % by insurance companies, 4 % by other private credit institutions, 4 % by public financial institutions and 8 % 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, 81 % of the instruments, which totalled approximately FIM 150 billion at end-1991, 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 65 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 64 billion (at end-1991). Four foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1991 totalled FIM 145 billion; government bonds made up 24 % of the total. Turnover on the Stock Exchange in 1991 amounted to FIM 8 billion; the share of shares and subscription rights in the total was approximately 82 %.



1. THE BALANCE SHEET OF THE BANK OF FINLAND	S2
1.1 The balance sheet of the Bank of Finland	S2
1.2 Time series for the balance sheet items of the Bank of Finland	S3
2. THE BANK OF FINLAND'S MONEY MARKET OPERATIONS AND THE FORWARD MARKET	S4
2.1 The Bank of Finland's money market operations and the call money market	S4
2.2 Forward exchange market	S5
2.3 Banks' central bank position	S5
3. RATES OF INTEREST	S6
3.1 Money market rates and rates applied by the Bank of Finland	S6
3.2 Weighted Eurorates and commercial ECU interest rate	S6
3.3 Covered Eurodollar rate	S6
3.4 Rates of interest applied by banks	S7
3.5 Yields on bonds and debentures	S7
4. RATES OF EXCHANGE	S8
4.1 Average spot selling rates	S8
4.2 Markka value of the ECU and currency indices	S9
5. OTHER DOMESTIC FINANCING	S10
5.1 Bank funding from the public	S10
5.2 Bank lending to the public	S10
5.3 Money supply and monetary aggregates	S11
5.4 Liabilities and assets of the central government	S11
5.5 Markka bond market	S12
a) Issues	S12
b) Stock	S12
5.6 Helsinki Stock Exchange	S13
6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS	S14
6.1 Current account	S14
6.2 Capital account	S15
6.3 Finland's foreign liabilities and assets	S16
6.4 Finland's long-term foreign liabilities and assets by sector	S17
7. FOREIGN TRADE	S18
7.1 Exports, imports and the trade balance	S18
7.2 Foreign trade: indices of volume, unit value and terms of trade	S18
7.3 Foreign trade by main groups	S18
7.4 Foreign trade by regions and countries	S19
8. DOMESTIC ECONOMIC DEVELOPMENTS	S20
8.1 Supply and use of resources	S20
8.2 Volume of industrial production	S20
8.3 Indicators of domestic supply and demand	S21
8.4 Wages and prices	S22
8.5 Labour, employment and unemployment	S23
8.6 Central government finances: revenue, expenditure and financial balance	S24
NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION	S25

1. THE BALANCE SHEET OF THE BANK OF FINLAND

1.1 THE BALANCE SHEET OF THE BANK OF FINLAND,

MILL.FIM

	1991	1992			
	31 Dec.	8 July	15 July	23 July	31 July
ASSETS					
Gold and foreign currency claims	33 662	31 207	30 997	32 459	31 484
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	932	984	977	979	942
IMF reserve tranche	1 136	1 227	1 222	1 284	1 280
Convertible currencies	29 381	26 804	26 609	28 007	27 074
Tied currencies	34	12	10	8	8
Other foreign claims	2 690	2 574	2 576	2 518	2 525
Markka subscription to Finland's IMF quota	2 260	2 271	2 271	2 212	2 212
Term credit	430	304	305	305	312
Claims on financial institutions	17 413	16 892	16 994	19 418	19 778
Liquidity credits	—	—	116	—	—
Certificates of deposit	9 157	4 444	6 863	9 404	10 967
Securities with repurchase commitments	2 725	7 115	4 713	4 713	3 337
Till-money credits	3 528	3 483	3 483	3 483	3 654
Bonds	1 765	1 612	1 581	1 581	1 581
Other claims on financial institutions	238	238	238	238	238
Claims on the public sector	1 375	2 920	2 904	2 904	2 904
Bonds	3	19	3	3	3
Loans to the Government Guarantee Fund	—	1 500	1 500	1 500	1 500
Total coinage	1 372	1 401	1 401	1 401	1 401
Claims on corporations	1 288	1 608	1 604	1 600	1 595
Financing of domestic deliveries (KTR)	879	715	710	706	704
Bonds: KTR credits	207	181	181	181	178
Bonds: Other	2	501	501	501	501
Other claims on corporations	201	211	211	211	211
Other assets	2 916	9 800	9 800	9 800	9 804
Loans for stabilizing the money market	1 730	9 654	9 654	9 654	9 654
Accrued items	1 034	—	—	—	—
Other assets	153	146	146	146	150
Total	59 346	65 001	64 874	68 699	68 090
LIABILITIES					
Foreign currency liabilities	46	77	60	47	41
Convertible currencies	45	77	60	47	41
Tied currencies	1	—	—	—	—
Other foreign liabilities	3 102	3 113	3 110	3 054	3 051
IMF markka accounts	2 260	2 271	2 271	2 212	2 212
Allocations of special drawing rights	843	842	839	841	838
Notes and coin in circulation	14 528	14 030	13 952	13 962	13 790
Notes	13 306	12 801	12 722	12 731	12 561
Coin	1 222	1 230	1 231	1 231	1 229
Certificates of deposit	8 880	22 210	20 330	23 050	19 350
Liabilities to financial institutions	12 567	10 775	12 637	13 770	17 320
Call money deposits	2 206	1 001	2 863	3 996	7 507
Cash reserve deposits	10 361	9 773	9 773	9 773	9 812
Other liabilities to financial institutions	0	1	1	1	1
Liabilities to the public sector	3	4	4	5	4
Cheque accounts	—	—	—	—	—
Other liabilities to the public sector	3	4	4	5	4
Liabilities to corporations	7 057	4 627	4 596	4 573	4 563
Deposits for investment and ship purchase	7 057	4 627	4 596	4 573	4 563
Other liabilities to corporations	—	—	—	—	—
Other liabilities	1 682	247	235	235	236
Accrued items	1 584	—	—	—	—
Other liabilities	98	247	235	235	236
Valuation account and reserves	5 715	4 154	4 186	4 239	3 970
Capital accounts	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Profit/loss for the accounting year	—	—	—	—	—
Total	59 346	65 001	64 874	68 699	68 090

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 liabilities (11-10)
	1	2	3	4	5	6	7	8	9	10	11	12
1987	2 128	899	793	23 571	27 391	1 212	28 604	1 131	29 735	977	901	- 76
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
1991												
July	2 180	853	1 111	29 535	33 679	56	33 734	- 399	33 335	1 391		4- 1 387
Aug.	2 180	875	1 086	25 966	30 107	55	30 161	- 401	29 760	1 382		3- 1 379
Sept.	2 180	863	1 142	22 743	26 928	49	26 976	- 400	26 576	1 398		3- 1 395
Oct.	2 180	868	1 145	12 242	16 435	42	16 478	- 404	16 074	1 375		3- 1 372
Nov.	2 180	954	1 193	19 868	24 195	38	24 231	- 419	23 812	1 388		3- 1 385
Dec.	2 180	932	1 136	29 336	33 584	33	33 616	- 412	33 204	1 375		3- 1 372
1992												
Jan.	2 180	946	1 234	29 512	33 872	30	33 901	- 482	33 419	1 379		4- 1 375
Feb.	2 180	1 070	1 232	29 834	34 316	27	34 343	- 490	33 853	1 382		4- 1 378
March	2 180	1 198	1 201	28 522	33 101	24	33 124	- 532	32 592	1 383		4- 1 379
April	2 180	1 199	1 242	22 981	27 602	21	27 622	- 540	27 082	1 387		4- 1 383
May	2 180	1 045	1 235	27 547	32 007	17	32 025	- 545	31 480	1 397		4- 1 393
June	2 180	1 007	1 200	26 724	31 111	14	31 125	- 538	30 587	2 920		4- 2 916
July	2 180	942	1 280	27 033	31 435	8	31 443	- 526	30 917	2 904		4- 2 900

End of period	Domestic financial sector						Corporate sector				
	Term claims on deposit banks	Call money claims on deposit banks, net	Cash reserve deposits of deposit banks	Till-money credits to deposit banks	Other liabilities to 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
1987	-	- 757	10 941	2 730	- 2 350	- 6 618	3 449	4 782	- 1 333	9 990	4 970
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
1991											
July	10 515	- 1 877	13 546	3 740	- 2 127	959	1 236	8 074	- 6 838	13 840	1 090
Aug.	12 159	- 1 078	12 707	3 631	- 2 133	4 138	1 212	7 993	- 6 781	13 614	370
Sept.	13 289	285	11 842	3 542	- 2 105	7 379	1 172	7 973	- 6 801	13 621	610
Oct.	13 587	13 383	11 047	3 471	- 2 066	21 460	1 143	7 896	- 6 753	13 500	4 090
Nov.	20 743	- 1 580	10 276	3 519	- 2 064	14 470	1 120	7 457	- 6 337	13 490	6 650
Dec.	11 882	- 2 206	10 361	3 528	- 2 003	4 846	1 086	6 854	- 5 768	14 528	8 880
1992											
Jan.	7 136	- 651	9 928	3 806	- 1 947	2 310	1 053	5 974	- 4 921	13 323	10 640
Feb.	2 982	468	9 891	3 869	- 1 935	- 637	1 030	5 535	- 4 505	13 271	11 110
March	3 508	- 219	9 783	3 521	- 1 925	- 1 048	995	5 287	- 4 292	14 243	13 030
April	11 306	- 1 997	9 856	3 917	- 1 899	5 269	967	4 513	- 3 546	13 822	16 450
May	8 562	- 750	9 851	3 709	- 1 923	3 593	946	3 775	- 2 829	13 787	20 600
June	10 380	- 152	9 773	3 483	- 1 882	5 820	904	4 022	- 3 118	13 896	21 790
July	14 304	- 7 507 ¹	9 812	3 654	- 1 818	2 457	882	3 851	- 2 969	13 790	19 350

¹ Liquidity position of deposit banks, net, as from 3 July 1992.

2. THE BANK OF FINLAND'S MONEY MARKET OPERATIONS AND THE FORWARD MARKET

2.1 THE BANK OF FINLAND'S MONEY MARKET OPERATIONS AND THE CALL MONEY MARKET, MILL. FIM

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Impact on liquidity (1-2-3)	Call money credits	Call money deposits	Total net change (4+5-6)
	1	2	3	4	5	6	7
1987	1 263	23 658	- 17 520	- 4 875	- 6 818	626	- 12 319
1988	13 840	19 190	- 16 850	11 500	463	- 629	12 592
1989	131 110	3 855	99 245	28 010	- 425	441	27 144
1990	163 326	26 379	160 797	- 23 850	- 38	- 151	- 23 737
1991	109 568	30 380	81 969	- 2 781	-	1 788	- 4 569
1991							
July	6 865	160	7 366	- 661	- 71	- 190	- 542
Aug.	11 430	280	7 380	3 770	21	- 778	4 569
Sept.	11 670	680	10 360	630	277	- 1 086	1 993
Oct.	15 350	6 710	8 990	- 350	13 086	- 12	12 748
Nov.	9 850	6 340	7 020	- 3 510	- 13 371	1 592	- 18 473
Dec.	2 430	6 660	2 260	- 6 490	- 13	613	- 7 116
1992							
Jan.	2 000	7 790	- 80	- 5 710	3	- 1 552	- 4 155
Feb.	1 710	8 460	1 170	- 7 920	476	- 643	- 6 801
March	2 000	9 420	- 5 290	- 2 130	- 466	221	- 2 817
April	11 310	17 310	- 9 200	3 200	- 13	1 765	1 422
May	6 630	15 240	1 930	- 10 540	-	- 1 247	- 9 293
June	8 200	14 860	- 6 600	- 60	3	- 595	538
July	11 700	13 300	- 9 798	8 198	- 3	7 352	843

¹ Liquidity credits as from 3 July 1992.

2.2 FORWARD EXCHANGE MARKET, MILL.FIM

End of period	Banks' forward positions with					Total, net (3+4+5)
	Domestic companies		Net (1-2)	Foreign banks, net	Bank of Finland, net	
	Forward exchange bought by banks	Forward exchange sold by banks				
	1	2	3	4	5	6
1987	21 671	1 158	20 513	- 233	- 1 287	18 994
1988	16 488	1 543	14 946	9 086	- 377	23 654
1989	<u>10 531</u>	<u>3 563</u>	<u>6 967</u>	<u>8 031</u>	<u>205</u>	<u>15 204</u>
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
1991						
June	16 144	23 123	- 6 980	8 500	3 159	4 679
July	16 228	20 422	- 4 194	5 350	3 257	4 413
Aug.	16 961	30 053	- 13 092	7 757	3 187	- 2 148
Sept.	17 020	38 496	- 21 477	13 454	3 947	- 4 076
Oct.	22 174	53 395	- 31 222	9 433	9 034	- 12 755
Nov.	37 546	51 191	- 13 645	1 551	9 601	- 2 493
Dec.	33 004	36 352	- 3 348	2 550	8 953	8 155
1992						
Jan.	31 732	27 973	3 759	4 673	8 276	16 708
Feb.	31 502	25 516	5 987	2 441	3 774	12 202
March	27 850	22 720	5 130	5 216	2 937	13 283
April	29 812	27 586	2 227	- 423	5 815	7 619
May	29 457	24 458	4 999	408	5 531	10 938
June	28 942	28 750	192	4 412	807	5 411

2.3 BANKS' CENTRAL BANK POSITION, MILL.FIM

Average of daily observations	Call money credits	Bank CDs held by the Bank of Finland	Gross debt to the Bank of Finland (1+2)	Call money deposits	Holdings of CDs issued by the Bank of Finland	Cash reserve deposits	Gross claim on the Bank of Finland (4+5+6)	Net position (3-7)
	1	2	3	4	5	6	7	8
1987	481	1 581	2 062	703	4 705	10 092	15 501	- 13 439
1988	128	2 190	2 319	621	5 044	15 159	20 824	- 18 505
1989	373	15 146	15 519	403	465	23 035	23 903	- 8 384
1990	142	24 056	24 198	790	1 924	23 406	26 120	- 1 922
1991	936	12 293	13 229	868	2 728	14 154	17 749	- 4 520
1991								
July	34	10 038	10 073	1 132	1 856	14 142	17 130	- 7 057
Aug.	24	10 002	10 026	865	683	13 492	15 040	- 5 014
Sept.	219	14 983	15 202	418	412	12 678	13 508	1 694
Oct.	5 126	12 287	17 413	405	2 094	11 817	14 316	3 098
Nov.	4 422	20 294	24 716	429	4 043	10 996	15 468	9 248
Dec.	36	15 685	15 721	743	10 325	10 279	21 347	- 5 626
1992								
Jan.	33	9 212	9 246	937	9 728	10 347	21 012	- 11 766
Feb.	50	4 521	4 571	548	10 951	9 925	21 424	- 16 853
March	88	3 923	4 011	366	10 794	9 888	21 047	- 17 036
April	1 064	8 904	9 968	989	13 706	9 785	24 480	- 14 512
May	87	9 193	9 279	670	18 765	9 856	29 291	- 20 012
June	<u>33</u>	<u>8 725</u>	<u>8 758</u>	<u>785</u>	<u>20 852</u>	<u>9 848</u>	<u>31 485</u>	<u>- 22 727</u>
July	27 ¹	12 578	12 605	3 503	21 817	9 774	35 094	- 22 489

¹ Liquidity credits as from 3 July 1992.

