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Fiscal Policy and Public Finance

The Role of Asset Prices in
the Inflation Process in Finland

The Nordic Banking Crisis

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FISCAL POLICY AND PUBLIC FINANCE

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Although the Finnish economy is now recovering, the financial position of the public sector will remain weak both this year and next. Especially now, given the exceptional severity of Finland's recent recession, the consolidation of public finance requires the conduct of fiscal policy within a medium-term framework.

With the entry of the Finnish economy into recession, the financial deficit of the public sector increased dramatically. Contributing to the growth of the deficit were both built-in stabilizers and discretionary expansionary measures. The effect of built-in stabilizers was accentuated by the social and employment policy measures implemented in the second half of the 1980s, which extended the social security net and raised benefit levels. Notwithstanding this, real GDP contracted by a total of 12 per cent in the span of a few years, and the fall from its secular growth path was in the region of one-fifth. The level of public debt grew very rapidly in the early 1990s.

Extensive cuts in public spending have been necessary because the long recession turned a large part of the public deficit into a structural deficit. The various cuts effected by the central government in 1990–1994 total just over FIM 30 billion, but recession-related expenditure has grown by a larger amount. Municipalities have been able to reduce their total spending significantly, and for the public sector as a whole the restoration of financial balance and halting of debt growth is possible in the medium term.

CONFLICTING PRESSURES IN FISCAL POLICY

Initial efforts to put the economy on a path of sustainable economic growth focused on strengthening the preconditions for growth in the open (tradeables) sector and thus for the shift of resources from the sheltered (nontradeables) sector to the open sector. These efforts have been reasonably successful so far. Over the past two years, the current account has improved substantially. In addition, the growth of exports and manufacturing is gradually beginning to provide a spur to investment in manufacturing and in other sectors too. Real public expenditure has turned down and the level of interest rates has fallen, though since February 1994 particularly long-term interest rates have been rising again. Although the rise is largely due to international developments, the slowness in consolidating public finances has fostered market uncertainty. A decline in real interest rates from their present high levels is essential for a broad-based expansion of investment activity, which is the means by which productive resources are transferred to the open sector.

In recent years, fiscal policy has had, and will continue to have in the coming years, three primary tasks within economic policy strategy:

- 1 Helping to strengthen the credibility of overall economic policy, thereby paving the way for lower interest rates. Essentially, this involves adjusting the size of the public sector in line with the economy's long-run bearing capacity.
- 2 Support of employment and a healthy business sector by

means of traditional stabilization policy.

3 Promoting the structural adjustment of the economy, the necessity of which is underlined by Finland's participation in European integration. This involves the promotion of competition and enhancing the efficient allocation and use of resources, including those of the public sector.

According to conventional indicators, the counter-cyclical impact of fiscal policy was considerable during the recession. Overall, the imputed stimulative impact of fiscal policy was more than 13 percentage points of GDP in the recession years of 1990–1993. Only Sweden's public sector deficit grew faster than Finland's in the early 1990s, according to OECD calculations, so that fiscal policy has been the most expansionary in these two countries.

The price of sharply divergent trends in public revenue and expenditure has been the abrupt deterioration in the financial balance of the public sector and the rapid build-up of debt. This makes it vital that fiscal balance be restored. Thus fiscal policy will continue to be strongly counter-cyclical in the coming years. Fiscal policy will have to be tight even if the economy does not pick up as expected (Chart 1).

Despite the expansionary impact of fiscal policy, it has not alleviated the recession. On the contrary, the speed at which the debt has been growing has become a risk factor for economic policy. The longer the central government borrowing requirement remains excessive the greater will be the upward pressure on domestic interest rates. The uncertainty concerning the future development of public

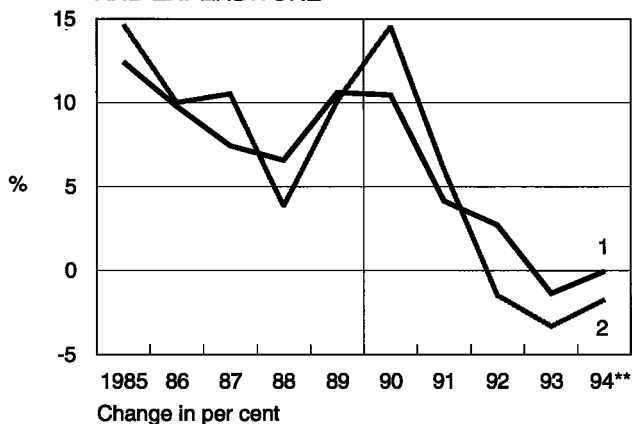
TABLE. GROWTH IN GENERAL GOVERNMENT EXPENDITURE BY MAIN CATEGORY

	Consumption		Investment		Transfers	Interest expense
	Central govt.	Local govt.	Central govt.	Local govt.		
	Volume change, %					
1989	1.4	3.0	-1.1	-3.4	4.5	-5.4
1990	5.8	3.0	17.3	10.6	8.2	-2.5
1991	5.9	0.7	13.4	-8.2	13.3	22.8
1992	3.6	-4.4	5.5	-14.7	7.5	27.8
1993*	-5.8	-6.2	-8.6	-15.4	6.1	71.8
1994**	-4	-5	-1	-15	4	20½

* Estimate
** Forecast

CHART 5.

LOCAL GOVERNMENT REVENUE AND EXPENDITURE



1. Revenue
2. Expenditure

** Forecast (spring 1994)

tion allowances has widened the tax base.

Numerous changes have also been made in indirect taxation in anticipation of the European Economic Area and Finland's prospective EU membership. The most significant change is the adoption of the value-added tax at the beginning of June 1994. The reform has brought services and construction within the sphere of taxation. On the other hand, the abolition of the former sales tax on productive investments has eliminated the 'hidden' tax associated with the multiple incidence of this tax, thus helping to improve the competitiveness of the open sector. Other important changes made in indirect taxation, but of a more technical nature, relate to excise duties and the taxation of alcoholic beverages. Other changes which are also important from the standpoint of tax principles and central government finances are the increases in fuel and energy taxes, which are based on environmental policy considerations (Chart 6).

The overall tax ratio rose during the recession and is now slightly above the average for OECD European countries. Longer-term problems related to taxation include the severity of wage taxation relative to capital income taxation and the prospect of continuing upward pressure on contributions to occupational pension schemes.

GROWTH OF PUBLIC DEBT

Central government debt has grown by more than FIM 200 billion since 1990 and stood at FIM 270 billion (55 per cent of GDP) in spring 1994. Interest payments on outstanding debt have likewise risen from FIM 5 billion in 1990 to some FIM 25 billion this year. In the local government sector, total debt has grown by FIM 10 billion over the same period and now amounts to just over FIM 30 billion.

The outlook for developments in public debt depends

by the end of 1991, but the deduction system was simplified in connection with changes implemented in family allowances in 1994. Marginal income tax rates were cut substantially in central government taxation, but marginal rates have subsequently been cut even more sharply in the other Nordic countries. Because of the financial difficulties of the central government, additional income tax has been levied in 1993 and 1994 in the form of extra withholdings. The tax rates applied in local taxation have also been raised. Since, moreover, wage

and salary earners' contributions to unemployment security and occupational pension schemes have also been raised, the direct tax burden of wage and salary earners has increased markedly over the past few years. Compared internationally, the level of wage and salary earners' taxes is currently very high in Finland.

The most recent reforms in the fields of capital income taxation and corporate taxation date from 1993. These tax rates are now very competitive internationally, but the reduced scope for exemptions and deprecia-

primarily on future economic performance but also on further cuts in government spending. On the assumption that government spending and the tax ratio were to remain constant in real terms, real economic growth of 5 per cent a year would halt the rise in indebtedness in 1997. If economic growth were to remain at 3 per cent—the average for the 1980s—debt stabilization would be delayed until the next decade. A growth rate of 1½ per cent would mean the debt would continue accumulating as hitherto (Chart 7).

ADMINISTRATIVE REFORMS PAVE THE WAY FOR SPENDING CUTS

A politically important reform aimed at facilitating cuts in government spending was the constitutional amendment of 1992 which enabled spending cuts to be passed by a simple parliamentary majority, subject to certain restrictions. Previously, a qualified minority of one-third could delay such cuts until after the following parliamentary election.

Management by results, key components of which are application of market-type mechanisms, cost-based pricing and net budgeting, has played an important role in enhancing public sector efficiency. The most conspicuous examples of the shift of emphasis towards the private sector have been the separation of certain public utilities from the central government budget and their reorganization as public enterprises with a large degree of autonomy in managing their activities and the conversion of some existing public enterprises into limited-liability companies. In addition, the first privatizations of state-owned companies are just beginning.

Some reforms designed to rationalize public sector activities and income transfers have also led to an increase in gross public expenditure. Social security benefits were made taxable in the 1980s and the gross

amounts payable were raised. In connection with the income tax reform introduced at the turn of the decade, this principle was applied by replacing certain welfare-related tax deductions with corresponding direct income transfers. At the beginning of 1994, a reform of family allowances was implemented, the most important element of which was an increase in the level of child allowances and the removal of the allowance for

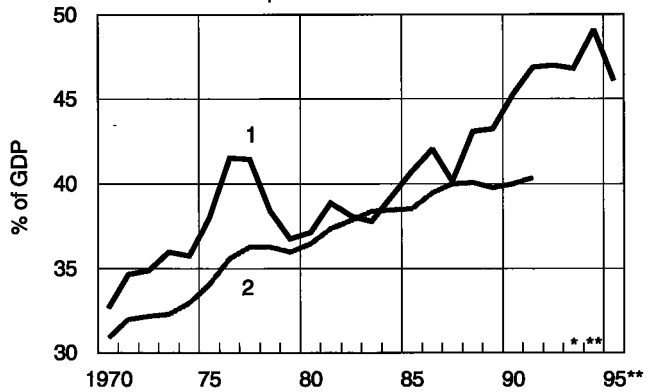
children in local government taxation.

Local government finances have been significantly influenced by the reform of the state-aid system. This reform was implemented in stages over a period of several years, the most recent changes taking effect in 1993. The reform did not involve any change in the division of costs between the central government and the municipalities, but gave the latter more auto-

CHART 6.

TAX RATIO

Taxes and compulsory social security contributions as per cent of GDP

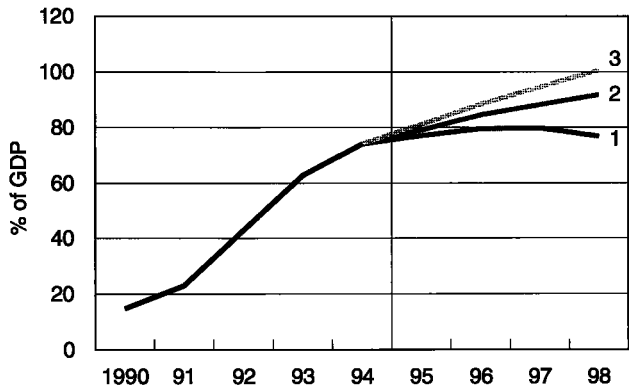


- 1. Finland
- 2. OECD Europe

** Forecast (spring 1994)

CHART 7.

RATIO OF PUBLIC DEBT TO GDP: THREE SCENARIOS



- 1. High growth scenario
- 2. Baseline
- 3. Slow growth scenario

my in their spending decisions and thus provided them with an incentive to improve the efficiency of their operations.

The division of costs between central and local government has been affected mainly by tax measures, but to some extent also by other reform measures. It has been endeavoured to compensate municipalities for these effects on an individual basis. One of the objectives of fiscal policy has also been to reduce local government expenditure, and for this reason state aids were cut this year on the basis of a law enacted for one year.

DECISIONS AND PLANS RELATING TO SPENDING CUTS

Two approaches are being applied to address the deficit and debt problems of the public sector: using economic growth to reduce the need for public support for the unemployed and for firms; and further cuts in public expenditure. Though this is essentially a medium-term strategy, some results have already been achieved.

Since 1991, the Government has effected savings totaling more than FIM 30 billion.³

³ See the article by Martti Lehtonen in the October 1993 issue of the Bulletin.

The Government's programme includes a commitment to reduce real expenditure to its 1991 level by 1995. The Government reaffirmed this commitment in spring 1994 when it set the budgetary ceilings serving as a basis for drafting the 1995 budget. These ceilings imply additional savings in the spending requirements put forward by various ministries in spring 1994.

Notwithstanding these savings measures, it is most unlikely that the central government's total expenditure can be reduced in 1995 if Finland joins the EU as planned, because the related revenue and expenditure are not included in the budgetary framework. Although the net cost to the Finnish economy of joining the EU will be small, especially in the first year, the central government will incur substantial costs, both in the form of direct payments to the EU and support for domestic adjustment, especially in the agricultural sector. Over the longer term, the central government's direct costs will decline and the additional economic growth due to EU membership will also help to balance the central government budget.

The necessary medium-term spending cuts are incorpo-

rated in the budgetary ceilings set by the Government for central government spending. Moreover, some of the cuts previously decided on by the Government will start to have an impact only after a lag. The level of pensions in the public sector will gradually decline and the effective retirement age will rise when, after a fairly long transition period, these features of the pension system are brought into line with corresponding schemes in the private sector.

After 1995, the public sector's financial position could improve rapidly if the economy continues to grow as forecast. However, this will require the continuation of stringent spending controls and additional spending cuts because the levels of both debt and interest payments will go on rising for some time to come.

8 August 1994

THE ROLE OF ASSET PRICES IN THE INFLATION PROCESS IN FINLAND

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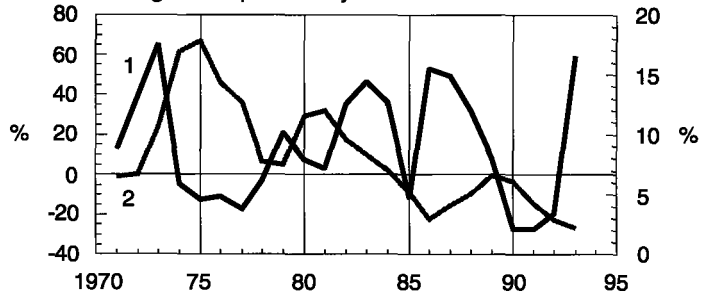
Looking at price movements over the past years, it would appear that changes in asset and consumer prices are not totally independent of each other (Chart 1). This raises the question of the role of share, housing and stumpage prices in Finland's inflation dynamics. Are changes in asset prices reflected in inflation expectations, wages and ultimately in consumer prices? It is often argued that a rise in stumpage prices, in particular, is eventually reflected in consumer price and wage inflation in Finland. Because the effects of monetary policy are subject to long lags, it is of utmost importance that nascent inflation be recognized as early as possible so that measures can be implemented before the inflation process actually gets under way.