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	HILIBOR				Bank of Finland rates			Cash reserve requirement	
			1 month	3 months	6 months	12 months	Call money credit rate	Call money deposit rate	Base rate	Ordinary	Additional (average)
	1	2	3	4	5	6	7	8	9	10	
1987	9.16	9.90	10.02	10.14	10.40	11.71	7.78	7.00	4.8	.	
1988	8.47	9.77	9.97	10.16	10.50	11.50	7.04	7.63	6.5	.	
1989	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67	8.0	0.5	
1990	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50	7.9	.	
1991	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50	5.3	.	
1991											
July	9.48	10.09	10.69	11.19	11.52	15.00	4.00	8.50	5.2	.	
Aug.	10.20	10.62	11.09	11.28	11.50	15.00	4.00	8.50	4.9	.	
Sept.	19.84	14.80	13.20	12.45	12.07	15.00	4.00	8.50	4.6	.	
Oct.	15.72	15.95	14.38	13.01	12.46	15.00	4.00	8.50	4.3	.	
Nov.	20.94	16.75	14.66	13.25	12.77	16.23	4.00	8.50	4.0	.	
Dec.	10.89	12.55	12.78	12.71	12.63	15.00	4.00	8.50	4.0	.	
1992											
Jan.	11.41	12.09	12.25	12.33	12.39	15.00	4.00	8.50	3.7	.	
Feb.	10.74	11.78	11.74	11.74	11.75	15.00	4.00	8.50	3.7	.	
March	14.27	12.95	12.38	12.08	11.99	15.00	4.00	8.50	3.7	.	
April	17.24	15.94	14.21	13.38	13.04	15.00	4.00	8.50	3.7	.	
May	14.39	14.05	13.73	13.28	13.10	15.00	4.00	9.50	3.7	.	
June	13.58	13.58	13.70	13.83	13.76	15.00	4.00	9.50	3.7	.	
July	13.47	13.45	13.96	14.19	14.07	14.37 ¹	12.13	9.50	3.7	.	

¹ Liquidity credit rate as from 3 July 1992.

3.2 WEIGHTED EURORATES AND COMMERCIAL ECU INTEREST RATE, PER CENT

Average of daily observations	ECU	3 currencies		Commercial ECU
		3 months	14 currencies	
	1	2	3	4
1987	7.0	5.6	8.0	7.1
1988	6.9	6.0	8.0	6.9
1989	9.3	8.4	9.9	9.3
1990	10.5	9.1	10.9	10.4
1991	10.1	8.5	9.9	9.9
1991				
July	10.0	8.5	9.6	10.0
Aug.	10.0	8.4	9.6	9.9
Sept.	9.8	8.3	9.4	9.8
Oct.	9.9	8.3	9.5	9.9
Nov.	10.0	8.2	9.5	10.0
Dec.	10.4	8.2	10.1	10.6
1992				
Jan.	10.2	8.0	9.8	10.4
Feb.	10.2	8.1	9.7	10.3
March	10.3	8.2	9.7	10.2
April	10.3	8.2	9.7	10.2
May	10.2	8.1	9.6	10.2
June	10.4	8.0	9.7	10.5
July	10.7	7.9	9.8	10.8

3.3 COVERED EUROS DOLLAR RATE, PER CENT

Average of daily observations	1 month	3 months	6 months	12 months
1987	9.8	9.9	9.9	10.1
1988	9.5	9.8	9.9	10.2
1989	11.8	12.1	12.1	12.1
1990	13.2	13.7	13.9	14.1
1991	13.5	13.0	12.6	12.4
1991				
July	10.3	11.0	11.4	11.6
Aug.	11.1	10.9	11.3	11.5
Sept.	14.9	13.4	12.5	12.0
Oct.	15.7	14.4	13.0	12.3
Nov.	16.3	14.3	13.1	12.6
Dec.	11.9	12.4	12.3	12.3
1992				
Jan.	11.7	12.0	12.0	12.1
Feb.	11.5	11.5	11.5	11.5
March	12.8	12.2	11.9	11.8
April	15.4	14.1	13.4	13.1
May	13.9	13.5	13.1	13.0
June	13.3	13.4	13.6	13.5
July	13.3	13.8	14.1	13.9

3.4 RATES OF INTEREST APPLIED BY BANKS, PERCENT

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	Other tax-exempt deposits, on 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
1987	10.50	12.31	10.01	10.62	8.99	8.91	7.00	2.75	4.47	10.13	5.29
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
1991											
June	13.98	15.55	13.02	13.54	11.91	11.56	7.50	4.50	7.05	12.35	8.61
July	12.00	15.54	12.80	13.19	11.67	11.28	7.50	4.50	6.79	11.69	8.21
Aug.	12.54	15.35	12.70	13.09	11.70	11.38	7.50	4.50	6.82	11.73	8.29
Sept.	12.81	15.74	13.78	13.96	11.96	11.76	7.50	4.50	6.95	12.95	8.87
Oct.	12.48	16.07	13.83	14.01	12.19	11.96	7.50	4.50	7.18	13.63	9.36
Nov.	14.19	16.29	13.71	14.16	12.21	11.87	7.50	4.50	7.24	13.63	9.41
Dec.	10.15	15.25	12.35	12.51	12.15	11.79	7.50	4.50	7.08	12.63	8.71
1992											
Jan.	12.52	15.42	13.14	13.41	12.06	11.76	7.50	4.50	7.19	12.29	8.66
Feb.	13.79	15.58	12.96	13.47	12.00	11.76	7.50	4.50	7.21	12.15	8.67
March	14.21	15.73	13.36	13.81	11.97	11.70	7.50	4.50	7.23	12.32	8.77
April	12.31	16.24	13.75	14.06	12.08	11.76	7.50	4.50	7.33	13.09	9.16
May	15.34	15.59	13.82	14.22	12.50	12.21	7.50	4.50	7.42	12.95	9.12
June	15.17	15.47	14.04	14.39	12.61	12.29	7.50	4.50	7.42	12.94	9.15

¹ End of period.

3.5 YIELDS ON BONDS AND DEBENTURES, PERCENT

Period	Secondary market yields						Taxfree public issues	Offer yield on taxable public issues
	Reference rates calculated by the Bank of Finland		Taxable government bonds	Taxable public issues	Issued by:			
	3 years	5 years			Financial institutions	Corporations		
	1	2	3	4	5	6	7	8
1987	..	..	..	11.2	11.1	11.2	8.1	10.7
1988	10.7	10.8	10.6	10.6	10.6	10.6	7.8	10.4
1989	12.2	12.0	12.1	11.9	12.0	12.0	8.1	11.7
1990	13.7	13.5	13.2	13.3	13.3	13.2	9.2	13.0
1991	12.3	12.2	11.9	12.6	12.5	13.0	10.0	11.7
1991								
June	11.5	11.5	11.1	11.7	11.5	12.7	10.1	11.1
July	11.8	11.7	11.2	12.4	12.2	12.6	10.0	10.8
Aug.	11.7	11.7	11.2	11.9	11.9	12.3	9.8	11.2
Sept.	11.7	11.7	11.3	12.2	12.0	12.7	9.6	11.3
Oct.	11.8	11.7	11.4	12.2	12.2	12.7	9.6	11.1
Nov.	12.4	12.3	12.1	12.5	12.5	12.5	9.6	11.2
Dec.	12.7	12.7	12.4	13.6	13.6	13.1	9.9	12.2
1992								
Jan.	12.5	12.5	12.3	13.0	12.9	13.1	10.0	11.9
Feb.	12.1	12.0	11.2	12.7	12.4	12.9	9.8	11.3
March	12.1	12.1	11.3	12.4	12.4	12.6	9.8	11.4
April	12.8	12.7	11.9	12.8	12.7	14.0	9.8	12.0
May	13.0	12.9	11.8	13.0	12.6	13.9	9.8	11.9
June	13.3	13.2	12.2	14.2	14.2	..	10.2	12.3

4. RATES OF EXCHANGE

4.1 AVERAGE SPOT SELLING RATES, FIM

Average New York of daily quotations	Montreal	London	Dublin	Stockholm	Oslo	Copenhagen	Frankfurt aM	Amsterdam	Brussels	Zurich	
1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEF	1 CHF	
1	2	3	4	5	6	7	8	9	10	11	
1987	4.404	3.325	7.213	6.556	0.6952	0.6547	0.6444	2.4514	2.1755	0.11806	2.9563
1988	4.191	3.412	7.466	6.397	0.6848	0.6444	0.6235	2.3895	2.1233	0.11421	2.8700
1989	4.295	3.632	7.051	6.104	0.6673	0.6234	0.5886	2.2879	2.0281	0.10925	2.6306
1990	3.831	3.287	6.827	6.347	0.6479	0.6130	0.6197	2.3721	2.1053	0.11480	2.7635
1991	4.053	3.543	7.159	6.540	0.6713	0.6264	0.6345	2.4464	2.1709	0.11887	2.8300
1991											
July	4.298	3.745	7.087	6.434	0.6647	0.6169	0.6217	2.4030	2.1332	0.11679	2.7733
Aug.	4.245	3.710	7.148	6.509	0.6705	0.6232	0.6292	2.4323	2.1582	0.11820	2.7906
Sept.	4.143	3.646	7.148	6.530	0.6711	0.6244	0.6323	2.4405	2.1656	0.11853	2.7910
Oct.	4.127	3.661	7.113	6.534	0.6706	0.6243	0.6323	2.4413	2.1667	0.11863	2.7910
Nov.	4.202	3.722	7.475	6.920	0.7091	0.6600	0.6670	2.5893	2.2979	0.12575	2.9249
Dec.	4.266	3.732	7.774	7.249	0.7440	0.6912	0.6989	2.7192	2.4131	0.13206	3.0708
1992											
Jan.	4.305	3.725	7.796	7.266	0.7496	0.6946	0.7031	2.7270	2.4215	0.13248	3.0696
Feb.	4.431	3.751	7.877	7.309	0.7543	0.6986	0.7061	2.7354	2.4312	0.13289	3.0435
March	4.541	3.812	7.835	7.298	0.7542	0.6974	0.7047	2.7329	2.4281	0.13286	3.0111
April	4.503	3.793	7.916	7.290	0.7558	0.6982	0.7054	2.7330	2.4278	0.13288	2.9715
May	4.410	3.682	7.996	7.276	0.7560	0.6982	0.7048	2.7212	2.4174	0.13226	2.9589
June	4.298	3.597	7.966	7.289	0.7564	0.6987	0.7084	2.7288	2.4223	0.13265	3.0111
July	4.085	3.430	7.845	7.312	0.7565	0.6986	0.7122	2.7406	2.4306	0.13309	3.0636

Average of daily quotations	Paris	Rome	Vienna	Lisbon	Reykjavik	Madrid	Athens	Tokyo	Melbourne	ECU Commercial	SDR
1 FRF	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 GRD	1 JPY	1 AUD	1 XEU	1 XDR	
12	13	14	15	16	17	18	19	20	21	22	
1987	0.7345	0.00341	0.3488	0.0315	0.1163	0.0358	..	0.03050	3.106	5.075	5.68010
1988	0.7060	0.00324	0.3401	0.0294	0.1006	0.0361	..	0.03273	3.309	4.954	5.61826
1989	0.6757	0.00315	0.3254	0.0276	0.0782	0.0364	..	0.03122	3.423	4.731	5.49375
1990	0.7054	0.00321	0.3374	0.0271	0.0681	0.0377	..	0.02654	3.011	4.875	5.18345
1991	0.7208	0.00328	0.3479	0.0283	0.0710	0.0392	0.0234	0.03016	3.176	5.019	5.53082
1991											
July	0.7095	0.00324	0.3417	0.0281	0.0711	0.0385	0.0230	0.03117	3.331	4.938	5.66884
Aug.	0.7172	0.00327	0.3459	0.0286	0.0715	0.0391	0.0230	0.03103	3.338	4.992	5.65829
Sept.	0.7186	0.00328	0.3471	0.0287	0.0713	0.0390	0.0230	0.03080	3.304	5.002	5.59644
Oct.	0.7177	0.00328	0.3472	0.0286	0.0713	0.0388	0.0230	0.03158	3.291	5.000	5.61024
Nov.	0.7593	0.00345	0.3681	0.0299	0.0743	0.0410	0.0241	0.03243	3.324	5.285	5.80952
Dec.	0.7973	0.00361	0.3865	0.0309	0.0771	0.0427	0.0250	0.03329	3.317	5.530	5.98926
1992											
Jan.	0.8011	0.00363	0.3877	0.0317	0.0777	0.0432	0.0250	0.03439	3.237	5.560	6.04989
Feb.	0.8051	0.00366	0.3893	0.0320	0.0783	0.0437	0.0250	0.03474	3.350	5.594	6.14937
March	0.8066	0.00365	0.3887	0.0320	0.0785	0.0434	0.0249	0.03419	3.464	5.590	6.19184
April	0.8096	0.00364	0.3885	0.0323	0.0784	0.0435	0.0241	0.03375	3.453	5.596	6.16396
May	0.8109	0.00363	0.3870	0.0329	0.0780	0.0436	0.0240	0.03376	3.353	5.591	6.11371
June	0.8121	0.00362	0.3879	0.0331	0.0777	0.0435	0.0234	0.03388	3.271	5.593	6.05642
July	0.8136	0.00363	0.3898	0.0326	0.0769	0.0432	0.0230	0.03252	3.064	5.595	5.88609

4.2 MARKKA VALUE OF THE ECU AND CURRENCY INDICES

Average of daily observations	Markka value of the ECU		Currency indices, 1982=100		
	FIM/ECU	Deviation from the midpoint, %	Bank of Finland's trade-weighted currency index	Payments currency index	MERM index
	1	2	3	4	5
1987	5.08273	.	103.3	103.9 ^r	106.1
1988	4.96108	.	102.0	101.7 ^r	104.7
1989	4.73670	.	98.4	99.0 ^r	102.8
1990	4.85697	.	97.3	96.7 ^r	97.3
1991	5.00580	.	101.4	101.3 ^r	102.8
1991					
July	4.92615	1.0	100.8	102.3 ^r	104.6
Aug.	4.98131	2.2	101.6	102.6 ^r	104.7
Sept.	4.99324	2.4	101.5	102.0 ^r	103.9
Oct.	4.98879	2.3	101.5	101.8 ^r	104.2
Nov.	5.27668	0.9	106.8	106.4 ^r	108.3
Dec.	5.52866	-0.5	111.5	110.3 ^r	111.9
1992					
Jan.	5.55238	-0.1	112.1	111.1 ^r	113.0
Feb.	5.58207	0.4	112.9	112.5 ^r	114.4
March	5.57515	0.3	112.9	113.1 ^r	115.0
April	5.58563	0.5	112.9	112.9 ^r	114.5
May	5.58167	0.4	112.7	112.2 ^r	113.6
June	5.58600	0.5	112.6	111.4	112.8
July	5.58744	0.5	111.9	109.6	110.3