This article discusses the relationships between asset prices and other prices and the reasons for them. The aim is to examine whether dependencies observed in historical data can also be used to forecast developments in asset prices, wages and consumer prices in the partly different circumstances of today. With the deregulation of the financial markets, the transmission of monetary policy effects to the economy has changed. Previously, monetary policy operated mainly through the availability of financing whereas now its effects are transmitted mainly through interest rates. Thus assessment of the stance and effects of monetary policy on the basis of relationships observed in the past is more complicated. With the shift from a fixed to a floating rate regime many of the former inflation linkages between different

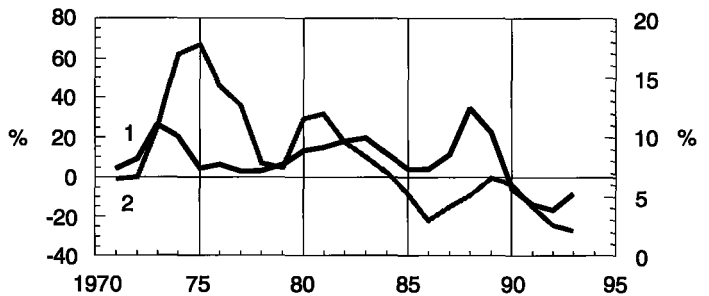
CHART 1.

ASSET PRICES AND CONSUMER PRICES

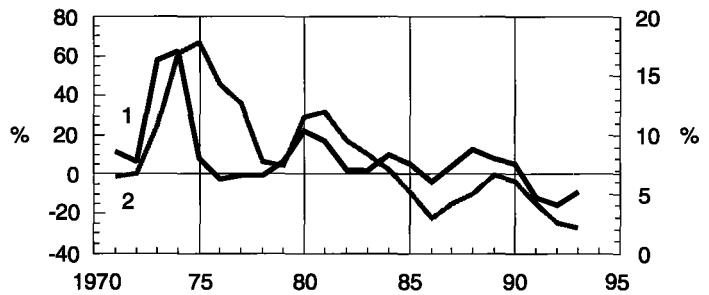
Change from previous year



1. Share prices (left scale)
2. Consumer prices (right scale)

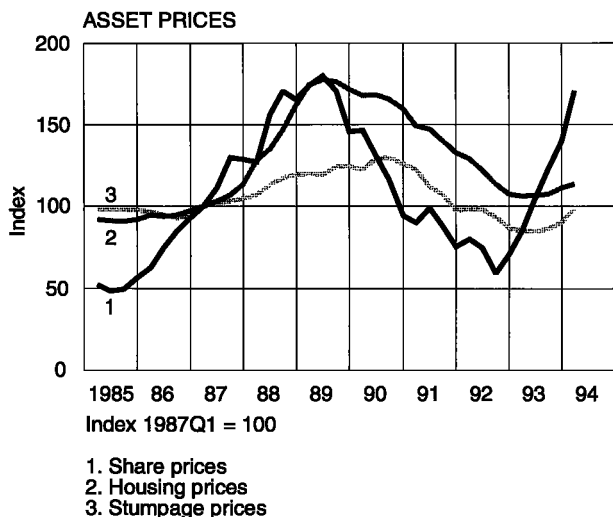


1. Housing prices (left scale)
2. Consumer prices (right scale)



1. Stumpage prices (left scale)
2. Consumer prices (right scale)

CHART 2.



sectors of the economy have taken a new form. Moreover, the widening of differences between wages in different sectors based on differences in productivity growth is gradually weakening the formerly strong wage links between sectors.

THE ASSET PRICE BUBBLE OF THE 1980s

Following the turbulence of the mid-1970s, developments in asset prices were fairly quiet in Finland for a long period. Capital flows were regulated and foreign investors played only a minor role in the Finnish stock market. Activity in the stock market and housing market was relatively subdued. The calm was shattered in the late 1980s when a combination of rapid credit expansion and optimism about future economic prospects prompted a self-fueled surge in share and housing prices, collateral values and lending.

The ready availability of debt financing greatly improved the opportunities of companies and households to spread their consumption and investment decisions over time. The tax system also encouraged the incurrance of debt: the real after-tax interest rate on housing

loans remained negative until the end of the 1980s thanks to generous provisions for deducting interest expenses. Against this background, companies and households accumulated debt and reduced their saving. Because earnings continued to rise and there was strong confidence in the future, people were more willing to spend an increasingly large share of their income in advance. Part of the increased liquidity was used for consumption of goods and services but the bulk of it found its way to the housing and share market, setting off a rapid asset price inflation.

The nominal prices of listed shares rose by 225 per cent between 1985 and 1989 (Chart 2). The boom in housing prices started a year after share prices had taken off. By 1989, nominal housing prices had almost doubled from their level in 1985. Over the same period, the nominal price of timber increased by 30 per cent, only barely exceeding the rise in consumer prices.

The growth of demand that accompanied this process inevitably led to an acceleration in the rise in other prices and wages. Annual consumer price inflation climbed from just under 3 per cent in 1986 to 6.6 per cent in 1989. Unit labour costs increased more in Finland than in competitor countries and the

economy's price competitiveness weakened.

As the outlook for domestic firms darkened, listed share prices were the first to turn down. Real interest rates rose as confidence in the marka weakened. The rise in real interest rates was followed by a fall in asset prices and collateral values, to which lending reacted by triggering a deflationary spiral. By September 1992, share prices had fallen to their September 1985 level, which was 71 per cent below the peak reached in spring 1989. Housing and stumpage prices had also declined sharply from their levels at the peak of the boom.

In 1991-1992, Finland was in the depths of a severe slump. The marka's external value fell substantially and a collapse in profitability forced firms to cut costs with a heavy hand. Manufacturing output began to pick up in late 1991. Domestic demand, however, continued to decline, and the plight of heavily indebted companies reliant on the domestic market worsened. Domestic price and wage inflation declined steadily, and, except for a couple of months, consumer prices fell slightly every month in the latter half of 1993.

Following an improvement in profitability in the export industry and in prospects for the future, shares embarked on a sharp upward trend at the end of 1992. Housing prices bottomed out in spring 1993 at the same time as stumpage prices, which had been falling almost without interruption since summer 1990. Is the turnaround in asset prices the first sign of an imminent resurgence in price and wage inflation? In particular, the agreement on stumpage prices reached in early 1994 has once again evoked talk of a return to a time we thought was behind us.

MORE PRONOUNCED ROLE FOR ASSET PRICES IN THE INFLATION PROCESS

Because of the deregulation of the financial markets, the surge in asset prices at the end of the 1980s had more important implications for the real economy than had been the case before. Unfortunately, not enough attention was paid to them in spite of the overheating of the economy. The consumer price index, the commonly used measure of inflation, did not reflect the inflationary pressures caused by the rise in asset prices. As price pressures did not initially show up in an acceleration of consumer price inflation, the rise in asset prices was considered to be largely a reflection of a portfolio adjustment resulting from structural change in the financial markets.

When analysis of price movements focuses solely on changes in consumer and producer prices, a large amount of information associated with movements in asset prices is disregarded. For the implementation of monetary policy it is essential to have as comprehensive a picture as possible of emerging inflationary pressures in the economy and how they evolve. If it is found that an increase in liquidity or lending leads to a rise in asset prices, asset price inflation must be treated as seriously as consumer price inflation.

Having learned the lessons of the past, many countries now monitor movements in asset prices more closely.¹ The monitoring of asset price movements has been assigned at least a qualitative role in the design and formulation of monetary policy in the Nordic countries, the United Kingdom and Japan. However, the weight given to asset price information in the planning process varies quite considerably from one central bank to another. In France and Germany, a

	1985=100	1990=100
Housing, heating and lighting	18.36	19.77
Housing	15.59	17.24
Owner-occupied	11.80	13.54
Maintenance costs	3.95	3.56
Depreciation	4.80	5.29
Interest	3.05	4.69
Rented flats	3.79	3.69
Heating and lighting	2.77	2.53

Source: Statistics Finland

	Consumer prices, %	Share of housing prices, %-points
1988 ¹	5.1	0.8
1989 ¹	6.6	1.9
1990 ¹	6.1	0.6
1991 ²	4.3	-0.4
1992 ²	2.9	-0.6
1993 ²	2.2	-0.6

¹ 1985=100

² 1990=100

Source: Statistics Finland

sufficiently clear-cut relationship between movements in asset and consumer prices has not been detected, and therefore asset price information is not used in the formulation of monetary policy.

HOUSING PRICES IN THE CONSUMER PRICE INDEX²

Housing prices have been included in the consumer price index since 1988. The costs of owner-occupied housing are measured in terms of trends in the prices of certain related cost items. These housing costs are divided into maintenance and capital costs, with the latter further divided into depreciation and interest costs (Table 1). The earnings foregone on capital invested in a dwelling, ie the opportunity cost of capital, as well as tax effects and income transfer are not taken into consideration in calculating the costs of owner-occupied housing.

Depreciation measures the cost to the owner due to the wear and tear of a dwelling. If a person buys a dwelling at the beginning of the year and sells it at the end of the year in order to buy a dwelling which is similar but one year newer, his investment in the new dwelling includes the sales price of the old dwelling plus one year's depreciation. The problem with this method lies in the interpretation of depreciation. The inclusion of depreciation in owner-occupied housing emphasizes the treatment of housing as an investment rather than as a commodity.

The calculation of depreciation costs is based on the quarterly price index for flats. Changes in the index are incorporated in the consumer price index with a lag of one quarter in June, September, December and March. The prices of private houses are not monitored; their costs are assumed to move in line with the prices of old flats and row houses.

Table 2 shows the effects of changes in housing prices on 11

¹ Berg, C. & Galvenius, M. (1994): Tillgångsprisernas roll i ekonomin, Penning- & Valutapolitik, 1994:1, p. 18-27.

² For further details, see Consumer Price Index 1990=100, Methodology and Practice, Statistics Finland, Studies 200, Helsinki 1993.

changes in the consumer price index since 1988. In 1989, the increase in housing prices, by way of the depreciation factor, accounted for 1.9 percentage points of the 6.6 per cent increase in the consumer price index. By contrast, in 1992 and 1993 the decline in housing prices reduced the rise in the consumer price index by 0.6 percentage point.

Besides affecting the consumer price index directly through the calculation method employed, changes in housing prices are also reflected in consumption, domestic demand and price and wage developments through changes in households' wealth. Furthermore, the price level of the housing stock has a significant effect on the profit prospects for housing construction and hence on the supply of housing. Often an increase in new housing construction, associated with improved profit prospects, has led to production bottlenecks and raised production costs, thereby fuelling inflation.

LESS STABLE RELATIONSHIP BETWEEN SHARE PRICES AND CONSUMER PRICES

The role of share prices in inflation dynamics is more complex than that of housing prices. Share prices are pure asset prices, whose movements reflect market expectations regarding not only the earnings prospects of individual companies but also the outlook for the entire economy. As leading indicators of changes in demand, in theory share prices also predict changes in the price level associated with fluctuations in demand. However, the process whereby an improvement in a company's profitability is transmitted through a rise in share prices to consumer price inflation is a long and complex one.

STUMPAGE PRICES - A FINNISH SPECIALITY

The price of timber is not a pure asset price. To the owner, timber is an asset, like shares and housing. To the forest industries, timber is a raw material and a factor of production, along with labour, energy and capital. Timber also differs from other assets in terms of its market structure. Whereas there are large numbers of buyers and sellers in the housing and stock markets, the timber market is highly centralized. In the housing and stock markets, a single buyer or seller is for the most part unable to fix the buying or selling price, even in Finland, whereas in the market for standing timber prices are often formally agreed on by the national organizations of buyers and sellers. It is argued that comprehensive price agreements are needed to help eliminate the disruptive effects of the large price movements typical of asset prices on the forest industries' cost structure, and hence on their competitiveness.

Since stumpage prices determine the forest-owner's remuneration for the factor of production provided by him, movements in stumpage prices are readily reflected in the demands of producers of other factors of production. The fiercer the income distribution struggle the more readily a rise in stumpage prices will elicit wage demands in the forest sector – and the stronger the wage links between different sectors of the economy, the more certain it is that pressures for wage increases will spill over in to the sheltered sector, including the public sector. But since productivity growth in these sectors is slower than in manufacturing, a rise in unit labour costs cannot be avoided in the face of widespread wage increases. The wage-wage spiral is transformed into a price-wage spiral, culminating in a weakening of international competitiveness.

HOUSING AND STUMPAGE PRICES PLAY A CLEAR ROLE IN THE INFLATION PROCESS

A closer investigation of the relationships between consumer prices and asset prices or between the level of earnings and asset prices would require a careful analysis based on statistical techniques.³ If such analysis indicates that share, housing or stumpage prices do not provide additional information on trends in consumer prices or earnings, current changes in asset prices are of no use in forecasting future developments in consumer prices or earnings.

Current developments in share prices in Finland cannot be said to predict future movements in earnings or consumer prices.

By contrast, current trends in housing and stumpage prices seem to predict future developments in earnings and consumer prices. Thus in forecasting future changes in earnings and consumer prices it is worth taking into account not only changes that have already occurred in these but also changes that have occurred in housing and stumpage prices. The relationship observed between current changes in consumer prices and changes in housing prices in the previous quarter corresponds with the mechanical inclusion of changes in housing prices in the consumer price index. There is also a fairly clear lag of six to twelve months in the dynamics of the relationship between movements in stumpage prices and earnings, ie the rise in stumpage prices precedes the rise in earnings by well over six months (Chart 3).

It should be borne in mind, however, that statistical methods of analysis are never fully

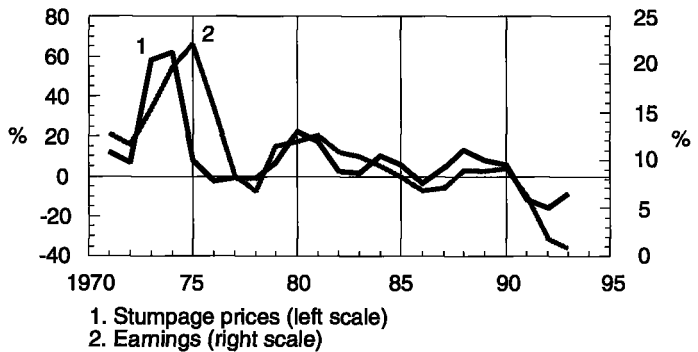
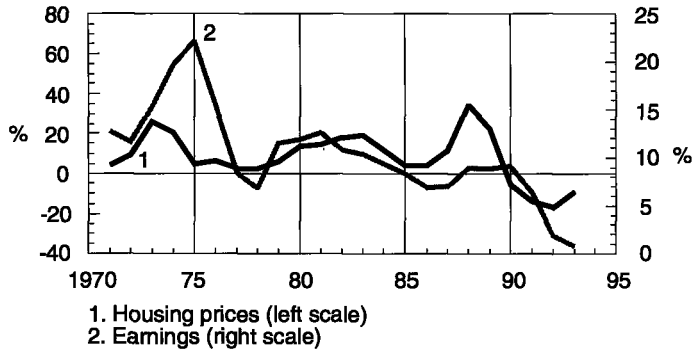
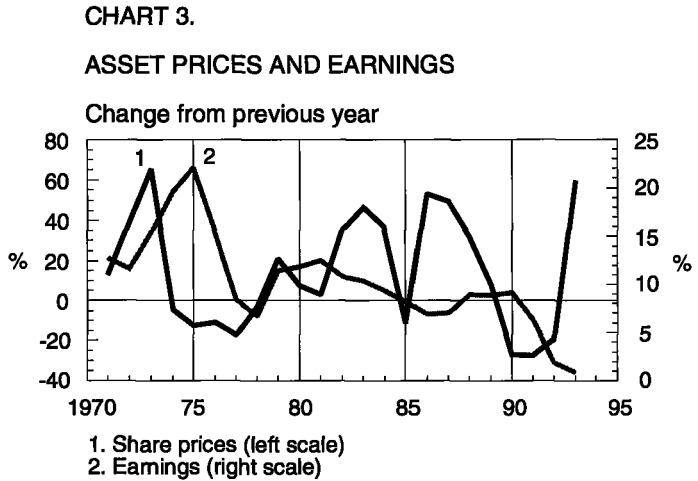
³ Granger causality tests are used to study if asset prices are useful for forecasting consumer prices or earnings, in addition to these variables' own history, ie whether the behaviour of consumer prices and earnings can be better explained by including lagged share, housing or stumpage prices as explanatory variables, as well as lagged values of consumer prices and earnings.

watertight. In particular, proving the existence of causality involves features which are difficult to handle. It may be that causality observed between consumer prices and various asset prices is only ostensible. There may be one or more determinants underlying causality which the tests used have not been able to take into account. Furthermore, problems connected with the price data used tend to lessen the reliability of the analysis⁴. The role of asset prices in inflation dynamics is also likely to have changed as a result of the deregulation of the financial markets. However, as the results in principle are for the most part in accord with intuition, there is no real reason to doubt the reliability of qualitative results.

CONCLUDING REMARKS

On the basis of the above discussion some qualitative results concerning the role of asset prices in the various stages of the inflation process can be presented but it is still not possible to draw far-reaching conclusions about the future direction and magnitude of movements in consumer prices. One major reason for this is that Finland's exchange rate regime has changed. Under fixed exchange rates, cyclical fluctuations in the world economy were reflected in domestic wage and price developments, in part through the fluctuations in export prices of the cyclically sensitive forest industries. Now that the markka is floating the possibility exists for it to appreciate when inflationary pressures start to mount. In addition, interest rate policy can be used to influence developments in demand more effectively than was the case under fixed exchange rates. This should have an effect on behaviour. The pricing beha-

⁴ The time series for consumer prices includes some particularly awkward features. Then again the data on stumpage prices are too infrequent; the six-month data conceal all short-term fluctuations and give too positive a picture of the causality between stumpage prices and the other variables examined.



viour in the export industry is likely to be based on the expected exchange rate rather than on today's exchange rate.

Previously, earnings and consumer prices reacted to changes in housing prices; by contrast, no statistically significant relationship can be discerned between share prices and earnings or consumer prices. However, housing prices do

not necessarily have an independent role in the inflation process. Since the deregulation of the credit market, housing prices have tended to move in line with changes in bank lending.⁵

⁵ For a more detailed discussion of the relationships between share and housing prices and credit expansion, see eg Takala, K & Pere P. (1991): Testing the Cointegration of House and Stock Prices in Finland, Finnish Economic Papers, Vol 4, No 1, p. 33-51.

The capital market has been deregulated, and banks are still recovering from the lending boom of the late 1980s and the flood of loan losses that ensued. In the coming years, bank lending is not likely to reach the rates seen in the late 1980s. For this reason, credit expansion is not currently paving the way for an upsurge in housing prices.

Historically, there has undoubtedly been a connection between rises in stumpage prices and changes in other prices and wages. Rises in stumpage

prices have been followed by wage increases in the manufacturing industries. Consequently, it would appear that a substantial increase in the price of timber constitutes a clear warning signal. The tendency of stumpage prices to display large fluctuations nevertheless makes it difficult to identify the precise warning limits. One cannot directly quantify the effects that changes in stumpage prices will have on other prices and wages. In the present situation, the actual upward pressure that

wage increases will exert on prices could be smaller than has been the case in the past. By accepting wider wage differences between sectors, it would be possible to restrict the wage-wage spiral to the manufacturing industries and thus keep it within the bounds of productivity growth.

5 August 1994

THE NORDIC BANKING CRISIS

by Heikki Koskenkylä, Adviser to the Board
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For some years now, the banking industries of Finland, Norway and Sweden have been grappling with a severe crisis, the scale of which has aroused international attention. Danish banks have also suffered large loan losses, but on the whole they have fared better than their counterparts in the other three Nordic countries.

The Norwegian banking crisis is considered to have started in 1987 and the Finnish and Swedish ones in 1991. In 1993, there was, however, a distinct improvement in the operating results of the Nordic banks¹. Danish and Norwegian banks even posted a net profit. In these two countries, the levels of loan losses have fallen, significantly in some cases, and bank profitability has improved. As a result of the crisis, the size of the banking sector has shrunk in all the Nordic countries. The authorities in Finland, Norway and Sweden have had to resort to drastic action to rescue ailing banks, whereas in Denmark intervention has been on a far more modest scale. In Finland, Norway and Sweden, the public sector (ie the state and, in Norway and Finland, also the central bank) has had to spend large sums on support for troubled banks to safeguard the stability of the financial sector in general and the claims of depositors in particular.

ORIGINS OF THE BANKING CRISIS

The causes of the Nordic banking crisis are much the same in each country. The Norwegian phrase describing the

three main causes of the banking crisis, "bad luck, bad policies, bad banking", applies equally to Finland and Sweden.

"Bad luck" refers to the international recession, the length of which has been unprecedented. In Norway the situation was exacerbated by a fall in the price of oil in the middle of the 1980s and in Finland by the collapse of trade with the former Soviet Union at the beginning of the current decade.

"Bad policies" refers to the failure of economic policy in the latter half of the 1980s. Considering the intensity of the boom, economic policy was lax and to some extent even expansionary. Financial markets were deregulated and demand for credit rose sharply. Generous tax deductions for interest payments, coupled with high income tax levels, made the real cost of borrowing very low. Tax reforms curtailing tax-deduction rights were not implemented until the beginning of the 1990s. Not enough attention was paid to the supervision of banks. Resources available for supervision were limited and supervisors were partly lacking in experience. On the other hand, banks did not pay heed to the warnings of supervisors. The banking supervision authorities did not possess the capability to deal with major crises. Owners, supervisory boards and auditors of banks did not exercise

adequate control over bank management.

"Bad banking" refers to the banks' own mistakes, such as lack of caution and excessive risk taking in lending and investment. Prudence and careful screening of customers, formerly the hallmarks of good banking, were frequently overlooked. The deregulation of lending led to fierce competition for market shares, and growth became more important than profitability. Banks were also reckless in regard to their foreign investments and other foreign operations.

There has been little research in the Nordic countries on the relative and quantitative significance of these factors in contributing to the emergence of the banking crisis. The significance of the various factors may have differed from country to country. At least economic performance has not been similar in all the Nordic countries. While economic activity has contracted sharply in Finland during the crisis and to a lesser extent also in Sweden, it has expanded without interruption in Denmark and Norway (Table 1).

GROWTH OF LENDING AND TOTAL ASSETS

Chart 1 shows the nominal rate of growth of lending by Nordic banks (parent banks) from 1982 to 1993. In Denmark and

TABLE 1. PERCENTAGE CHANGE IN THE VOLUME OF GDP IN THE NORDIC COUNTRIES, 1990-1993

	Denmark	Finland	Norway	Sweden
1990	2.0	0.0	1.7	1.4
1991	1.0	-7.1	1.6	-1.1
1992	1.2	-3.8	3.3	-1.9
1993	0.8	-2.6	2.5	-2.1

¹ This article deals with parent banks only.

CHART 1.

NORDIC BANKS: GROWTH OF LENDING, 1982 - 1993

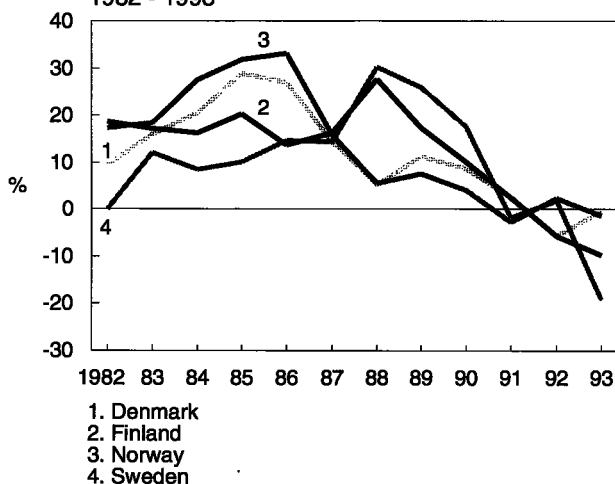
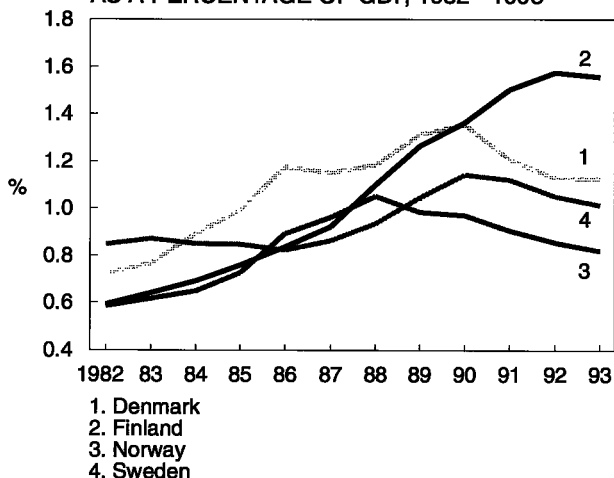


CHART 2.

NORDIC BANKS: TOTAL ASSETS AS A PERCENTAGE OF GDP, 1982 - 1993



Norway the growth rates were already high in the mid-1980s. In Norway financial markets were deregulated a couple of years earlier than in Finland and Sweden. Total assets expanded exceptionally rapidly in Finland and lending in Norway and Sweden. In all the Nordic countries the growth rates of both lending and especially total assets turned down at the beginning of the 1990s, but the downward trend seems to have come to a halt last year.

The ratio of banks' aggregate total assets to GDP grew

significantly in the 1980s. The growth of lending also exceeded the growth of GDP by a clear margin. The ratio of total assets to GDP grew most rapidly in Finland (Chart 2), and has not decreased in the 1990s, as has happened in the other Nordic countries. This trend can partly be explained by the sharp contraction of GDP in Finland.

Charts 1 and 2 show that the banking sector grew at a notably faster pace than the other sectors of the economy in connection with the deregulation of financial markets. Both demand

and supply factors contributed to the sharp growth of lending. Economic conditions were expected to continue favourable, and so the accumulation of debt was not regarded as a problem. On the other hand, the banks pursued an aggressive lending policy, in effect relaxing their lending criteria, such as collateral requirements. The growth of lending also helped to fuel the rise in asset prices (shares, real estate, dwellings and land), which had continued for several years in succession, and this, in turn, boosted the demand for credit as a result of higher collateral values.

BANKS' OPERATING RESULTS AND LOAN LOSSES

The ratio of banks' net interest income to their total assets has been the lowest in Finland and the highest in Norway (Chart 3). In all the countries there was a downward trend in relative net interest income up to the beginning of the 1990s. In Norway relative net interest income started to improve in 1992 and in Finland and Sweden in the following year.

Low net interest income has become a structural problem for the Finnish banks. This is mainly due to the large amount of non-performing assets and the fact that a large proportion of the outstanding loans on banks' books are tied to the Bank of Finland's base rate. It is also explained by the rapid growth of balance sheet items carrying a very slim interest rate margin (for example, certificates of deposit and foreign currency loans intermediated by banks).

The improvement in net interest income among Nordic banks in 1993 was the result of wider interest rate margins, though lately the widening of margins seems to have stopped.

Developments in the ratio of banks' other income to their total assets have followed a broadly similar pattern in all the Nordic countries. The exception is Denmark, where variations in

banks' other income have been very large. This is explained by the fact that Danish banks have particularly large investments in bonds and the changes in bond prices are reported annually in the profit and loss account. In Finland, the ratio of banks' other income to their total assets has, on average, been the highest in all the Nordic countries. This has counterbalanced the fact that Finnish banks have the lowest relative net interest income among the Nordic countries.

The ratio of banks' other expenses to their total assets is illustrated in Chart 5. The decline in this ratio has been the most pronounced in Finland and has continued for several years. In Sweden, the ratio has, rather surprisingly, risen to some extent. On the other hand, there has been a marked contraction in the total assets of Swedish banks. It should be noted, however, that the amount of banks' expenses has actually decreased in all the Nordic countries in the 1990s, even though the ratio to total assets has not changed very much. Expenses have fallen as a result of restructuring and rationalization measures affecting branches, staffing levels and other expenses (see Charts 10 and 11).

The ratio of banks' loan and guarantee losses to their total assets is shown in Chart 6. In relative terms, loan losses have increased sharply in all the Nordic countries, including Denmark. However, the Danish ratio remains well below the Finnish, Norwegian and Swedish ones. Swedish banks have experienced the largest loan losses in relative terms. The loan losses of Norwegian banks began to decrease in 1992; in other countries the decline started last year. It should be noted that accounting practices as regards the treatment of loan losses vary between the Nordic countries.

Chart 7 shows the ratio of banks' net operating income to their total assets. As a result of the banking crisis, the net operating income of banks was negative in all the Nordic countries

CHART 3.

NORDIC BANKS: NET INTEREST INCOME AS A PERCENTAGE OF TOTAL ASSETS, 1982 - 1993

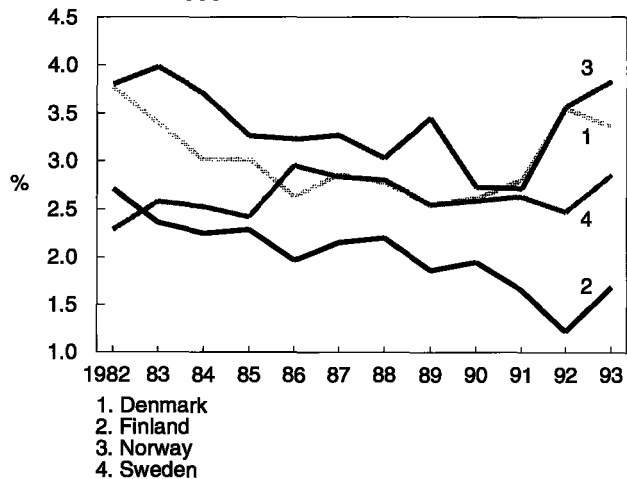
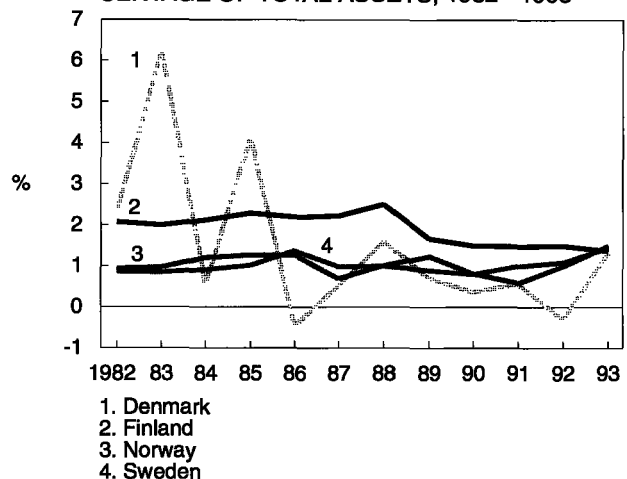


CHART 4.