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
1987	21 327	76 160	83 248		180 735	3 923	184 658	17 892	202 550
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
1991									
April	26 204	83 128	120 397	18 693	248 422	10 264	258 686	47 977	306 663
May	27 279	84 918	120 217	18 685	251 098	10 137	261 235	52 377	313 612
June	29 916	86 765	118 644	19 341	254 667	10 448	265 114	47 550	312 665
July	29 535	86 235	118 362	19 368	253 500	9 746	263 245	49 001	312 246
Aug.	27 517	86 732	118 573	18 569	251 391	11 633	263 024	53 386	316 410
Sept.	28 607	84 769	119 427	18 087	250 890	12 476	263 366	58 761	322 127
Oct.	28 160	83 526	120 091	17 992	249 769	15 774	265 543	58 038	323 582
Nov.	28 911	83 328	121 547	18 277	252 063	16 779	268 841	58 774	327 615
Dec.	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
1992									
Jan.	32 780	84 701	123 513	19 094	260 087	12 274	272 361	54 706	327 068
Feb.	29 417	86 031	123 652	18 666	257 767	12 350	270 117	56 202	326 319
March	30 899	87 563	123 296	18 185	259 943	11 805	271 748	54 436	326 184
April	30 762	86 090	124 087	18 119	259 058	12 665	271 722	59 353	331 076

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
1987	8 507	5 177	180 360	194 044	36 954	230 998
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
1991						
April	18 292	5 416	259 028	282 736	104 407	387 143
May	17 798	5 271	259 334	282 404	106 066	388 470
June	17 947	5 190	259 851	282 988	106 895	389 884
July	17 787	5 021	259 880	282 687	107 005	389 693
Aug.	18 679	4 925	260 927	284 531	106 764	391 295
Sept.	18 677	4 823	262 019	285 519	105 186	390 704
Oct.	18 419	4 714	263 042	286 175	105 113	391 288
Nov.	17 978	4 576	262 685	285 239	113 156	398 395
Dec.	18 037	4 712	262 859	285 609	107 714	393 323
1992						
Jan.	17 450	4 167	262 309	283 926	107 075	391 001
Feb.	17 650	4 099	262 813	284 563	105 703	390 266
March	17 215	3 996	260 983	282 194	102 701	384 895
April	17 407	3 927	259 782	281 116	101 104	382 220

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
1987	- 25 484	- 14 977	277 068	262 090	- 45 769	105 829	190 837	206 175
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	- 103 415	129 769	274 365	310 048
1991*								
April	- 81 026	- 9 228	455 339	446 110	- 104 051	119 229	261 033	290 233
May	- 81 899	- 9 348	456 850	447 502	- 99 199	124 190	266 403	297 849
June	- 79 812	- 9 513	458 943	449 430	- 101 091	127 454	268 528	298 899
July	- 84 565	- 9 819	465 252	455 432	- 103 538	126 403	267 329	296 597
Aug.	- 79 060	- 9 139	467 590	458 451	- 114 167	124 941	265 224	296 956
Sept.	- 75 824	- 9 420	467 933	458 514	- 118 380	123 637	264 310	299 216
Oct.	- 76 079	- 8 627	469 184	460 557	- 121 185	122 012	263 293	304 260
Nov.	- 85 011	- 7 109	482 382	475 274	- 125 671	121 627	264 592	301 299
Dec.	- 86 555	- 6 516	470 852	464 336	- 103 415	129 769	274 365	310 048
1992*								
Jan.	- 92 949	- 5 295	471 797	466 502	- 99 925	127 440	273 629	311 649
Feb.	- 86 492	- 4 895	470 980	466 085	- 108 895	125 001	270 698	305 822
March	- 87 007	- 5 201	467 987	462 785	- 102 956	127 838	272 822	310 875
April	- 83 331	- 4 726	465 590	460 864	- 105 286	126 684	272 247	315 113

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

End of period	Foreign currency-denominated debt				Markka-denominated debt				Total central government debt (4+8)	Out-standing lending	Cash funds
	Bonds	Other bonds and debentures	Long-term promissory notes	Total (1+2+3)	Public bonds	Other long-term liabilities	Treasury notes and bills	Total (5+6+7)			
	1	2	3	4	5	6	7	8	9	10	11
1987	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	38 436	11 553
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	55 319	15 956
1991											
June	24 909	1 828	2 669	29 406	26 754	7 608	2 330	36 692	66 098	52 139	17 306
July	25 760	1 813	2 689	30 262	27 122	9 008	2 330	38 460	68 722	52 706	17 215
Aug.	26 028	1 837	2 633	30 498	28 315	9 008	2 330	39 653	70 151	53 330	15 108
Sept.	28 417	1 817	2 350	32 584	29 058	9 008	2 530	40 595	73 179	53 998	16 859
Oct.	32 338	1 848	2 362	36 548	30 070	9 008	2 670	41 748	78 296	54 858	17 991
Nov.	37 875	2 014	2 601	42 490	30 825	10 408	4 180	45 413	87 903	55 105	16 909
Dec.	38 703	2 437	2 506	43 646	31 018	12 208	5 180	48 406	92 052	55 320	15 956
1992											
Jan.	38 613	2 525	2 500	43 638	31 064	12 205	6 881	50 150	93 788	55 994	11 536
Feb.	45 885	2 904	2 466	51 255	32 232	12 205	6 430	50 867	102 122	56 721	17 967
March	47 575	2 843	2 401	52 819	32 629	12 199	7 201	52 029	104 848	55 581	18 423
April	53 972	2 837	2 383	59 192	32 814	11 614	7 257	51 685	110 877	56 113	17 029
May	55 006	2 861	2 376	60 243	33 881	11 460	8 257	53 598	113 841	..	21 068
June	60 146	3 099	2 166	65 411	34 316	11 460	10 384	56 160	121 571	..	..

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)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1987	4 477	9 510	8 119	206	69	9 409	8 830	4 142	22 380
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	25 864	11 073	1 320	-	30 168	-	15 366	45 534
1991*									
June	880	3 207	-	315	-	2 355	-	2 047	4 401
July	1 592	2 097	-	-	-	1 505	-	2 184	3 689
Aug.	275	817	4 693	50	-	5 680	-	155	5 835
Sept.	449	1 411	300	250	-	2 261	-	149	2 410
Oct.	327	1 300	205	403	-	623	-	1 612	2 234
Nov.	1 142	2 646	100	223	-	1 613	-	2 497	4 111
Dec.	244	6 343	-	-	-	4 100	-	2 486	6 586
1992*									
Jan.	662	846	4 465	70	-	5 360	-	683	6 043
Feb.	770	2 343	-	450	-	2 293	-	1 270	3 563
March	442	1 279	235	310	-	1 772	-	494	2 266
April	53	1 579	-	570	4	405	-	1 801	2 206
May	1 169	1 353	2 220	171	-	3 922	-	991	4 913
June	1 242	966	215	42	-	1 311	-	1 154	2 465

B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1987	17 509	36 773	26 518	1 200	232	24 831	28 229	29 172	82 232
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
1991*									
II	23 269	67 588	30 932	1 760	4 395	63 588	19 971	44 384	127 943
III	25 034	69 492	33 235	2 037	3 744	70 002	18 614	44 926	133 542
IV	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
1992*									
I	26 650	77 864	36 796	3 555	3 724	80 892	15 977	51 720	148 589
II	26 383	80 295	37 744	4 306	3 721	83 427	15 314	53 707	152 449

5.6 HELSINKI STOCK EXCHANGE

Average of daily observations	Share prices									Turnover ¹ , mill. FIM		
	HEX Index (28 Dec., 1990=1000)									Shares and subscription rights	Bonds and debentures	Total
	All-share index	By ownership			By industry							
		Re-stricted	Non-re-stricted	Banks and finance	Insurance and investment	Manu-factur-ing	Of which					
	1	2	3	4	5	6	7	8	9	10	11	12
1987	1 284	1 264	1 385	1 449	1 054	1 285	1 421	1 342	1 369	26 641	4 604	31 245
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	1 330	1 322	1 393	1 260	1 182	1 374	1 435	1 281	1 472	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
1991												
July	983	971	1 076	912	942	1 023	1 032	1 094	1 076	307	51	358
Aug.	986	971	1 095	915	950	1 025	1 049	1 098	1 073	324	58	382
Sept.	914	897	1 032	829	904	948	1 007	1 037	974	373	61	433
Oct.	846	833	945	755	807	891	988	994	889	447	40	487
Nov.	831	819	927	727	745	884	1 038	978	856	406	36	442
Dec.	787	779	853	664	618	857	1 060	955	807	487	125	612
1992												
Jan.	852	837	961	681	646	950	1 187	1 056	909	790	69	859
Feb.	904	889	1 011	649	653	1 040	1 252	1 244	990	648	65	712
March	858	845	959	595	612	991	1 159	1 204	941	581	41	622
April	805	791	907	530	552	941	1 124	1 171	878	418	23	441
May	849	838	929	542	538	1 014	1 202	1 317	950	674	104	778
June	788	776	877	411	474	972	1 182	1 298	904	606	511	1 118
July	722	710	811	345	425	901	1 082	1 210	835	406	902	1 308

¹ During period.

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL.FIM

During period	Exports of goods, f.o.b.	Trans- port receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Invest- ment income	Trans- fers and other income	Current account receipts (6+7+8)	Imports of goods, c.i.f.	Trans- port ex- penditure	Travel ex- penditure	Other services ex- penditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
1987	83 826	6 387	3 736	6 099	16 222	100 048	6 162	3 231	109 441	81 867	2 610	6 811	6 488
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*	91 263	8 111	5 041	5 218	18 370	109 633	13 875	5 112	128 619	86 696	4 082	11 089	10 968
1989													
IV	27 418	1 879	1 129	2 114	5 122	32 540	3 211	944	36 694	29 708	1 080	2 446	2 285
1990													
I	24 356	1 984	794	1 621	4 399	28 755	3 190	1 084	33 028	24 733	928	2 514	2 250
II	26 482	2 096	1 070	1 546	4 712	31 194	3 299	1 142	35 635	27 406	1 104	2 581	2 190
III	22 902	2 189	1 598	1 186	4 973	27 875	2 607	1 104	31 587	23 063	1 054	2 912	2 089
IV	26 010	2 078	1 188	1 728	4 994	31 004	3 642	1 130	35 776	26 765	1 277	2 760	2 974
1991*													
I	21 988	1 842	914	1 340	4 097	26 085	3 552	1 239	30 876	22 093	897	2 592	2 830
II	21 245	1 998	1 256	1 140	4 394	25 639	3 586	1 323	30 549	20 972	1 074	2 583	2 597
III	22 790	2 155	1 628	1 124	4 907	27 697	3 462	1 232	32 390	20 602	1 112	2 899	2 447
IV	25 240	2 117	1 242	1 613	4 972	30 212	3 274	1 318	34 805	23 029	999	3 014	3 095
1992*													
I	24 796	1 890	1 130	1 502	4 521	29 317	3 586	1 282	34 185	22 794	915	2 726	3 175

During period	Services ex- penditure, total (11+12 +13)	Imports of goods and services (10+14)	Invest- ment ex- penditure	Trans- fers and other ex- penditure	Current Trade and account ex- penditure (15+16 +17)	Trade account (1-10)	Trans- port (3-12)	Travel (3-12)	Other services (4-13)	Services account and services (20+21 +22)	Goods and services account (19+23)	Invest- ment income, net (7-16)	Trans- fers 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
1987	15 909	97 775	13 356	5 860	116 990	1 960	3 778	-3 075	-390	313	2 273	-7 194	-2 629	-7 550
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*	26 139	112 835	29 433	10 172	152 440	4 567	4 030	-6 048	-5 750	-7 769	-3 202	-15 559	-5 060	-23 820
1989														
IV	5 811	35 519	6 299	1 827	43 645	-2 291	799	-1 316	-171	-689	-2 980	-3 088	-883	-6 951
1990														
I	5 693	30 426	6 218	2 167	38 811	-378	1 056	-1 720	-629	-1 293	-1 671	-3 028	-1 084	-5 783
II	5 874	33 281	7 198	2 378	42 857	-924	992	-1 511	-644	-1 163	-2 087	-3 899	-1 236	-7 222
III	6 054	29 117	6 415	2 132	37 665	-161	1 136	-1 314	-903	-1 082	-1 243	-3 808	-1 028	-6 078
IV	7 011	33 776	7 141	2 289	43 206	-755	801	-1 572	-1 246	-2 017	-2 772	-3 499	-1 159	-7 430
1991*														
I	6 319	28 411	8 168	2 973	39 552	-104	945	-1 678	-1 489	-2 222	-2 326	-4 616	-1 734	-8 676
II	6 254	27 226	7 555	2 161	36 943	273	924	-1 327	-1 457	-1 860	-1 587	-3 969	-838	-6 395
III	6 458	27 060	6 921	2 169	36 150	2 188	1 043	-1 271	-1 323	-1 551	637	-3 460	-937	-3 760
IV	7 108	30 137	6 788	2 869	39 795	2 211	1 118	-1 772	-1 481	-2 136	75	-3 514	-1 551	-4 990
1992*														
I	6 815	29 609	8 718	3 039	41 367	2 001	975	-1 596	-1 673	-2 294	-292	-5 132	-1 757	-7 182

6.2 CAPITAL ACCOUNT¹, MILL. FIM

During period	Imports of long-term capital					Exports of long-term capital					Long-term capital account (8-10)	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
1987	1 165	9 828	861	91	11 945	5 015	2 285	1 669	272	9 241	2 704	- 4 846
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*	131	34 734	12 639	561	48 064	8 501	- 456	915	101	9 060	39 004	15 184
1989												
IV	1 012	2 804	5 323	75	9 214	4 136	- 190	- 14	102	4 034	5 180	- 1 771
1990												
I	575	6 788	12 238	126	19 727	2 038	302	1 438	156	3 934	15 793	10 010
II	326	2 836	1 657	- 34	4 785	2 739	- 425	2 374	0	4 688	97	- 7 125
III	85	6 702	2 518	- 26	9 279	2 640	284	- 2 963	10	- 29	9 308	3 230
IV	2 024	6 330	3 261	103	11 718	5 054	416	- 1 348	128	4 250	7 468	38
1991*												
I	549	8 008	3 402	- 267	11 693	2 090	4	18	165	2 278	9 416	739
II	358	14 185	3 779	484	18 806	1 697	- 368	643	- 19	1 953	16 853	10 458
III	- 269	9 400	2 783	- 61	11 853	1 966	402	- 520	- 2	1 846	10 007	6 248
IV	- 507	3 140	2 674	404	5 712	2 748	- 494	774	- 44	2 983	2 729	- 2 262
1992*												
I	690	4 563	- 575	806	5 484	2 518	269	178	275	3 240	2 243	- 4 939

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
1987	19 324	- 665	3 835	22 494	- 6 088	- 183	1 268	- 5 003	- 6 915	20 581	15 736	- 15 736
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*	- 13 133	822	- 1 195	- 13 506	6 049	963	3 303	10 314	2 232	- 21 588	- 6 404	6 404
1989												
IV	- 16 243	2 915	- 148	- 13 476	- 11 860	24	- 615	- 12 451	- 824	- 1 849	- 3 620	3 620
1990												
I	19 514	731	956	21 201	8 907	- 593	1 575	9 889	- 10 475	836	10 847	- 10 847
II	9 095	594	- 1 742	7 947	2 936	- 593	- 103	2 240	2 192	7 899	774	- 774
III	- 1 155	- 201	517	- 838	- 729	- 34	238	- 525	- 857	- 1 170	2 059	- 2 059
IV	- 11 196	- 6	- 1 088	- 12 290	- 13 404	- 34	- 467	- 13 905	- 241	1 374	1 412	- 1 412
1991*												
I	18 038	- 1 035	2 412	19 415	22 472	- 602	3 978	25 847	2 591	- 3 841	- 3 102	3 102
II	- 10 815	3	- 588	- 11 399	515	- 516	1 972	1 971	691	- 12 679	- 2 221	2 221
III	- 16 261	392	- 541	- 16 411	- 3 091	1 048	1 873	- 170	3 088	- 13 153	- 6 905	6 905
IV	- 4 094	1 461	- 2 478	- 5 111	- 13 847	1 032	- 4 520	- 17 334	- 4 137	8 085	5 824	- 5 824
1992*												
I	- 2 011	120	3 553	1 661	- 4 080	899	1 747	- 1 435	201	3 297	- 1 641	1 641

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
1987	10 339	54 317	30 379	830	95 865	17 892	6 975	15 371	2 192	42 430	53 435
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*	18 782	143 558	69 264	5 427	237 031	57 402	7 353	27 923	6 161	98 839	138 192
1989											
IV	16 093	82 313	40 110	994	139 510	33 234	7 680	24 572	2 757	68 243	71 267
1990											
I	16 556	85 070	50 790	1 120	153 536	34 829	7 898	25 771	2 913	71 411	82 125
II	16 769	86 559	52 247	1 086	156 661	37 124	7 457	28 102	2 913	75 596	81 065
III	16 741	90 866	54 362	1 060	163 029	39 321	7 330	24 996	2 923	74 570	88 459
IV	18 651	98 399	51 744	4 630	173 424	43 931	7 184	25 595	5 487	82 196	91 228
1991*											
I	19 200	111 648	56 270	4 234	191 352	46 021	7 214	25 982	5 914	85 131	106 221
II	19 558	125 678	61 363	4 741	211 340	47 718	6 885	27 086	6 061	87 751	123 589
III	19 289	130 857	63 708	4 718	218 571	49 684	7 302	26 013	5 934	88 933	129 639
IV	18 782	143 558	69 264	5 427	237 031	57 402	7 353	27 923	6 161	98 839	138 192
1992*											
I	19 472	151 392	70 344	6 422	247 630	59 920	7 931	29 088	6 738	103 677	143 953

End of period	Short-term liabilities					Short-term assets					Short-term liabilities, net (16-21)	Debt, net (11+22)	Net investment expenditure in relation to current account receipts	Net investment 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
1987	3 362	73 132	11 470	9 691	97 654	31 134	32 310	15 397	2 663	81 505	16 150	69 585	7 194	6.6
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	7 656	6.2
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	11 670	9.0
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	14 234	10.5
1991*	3 149	101 837	14 238	15 765	134 987	35 922	35 615	15 841	10 633	98 011	36 976	175 169	15 559	12.2
1989														
IV	3 558	88 751	12 697	12 883	117 889	25 113	33 569	16 516	5 666	80 864	37 024	108 291	3 088	8.4
1990														
I	4 036	108 663	13 428	13 808	139 936	35 895	42 476	15 924	7 218	101 513	38 423	120 548	3 028	9.2
II	4 195	118 120	14 023	12 066	148 404	36 764	45 412	15 331	7 126	104 634	43 770	124 835	3 899	10.9
III	4 071	117 679	13 468	12 544	147 763	38 454	44 683	15 297	7 325	105 759	42 004	130 463	3 808	12.1
IV	3 922	106 548	13 466	13 864	137 801	39 506	27 190	14 372	6 608	87 676	50 125	141 353	3 499	9.8
1991*														
I	3 399	127 305	12 323	17 314	160 341	37 748	48 792	13 766	11 366	111 672	48 669	154 890	4 616	14.9
II	2 889	117 997	12 318	17 597	150 801	36 023	50 406	13 271	13 753	113 453	37 348	160 937	3 969	13.0
III	2 826	100 908	12 710	16 845	133 289	29 006	47 064	14 326	15 153	105 549	27 740	157 379	3 460	10.7
IV	3 149	101 837	14 238	15 765	134 987	35 922	35 615	15 841	10 633	98 011	36 976	175 169	3 514	10.1
1992*														
I	3 185	102 919	14 336	18 612	139 051	35 429	32 746	16 858	12 918	97 952	41 099	185 052	5 132	15.0

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
1987	39 522	17 365	9 777	28 691	509	95 865	19 493	16 242	3 403	2 653	639	42 430	53 435
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*	78 794	69 325	31 821	56 377	713	237 031	59 707	29 691	2 092	4 752	2 597	98 839	138 192
1989													
IV	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													
I	63 564	47 288	19 317	22 763	604	153 536	35 903	27 707	2 388	3 699	1 714	71 411	82 125
II	63 097	49 935	20 635	22 359	636	156 661	37 981	29 908	2 118	3 734	1 855	75 596	81 065
III	62 837	54 562	21 377	23 580	673	163 029	39 882	27 193	1 763	3 772	1 960	74 570	88 459
IV	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*													
I	70 427	58 297	25 781	36 123	724	191 352	47 990	28 124	2 114	4 651	2 252	85 131	106 221
II	75 950	65 895	29 985	38 814	696	211 340	50 227	28 028	2 093	5 040	2 362	87 751	123 589
III	76 261	66 897	30 358	44 332	723	218 571	52 079	27 556	2 109	4 655	2 534	88 933	129 639
IV	78 794	69 325	31 821	56 377	713	237 031	59 707	29 691	2 092	4 752	2 597	98 839	138 192
1992*													
I	80 600	67 645	32 398	65 370	1 617	247 630	62 705	30 634	2 271	5 367	2 700	103 677	143 953

7. FOREIGN TRADE

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

During period	Exports, feb	Imports, cif	Balance (1-2)
	1	2	3
1987	85 516	82 807	2 709
1988	92 902	92 118	784
1989	99 784	105 516	- 5 732
1990	101 327	103 027	- 1 700
1991*	92 876	87 720	5 156
1991*			
June	5 294	6 207	- 913
July	8 026	7 070	956
Aug.	7 057	6 706	351
Sept.	8 156	7 139	1 017
Oct.	8 494	7 885	609
Nov.	8 950	7 272	1 678
Dec.	8 207	8 130	77
1992*			
Jan.	7 585	7 218	367
Feb.	8 282	7 748	534
March	9 331	8 152	1 179
April	8 741	8 425	316
May	9 105	8 090	1 015
June	9 021	8 088	933

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
1987	118	119	138	119	116
1988	121	130	145	122	119
1989	121	144	156	126	123
1990	125	138	154	128	120
1991*	114	115	154	131	118
1989					
IV	134	163	157	126	125
1990					
I	122	134	153	128	120
II	132	151	154	126	122
III	114	124	155	129	120
IV	130	139	154	133	116
1991*					
I	110	117	154	131	118
II	107	112	153	130	118
III	113	109	156	132	119
IV	124	118	156	135	116
1992*					
I	118	112	162	142	114

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, feb					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
1987	7 470	27 058	7 770	26 230	16 988	41 175	9 406	14 138	17 478	610
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*	7 009	29 699	10 538	29 163	16 467	42 440	9 445	14 009	21 205	621
1991*										
June	283	1 009	804	2 035	1 163	3 011	905	957	1 299	35
July	704	3 277	693	2 135	1 217	3 453	670	1 111	1 833	3
Aug.	571	2 587	733	1 854	1 312	3 225	806	992	1 648	35
Sept.	642	2 442	955	2 578	1 539	3 537	854	1 015	1 727	6
Oct.	654	2 681	965	2 628	1 566	3 607	1 215	1 130	1 803	130
Nov.	661	2 835	1 062	2 880	1 512	3 550	962	1 006	1 732	22
Dec.	576	2 429	976	2 793	1 433	3 576	952	1 658	1 649	295
1992*										
Jan.	528	2 444	987	2 197	1 429	3 574	690	1 092	1 747	115
Feb.	643	2 589	1 087	2 302	1 661	3 907	608	1 283	1 895	55
March	654	2 761	1 180	3 092	1 644	4 258	665	1 047	2 079	103
April	748	2 799	1 066	2 574	1 554	4 301	707	1 384	1 915	118
May	712	2 569	1 073	3 189	1 562	4 105	894	1 429	1 624	38
June	680	2 643	967	3 157	1 574	4 553	731	1 159	1 538	107

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, feb				Imports, cff			
	1991*		1992*		1991*		1992*	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period on 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	75 795	81.6	28 332	8.4	70 023	79.8	25 468	4.3
OECD Europe	67 025	72.2	25 698	12.9	57 776	65.9	21 197	5.5
Of which:								
Austria	1 227	1.3	457	16.6	1 054	1.2	352	- 7.9
Belgium and Luxembourg	2 403	2.6	938	11.8	2 252	2.6	891	18.4
Denmark	3 445	3.7	1 294	12.3	2 993	3.4	1 048	1.1
France	5 492	5.9	2 566	34.3	3 673	4.2	1 390	4.5
Germany	14 331	15.4	5 686	17.0	14 834	16.9	5 313	5.3
Italy	3 303	3.6	1 383	23.4	3 661	4.2	1 219	- 11.5
Netherlands	4 653	5.0	1 797	16.6	2 974	3.4	1 182	10.5
Norway	3 079	3.3	1 150	11.2	3 978	4.5	1 049	- 22.3
Spain	2 534	2.7	961	16.9	1 008	1.1	472	23.2
Sweden	12 884	13.9	4 468	0.9	10 806	12.3	3 783	- 1.0
Switzerland	1 813	2.0	637	2.5	1 573	1.8	623	10.8
United Kingdom	9 613	10.4	3 507	7.4	6 739	7.7	3 006	39.8
Other OECD	8 770	9.4	2 634	- 22.2	12 247	14.0	4 271	- 1.6
Of which:								
Canada	720	0.8	196	- 19.9	547	0.6	174	- 2.6
Japan	1 393	1.5	457	- 1.8	5 287	6.0	1 795	- 12.5
United States	5 648	6.1	1 630	- 32.1	6 032	6.9	2 135	6.5
Non-OECD European countries	6 531	7.0	2 369	16.6	9 577	10.9	2 749	- 6.7
Of which:								
Russia ¹	4 521	4.9	1 003	..	7 455	8.5	1 870	..
Other countries	10 550	11.4	3 238	14.4	8 120	9.3	3 326	20.0
Of which:								
OPEC countries	1 977	2.1	533	- 6.2	1 306	1.5	246	- 52.2
TOTAL	92 876	100.0	33 939	9.5	87 720	100.0	31 543	4.6
Of which:								
EC countries	47 567	51.2	18 817	16.6	40 224	45.9	15 326	10.1
EFTA countries	19 113	20.6	6 746	3.7	17 447	19.9	5 838	- 4.8

¹ Until the end of 1991, the Soviet Union; figures for Estonia, Latvia and Lithuania were included in those for the Soviet Union until October 1991.

8. DOMESTIC ECONOMIC DEVELOPMENTS

8.1 SUPPLY AND USE OF RESOURCES, MILL. FIM, 1985 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
1987	199 981	73 458	72 761	11 654	2 246	360 100	102 127	106 568	355 659
1988	209 956	75 190	81 839	11 446	9 062	387 493	105 897	118 405	374 985
1989	218 775	77 117	95 178	11 234	14 056	416 360	107 552	128 834	395 078
1990*	219 293	80 525	88 429	12 720	13 992	414 959	109 236	127 735	396 460
1991*	210 939	83 032	68 597	13 303	5 152	381 023	102 372	112 731	370 664
1989									
IV	55 038	19 467	24 972	3 053	4 775	107 306	27 524	34 390	100 439
1990*									
I	54 988	19 895	23 797	3 091	2 832	104 603	27 171	32 265	99 509
II	55 328	20 049	22 384	3 253	4 572	105 586	29 146	34 272	100 460
III	54 767	20 209	21 381	3 066	3 382	102 805	26 629	30 338	99 096
IV	54 210	20 372	20 867	3 310	3 206	101 965	26 291	30 861	97 395
1991*									
I	53 400	20 494	20 027	3 052	2 536	99 509	25 172	29 665	95 016
II	52 771	20 686	18 141	3 447	773	95 819	24 326	27 248	92 897
III	52 712	20 859	16 656	3 402	0	93 628	26 940	28 311	92 257
IV	52 055	20 993	13 773	3 402	1 843	92 067	25 934	27 507	90 493
1992*									
I	51 536	20 417	16 867	2 807	1 409	93 035	26 913	28 657	91 291

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1985=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)	(1.6)	(87.9)	(16.5)	(30.0)	(41.4)	(10.5)
	1	2	3	4	5	6	7
1987	107.2	99.9	107.2	106.5	110.2	105.4	107.8
1988	110.9	108.8	111.0	113.1	114.5	107.6	110.1
1989	114.6	117.9	115.0	116.6	121.5	109.6	110.5
1990*	114.3	115.7	114.4	114.6	122.1	108.7	112.9
1991*	104.1	106.4	102.4	104.8	105.0	99.7	117.6
1991*							
May	105.0	92.1	103.3	107.7	108.0	98.1	122.0
June	100.1	84.0	99.1	92.0	100.5	99.1	113.3
July	107.2	121.5	104.7	105.5	107.3	102.5	120.3
Aug.	102.4	128.2	100.2	103.2	100.7	98.8	118.9
Sept.	101.6	111.0	99.3	104.5	99.4	97.2	123.6
Oct.	100.6	103.2	98.0	104.1	98.9	95.3	121.0
Nov.	99.9	96.0	98.3	104.2	98.2	95.8	113.0
Dec.	101.4	101.2	100.2	104.5	101.2	98.0	110.2
1992*							
Jan.	103.6	102.4	101.6	103.2	109.0	95.5	116.5
Feb.	105.5	105.8	103.7	112.1	113.4	93.3	117.3
March	109.6	117.6	108.2	110.1	124.0	95.8	118.5
April	108.7	103.8	107.4	108.3	118.4	99.8	121.7
May	109.4	124.6	108.4	113.7	118.6	99.0	113.5