NORDIC BANKS: OTHER INCOME AS A PERCENTAGE OF TOTAL ASSETS, 1982 - 1993



in 1991 and 1992. Relative to total assets, the largest losses were registered in Finland and Sweden. In Norway losses started to decrease in 1992 and in the other countries in 1993. Danish and Norwegian banks posted a net profit in 1993. In Finland banks' losses in 1993 were relatively larger than in Sweden.

Chart 8 shows loan losses in proportion to population and measured in common currency (FIM). From 1991 to 1993, loan losses per capita averaged about FIM 13000 in Sweden

and about FIM 10 000 in Finland. In Denmark and Norway loan losses per capita were notably smaller.

The numbers of banks, bank branches and bank employees have decreased in all the Nordic countries (Charts 9, 10 and 11). In Finland and Sweden the decline in the number of banks is far more pronounced than in Denmark and Norway. This can be partly explained by the presence in Finland and Sweden of two groups of local banks (co-operative banks and savings banks) comprising numerous 17

CHART 5.

NORDIC BANKS: OTHER EXPENSES AS A PERCENTAGE OF TOTAL ASSETS, 1982 - 1993

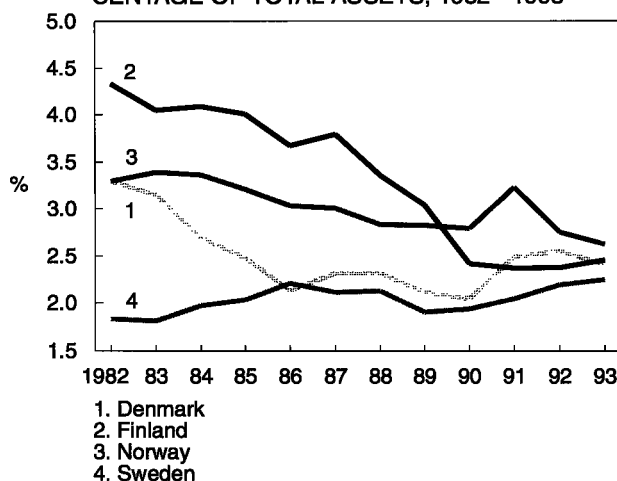
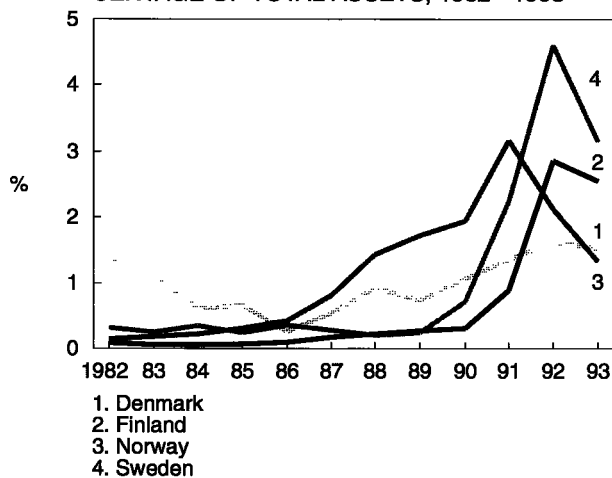


CHART 6.

NORDIC BANKS: LOAN LOSSES AS A PERCENTAGE OF TOTAL ASSETS, 1982 - 1993



small banks. In Sweden the majority of both cooperative banks and savings banks have merged; these mergers have resulted in the creation of two large banks (Föreningsbanken and Sparbanken Sverige). In Denmark and Norway there have been several mergers among savings banks. Owing to the large number of cooperative banks in Finland, there is now a far higher number of banks in Finland than in the other Nordic countries (Chart 9). It should be noted that there has been only one merger between large banks during the banking crisis, ie the merger of Gota Bank with Nordbanken in Sweden last year.

In fact, a similar event took place in Finland when the Savings Bank of Finland was split up between the other leading Finnish banks. In a sense, this operation may also be regarded as a merger involving several banks. The number of bank branches has also declined in the Nordic countries (Chart 10). In Norway there are notably fewer bank branches than in the other Nordic countries.

The banking crisis has also speeded up the streamlining of banks' staffing levels. The number of bank employees has declined in all the Nordic countries. The smallest job cuts have occurred in Denmark, where the banking crisis has been the least severe, and the biggest ones in Finland, where the crisis has been the most acute. Relative to population, there are clearly more bank employees in Denmark and Finland, almost twice the corresponding figure for Norway.

BANKS' CAPITAL ADEQUACY HAS REMAINED GOOD

The capital adequacy of Nordic banks (measured according to the BIS standard) has remained quite good despite the banking crisis. It should be noted, however, that in Finland, Norway and Sweden this has to a large extent been achieved

TABLE 2. BANKS' BIS CAPITAL ADEQUACY RATIOS IN THE NORDIC COUNTRIES, 1991-1993, PER CENT

	Denmark	Finland	Norway	Sweden
1991	11.6	9.3	7.9	13.1
1992	12.4	10.4	9.9	11.0
18 1993	12.5	10.8	12.3	14.9

with the aid of state support. Table 2 shows the Nordic banks' risk-weighted capital adequacy ratios according to the BIS definition.

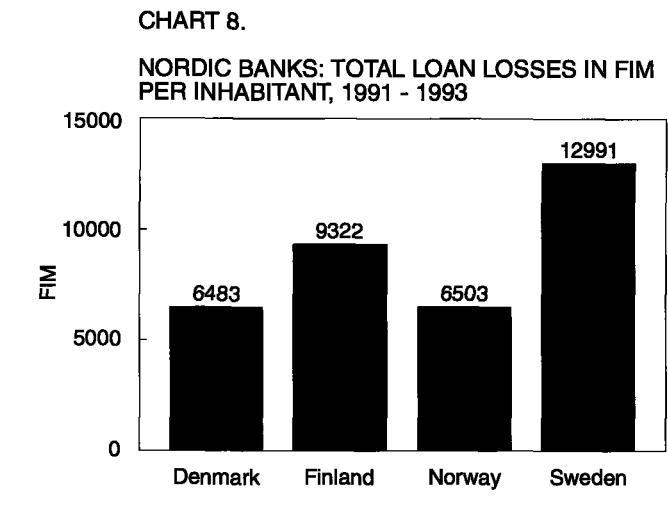
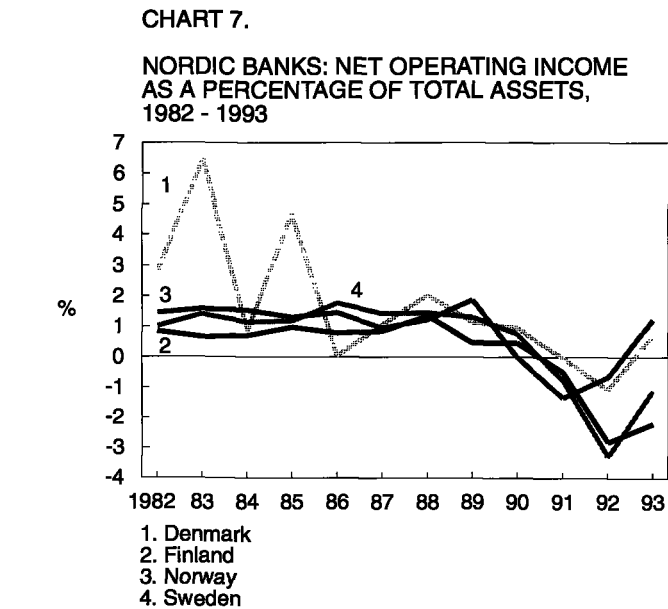
In 1993, banks' capital adequacy improved in all four countries. The high capital ratio of Danish banks is based solely on the banks' own funds. The capital adequacy of Danish banks was already very good before the BIS "eight per cent rule" entered into force. Owing to their high capital ratios, the Danish banks have been able to weather even large loan losses without having to resort to state support, as has been the case in the other Nordic countries.

STATE AND CENTRAL BANK SUPPORT TO BANKS

In Finland, Norway and Sweden the state and partly also the central bank have had to provide support to banks on a massive scale. In Denmark the public support provided to banks has been rather modest and directed to only a few small or medium-sized banks (for instance, Himmerlandsbanken, Varde Bank and banks in the Faeroe Islands).

Special bank support organizations were established in Finland, Norway and Sweden in the early 1990s. They all operate on broadly similar lines. In Norway the Government Bank Insurance Fund was set up in 1991 and the Government Bank Investment Fund later in the same year. The Finnish Government Guarantee Fund (GGF) and the Swedish Bank Support Authority were both established in 1992.

In Finland and Norway, and to a lesser degree in Denmark, the central bank has also participated in the provision of bank support. From 1991 to 1993, the central bank of Norway granted low-interest loans to banks, thereby helping to improve their operating results by some NOK 2 billion. These support loans have recently been discontinued. The major part of Norway's bank support has been provided



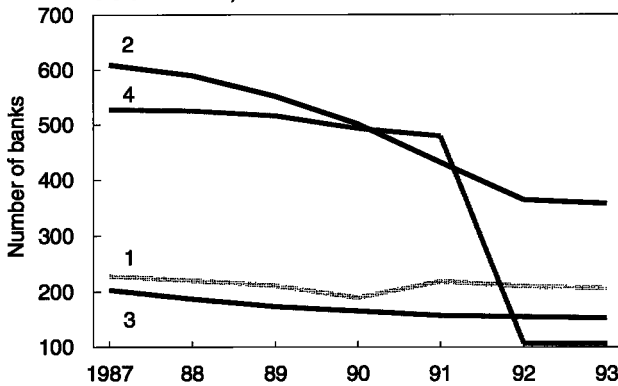
ed by the two government funds mentioned above. In addition, Norwegian commercial and savings banks have been supported by their respective guarantee funds. In fact, the government funds were established at a point where the resources of the banks' own guarantee funds had been depleted in 1991.

In 1991 and 1992, three large Norwegian commercial banks were taken over by the state. At present, the Norwegian State's holdings in these banks is as follows: Fokus Bank about

98 per cent, Den norske Bank (DnB) about 88 per cent and Kreditkassen about 69 per cent. Before the banks were taken over, their share capital was written off and they were recapitalized by the state. The privatization of these three banks has recently been initiated. Kreditkassen has already secured, and DnB is in the process of securing, new share capital from private investors. However, the Storting, the Norwegian Parliament, has just recently approved a government proposal according to which the state will 19

CHART 9.

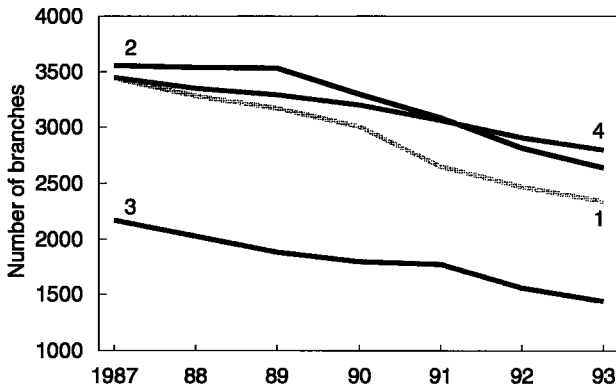
NUMBER OF BANKS IN THE NORDIC COUNTRIES, 1987 - 1993



1. Denmark
2. Finland
3. Norway
4. Sweden

CHART 10.

NUMBER OF BANK BRANCHES IN THE NORDIC COUNTRIES, 1987 - 1993



1. Denmark
2. Finland
3. Norway
4. Sweden

assets, as has been done in Sweden and Finland. In Norway, the crisis within the savings banks sector has been much less severe than in Finland, whereas the Norwegian commercial banks have been more badly hit than their Finnish counterparts.

In Sweden the government issued a general guarantee for all Swedish banks' commitments, except for their equity capital, in December 1992. No maximum limit was set for state support. Two asset management companies were established, Securum for the assets of Nordbanken and Retriva for the assets of Gota Bank. These asset management companies have played an important role in the handling of the Swedish banking crisis. A substantial part of the bank support provided in Sweden has been in the form of guarantees, and a part also in the form of investments in the shares of Nordbanken and Gota Bank. The Swedish government has considered it important that the Swedish banks remain in private ownership. A more positive attitude is taken towards foreign ownership than in Norway. Two large private commercial banks, S-E-Banken and Handelsbanken, have managed without state support. In this respect, the situation in Sweden differs significantly from that in Norway and Finland. The Swedish banks that have received state support in some form or another (loans, guarantees or capital injections) are Nordbanken, Gota Bank, Föreningsbanken and some of the savings banks.

In Finland public support has been provided to banks in four different forms. After the Bank of Finland took control of Skopbank in autumn 1991, it recapitalized the bank and bought its largest risk exposures. The funds committed to these operations amounted to about FIM 15.6 billion. Later, Skopbank was sold to the GGF. So far, almost FIM 6 billion has been recovered from the sale of Skopbank's assets. In 1992, the

maintain its majority shareholding in DnB and Kreditkassen at least until 1997, after which it will continue to retain a minority holding. By contrast, Fokus Bank is to be fully reprivatized. This implies that the Norwegian authorities consider it desirable that the leading banks in Norway should remain in Norwegian hands, at least for the time being, and accordingly continued state ownership in these 20 banks is felt to be important.

The banking crisis in Norway has been handled on a case-by-case basis, and for the most part by the two government funds. The Norwegian government has not issued a general guarantee for banks' commitments, as have the Swedish and Finnish governments. Neither have any asset management companies ("bad banks") been established in Norway to absorb the banks' poorly performing loans or other

state invested about FIM 8 billion in Finnish banks by purchasing preferred capital certificates issued by the banks. This was done in order to secure the banks' continued capacity to lend.

The GGF or the state have safeguarded the solvency of Skopbank and the Savings Bank of Finland by purchasing their shares and preferred capital certificates to a total of about FIM 18 billion. Of this amount, FIM 5.6 billion was subsequently recovered in connection with the sale of the Savings Bank of Finland.

In connection with the splitting up of the Savings Bank of Finland, an asset management company called Arsenal Ltd was established. The state and the GGF invested FIM 5 billion in Arsenal Ltd in the form of equity capital. When the STS-Bank was merged with Kansallis-Osake-Pankki, some FIM 3 billion's worth of GGF funds were committed to Siltapankki, the asset management company of STS-Bank.

The state has promised to guarantee the interest and/or principal payments on equity-related loans raised by Kansallis-Osake-Pankki, Unitas and the Security Fund of the Cooperative Banks. None of the three institutions has so far availed itself of this opportunity. In addition, the state has issued a guarantee in principle of up to FIM 28 billion to support the funding of Arsenal Ltd. It is estimated that Arsenal Ltd will also need more equity capital and/or guarantees in the future.

In Finland, as in Sweden, the state has issued a general guarantee for banks' commitments, except for their equity capital, first in August 1992 and again in winter 1993. However, in connection with the budget proceedings, Parliament set an upper limit on bank support. The upper limit may be raised, if it is necessary in order to ensure that the banks' commitments are met.

CHART 11.