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
1987	111.3	107.7	95.6	89.0	101.0	102.6	114.3	106.9
1988	116.7	113.0	108.6	106.0	113.4	110.6	135.0	110.7
1989	124.2	117.0	130.3	132.9	137.6	125.2	161.4	115.4
1990*	119.9	111.7	127.3	124.8	161.7	122.1	144.6	116.7
1991*	101.2	103.9	103.9	94.4	127.7	109.9	102.1	111.0
1991*								
March	96.2	102.7	..	..	..	..	..	111.3
April	109.0	106.5	..	..	..	..	..	112.2
May	101.8	105.1	..	..	..	..	..	111.5
June	97.8	103.7	..	..	..	..	..	109.5
July	107.3	107.2	..	..	..	..	..	112.7
Aug.	99.3	104.3	..	..	..	..	..	109.9
Sept.	99.5	103.4	..	..	..	..	..	110.1
Oct.	94.8	102.5	..	..	..	..	..	109.5
Nov.	94.9	102.3	..	..	..	..	..	109.6
Dec.	94.5	100.1	..	..	..	..	..	110.1
I	105.2	104.1	116.4	112.2	168.8	111.0	112.7	113.1
II	102.8	105.1	111.9	100.0	153.4	120.5	100.9	111.1
III	102.0	105.0	98.9	88.4	91.4	111.1	86.6	110.9
IV	94.7	101.6	89.6	76.8	99.6	97.2	111.3	109.7
1992*								
Jan.	99.4	107.2	..	..	..	..	..	109.0
Feb.	86.8	99.3	..	..	..	..	..	109.7
March	92.6	94.0	..	..	..	..	..	111.1
I	92.9	100.2	89.6	85.4	110.7	90.3	87.8	109.9

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 (SIC 3)	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
1987	114.4	114.5	113.4	115.7	113.3	115.2	107.2	97.9	100.2	89.3	97.3	98.1	96.8	109.1
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
1990¹	148.2	148.9	146.9	149.8	144.8	150.1	127.3	110.9	115.7	93.6	110.0	110.4	109.8	134.5
1991¹	157.6	158.3	156.3	158.0	154.8	159.0	132.6	111.2	115.8	94.2	109.9	108.7	110.4	137.3
1991¹														
June	..	..	..	..	..	..	132.7	111.1	116.0	93.5	109.8	109.0	110.2	137.2
July	..	..	..	..	..	..	132.7	111.0	115.6	94.0	109.6	108.3	110.2	137.8
Aug.	..	..	..	..	..	..	132.8	110.8	115.2	94.5	109.4	108.2	110.1	137.5
Sept.	..	..	..	..	..	..	133.0	110.8	115.3	94.4	109.7	108.5	110.3	137.8
Oct.	..	..	..	..	..	..	133.3	111.0	115.6	94.4	109.8	108.0	110.7	137.5
Nov.	..	..	..	..	..	..	133.4	111.2	115.3	96.1	110.1	108.4	110.9	137.4
Dec.	..	..	..	..	..	..	134.0	111.3	115.4	96.3	110.8	110.7	110.9	137.1
II	157.6	158.5	156.5	157.9	154.5	159.0	132.6	111.1	116.0	93.5	109.6	108.7	110.0	137.3
III	158.6	158.9	156.5	159.5	156.6	161.1	132.8	110.8	115.4	94.3	109.6	108.3	110.2	137.7
IV	159.6	160.2	158.3	159.9	157.3	161.4	133.6	111.1	115.4	95.6	110.3	109.0	110.8	137.3
1992¹														
Jan.	..	..	..	..	..	..	134.7	111.8	115.4	98.4	111.1	111.4	111.0	136.5
Feb.	..	..	..	..	..	..	135.0	112.0	115.6	99.0	111.4	111.6	111.3	136.5
March	..	..	..	..	..	..	135.4	112.1	115.6	99.2	111.5	111.7	111.4	136.5
April	..	..	..	..	..	..	135.9	112.3	115.8	99.8	112.0	112.0	112.0	135.5
May	..	..	..	..	..	..	136.0	112.3	115.7	99.9	112.5	112.6	112.4	134.8
June	..	..	..	..	..	..	136.3	112.3	115.7	100.0	112.8	113.2	112.6	133.7
I	160.1	160.6	159.4	160.5	158.0	161.8	135.0	111.9	115.5	98.9	111.3	111.6	111.2	136.5
II	160.8	161.3	160.2	161.0	158.6	162.3	136.1	112.3	115.7	99.9	112.4	112.6	112.3	134.7

¹ Preliminary figures for columns 1—6.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status		By industry			Unemployed	Unemployment rate	
				Self-employed	Wage and salary earners	Agriculture and forestry	Industry	Construction			Service industries
				1000 persons							
	%									%	
	1	2	3	4	5	6	7	8	9	10	11
1987	68.6	2 554	2 423	372	2 051	251	569	184	1 419	130	5.1
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
1991											
June	67.1	2 520	2 337	344	1 993	191	510	178	1 458	183	7.3
July	67.2	2 527	2 331	331	2 001	196	499	180	1 456	196	7.8
Aug.	67.2	2 529	2 328	341	1 987	205	495	181	1 447	201	8.0
Sept.	67.0	2 523	2 299	328	1 972	189	486	165	1 459	224	8.9
Oct.	67.0	2 525	2 282	329	1 952	197	481	159	1 444	244	9.7
Nov.	66.9	2 523	2 273	336	1 936	195	473	166	1 438	250	9.9
Dec.	66.9	2 525	2 255	330	1 925	197	472	159	1 427	270	10.7
1992											
Jan.	66.5	2 512	2 232	330	1 902	195	465	152	1 420	280	11.1
Feb.	66.7	2 520	2 223	325	1 898	188	461	161	1 412	298	11.8
March	66.6	2 516	2 217	327	1 890	196	459	153	1 409	298	11.9
April	65.8	2 486	2 189	326	1 863	185	454	150	1 400	298	12.0
May	66.1	2 498	2 188	333	1 855	189	450	154	1 395	310	12.4
June	66.2	2 502	2 187	333	1 853	191	451	157	1 388	316	12.6

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
1987	29 454	57 312	491	12 391	99 648	2 482	102 129	29 419	59 498	26 456	30 964
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
1991											
April	2 954	5 586	44	2 607	11 191	1 771	12 962	3 638	8 726	3 286	5 333
May	1 575	6 096	70	1 471	9 212	341	9 553	3 784	8 164	3 600	4 278
June	5 619	6 144	-81	1 615	13 297	499	13 797	3 789	8 622	4 041	4 109
July	5 450	6 176	97	1 794	13 517	144	13 661	4 778	7 889	3 360	4 290
Aug.	3 120	6 425	77	1 020	10 642	157	10 799	3 247	7 817	3 387	4 205
Sept.	3 336	6 164	69	1 303	10 872	124	10 996	3 610	7 895	3 458	4 271
Oct.	3 080	5 759	99	1 150	10 088	85	10 174	3 763	9 259	3 433	5 574
Nov.	3 296	6 173	229	1 763	11 461	711	12 172	3 728	10 423	4 263	5 979
Dec.	3 876	6 691	66	2 636	13 270	418	13 688	3 927	10 463	3 857	5 844
1992											
Jan.	2 963	5 805	98	867	9 733	10	9 743	4 311	8 447	3 360	4 963
Feb.	2 854	6 461	84	1 098	10 497	7	10 504	4 000	8 004	3 387	4 449
March	-420	5 048	227	2 355	7 210	2 041	9 251	3 889	9 055	3 808	4 542
April	4 629	5 583	119	2 373	12 704	83	12 787	4 022	9 590	3 818	5 394

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)
1987	7 089	4 732	100 738	5 672	106 410	-1 090	-4 280	7 604	3 324
1988	7 565	5 614	110 946	6 529	117 476	4 842	870	1 853	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
1991									
April	418	1 050	13 832	2 893	16 725	-2 641	-3 763	-17	-3 780
May	505	891	13 344	1 051	14 394	-4 132	-4 841	1 080	-3 760
June	450	311	13 172	1 429	14 601	125	-804	492	-312
July	460	187	13 314	847	14 162	203	-501	2 382	1 881
Aug.	416	-67	11 413	826	12 240	-771	-1 441	1 180	-261
Sept.	498	523	12 526	829	13 355	-1 654	-2 359	3 242	883
Oct.	567	713	14 302	993	15 295	-4 214	-5 121	4 991	-130
Nov.	458	327	14 936	1 012	15 947	-3 475	-3 775	5 865	2 089
Dec.	526	892	15 809	798	16 607	-2 539	-2 920	-211	-3 131
1992									
Jan.	340	846	13 944	792	14 737	-4 211	-4 994	1 161	-3 833
Feb.	314	168	12 486	839	13 324	-1 989	-2 820	7 885	5 065
March	378	1 355	14 677	1 161	15 837	-7 467	-6 586	3 545	-3 040
April	394	684	14 690	683	15 374	-1 986	-2 587	5 474	2 887

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 claim on deposit banks (Column 13) = term credits (from December 1986 to July 1987) + bank certificates of deposit held by the Bank of Finland (since March 1987). Other liabilities to financial institutions, net (Column 17) = capital import deposits + other liabilities to financial institutions – bonds and debentures – other claims on financial institutions. *Corporate sector.* Claims in the form of special financing (Column 19) = export bills + new-export credits + financing of domestic deliveries. Special deposits, net (Column 20) = deposits for investment and ship purchase + capital import deposits + export deposits + other liabilities to corporations – bonds – other claims on corporations.

2 THE BANK OF FINLAND'S MONEY MARKET OPERATIONS AND THE FORWARD EXCHANGE MARKET

Table 2.1 Money market instruments (Columns 1–3) denote bank certificates of deposit, Treasury bills and banks' fixed-term deposits with the Bank of Finland. Matured money market instruments, net, comprise both purchased and sold instruments.

Table 2.2 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 new statistical system covers all authorized banks and contracts. The rates of exchange used in the statistics are the forward rates on the contract date.

Table 2.3 Bank CDs held by the Bank of Finland (Column 2) include term credits. Holdings of CDs issued by the Bank of Finland (Column 5) include term liabilities.

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 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. 14 currencies (Column 3): weighted according to the relative shares of the respective countries in Finland's foreign trade (= weights of the Bank of Finland's trade-weighted currency index = the old Bank of Finland currency index). Until March 1989, the index consisted of 12 currencies.

Table 3.3 The covered Eurodollar rate is a computed rate of interest for the markka obtained by adding the difference between the forward selling rate and the spot selling rate for the U.S. dollar expressed as an annual rate of interest to the Eurodeposit rate for the dollar. The rates shown are based on daily quotations at noon by two banks.

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 tax-exempt deposits (Column 7): 24-month deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less 2 percentage points (since May 1992). Other tax-exempt deposits (Column 8): Deposits other than 24-month deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less 4 percentage points (since January 1989). Up till December 1988, the figures for tax-exempt deposits (Columns 7 and 8) are the rates of interest applied to standard tax-exempt deposit accounts as agreed upon between banks. All markka deposits (Column 9): 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 10): CDs outstanding + promissory notes + bonds. The average rate of interest is weighted by amounts. Total markka funding (Column 11); markka deposits by the public + banks' other markka funding. The rate of interest is weighted by amounts.

Table 3.5 Secondary market yields.

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. From June 1990 onwards, the yield on taxable government bonds (Column 3) is calculated by the Bank of Finland as the monthly average of the offered rates quoted daily by the five largest banks. Until January 1992, the yield 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 annual figure for 1990 is calculated as the arithmetic mean of yields on fixed-rate government bonds with a remaining maturity of between 4 and 5 years. The yield on taxable public issues (Column 4) is calculated as the arithmetic mean of yields on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued by all issuers except the central government with a remaining maturity of between 3 and 6 years. Financial institutions (Column 5): as in Column 4 for issues by financial institutions incl. banks. Corporations (Column 6): as in Column 4 for issues by non-financial corporations. The yield on taxfree public issues (Column 7) 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 3–7 once a week on the basis of the trading quotations of the Helsinki Stock Exchange. Monthly observations are the averages of weekly observations and annual observations the averages of monthly observations. *The offer yield* on fixed-rate taxable public bonds and debentures (Column 8) is the average yield weighted by issue amounts – in the case of government bonds by amounts sold – on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued during the period.

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. The midpoint (Column 2) was FIM 4.87580 from 7 June to 14 November 1991, and has been FIM 5.55841 since 15 November 1991. The markka may fluctuate ± 3 per cent around the midpoint. The Bank of Finland's trade-weighted currency index (Column 3): The weights are moving averages of the shares of (currently) 14 countries in Finland's for-

eign merchandise trade (only convertible currencies are included). The payments currency index (Column 4): The weights are moving averages of shares of payments currencies (14 convertible currencies) in Finland's foreign trade. The MERM index (Column 5): The weights are fixed 1977 weights computed on the basis of the IMF's world trade model; fourteen 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. Since the beginning of 1987, 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 on the markka bond market include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland.

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.

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.

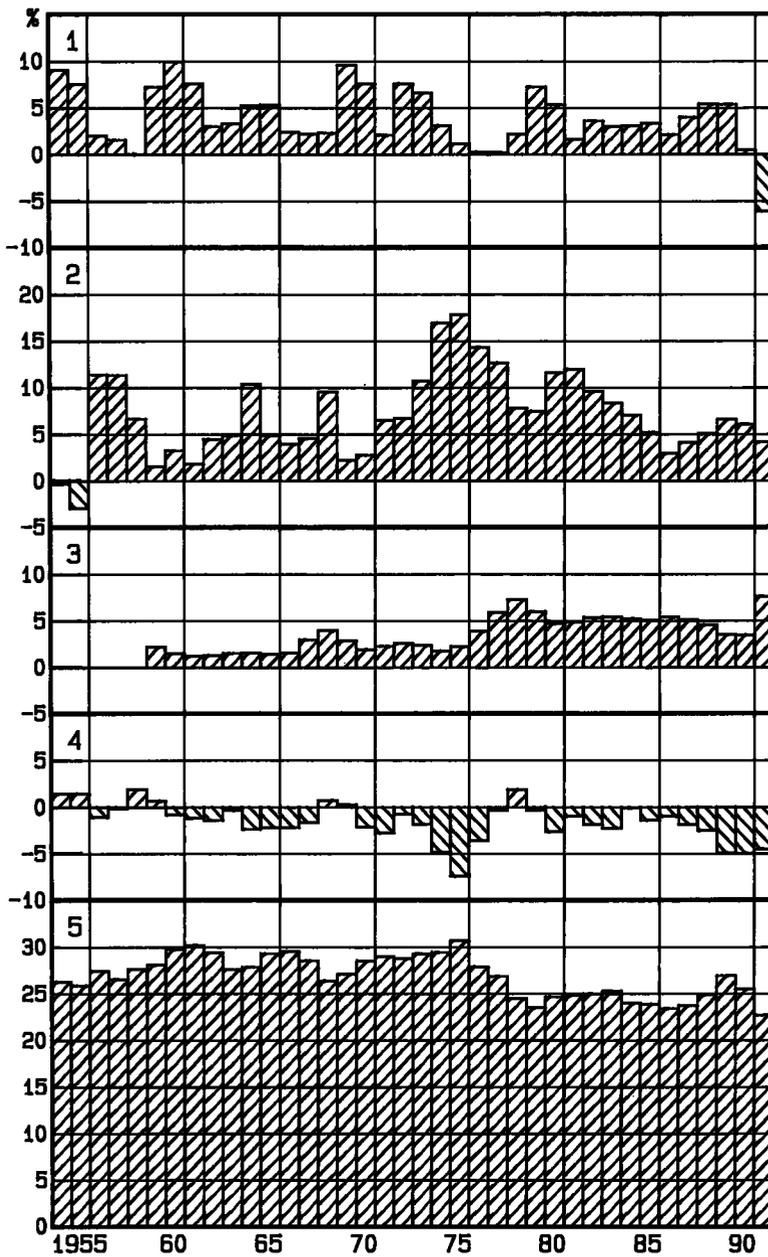
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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 of the new CPI is 1985, while the base year of the index shown until end-1984 is 1981.

Table 8.6 Source: Ministry of Finance.

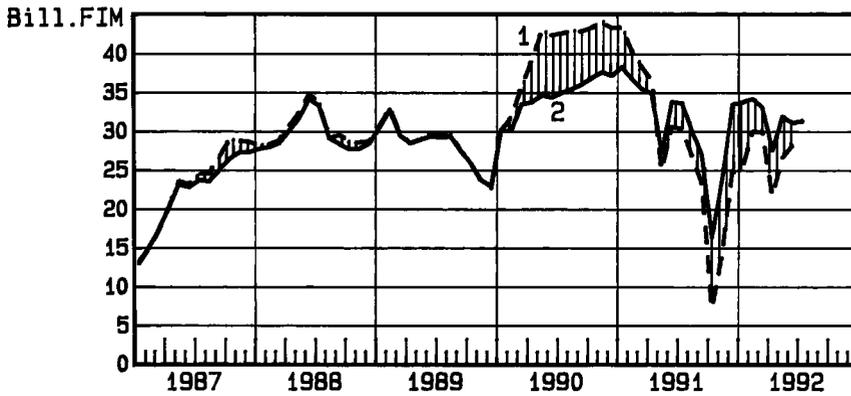
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Items affecting domestic liquidity	S29
5. Liquidity management interest rates	S30
6. HELIBOR rates of interest (daily)	S30
7. HELIBOR rates of interest (monthly)	S30
8. Rates of interest applied by the Bank of Finland	S31
9. 3-month covered Eurodollar rate and 3-month Eurorates	S31
10. Yield on bonds	S31
11. Bank of Finland currency index and the markka value of the ECU	S32
12. Markka value of the ECU	S32
13. Changes in the exchange rates of selected Nordic currencies	S32
14. Changes in the exchange rates of selected major currencies	S33
15. Bank funding from the public	S33
16. Bank lending to the public	S33
17. Money supply	S34
18. Direct investment	S34
19. Central government debt	S34
20. Current account	S35
21. Foreign debt	S35
22. Balance of payments	S36
23. Net investment expenditure	S36
24. Foreign trade	S37
25. Foreign trade: prices and terms of trade	S37
26. Finland's export performance	S37
27. Production	S38
28. Fixed investment	S38
29. Employment and the unemployment rate	S39
30. Prices and wages	S39
31. Central government finances	S40

1. LONG-TERM INDICATORS



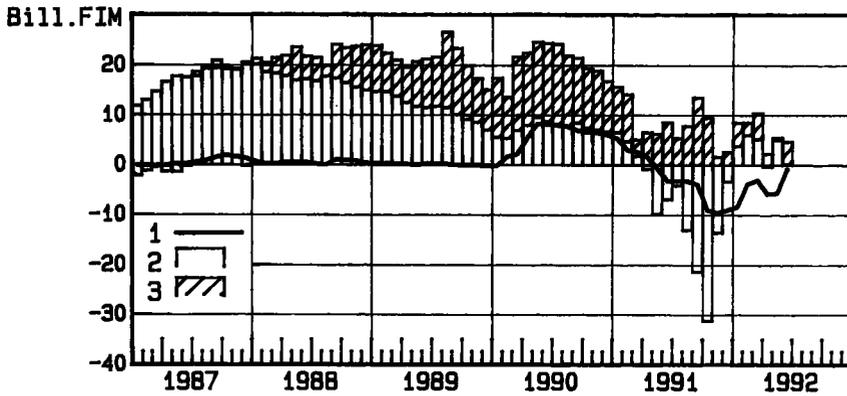
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



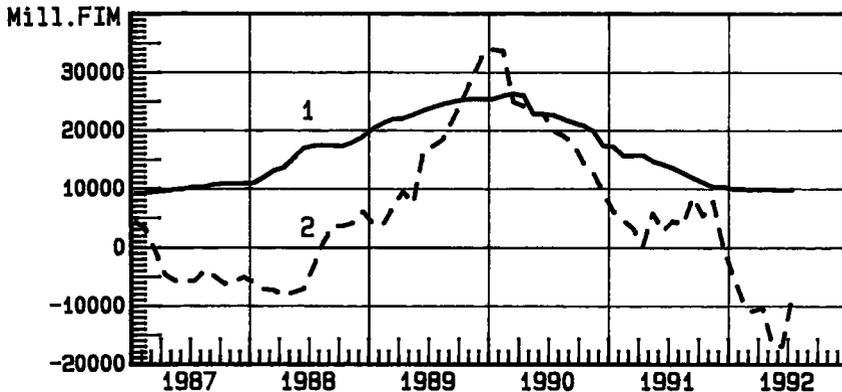
1. Convertible foreign exchange reserves plus forward position
2. Convertible foreign exchange reserves

3. FORWARD MARKET



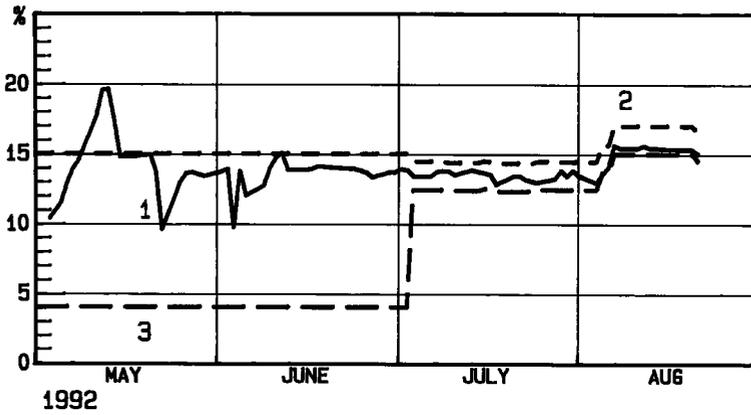
1. Forward exchange purchased by the Bank of Finland from banks
2. Forward exchange sold by companies to banks
3. Forward exchange sold by foreign banks to banks

4. ITEMS AFFECTING DOMESTIC LIQUIDITY



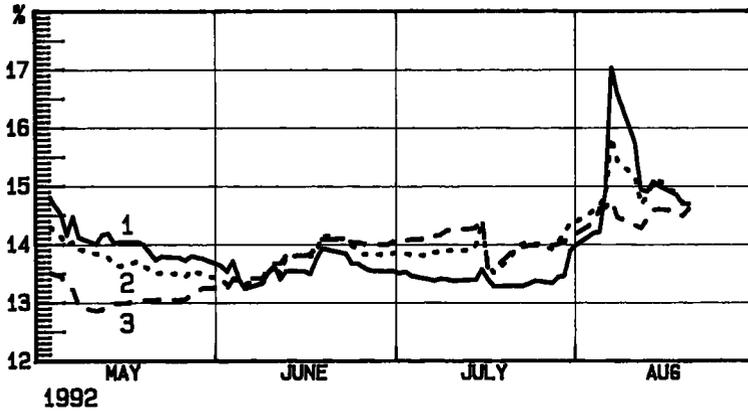
1. Cash reserve deposits
2. Bank of Finland's holdings of money market instruments, net

5. LIQUIDITY MANAGEMENT INTEREST RATES



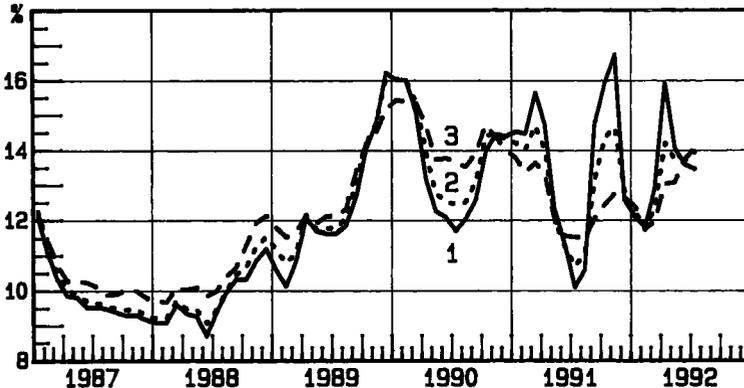
- 1. Inter-bank overnight rate
 - 2. Liquidity credit rate (up to 2 July call money credit rate)
 - 3. Call money deposit rate
- Daily observations

6. HELIBOR RATES OF INTEREST



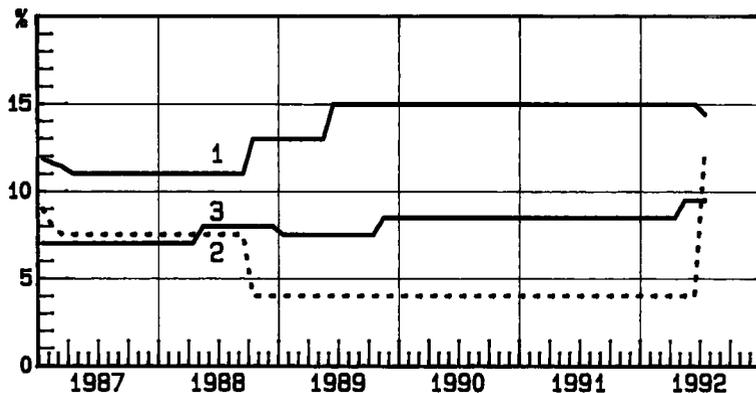
- 1. 1-month HELIBOR
 - 2. 3-month HELIBOR
 - 3. 12-month HELIBOR
- Daily observations

7. HELIBOR RATES OF INTEREST



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

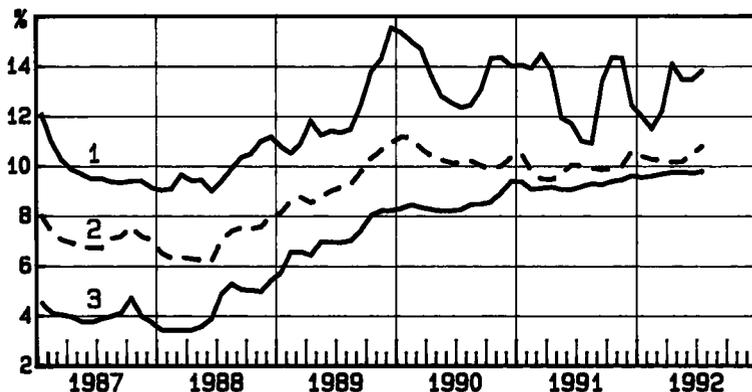
8. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



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

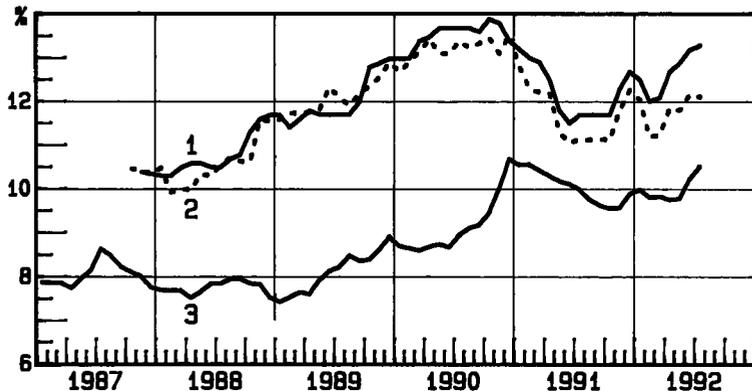
End-of-month observations

9. 3-MONTH COVERED EURODOLLAR RATE AND 3-MONTH EURORATES



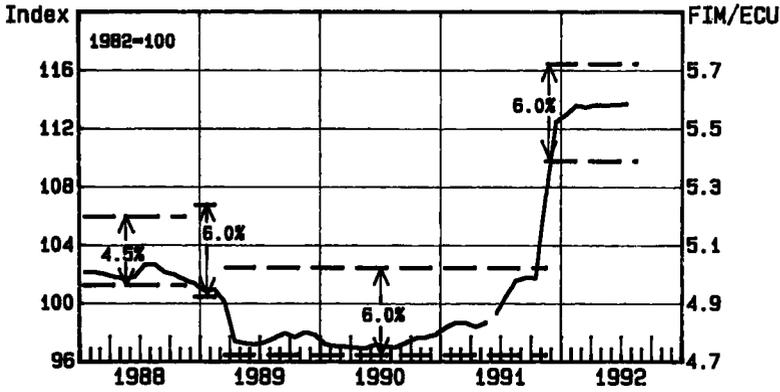
1. Covered Eurodollar rate
2. ECU rate
3. DEM Eurorate

10. YIELDS ON BONDS



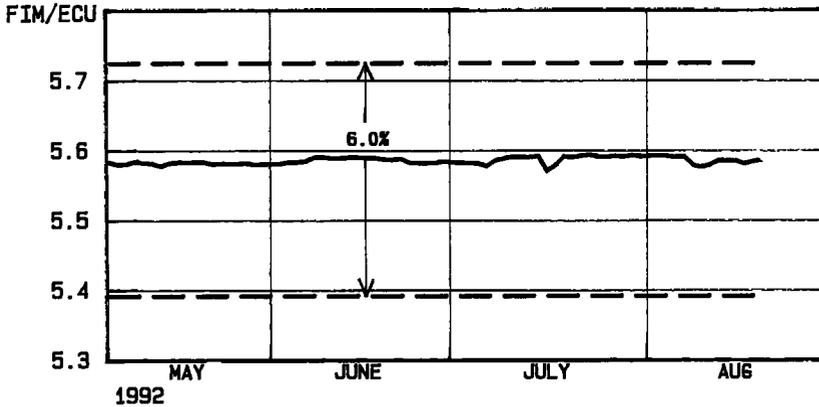
1. Bank of Finland's 5-year reference rate
2. Until April 1991, yield on (4-5 year) taxable government bonds
Since May 1991, yield on government bond due on 15 March 1996, coupon rate 11.75 per cent
3. Yield on (4-5 year) taxfree government bonds