NUMBER OF BANK EMPLOYEES IN THE NORDIC COUNTRIES, 1987 - 1993

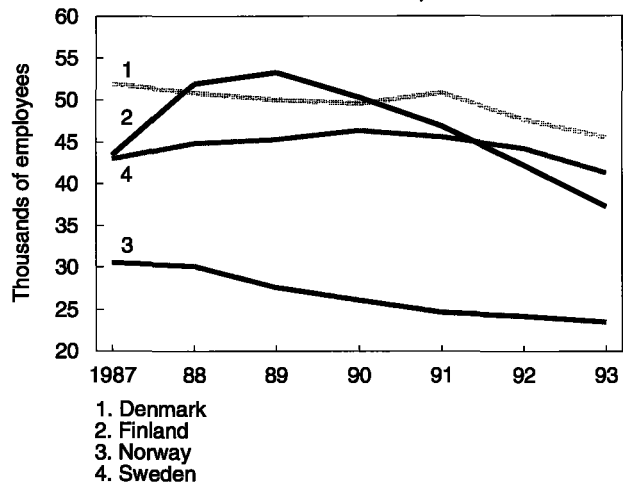


TABLE 3. TOTAL AMOUNT OF BANK SUPPORT AND BANK SUPPORT AS A PERCENTAGE OF GDP IN NORWAY, SWEDEN AND FINLAND, 1989-1993, IN NATIONAL CURRENCIES

	Finland ¹	Norway ²	Sweden ³
Billions of national currency units (NOK, SEK and FIM)	71.5 (39.5)	31.0	87.5 (65.0)
% of GDP (at 1992 values)	14.7 (8.4)	4.5	6.2 (4.7)

¹ The figures refer to the situation after the sale of the Savings Bank of Finland. The total amount of support disbursed is shown in parentheses; source: Review of the Government Guarantee Fund. According to estimates, Arsenal Ltd will require additional support amounting to some FIM 10 billion. Consequently, the total amount of bank support in Finland may rise to almost FIM 82 billion.

² The share of Norges Bank is NOK 3.5 billion. In Norway, bank support was provided from 1989 to 1993; the major part was provided during 1991 and 1992.

³ Of the total amount of support allocated, SEK 65.0 billion has been used, of which the state accounts for SEK 60.2 billion and the National Debt Office for SEK 4.8 billion.

COMPARISON OF BANK SUPPORT MEASURES IN THE NORDIC COUNTRIES

The public support provided to Finnish, Norwegian and Swedish banks has taken several different forms. Furthermore, in Finland and Norway the banks' own guarantee funds have provided support; no such funds exist in Sweden. Below, the total amount of bank support made available in each country is analyzed, without any breakdown into the various types of support.

Table 3 shows that, in relative terms, the Finnish banks

have received substantially more support than the other Nordic banks. Finnish bank support has been the most extensive both in terms of the support disbursed and the support allocated on the basis of decisions in principle. Viewed against this background, the banking crisis in Finland turns out to have been the most severe among the Nordic countries.

According to some recent Norwegian estimates, it is probable that the Norwegian State will recover all the support provided by it to banks, as the value of the banks' shares owned by 21

the state has risen substantially. In addition, the banks' own guarantee funds are expected to pay back the loans they received from the government funds. In Sweden, too, estimates have been made which indicate that the majority of bank support is recoverable. This would mainly consist of the proceeds from the sale of Nordbanken/Gota Bank. It is also estimated that part of the support provided to Securum and Retrieva will be recovered. According to some unofficial Finnish estimates, the ultimate losses incurred by the Finnish State and the Bank of Finland will amount to several tens of billions of markkaa.

FUTURE PROSPECTS

The operating results of the Nordic banks improved during the first half of 1994, however, by less in Finland than in the other Nordic countries. The improved performance is mainly attributable to the reduction in loan losses, but partly also to an improvement in net interest income and other income. In Finland, it is estimated that loan losses and net interest income will remain at approximately the same levels as last year. In 1993, the operating results of the Nordic banks were boosted especially by capital gains on bonds resulting from lower interest rates. The impact of this factor was particularly pronounced in Denmark, but also significant in Norway and Sweden. The Danish and Norwegian banks have posted profits since 1993 and in Sweden the entire bank-

ing sector is likely to show a profit for this year. The Finnish banks are in a somewhat weaker position than the other Nordic countries.

Owing to the scale of the crisis, the size of the banking sector has diminished significantly in Finland, Norway and Sweden. This has involved reductions in the numbers of banks, bank branches and bank employees. Nevertheless, tightening competition among banks, which in the future will evidently focus on interest rate margins, will require further rationalizations. Some international consultants have estimated that there is still overcapacity in the Norwegian and Swedish banking sectors. The same is probably also true in Finland. In Denmark the reductions in the size of the banking sector have been fairly small so far.

In Norway a key issue over the next few years will be the re-privatization of the banks that were taken over by the state, and, in general, the future role of the state in the banking sector. Even before the crisis, there were several state-owned banks in Norway, and now the state-owned Norges Postbank is being converted into an ordinary bank.

The main problem facing the Swedish banking sector is the sale of Nordbanken/Gota Bank and their respective asset management companies to a private owner. Preparations for the sale have already been initiated.

In Finland the banking sector is likely to record further loss-

es in 1994. Economic recovery and lower interest rates could bring a relatively quick solution to the most acute problems of the Finnish banks. If they are to achieve good profitability, the banks will have to improve the efficiency of their operations and continue their rationalizations. Increasing competition with foreign banks will make these measures all the more necessary.

Given the prospect of improved financial performance in the Finnish banking sector over the next few years, there is a need to follow the example of Norway and Sweden and start examining how and in which order the bank support system should be dismantled. The bank support system was meant to be temporary. On the other hand, Finland is, like its Nordic neighbours, currently in the process of reforming its depositor protection system to bring it in line with EU standards.

* * *

I would like to thank the central banks of Norway, Sweden and Denmark and Mr Kjell Hemberg from the Finnish Financial Supervision Authority for providing the statistics used in this article, and Mr Jukka Vesala and Ms Virpi Andersson from the Research Department for their research assistance.

15 June 1994

THE BANK OF FINLAND'S INVESTMENT INQUIRY

According to the Bank of Finland's inquiry conducted in April-June 1994, investment activity in manufacturing industry will recover in 1994 after a contraction lasting four years and expand further next year.

Manufacturing companies' capacity utilization has risen faster than was foreseen in the previous inquiry. Firms expect their capacity utilization rates to continue rising well into the second half of 1995. However, despite increasing investment in fixed and intangible assets, the inquiry indicates that the investment ratio, ie the ratio of investment to output (value added), will remain low in all sectors.

Several factors have contributed to the improvement in investment prospects. Increased output and expectations of further rapid growth are inducing companies to expand their capacity. At the same time, demand is picking up in Western Europe, which is the main market for Finnish exports. With improved profitability and lower debt levels, companies are now in a better position to implement their investment projects. Nevertheless, investment intentions reflect the duality that is still present in Finland's economic performance. Thus, in industries serving the domestic market, investment in fixed assets is expected to show a further decline in 1994.

It should be noted that the inquiry covers investment plans made by companies at a time when the interest rates influencing their financing costs were lower than they have subsequently been.

Fixed investment

According to the survey data, the volume of fixed investment will rise by 15 per cent in 1994 in total industry and by nearly one-fifth in manufacturing.¹ This year, companies plan to spend FIM 20 billion on acquisitions of new fixed assets, an increase of just over FIM 3 billion in value from 1993. Manufacturing companies account for FIM 14 billion of the total.

In percentage terms, the projected growth of investment

¹ Estimates of the volume of investment for the current year obtained in inquiries conducted in the spring have almost without exception been slightly higher than the actual volume invested.

is particularly striking in the most capital-intensive export industries, ie the paper industry and the manufacture of metals. Investment is also set to increase substantially in other sectors of the forest and the metal and engineering industries. By contrast, the volume of fixed investment is expected to decrease by nearly one-fifth in the sector 'other manufacturing', where exports are of less importance than in the above sectors.

At the time the inquiry was conducted, companies' planned investment for 1995 was 5 per cent higher in volume terms than for 1994; for manufacturing

TABLE 1. ANNUAL CHANGE IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT, 1993-1995, PER CENT

	1993	1994 planned	1995
Forest industries	-45	36	17
Metal and engineering industries	14	48	3
Other manufacturing	-20	-18	11
MANUFACTURING	-25	18	11
ENERGY AND WATER SUPPLY	-14	7	-13
TOTAL INDUSTRY (incl. mining)	-22	15	4
By type of investment			
Construction	-24	4	-14
Machinery and equipment	-21	20	10

TABLE 2. CAPACITY UTILIZATION RATE IN MANUFACTURING SEMIANNUALLY, 1993-1995, PER CENT

	1993		1994		1995	
	I	II	I	II	I	II
Forest industries	85	88	89	90	90	91
Metal and engineering industries	85	86	87	89	90	91
Other manufacturing	78	80	83	84	83	84
MANUFACTURING	83	84	86	88	88	89 23

companies it was more than 10 per cent higher.² This trend is widespread as the volume of investment is expected to increase in all the main sectors of manufacturing.

Despite the expected recovery in investment activity, the investment ratio, ie the ratio of fixed investment to value added, will rise only modestly. Thus, companies seem to be cautious about expanding their capacity. In the metal and engineering industries, however, the volume of investment will regain its average level in the 1980s, though here too the investment ratio will remain low in view of the rapid increase in output.

Intangible investment

Intangible investment declined only slightly during the recession, compared with the sharp contraction of fixed investment. According to the inquiry, companies will increase their spending on research and development and other intangible assets in 1994 and 1995. In manufacturing, these outlays amount to just over FIM 3 billion in both years, or about one-fifth of expenditure on fixed investment.

Capacity utilization

In the first half of 1994, the capacity utilization rate in manufacturing rose to 86 per cent on average. In many sectors the rise has been more rapid than was indicated by the previous inquiry conducted in late 1993. The capacity utilization rate is expected to go on rising until the second half of 1995 and approach the previous cyclical peak in almost all sectors. In 1995, sectors dependent on domestic demand will be still operating below full capacity but by no more than is usual during an economic upswing.

NEW BASE YEAR FOR THE INDICATOR OF UNDERLYING INFLATION

Statistics Finland has changed the base year for the indicator of underlying inflation to 1990. The weights applied to indirect taxes and subsidies in the tax rate index, which is used in calculating the indicator of underlying inflation, have also been revised. The weight for indirect taxes has risen from 23.2 per cent for the previous base year, 1985, to 26.6 per cent for 1990. The weight for subsidies which reduce consumer prices is practically unchanged, 4.3 per cent for 1985 compared with 4.4 per cent for 1990.

The tax rate index includes indirect taxes and subsidies that affect prices of consumer goods and services and that were in force in 1990 or came into force after 1990, excluding those taxes and subsidies that have been removed since 1990. Indirect taxes and subsidies that affect the prices of exports and other commodities are excluded from the index.

The indicator of underlying inflation is calculated by adding the effects of subsidies to the consumer price index and removing the effects of indirect taxes, housing prices and mortgage interest payments.

In May 1994, the indicator of underlying inflation, 1990 = 100, stood at 111.3, a change of 1.2 per cent on May 1993. In March, the corresponding 12-month rise was 1.7 per cent. Measured using 1985 as the base year, the 12-month change in the index was 1.9 per cent in March.

CHANGES IN THE BALANCE OF PAYMENTS STATISTICS

Since the beginning of 1994, the balance of payments data shown in Table 6.2 in the statistical section of the Bulletin have been compiled according to the IMF's new recommendations (IMF Balance of Payments Manual, Fifth Edition, 1993). The title and contents of Table 6.2 have been revised to comply with the

new classification. The new name of the table is **capital and financial account** (formerly capital account); revised data will be available for the period 1980-1993.

All components of the capital and financial account are now classified according to type of investment, ie by function. There are four different categories: direct investment, portfolio investment, other investment and the central bank's reserve assets. For details, see Notes and Explanations to the Statistical Section.

The statistics showing Finland's external position have likewise been revised and are shown in Tables 6.3 and 6.4, **Finland's international investment position** (formerly Finland's foreign liabilities and assets) and **Finland's net international investment position, by sector** (formerly Finland's foreign liabilities and assets, by sector), respectively.

² In inquiries conducted in the spring, companies' planned investment for the following year typically underestimates the actual volume of investment.

MEASURES CONCERNING MONETARY AND FOREIGN EXCHANGE POLICY AND THE FINANCIAL MARKETS

1993

MARCH

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

APRIL

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

MAY

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

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

Cash reserve requirement.

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

Maximum interest rate on transaction accounts.

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

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

JUNE

Cash reserve requirement.

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

Termination of till-money credit facility.

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

Market in government securities.

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

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

JULY

Introduction of minimum reserve system.

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

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

AUGUST

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

25

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

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

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

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

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

OCTOBER

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

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

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

NOVEMBER

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

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

DECEMBER

Base rate. The Parliamentary Supervisory Board lowers the

Bank of Finland's base rate from 6.0 per cent to 5.5 per cent with effect from 1 December.

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

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

1994

JANUARY

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

FEBRUARY

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



FINLAND IN BRIEF

LAND, CLIMATE AND POPULATION

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

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

There are two official languages: 93.4 % of the population speaks Finnish as its mother tongue and 5.9 % Swedish. There is a small Lapp population in the north. Finnish is a member of the small Finno-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 1994 to 1 March 2000, is Mr Martti Ahtisaari.