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



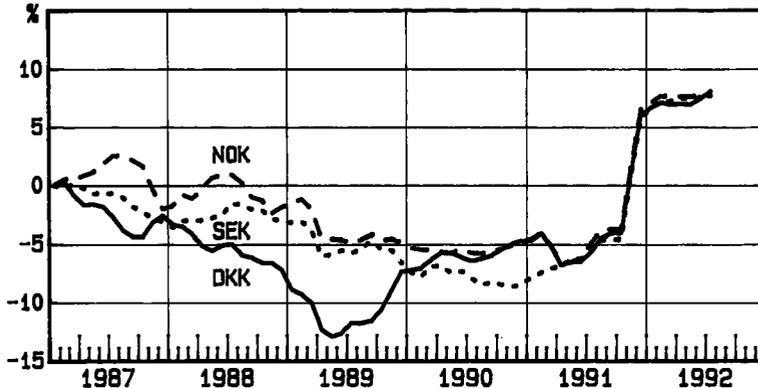
Until 7 June 1991, the Bank of Finland currency index. From 7 June 1991, the markka's exchange rate against the ECU, the fluctuation limits of which were 4.72953 — 5.02207 in the period 7 June — 14 November 1991, and have been 5.39166 — 5.72516 since 15 November 1991. Monthly averages

12. MARKKA VALUE OF THE ECU



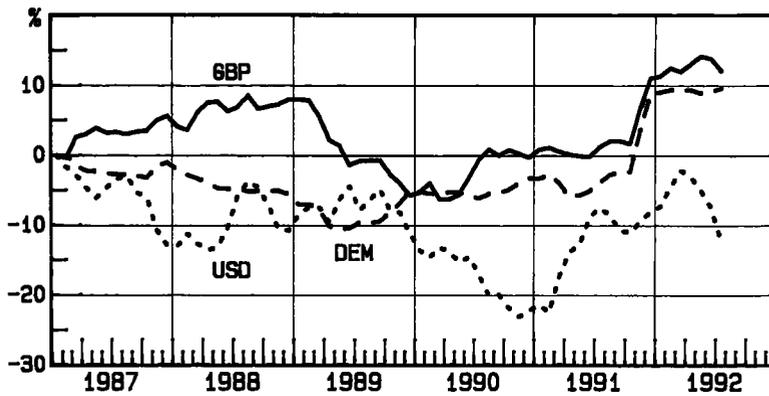
Daily observations

13. CHANGES IN THE EXCHANGE RATES OF SELECTED NORDIC CURRENCIES



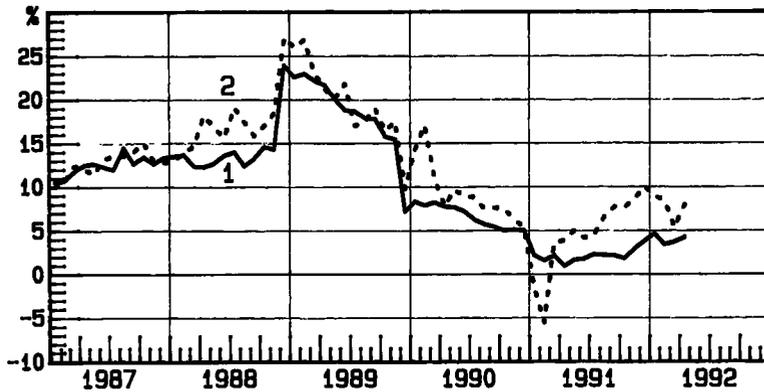
Monthly changes in markka selling rates calculated from the average rates for January 1987

14. CHANGES IN THE EXCHANGE RATES OF SELECTED MAJOR CURRENCIES



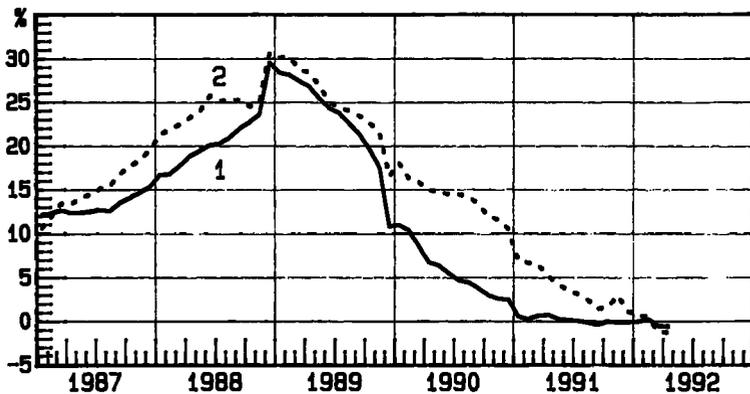
Monthly changes in markka selling rates calculated from the average rates for January 1987

15. BANK FUNDING FROM THE PUBLIC



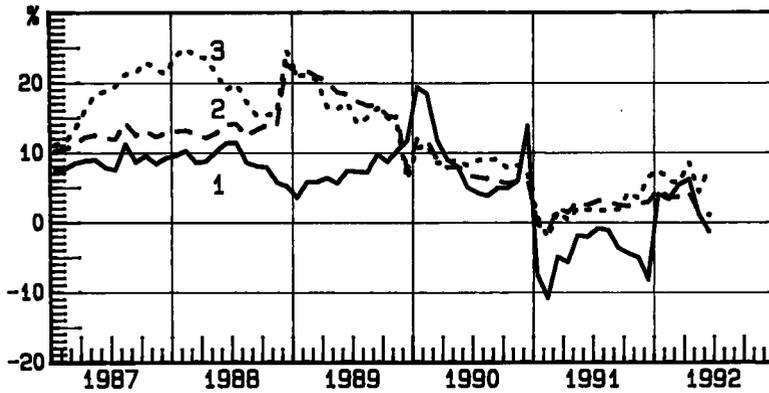
1. Markka deposits
2. Total funding
Change from the corresponding month of the previous year, per cent

16. BANK LENDING TO THE PUBLIC



1. Markka lending
2. Total lending
Change from the corresponding month of the previous year, per cent

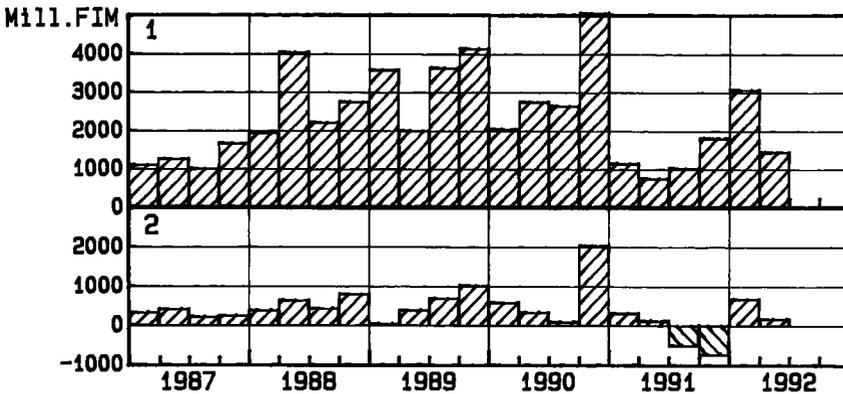
17. MONEY SUPPLY



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

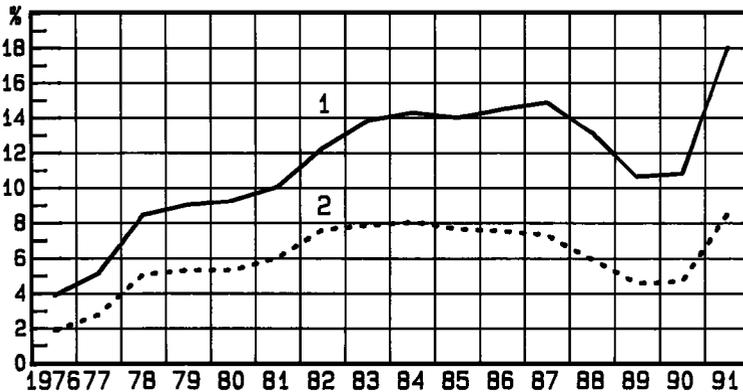
Change from the corresponding month of the previous year, per cent

18. DIRECT INVESTMENT



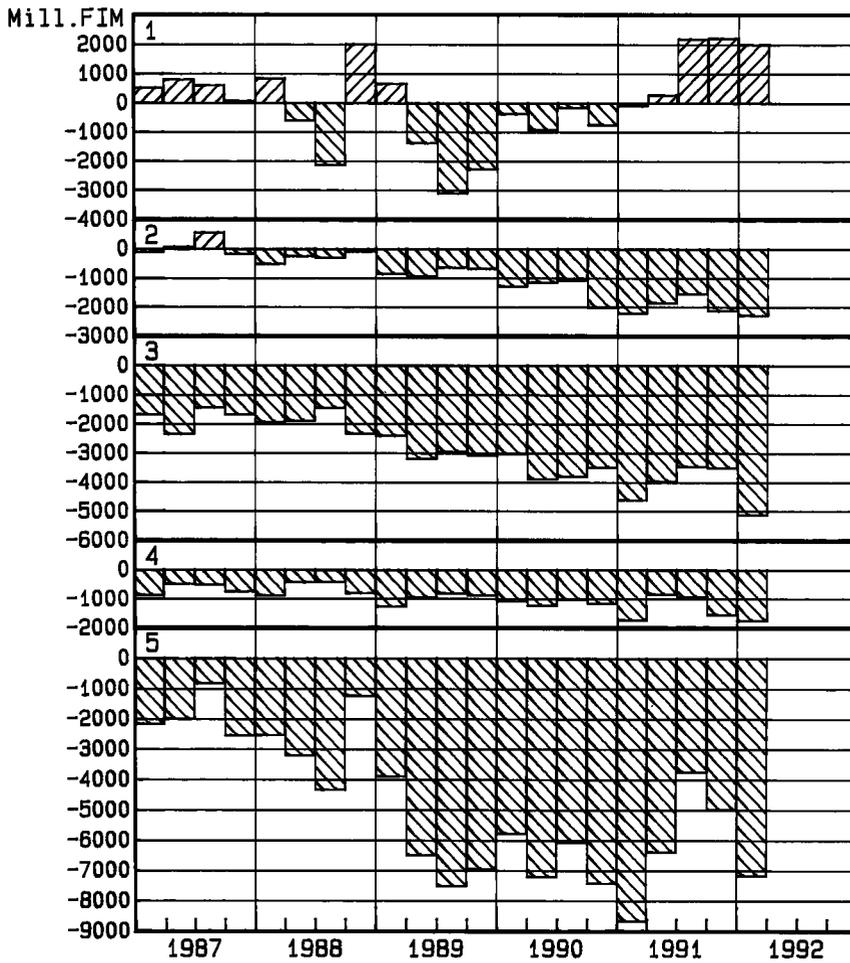
- 1. Finnish direct investment abroad, net
- 2. Foreign direct investment in Finland, net

19. CENTRAL GOVERNMENT DEBT



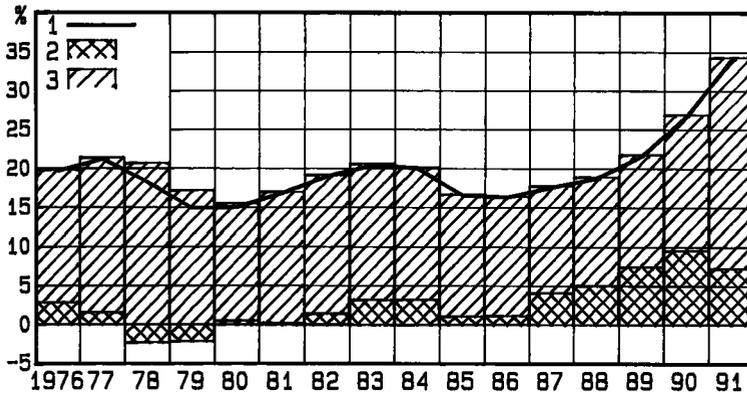
- 1. Total debt
 - 2. Of which: foreign currency-denominated debt
- As a percentage of GDP

20. CURRENT ACCOUNT



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

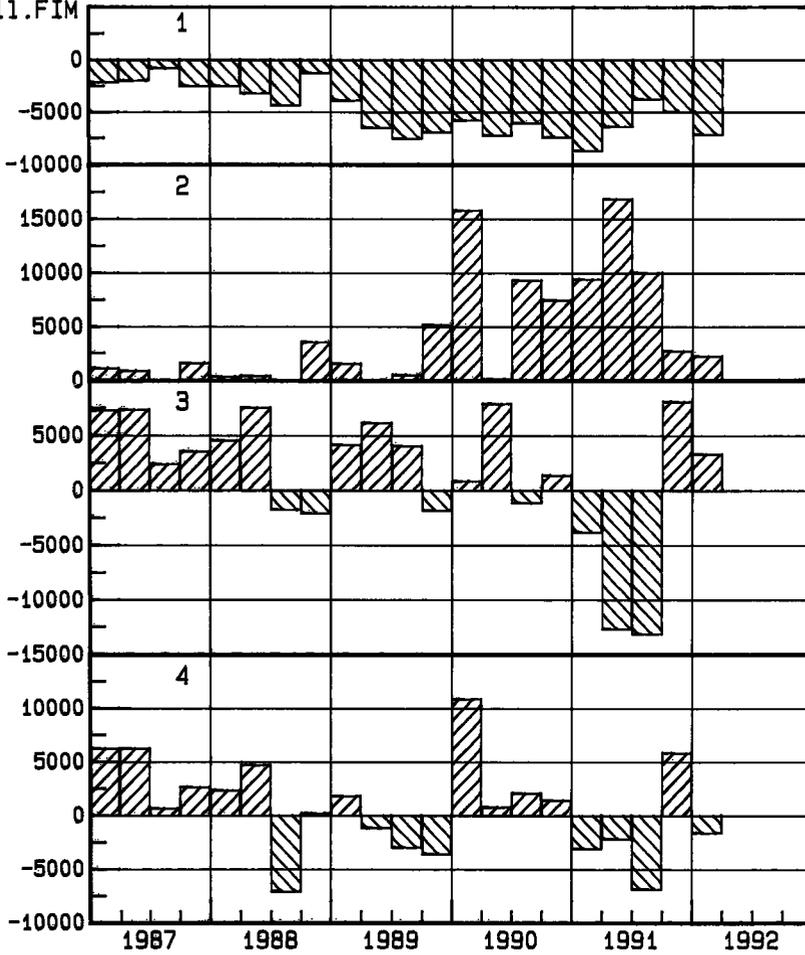
21. FOREIGN DEBT



1. Total foreign net debt
 2. Short-term net debt
 3. Long-term net debt
- As a percentage of GDP

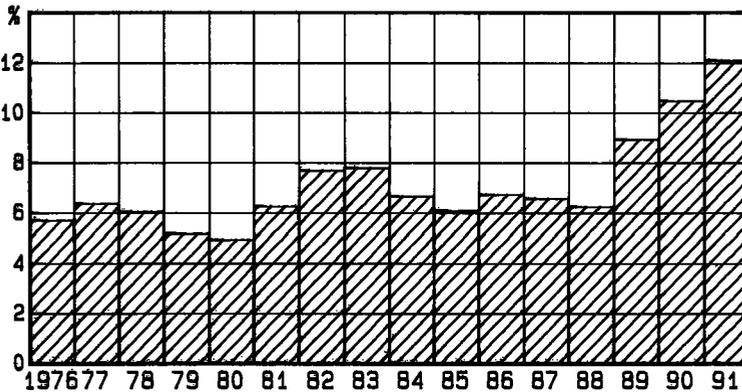
22. BALANCE OF PAYMENTS

Mill.FIM



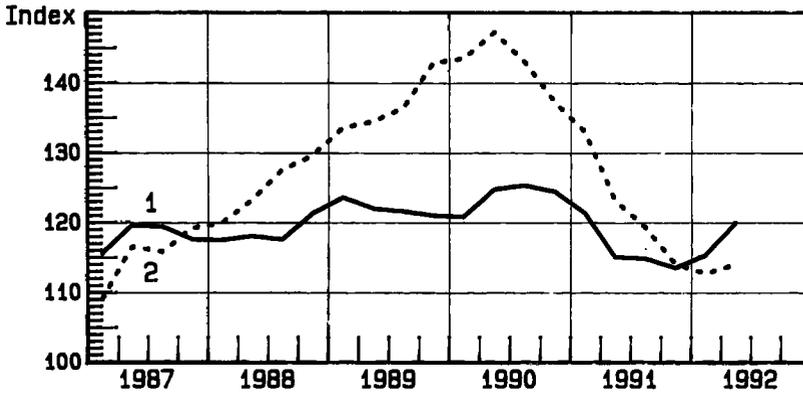
1. Current account
2. Long-term capital account
3. Short-term capital account
4. Overall balance = change in the foreign exchange reserves of the Bank of Finland

23. NET INVESTMENT EXPENDITURE



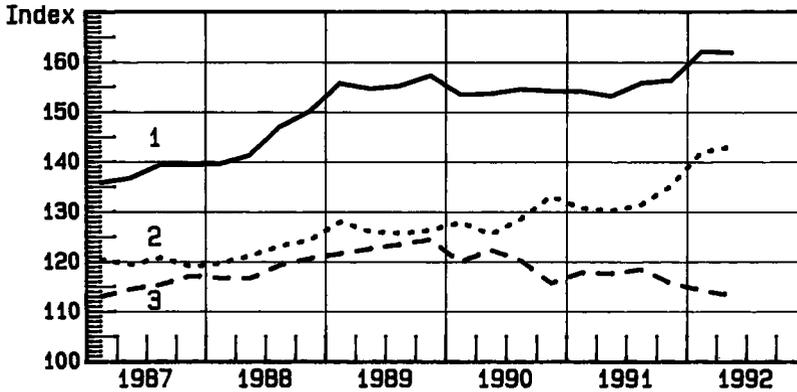
As a percentage of current account receipts

24. FOREIGN TRADE



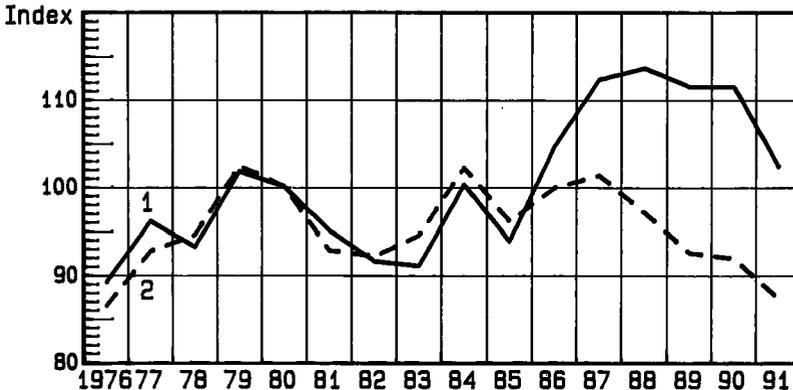
- 1. Total exports
 - 2. Total imports
- Volume index, 1980 = 100, four-quarter moving average shown as at the last quarter

25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



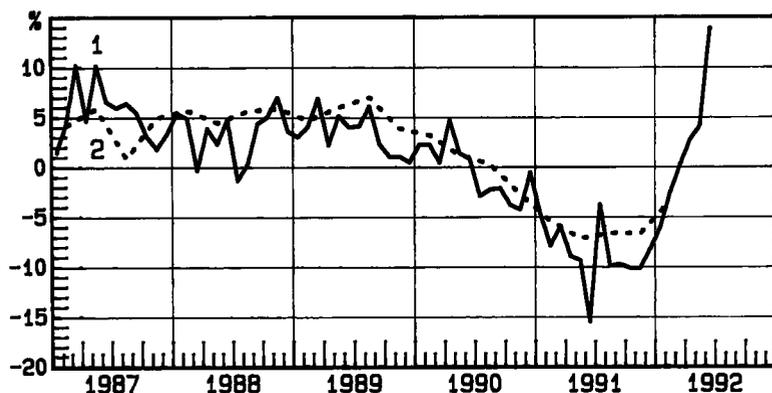
- 1. Unit value index of exports
 - 2. Unit value index of imports
 - 3. Terms of trade
- 1980 = 100

26. FINLAND'S EXPORT PERFORMANCE



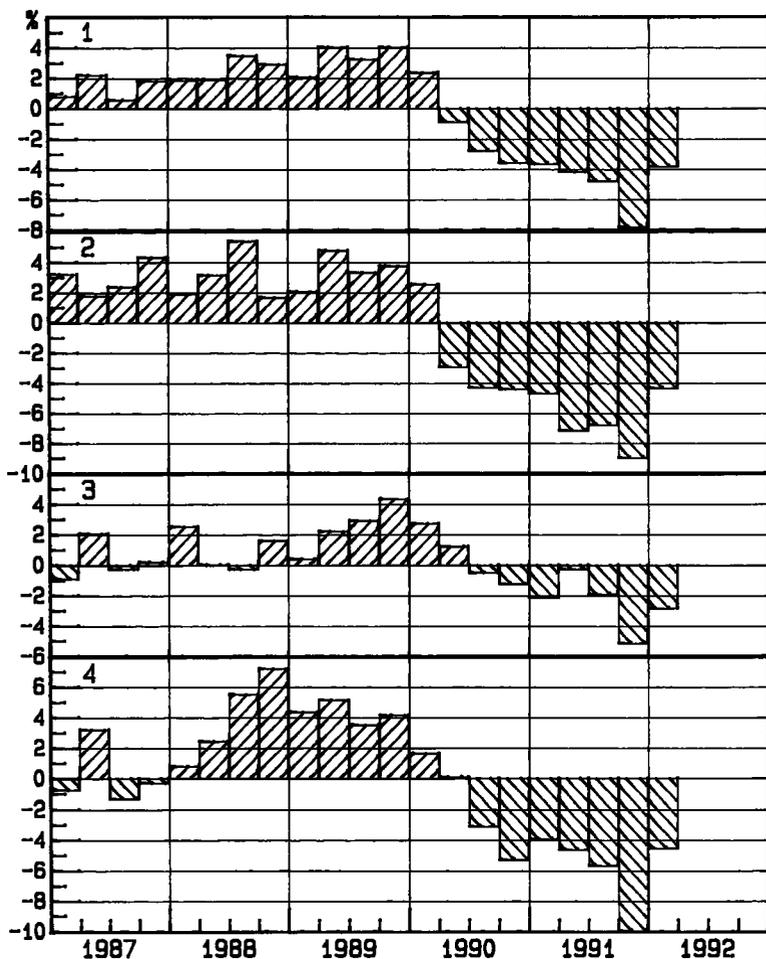
- 1. Value of exports to OECD countries in relation to imports of OECD countries
 - 2. Volume of exports to OECD countries in relation to imports of OECD countries
- 1980 = 100

27. PRODUCTION



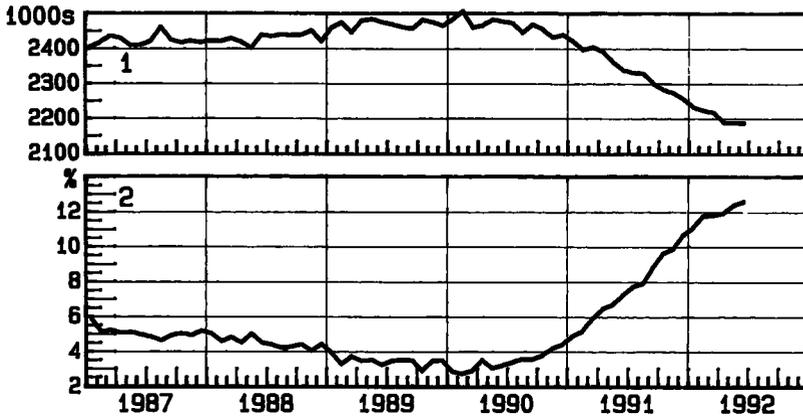
1. Industrial production, change in volume from the corresponding month of the previous year, per cent
2. GDP, change in volume from the corresponding quarter of the previous year, per cent

28. FIXED INVESTMENT



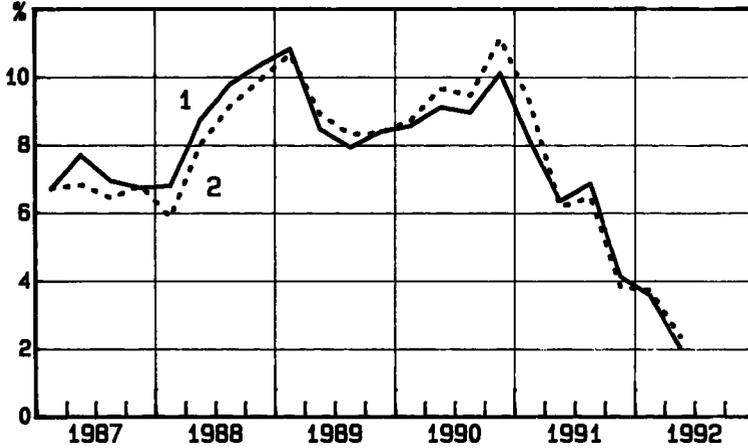
1. Total fixed investment
 2. Investment in machinery and equipment
 3. Building investment, excl. residential buildings
 4. Residential buildings
- Volume changes calculated from four-quarter moving totals and shown as at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE



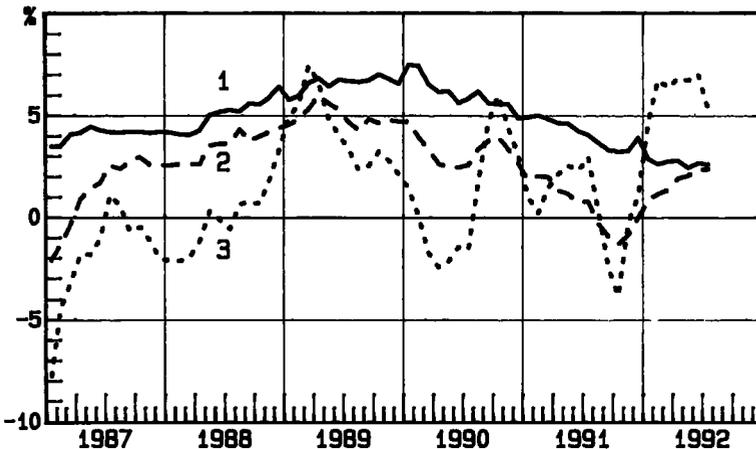
- 1. Employment, 1000 persons
- 2. Unemployment rate, per cent

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

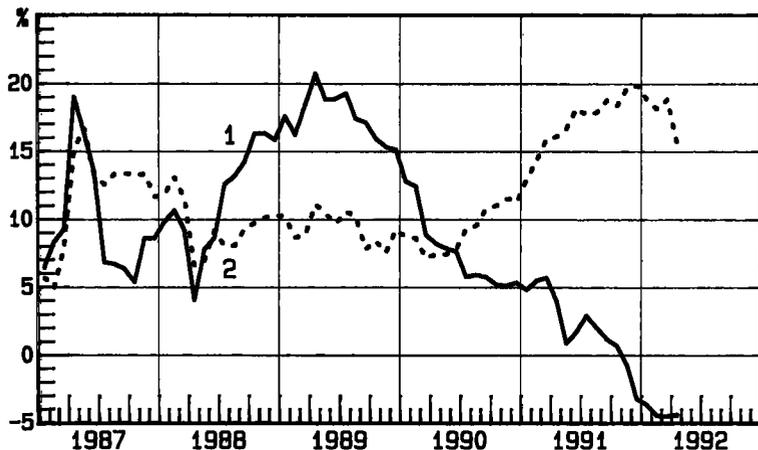
Change from the corresponding quarter of the previous year, per cent



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

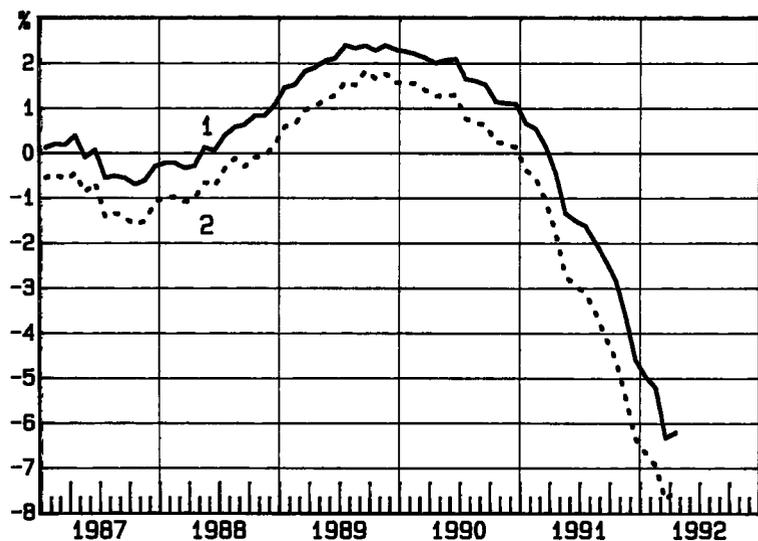
Change from the corresponding month of the previous year, per cent

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 shown as 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 shown as at the last month and as a percentage of GDP

BANK OF FINLAND

26 June 1992

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JUSSI RANTA, Vice Chairman
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HANNU TENHIÄLÄ
ANNELI JÄÄTTEENMÄKI

TUULIKKI HÄMÄLÄINEN
ESKO SEPPÄNEN

MAURI MIETTINEN
JÖRN DONNER

THE BOARD OF MANAGEMENT

SIRKKA HÄMÄLÄINEN, Chairman

HARRI HOLKERI

KALEVI SORSA

ESKO OLLILA

MATTI VANHALA

DIRECTOR

PENTTI KOVIKKO

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Administration Department URPO LEVO
Building Projects BENGT PALMROOS
Central Bank Policy Department JOHNNY ÅKERHOLM
Data Processing Department RIITTA JOKINEN
Economics Department KARI PUUMANEN
Financial Markets Department
KAIJU KALLIO (Acting Head), Advisers:
RALF PAULI, PETER NYBERG
Information Department ANTTI HEINONEN
Internal Audit Department TIMO MÄNNISTÖ

Legal Affairs ARNO LINDGREN
Market Operations Department MARKUS FOGELHOLM
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Unit for Eastern European Economies KARI PEKONEN

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

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SETEC OY

VELI TARVAINEN, Managing Director