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

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

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

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

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

INTERNATIONAL RELATIONS

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

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

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

THE ECONOMY

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

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

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

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

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

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

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

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

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

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

FINANCE AND BANKING

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

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

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

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

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

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

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

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



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1. THE BALANCE SHEET OF THE BANK OF FINLAND

1.1 THE BALANCE SHEET OF THE BANK OF FINLAND,

MILL. FIM

	1993	1994			
	31 Dec.	8 July	15 July	22 July	29 July
ASSETS					
Gold and foreign currency claims	33 472	52 161	51 423	51 510	55 634
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	664	651	641	646	645
IMF reserve tranche	1 747	1 516	1 493	1 482	1 480
Convertible currencies	28 882	47 813	47 108	47 201	51 329
Other foreign claims	5 058	5 093	5 093	5 114	5 114
Markka subscription to Finland's IMF quota	5 058	5 093	5 093	5 114	5 114
Term credit	—	—	—	—	—
Claims on financial institutions	8 677	3 545	3 599	3 836	3 614
Liquidity credits	1	—	—	—	—
Certificates of deposit	1 844	1 673	1 633	1 534	1 424
Securities with repurchase commitments	5 493	721	840	1 176	1 064
Term credits	—	—	—	—	—
Bonds	1 101	913	888	888	888
Other claims on financial institutions	238	238	238	238	238
Claims on the public sector	1 788	1 820	1 820	1 820	1 823
Treasury bills	—	—	—	—	—
Loans to the Government Guarantee Fund	—	—	—	—	—
Total coinage	1 788	1 820	1 820	1 820	1 823
Claims on corporations	3 303	3 215	3 213	3 213	3 210
Financing of domestic deliveries (KTR)	496	391	390	390	386
Other claims on corporations	2 807	2 824	2 824	2 824	2 824
Other Assets	6 826	4 886	4 885	4 885	4 889
Loans for stabilizing the money market	5 752	4 732	4 732	4 732	4 732
Accrued items	907	—	—	—	—
Other assets	166	154	153	153	157
Capitalized expenditures and losses due to safeguarding the stability of the money market	1 400	1 400	1 400	1 400	1 400
Total	60 524	72 119	71 434	71 778	75 683
LIABILITIES					
Foreign currency liabilities	193	105	95	155	185
Convertible currencies	193	105	95	155	185
Other foreign liabilities	6 189	6 180	6 163	6 192	6 190
IMF markka accounts	5 058	5 093	5 093	5 114	5 114
Allocations of special drawing rights	1 131	1 087	1 071	1 079	1 076
Other foreign liabilities	—	—	—	—	—
Notes and coin in circulation	14 994	14 330	14 204	14 165	14 176
Notes	13 442	12 744	12 616	12 569	12 576
Coin	1 552	1 586	1 588	1 596	1 599
Certificates of deposit	14 837	31 975	28 032	31 470	35 985
Liabilities to financial institutions	8 201	7 012	10 874	7 103	7 263
Call money deposits	1 803	565	4 427	657	796
Term deposits	—	—	—	—	—
Minimum reserve deposits	6 398	6 446	6 446	6 446	6 467
Other liabilities to financial institutions	—	0	0	—	—
Liabilities to the public sector	784	317	366	393	84
Cheque accounts	8	2	2	1	1
Deposits of the Government Guarantee Fund	776	315	364	392	83
Other liabilities to the public sector	—	—	—	—	—
Liabilities to corporations	2 087	1 749	1 747	1 746	1 743
Deposits for investment and ship purchase	2 087	1 749	1 747	1 746	1 743
Other liabilities	627	103	94	94	95
Accrued items	536	—	—	—	—
Other liabilities	92	103	94	94	95
Valuation account and reserves	6 847	4 585	4 094	4 696	4 198
Capital accounts	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Profit/loss for the accounting year	—	—	—	—	—
Total	60 524	72 119	71 434	71 778	75 683

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

MILL. FIM

End of period	Foreign sector							Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies	Foreign exchange reserves (1+2+3+4)	Other claims, net	Net claims (5+6)	Claims	Liabilities	Net claims (8-9)
	1	2	3	4	5	6	7	8	9	10
1989	2 179	966	950	18 822	22 917	- 166	22 752	1 137	5 325	- 4 188
1990	2 180	791	783	33 478	37 232	- 1 273	35 960	1 314	1 321	- 7
1991	2 180	932	1 136	29 381	33 629	- 424	33 204	1 375	3	1 372
1992	2 180	564	1 732	25 041	29 517	- 2 998	26 519	2 446	90	2 356
1993	2 180	664	1 747	28 882	33 473	- 1 324	32 148	1 788	784	1 004
1993										
July	2 180	661	1 899	30 342	35 082	- 866	34 217	1 396	150	1 246
Aug.	2 180	680	1 927	27 014	31 801	- 887	30 914	1 412	149	1 263
Sept.	2 180	675	1 869	22 359	27 083	- 929	26 154	1 444	149	1 295
Oct.	2 180	668	1 850	24 766	29 464	- 907	28 558	1 652	149	1 503
Nov.	2 180	678	1 854	26 375	31 087	- 905	30 182	1 801	649	1 152
Dec.	2 180	664	1 747	28 882	33 473	- 1 324	32 148	1 788	784	1 004
1994										
Jan.	2 180	645	1 697	36 652	41 174	- 1 347	39 827	1 739	904	835
Feb.	2 180	657	1 676	42 067	46 580	- 1 298	45 282	1 768	300	1 468
March	2 180	661	1 688	38 117	42 646	- 1 257	41 389	1 793	251	1 542
April	2 180	650	1 597	37 197	41 623	- 1 229	40 394	1 828	39	1 789
May	2 180	654	1 591	43 303	47 728	- 1 207	46 521	1 827	61	1 766
June	2 180	650	1 514	48 364	52 708	- 1 176	51 532	1 819	526	1 293
July	2 180	645	1 480	51 329	55 634	- 1 261	54 373	1 823	84	1 739

End of period	Domestic financial sector					Corporate sector				
	Term claims on deposit banks, net	Liquidity position of deposit banks ¹	Minimum reserve deposits of deposit banks ²	Other claims on financial institutions, net	Net claims (11+12+13+14)	Claims in the form of special financing	Special deposits and other items, net	Net claims (16+17)	Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	11	12	13	14	15	16	17	18	19	20
1989	33 230	- 531	- 25 506	5 558	12 751	2 000	- 10 604	- 8 604	13 129	-
1990	9 411	- 418	- 17 401	5 744	- 2 665	1 477	- 9 724	- 8 247	14 555	-
1991	11 882	- 2 206	- 10 361	5 531	4 846	1 086	- 6 854	- 5 768	14 528	8 880
1992	3 738	- 550	- 13 165	4 572	- 5 405	747	- 2 651	- 1 904	14 508	4 880
1993	7 337	- 1 802	- 6 398	1 339	476	496	720	1 216	14 994	14 837
1993										
July	4 763	75	- 6 262	1 488	64	592	475	1 067	13 553	18 956
Aug.	6 953	408	- 6 310	1 459	2 509	575	524	1 099	13 297	18 259
Sept.	6 474	1 764	- 6 338	1 470	3 369	555	597	1 152	13 317	13 615
Oct.	6 759	- 386	- 6 320	1 429	1 481	535	614	1 149	13 653	14 480
Nov.	6 951	- 1 373	- 6 476	1 405	507	517	642	1 159	15 836	12 259
Dec.	7 337	- 1 802	- 6 398	1 339	476	496	720	1 216	14 994	14 837
1994										
Jan.	4 198	- 889	- 6 393	1 283	- 1 801	482	860	1 342	14 084	22 440
Feb.	1 802	- 426	- 6 346	1 250	- 3 720	466	950	1 416	13 855	26 290
March	3 842	- 1 083	- 6 276	1 241	- 2 276	449	1 003	1 452	14 194	23 435
April	2 093	- 483	- 6 411	1 220	- 3 581	431	1 014	1 445	13 927	21 695
May	3 208	- 485	- 6 360	1 197	- 2 441	413	1 034	1 447	14 164	28 412
June	2 684	- 536	- 6 446	1 162	- 3 137	397	1 066	1 463	14 355	32 108
July	2 488	- 796	- 6 467	1 126	- 3 649	386	1 081	1 467	14 176	35 985

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

² Cash reserve deposits prior to 1 July 1993.

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

2.1 BANKS' LIQUIDITY POSITION AT THE BANK OF FINLAND,

MILL. FIM

Average of daily observations	Call money deposits	Liquidity credits ¹	Liquidity position, net ¹ (1-2)
	1	2	3
1989	416	369	47
1990	806	132	674
1991	881	985	- 103
1992	2 103	437	1 666
1993	831	425	407
1993			
July	981	518	462
Aug.	581	311	270
Sept.	482	480	2
Oct.	605	759	- 154
Nov.	714	336	378
Dec.	955	103	852
1994			
Jan.	933	105	828
Feb.	767	0	767
March	715	0	715
April	1 275	0	1 275
May	891	16	875
June	1 821	0	1 821
July	1 014	0	1 014

2.2 THE BANK OF FINLAND'S MINIMUM RESERVE SYSTEM²

End of period	Reserve requirement			Cash reserve requirement, %	Deposits, mill. FIM Total
	On liquid deposits, %	On other deposits, %	On domestic debt capital, %		
	1	2	3	4	5
1989	.	.	.	9.1	25 506
1990	.	.	.	7.0	17 401
1991	.	.	.	4.0	10 361
1992	.	.	.	5.0	13 165
1993	2.0	1.5	1.0	.	6 398
1993					
July	2.0	1.5	1.0	.	6 262
Aug.	2.0	1.5	1.0	.	6 310
Sept.	2.0	1.5	1.0	.	6 338
Oct.	2.0	1.5	1.0	.	6 320
Nov.	2.0	1.5	1.0	.	6 476
Dec.	2.0	1.5	1.0	.	6 398
1994					
Jan.	2.0	1.5	1.0	.	6 393
Feb.	2.0	1.5	1.0	.	6 346
March	2.0	1.5	1.0	.	6 276
April	2.0	1.5	1.0	.	6 411
May	2.0	1.5	1.0	.	6 360
June	2.0	1.5	1.0	.	6 446
July	2.0	1.5	1.0	.	6 467

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

² Cash reserve system prior to 1 July 1993

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1-2-3)
	1	2	3	4
1989	131 110	3 855	99 245	28 010
1990	163 326	26 379	160 797	- 23 850
1991	109 568	30 380	81 969	- 2 781
1992	76 230	137 940	- 60 417	- 1 293
1993	86 521	146 899	- 50 486	- 9 892
1993				
July	7 070	12 260	- 18 300	13 110
Aug.	7 240	14 950	- 10 660	2 950
Sept.	7 920	7 720	- 6 920	7 120
Oct.	10 110	11 970	1 180	- 3 040
Nov.	8 310	9 200	- 2 090	1 200
Dec.	9 250	9 690	1 250	- 1 690
1994				
Jan.	5 720	17 000	- 3 130	- 8 150
Feb.	3 940	19 430	- 10 230	- 5 260
March	5 770	22 180	- 21 540	5 130
April	4 080	17 730	- 13 435	- 215
May	2 000	27 940	- 20 790	- 5 150
June	2 870	32 690	- 24 980	- 4 840
July	2 000	34 770	- 29 180	- 3 590

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

During period	Intervention in the foreign exchange market			Spot transactions related to forward contracts, net	Central government's foreign exchange transactions, net
	Spot purchases	Spot sales	Forward exchange intervention = change in forward exchange position		
	1	2	3	4	5
1991	35 120	- 69 940	- 14 820	12 820	12 260
1992	20 050	- 70 640	- 1 650	390	45 060
1993	25 120	- 45 080	7 460	- 6 910	33 240
1993					
June	6 040	- 1 010	1 220	- 1 600	- 1 690
July	960	- 8 360	- 4 800	4 520	- 820
Aug.	510	- 3 580	960	- 810	- 420
Sept.	-	- 1 170	2 050	- 1 950	- 1 770
Oct.	2 790	- 100	1 540	- 1 510	2 980
Nov.	2 270	- 70	- 40	-	- 1 170
Dec.	3 720	-	370	- 340	1 430
1994					
Jan.	12 550	-	2 720	- 2 680	- 1 490
Feb.	1 310	- 750	- 270	280	4 670
March	-	- 2 200	-	-	- 1 800
April	-	-	330	- 330	- 700
May	-	- 920	110	- 110	6 810
June	-	- 1 350	-	-	6 360

2.5 FORWARD EXCHANGE CONTRACTS, MILL. FIM

Stock at end of period	Finnish banks' forward contracts							Non-residents' forward contracts with Finnish customers (excl. Finnish banks)			
	With Finnish customers (excl. Finnish banks)			With foreign customers			With the Bank of Finland	Total			
	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net (1-2)	Currency purchases from foreign customers	Currency sales to foreign customers	Net (4-5)	Net forward purchases from the Bank of Finland	Net (3+6+7)	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net (9-10)
1	2	3	4	5	6	7	8	9	10	11	
1989	10 531	3 563	6 967	44 885	36 854	8 031	205	15 204	..	..	..
1990	11 609	4 979	6 631	21 179	11 079	10 100	- 6 098	10 633	237	55	183
1991	33 004	36 352	- 3 348	40 056	37 505	2 550	8 953	8 155	1 404	645	759
1992	39 195	32 939	6 256	21 142	32 339	- 11 197	7 133	2 192	1 614	1 929	- 315
1993	38 373	23 721	14 652	14 346	21 895	- 7 548	1 939	9 043	11 632	2 173	9 459
1993											
June	36 401	26 908	9 493	16 072	21 858	- 5 785	2 204	5 912	5 237	1 275	3 962
July	34 287	26 687	7 600	15 428	29 360	- 13 932	6 718	386	6 882	854	6 029
Aug.	32 677	26 607	6 070	15 791	26 631	- 10 840	5 912	1 142	7 013	1 063	5 950
Sept.	34 391	29 105	5 287	14 931	25 519	- 10 588	4 221	- 1 080	7 072	1 625	5 447
Oct.	36 251	31 071	5 179	14 928	25 313	- 10 384	2 293	- 2 912	9 942	2 313	7 629
Nov.	36 988	26 544	10 444	14 010	26 027	- 12 018	2 527	953	8 755	1 840	6 915
Dec.	38 373	23 721	14 652	14 346	21 895	- 7 548	1 939	9 043	11 632	2 173	9 459
1994											
Jan.	43 162	19 298	23 864	13 803	23 618	- 9 815	439	14 488	13 494	2 622	10 872
Feb.	41 288	16 030	25 258	17 043	23 240	- 6 197	489	19 550	14 542	2 903	11 639
March	42 814	16 519	26 295	18 003	24 476	- 6 473	489	20 311	14 280	2 599	11 682
April	40 494	15 128	25 366	15 807	22 872	- 7 065	135	18 436	16 236	4 104	12 133
May	40 529	13 887	26 643	17 151	25 046	- 7 894	0	18 749	15 321	3 859	11 462
June	41 191	15 124	26 067	18 939	25 421	- 6 481	0	19 586	15 155	4 417	10 739

S5

3. RATES OF INTEREST

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

Average of daily observations	Interbank overnight rate	HELIBOR				Bank of Finland rates		
		1 month	3 months	6 months	12 months	Liquidity credit rate ¹	Call money deposit rate	Base rate
	1	2	3	4	5	6	7	8
1989	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67
1990	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50
1991	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50
1992	13.32	13.49	13.27	13.08	12.96	14.90	7.41	9.17
1993	7.71	7.85	7.73	7.59	7.47	8.95	4.95	6.85
1993								
July	7.45	7.31	7.27	7.22	7.12	8.31	4.31	6.73
Aug.	6.18	6.70	6.65	6.56	6.52	7.74	3.74	6.24
Sept.	6.35	6.81	6.68	6.49	6.29	7.76	3.76	6.00
Oct.	6.97	7.13	6.87	6.60	6.29	8.08	4.08	6.00
Nov.	6.76	6.95	6.58	6.23	5.93	7.97	3.97	6.00
Dec.	6.22	6.16	5.90	5.68	5.52	8.21	4.21	5.50
1994								
Jan.	5.63	5.38	5.19	5.05	5.01	7.44	3.44	5.50
Feb.	4.52	4.82	4.82	4.88	5.05	6.84	2.84	5.25
March	4.39	4.82	4.80	4.88	5.12	6.76	2.76	5.25
April	4.31	5.01	5.13	5.43	5.75	6.99	2.99	5.25
May	4.29	4.97	5.14	5.46	5.78	6.97	2.97	5.25
June	3.93	5.20	5.61	6.24	6.86	7.18	3.18	5.25
July	4.61	5.17	5.46	6.13	6.91	7.17	3.17	5.25

¹ Call money credit rate until 2 July 1992.

3.2 THE BANK OF FINLAND'S LIQUIDITY FACILITY

The Bank of Finland's tender rate, %	Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	Call money deposits: interest rate margin, %-points	Average of daily observations		
				1	2	3
1992¹	13.85	1992	+1.00	7	-3.00	
1993	7.87	1993	+2.00	7	-2.00	
1993		1993				
July	7.31	July	+1.00	7	-3.00	
Aug.	6.74	Aug.	+1.00	7	-3.00	
Sept.	6.76	Sept.	+1.00	7	-3.00	
Oct.	7.08	Oct.	+1.00	7	-3.00	
Nov.	6.97	Nov.	+1.00	7	-3.00	
Dec.	6.21	Dec.	+2.00	7	-2.00	
1994		1994				
Jan.	5.44	Jan.	+2.00	7	-2.00	
Feb.	4.84	Feb.	+2.00	7	-2.00	
March	4.76	March	+2.00	7	-2.00	
April	4.99	April	+2.00	7	-2.00	
May	4.97	May	+2.00	7	-2.00	
June	5.18	June	+2.00	7	-2.00	
July	5.17	July	+2.00	7	-2.00	
01.07.1994	5.15					
04.07.1994	5.17					
05.07.1994	5.15					
11.07.1994	5.17					
13.07.1994	5.19					
14.07.1994	5.20					
20.07.1994	5.15					
26.07.1994	5.16					
27.07.1994	5.20					

S6 ¹ July - December

3.3 WEIGHTED EURORATES AND COMMERCIAL ECU INTEREST RATE, PER CENT

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

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

Average for period	Lending						Markka deposits and other markka funding					
	New credits				Average lending rate	Of which: Commercial banks	24-month tax-exempt deposits ¹	36-month tax-exempt deposits ¹	Other tax-exempt deposits, max. rate of interest ¹	Average rate of interest on deposits	Average rate of interest on other funding	Average rate of interest on markka funding
	Cheque account and post-al giro credits	Bills of exchange	Loans	New lending, total								
	1	2	3	4	5	6	7	8	9	10	11	12
1989	12.97	13.47	11.58	12.07	10.56	10.40	7.50	.	4.50	5.67	11.92	7.37
1990	13.24	15.62	13.33	13.85	11.84	11.61	7.50	.	4.50	6.43	13.55	8.41
1991	13.63	15.88	13.40	13.84	12.08	11.80	7.50	.	4.50	7.10	13.22	8.97
1992	14.04	15.86	13.32	13.75	12.46	12.13	7.50	8.50	4.50	7.41	12.84	9.14
1993	9.69	13.55	9.40	9.75	10.20	9.92	3.50	4.50	2.00	4.78	8.86	6.15
1993												
June	5.59	13.88	9.51	9.44	10.35	10.06	5.00	6.00	2.50	4.75	9.08	6.18
July	10.45	13.04	8.99	9.47	10.01	9.73	4.50	5.50	2.50	4.50	8.64	5.88
Aug.	10.67	13.20	8.79	9.25	9.58	9.26	4.00	5.00	2.50	4.10	8.09	5.44
Sept.	7.66	12.97	8.39	8.68	9.38	9.09	4.00	5.00	2.50	3.96	7.88	5.31
Oct.	9.92	12.39	8.66	9.04	9.28	8.97	4.00	5.00	2.50	3.89	7.77	5.24
Nov.	9.51	12.77	8.29	8.64	9.21	8.90	4.00	5.00	2.00	3.71	7.44	5.04
Dec.	8.83	11.55	7.32	7.62	8.85	8.48	3.50	4.50	2.00	3.33	6.94	4.55
1994												
Jan.	8.09	11.25	7.35	7.62	8.58	8.22	3.50	4.50	2.00	3.11	6.41	4.19
Feb.	8.25	11.92	7.14	7.46	8.34	7.97	3.25	4.25	2.00	2.93	5.95	3.92
March	4.99	11.73	6.73	6.78	8.17	7.79	3.25	4.25	2.00	2.88	5.77	3.85
April	7.29	11.68	6.87	7.10	8.11	7.90	3.25	4.25	2.00	2.88	5.79	3.85
May	7.62	11.66	7.18	7.43	8.08	7.87	3.25	4.25	2.00	2.88	5.67	3.86
June	7.19	11.70	7.25	7.44	8.09	7.88	3.25	4.25	2.00	2.89	5.77	3.92

¹ End of period.

3.5 YIELDS ON BONDS AND SHARES, PER CENT

Period	Bonds						Shares
	Reference rates calculated by the Bank of Finland		Taxable government bonds		Taxable public issues	Taxfree public issues	Share yield
	3 years	5 years	5 years	10 years			
	1	2	3	4	5	6	7
1989	12.2	12.0	12.1	.	11.9	8.1	2.7
1990	13.7	13.5	13.2	.	13.3	9.2	4.0
1991	12.3	12.2	11.7	.	12.6	10.0	3.9
1992	13.1	13.0	12.0	11.5 ¹	13.8	9.9	3.1
1993	8.5	8.9	8.2	8.8	10.3	6.6	1.8
1993							
June	8.8	9.2	8.4	9.1	9.3	6.7	1.8
July	8.2	8.7	8.0	8.6	11.1	6.3	1.7
Aug.	7.4	7.9	7.2	7.9	9.2	5.9	1.6
Sept.	7.2	7.8	7.3	8.0	8.3	5.8	1.6
Oct.	7.1	7.6	6.9	7.7	9.8	5.5	1.5
Nov.	6.8	7.2	6.5	7.4	9.0	5.3	1.5
Dec.	6.5	7.0	6.2	7.0	9.2	4.9	1.4
1994							
Jan.	6.1	6.6	5.8	6.5	7.8	4.7	1.1
Feb.	6.1	6.6	5.9	6.6	7.8	4.8	1.1
March	6.6	7.5	6.7	7.5	7.7	4.8	1.2
April	7.7	8.6	7.6	8.3	7.2	4.8	1.4
May	7.9	8.9	7.9	8.5	7.4	4.8	1.4
June	9.1	10.0	9.0	9.5	8.6	4.6	1.5

¹ November and December only.

4. RATES OF EXCHANGE

4.1 MIDDLE RATES, FIM

Average of daily quotations	New York	Montreal	London	Dublin	Stockholm	Oslo	Copenhagen	Frankfurt aM	Amsterdam	Brussels	Zurich	Paris
	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEF	1 CHF	1 FRF
	1	2	3	4	5	6	7	8	9	10	11	12
1989	4.2897	3.624	7.032	6.082	0.6654	0.6213	0.5869	2.2818	2.0226	0.1089	2.6243	0.6725
1990	3.8233	3.277	6.808	6.325	0.6459	0.6110	0.6181	2.3664	2.1002	0.1145	2.7576	0.7024
1991	4.0457	3.533	7.131	6.511	0.6684	0.6236	0.6322	2.4380	2.1634	0.1184	2.8208	0.7169
1992	4.4835	3.706	7.875	7.636	0.7714	0.7222	0.7444	2.8769	2.5552	0.1397	3.2000	0.8486
1993	5.7189	4.434	8.582	8.371	0.7350	0.8059	0.8822	3.4584	3.0787	0.1655	3.8706	1.0096
1993												
July	5.7775	4.506	8.638	8.150	0.7262	0.7906	0.8698	3.3682	2.9954	0.1631	3.8123	0.9897
Aug.	5.8307	4.462	8.699	8.110	0.7237	0.7915	0.8429	3.4363	3.0540	0.1618	3.8905	0.9818
Sept.	5.7832	4.379	8.813	8.295	0.7219	0.8168	0.8707	3.5637	3.1734	0.1660	4.0737	1.0188
Oct.	5.7495	4.335	8.647	8.250	0.7172	0.8030	0.8682	3.5126	3.1255	0.1614	3.9946	1.0012
Nov.	5.8053	4.411	8.598	8.147	0.7026	0.7856	0.8578	3.4148	3.0428	0.1602	3.8777	0.9825
Dec.	5.7548	4.320	8.578	8.159	0.6887	0.7753	0.8585	3.3645	3.0038	0.1611	3.9282	0.9840
1994												
Jan.	5.6920	4.324	8.496	8.138	0.7001	0.7580	0.8407	3.2662	2.9173	0.1571	3.8683	0.9612
Feb.	5.5838	4.165	8.257	7.930	0.6992	0.7451	0.8245	3.2147	2.8669	0.1560	3.8297	0.9462
March	5.5326	4.057	8.248	7.932	0.6992	0.7530	0.8343	3.2688	2.9089	0.1586	3.8681	0.9591
April	5.4911	3.974	8.139	7.885	0.6965	0.7455	0.8246	3.2336	2.8795	0.1571	3.8174	0.9438
May	5.4072	3.918	8.134	7.956	0.7008	0.7529	0.8335	3.2629	2.9075	0.1585	3.8275	0.9531
June	5.4276	3.925	8.267	8.102	0.6945	0.7660	0.8486	3.3262	2.9676	0.1615	3.9399	0.9737
July	5.2014	3.762	8.036	7.939	0.6695	0.7573	0.8430	3.3120	2.9526	0.1607	3.9249	0.9666

Average of daily quotations	Rome	Vienna	Lisbon	Reykjavik	Madrid	Athens	Tallinn	Tokyo	Melbourne	ECU Commercial	SDR
	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 GRD	1 EEK	1 JPY	1 AUD	1 XEU	1 XDR
	13	14	15	16	17	18	19	20	21	22	23
1989	0.00313	0.3242	0.0273	0.0758	0.0362	..	.	0.03116	3.398	4.719	5.49536
1990	0.00319	0.3363	0.0268	0.0656	0.0375	..	.	0.02647	2.988	4.864	5.18322
1991	0.00326	0.3464	0.0280	0.0684	0.0389	0.022	.	0.03008	3.152	5.003	5.52733
1992	0.00364	0.4088	0.0332	0.0778	0.0438	0.024	0.4060	0.03546	3.289	5.798	6.31546
1993	0.00364	0.4916	0.0356	0.0846	0.0451	0.025	0.4323	0.05168	3.885	6.685	7.98758
1993											
July	0.00365	0.4786	0.0345	0.0806	0.0430	0.025	0.4210	0.05365	3.913	6.564	8.03185
Aug.	0.00363	0.4884	0.0336	0.0813	0.0420	0.025	0.4295	0.05621	3.957	6.555	8.17177
Sept.	0.00369	0.5064	0.0348	0.0833	0.0442	0.025	0.4455	0.05485	3.772	6.771	8.20308
Oct.	0.00359	0.4994	0.0340	0.0823	0.0435	0.024	0.4391	0.05378	3.797	6.671	8.09230
Nov.	0.00348	0.4856	0.0334	0.0811	0.0423	0.024	0.4268	0.05383	3.861	6.550	8.06368
Dec.	0.00341	0.4785	0.0330	0.0800	0.0410	0.023	0.4206	0.05237	3.874	6.494	7.96460
1994											
Jan.	0.00335	0.4647	0.0323	0.0779	0.0398	0.023	0.4083	0.05109	3.962	6.339	7.81835
Feb.	0.00331	0.4573	0.0318	0.0764	0.0395	0.022	0.4018	0.05251	4.000	6.236	7.74733
March	0.00332	0.4647	0.0318	0.0767	0.0398	0.022	0.4086	0.05264	3.937	6.309	7.75651
April	0.00338	0.4597	0.0317	0.0761	0.0398	0.022	0.4042	0.05310	3.934	6.251	7.71250
May	0.00339	0.4639	0.0316	0.0762	0.0396	0.022	0.4079	0.05215	3.916	6.288	7.65245
June	0.00340	0.4729	0.0321	0.0772	0.0404	0.0221	0.4158	0.05281	3.981	6.398	7.74158
July	0.00332	0.4708	0.0322	0.0759	0.0401	0.0219	0.4140	0.05276	3.821	6.329	7.57829

4.2 MARKKA VALUE OF THE ECU AND CURRENCY INDICES

Average of daily observations	Markka value of the ECU FIM/ECU	Currency indices, 1982=100		
		Trade-weighted currency index	Payments currency index	MERIM index
	1	2	3	4
1989	4.73670	98.4	99.1	102.8
1990	4.85697	97.3	96.8	97.3
1991	5.00580	101.4	101.4	102.8
1992	5.80140	116.4	115.7	117.3
1993	6.69420	132.4	136.1	141.8
1993				
July	6.57241	131.0	135.3	142.2
Aug.	6.60127	131.9	136.6	143.9
Sept.	6.81414	134.5	138.4	144.7
Oct.	6.69596	132.6	136.8	142.8
Nov.	6.55386	130.4	135.3	141.7
Dec.	6.49606	128.9	133.9	139.8
1994				
Jan.	6.34072	126.9	131.8	137.7
Feb.	6.23914	125.6	129.8	136.4
March	6.31275	126.5	130.2	136.6
April	6.25477	125.5	129.2	135.8
May	6.29981	125.9	129.0	135.3
June	6.41394	127.4	130.3	136.6
July	6.35263	125.2	127.2	133.6

5. OTHER DOMESTIC FINANCING

5.1 BANK FUNDING FROM THE PUBLIC, MILL. FIM

End of period	Cheque and giro deposits	Transaction deposits	Time deposits	Other deposits	Markka deposits, total (1+2+3+4)	Foreign currency deposits	Total deposits (5+6)	Other funding	Total funding (7+8)
	1	2	3	4	5	6	7	8	9
1989	28 942	85 396	125 748		240 085	7 358	247 444	35 298	282 742
1990	30 953	96 176	124 930		252 058	6 818	258 876	38 835	297 711
1991	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
1992	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
1993	36 379	92 357	112 413	21 766	262 915	14 883	277 798	63 173	340 971
1993									
May	36 856	86 814	108 988	22 119	254 776	14 521	269 297	67 714	337 011
June	36 554	87 629	108 571	22 615	255 368	13 402	268 770	67 806	336 576
July	35 787	87 997	107 557	23 582	254 924	15 616	270 540	63 737	334 277
Aug.	36 548	88 515	105 708	23 870	254 640	14 861	269 502	65 157	334 659
Sept.	35 312	88 067	105 958	23 259	252 596	16 642	269 239	66 050	335 289
Oct.	35 746	89 439	109 350	22 387	256 922	16 192	273 114	67 314	340 428
Nov.	36 098	87 692	109 769	21 451	255 010	15 799	270 809	64 128	334 937
Dec.	36 379	92 357	112 413	21 766	262 915	14 883	277 798	63 173	340 971
1994									
Jan.	38 657	94 042	108 694	22 740	264 133	14 050	278 183	70 115	348 298
Feb.	37 462	96 507	106 185	22 548	262 702	12 324	275 027	68 874	343 901
March	38 058	97 847	105 867	22 734	264 506	13 201	277 708	72 348	350 056
April	38 242	98 146	106 551	22 748	265 687	13 574	279 261	75 636	354 897
May	41 132	97 145	106 163	22 337	266 778	14 281	281 059	75 753	356 811

5.2 BANK LENDING TO THE PUBLIC, MILL. FIM

End of period	Cheque account and postal giro credits	Bills of exchange	Loans	Markka lending, total (1+2+3)	Foreign currency credits	Total lending (4+5)
	1	2	3	4	5	6
1989	15 270	5 650	257 768	278 688	73 176	351 864
1990	19 152	5 777	260 790	285 720	103 134	388 853
1991	18 037	4 712	262 859	285 609	107 714	393 323
1992	16 045	3 335	252 163	271 544	95 168	366 712
1993	14 217	2 223	248 406	264 846	66 931	331 777
1993						
May	15 198	2 848	251 553	269 599	85 075	354 675
June	15 221	2 812	251 305	269 339	83 482	352 821
July	15 192	2 858	251 610	269 660	82 922	352 582
Aug.	15 427	2 670	251 295	269 392	81 558	350 950
Sept.	15 425	2 656	251 667	269 748	79 676	349 424
Oct.	15 094	2 780	251 342	269 216	75 184	344 401
Nov.	14 872	2 664	250 554	268 090	73 810	341 899
Dec.	14 217	2 223	248 406	264 846	66 931	331 777
1994						
Jan.	14 081	2 248	247 259	263 587	64 220	327 807
Feb.	14 120	2 008	247 884	264 012	63 158	327 170
March	14 125	1 942	247 795	263 862	61 114	324 976
April	13 917	1 731	246 424	262 073	59 077	321 150
May	14 026	1 707	245 848	261 581	58 144	319 725

5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL.FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M ₁	M ₂ (1+4+5)	M ₃
		Claims on the central government	Claims on the public	Total (2+3)				
	1	2	3	4	5	6	7	8
1989	- 59 049	- 18 691	408 344	389 653	- 79 084	124 295	251 519	272 603
1990	- 82 881	- 19 072	453 720	434 648	- 85 385	141 524	266 383	291 045
1991	- 86 555	- 6 516	470 852	464 336	- 102 540	130 644	275 241	310 924
1992	- 68 099	81	439 937	440 018	- 97 909	134 829	274 011	310 733
1993*	- 25 989	1 848	403 742	405 589	- 100 006	141 759	279 595	322 408
1993*								
June	- 38 803	41	429 134	429 175	- 120 187	135 602	270 184	307 449
July	- 34 515	1 349	428 478	429 827	- 125 718	135 157	269 594	309 002
Aug.	- 33 338	2 158	426 871	429 028	- 126 590	136 005	269 101	312 036
Sept.	- 29 387	4 183	424 966	429 149	- 132 462	134 600	267 299	312 044
Oct.	- 20 713	3 530	419 951	423 482	- 130 352	136 989	272 417	319 050
Nov.	- 23 710	3 430	417 372	420 803	- 125 479	137 095	271 614	312 034
Dec.	- 25 989	1 848	403 742	405 589	- 100 006	141 759	279 595	322 408
1994*								
Jan.	- 23 257	57	399 953	400 011	- 96 519	145 301	280 234	328 482
Feb.	- 18 440	475	397 966	398 440	- 101 379	146 600	278 621	327 591
March	- 19 743	1 101	397 404	398 505	- 97 766	148 907	280 996	333 304
April	- 23 247	3 534	392 075	395 609	- 90 780	148 783	281 582	335 879
May	- 14 545	5 988	390 173	396 160	- 98 904	150 765	282 711	338 934
June	..	..	..	..	..	153 344	284 491	338 357

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

End of period	Foreign currency-denominated debt			Markka-denominated debt				Total central government debt (3+8)	Out-standing lending	Cash funds	
	Bonds	Other debt	Total (1+2)	Public bonds	Other long-term liabilities	Treasury notes and bills	Miscellaneous items				Total (4+5+6+7)
	1	2	3	4	5	6	7	8	9	10	11
1989	18 505	4 281	22 786	24 126	5 750	250	.	30 126	52 912	43 499	21 248
1990	20 917	3 876	24 793	23 982	8 263	-	.	32 245	57 038	48 121	23 114
1991	38 703	4 943	43 646	31 018	12 208	5 180	.	48 406	92 052	55 165	15 956
1992	100 244	6 143	106 387	40 578	13 555	14 762	.	68 895	175 282	61 671	19 781
1993	142 824	12 753	155 577	71 082	16 060	22 824	.	109 966	265 543	64 233	36 487
1993											
June	139 102	13 281	152 383	57 718	12 770	22 126	.	92 614	244 997	64 436	43 203
July	142 159	13 919	156 078	59 997	12 769	21 459	.	94 225	250 303	64 796	40 718
Aug.	143 148	13 868	157 016	63 086	15 355	23 460	.	101 901	258 917	65 317	43 091
Sept.	145 375	13 759	159 134	64 904	15 354	24 615	.	104 873	264 007	65 879	42 793
Oct.	143 854	13 139	156 993	69 251	15 354	23 754	.	108 359	265 352	66 435	42 816
Nov.	144 122	13 020	157 142	71 833	15 313	22 647	.	109 793	266 935	64 381	47 493
Dec.	142 824	12 753	155 577	71 082	16 060	22 824	.	109 966	265 543	64 233	36 487
1994											
Jan.	140 312	10 565	150 877	72 215	18 260	19 629	.	110 104	260 981	64 706	24 095
Feb.	148 138	9 990	158 128	74 481	18 260	19 391	- 5 524	106 608	264 736	65 008	31 679
March	147 889	9 894	157 783	75 083	18 230	19 182	- 5 409	107 086	264 869	65 687	20 834
April	146 940	10 891	157 831	76 001	17 541	18 625	- 5 384	106 943	264 774	65 808	18 547
May	156 684	11 106	167 790	76 282	17 442	19 704	- 5 379	108 049	275 839	..	22 405
June	163 930	11 658	175 588	77 129	16 901	24 915	- 5 410	113 535	289 123	..	30 119

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
1989	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
1990	4 640	17 891	4 420	490	1 007	17 234	607	10 607	28 447
1991	7 277	25 737	11 073	1 320	-	30 160	-	15 247	45 407
1992	6 984	15 043	12 965	2 674	4	23 858	-	13 812	37 671
1993*	11 691	12 134	36 512	2 235	63	51 179	-	11 456	62 634
1993*									
June	3 132	670	6 658	93	-	7 107	-	3 446	10 553
July	510	165	2 286	-	-	2 451	-	510	2 961
Aug.	372	632	3 833	60	-	4 883	-	15	4 898
Sept.	50	497	2 023	10	-	2 480	-	100	2 580
Oct.	410	697	4 859	222	-	5 956	-	232	6 188
Nov.	989	4 160	2 793	18	50	7 828	-	182	8 010
Dec.	477	1 753	600	205	-	2 769	-	266	3 034
1994*									
Jan.	-	2 000	2 216	45	-	4 261	-	-	4 261
Feb.	560	7	2 359	280	-	3 206	-	-	3 206
March	2 311	713	2 555	190	-	5 769	-	-	5 769
April	100	1 480	942	-	-	2 522	-	-	2 522
May	331	2 521	1 348	30	-	4 230	-	-	4 230
June	500	160	2 673	62	-	3 394	-	-	3 394

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

C) TURNOVER, MILL. FIM

During period	Interbank	Between banks and customers	Primary dealers' transactions in benchmark government bonds		
			Purchases from other primary dealers	Purchases from others	Sales to others
	1	2	3	4	5
1989	6 500	9 660	.	.	.
1990	5 401	6 058	.	.	.
1991	3 343	29 134	.	.	.
1992	18 221	58 594	10 744	12 156	13 354
1993	45 966	241 273	42 945	95 647	117 489
1993					
July	4 886	18 701	4 725	7 990	10 211
Aug.	4 426	20 776	4 387	9 812	10 579
Sept.	5 364	24 405	5 124	11 436	12 459
Oct.	4 958	33 749	4 717	13 465	15 832
Nov.	4 454	28 725	4 069	12 703	12 069
Dec.	6 012	26 948	5 414	10 765	12 500
1994					
Jan.	8 899	41 502	8 437	17 411	19 133
Feb.	14 265	40 081	12 427	16 883	18 485
March	34 926	56 958	32 256	28 635	28 693
April	24 666	37 825	23 300	17 241	17 960
May	10 588	20 896	9 731	8 753	10 958
June	14 560	20 091	14 132	8 225	11 496
July	5 171	12 950	5 081	4 961	7 745

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	Insur-ance and invest-ment	Manu-factur-ing	Of which:					
						Fore-st indus-tries	Metal and engi-neer-ing	Con-glom-erates				
	1	2	3	4	5	6	7	8	9	10	11	12
1989	1 827	1 850	1 689	1 958	1 528	1 818	1 728	1 748	2 061	33 160	7 375	40 536
1990	1 332	1 324	1 393	1 263	1 185	1 376	1 436	1 282	1 474	15 521	4 550	20 071
1991	962	949	1 062	901	898	1 003	1 075	1 076	1 020	6 339	1 315	7 655
1992	772	759	868	425	467	942	1 123	1 206	890	10 277	15 377	25 654
1993	1 240	.	.	608	644	1 601	1 695	1 749	1 751	46 337	59 977	106 314
1993												
July	1 241	.	.	579	631	1 618	1 720	1 659	1 808	2 810	2 855	5 665
Aug.	1 410	.	.	830	813	1 782	1 954	1 893	1 944	6 081	4 509	10 589
Sept.	1 378	.	.	790	788	1 745	1 887	1 860	1 913	4 689	6 036	10 725
Oct.	1 502	.	.	820	781	1 943	1 958	2 095	2 212	6 638	6 936	13 574
Nov.	1 542	.	.	810	770	2 003	2 093	2 156	2 253	4 842	7 153	11 995
Dec.	1 549	.	.	773	801	2 003	2 114	2 240	2 209	4 810	6 375	11 185
1994												
Jan.	1 797	.	.	870	952	2 315	2 357	2 733	2 537	8 781	276	9 057
Feb.	1 917	.	.	942	1 008	2 462	2 410	2 982	2 704	6 395	558	6 953
March	1 861	.	.	824	948	2 423	2 249	2 842	2 793	7 060	334	7 394
April	1 815	.	.	771	914	2 376	2 188	2 689	2 818	4 849	107	4 956
May	1 839	.	.	749	862	2 427	2 207	2 723	2 891	4 035	71	4 105
June	1 709	.	.	676	727	2 271	2 114	2 527	2 732	3 719	49	3 768
July	1 776	.	.	688	727	2 377	2 253	2 503	2 987	3 891	99	3 990

¹ During period.

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, feb	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, cif	Trans- port ex- pend- iture	Travel ex- pend- iture	Other services ex- pend- iture
	1	2	3	4	5	6	7	8	9	10	11	12	13
1989	98 265	7 662	4 497	6 277	18 436	116 701	10 212	3 652	130 565	104 400	3 869	8 969	8 759
1990	99 750	8 347	4 650	6 081	19 077	118 827	12 739	4 461	136 027	101 967	4 363	10 766	9 503
1991	91 100	7 508	5 044	5 636	18 189	109 289	10 003	5 336	124 628	86 348	3 974	11 089	11 011
1992	105 809	8 643	6 089	7 730	22 462	128 272	6 423	5 920	140 614	93 187	4 360	10 962	13 369
1993*	132 550	10 191	7 079	9 379	26 649	159 199	8 589	6 506	174 293	101 494	5 241	9 237	17 008
1992													
I	24 783	2 002	1 159	1 702	4 863	29 645	2 301	1 367	33 313	22 698	1 001	2 725	3 422
II	26 452	2 152	1 493	1 681	5 326	31 778	1 269	1 374	34 421	24 180	1 064	2 813	3 039
III	24 820	2 323	1 958	1 923	6 203	31 023	1 204	1 480	33 707	20 677	1 119	2 853	3 242
IV	29 754	2 167	1 480	2 424	6 071	35 825	1 649	1 699	39 173	25 632	1 176	2 572	3 666
1993*													
I	31 016	2 305	1 351	2 778	6 434	37 450	2 470	1 470	41 390	25 707	1 201	2 401	4 445
II	32 625	2 562	1 763	2 281	6 606	39 231	2 335	1 756	43 322	24 801	1 294	2 276	4 015
III	32 116	2 792	2 203	2 102	7 098	39 213	1 867	1 584	42 665	23 973	1 334	2 242	4 206
IV	36 793	2 532	1 761	2 218	6 511	43 305	1 916	1 695	46 916	27 012	1 411	2 319	4 341
1994*													
I	34 536	2 617	1 424	2 309	6 350	40 886	1 408	1 594	43 888	24 851	1 319	1 902	4 240
II	38 519	2 924	1 586	2 025	6 535	45 054	1 296	1 489	47 840	29 472	1 391	1 869	3 872

During period	Services ex- pend- iture, total (11+12 +13)	Imports of goods and services (10+14)	Invest- ment ex- pend- iture	Trans- fers and other ex- pend- iture	Current account ex- pend- iture (15+16 +17)	Trade account (1-10)	Trans- port (2-11)	Travel (3-12)	Other services (4-13)	Services account (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
1989	21 596	125 996	21 882	7 561	155 439	-6 134	3 793	-4 471	-2 482	-3 160	-9 294	-11 670	-3 910	-24 874
1990	24 632	126 599	26 973	8 967	162 540	-2 218	3 984	-6 117	-3 422	-5 555	-7 772	-14 234	-4 506	-26 513
1991	26 074	112 421	28 674	10 229	151 325	4 752	3 534	-6 044	-5 374	-7 885	-3 132	-18 671	-4 893	-26 696
1992	28 690	121 878	30 424	10 347	162 649	12 622	4 283	-4 873	-5 639	-6 228	6 394	-24 001	-4 428	-22 035
1993*	31 486	132 980	35 667	10 390	179 037	31 056	4 951	-2 159	-7 629	-4 837	26 219	-27 079	-3 885	-4 744
1992														
I	7 148	29 845	8 435	3 124	41 405	2 085	1 001	-1 566	-1 720	-2 285	-200	-6 134	-1 758	-8 092
II	6 916	31 096	7 400	2 381	40 877	2 272	1 087	-1 320	-1 358	-1 590	682	-6 131	-1 007	-6 456
III	7 214	27 891	6 765	2 402	37 058	4 143	1 204	-895	-1 319	-1 011	3 132	-5 561	-922	-3 351
IV	7 413	33 045	7 824	2 440	43 309	4 122	991	-1 092	-1 241	-1 342	2 780	-6 174	-741	-4 136
1993*														
I	8 047	33 755	10 409	2 808	46 972	5 309	1 103	-1 049	-1 667	-1 613	3 695	-7 939	-1 338	-5 582
II	7 585	32 386	10 811	2 393	45 590	7 824	1 268	-512	-1 735	-980	6 844	-8 475	-637	-2 268
III	7 782	31 756	7 074	2 640	41 469	8 143	1 458	-39	-2 104	-685	7 458	-5 206	-1 055	1 196
IV	8 071	35 083	7 374	2 549	45 006	9 781	1 122	-558	-2 123	-1 559	8 222	-5 458	-854	1 910
1994*														
I	7 461	32 311	9 031	2 957	44 299	9 685	1 298	-477	-1 931	-1 110	8 575	-7 623	-1 363	-411
II	7 132	36 604	8 688	2 212	47 503	9 047	1 533	-283	-1 847	-596	8 451	-7 392	-723	337

6.2 CAPITAL AND FINANCIAL ACCOUNT, MILL FIM

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

During period	Exports of capital												Errors and omissions	Change in central bank's reserve assets
	Direct investment abroad	Portfolio investment					Other investment							
		Shares	Bonds	Money market instruments	Financial derivatives	Total (15+16+17+18)	Trade credits	Loans	Currency and deposits	Other	Total (20+21+22+23)	Total (14+19+24)		
14	15	16	17	18	19	20	21	22	23	24	25	26	27	
1991	-501	-369	-3	1 499	..	1 128	520	2 341	1 054	6 587	10 503	11 129	-1 575	7 375
1992*	-3 372	46	321	2 748	..	3 115	3 696	3 409	3 745	3 132	13 983	13 725	-1 365	9 180
1993*	8 925	873	767	1 932	..	3 571	1 827	-839	-6 063	14 516	9 442	21 938	5 058	-1 219
1991														
III	130	41	393	719	..	1 153	1 319	-723	-1 835	239	-1 001	282	2 550	6 923
IV	-599	-175	-182	-1 962	..	-2 319	707	1 214	-3 487	-13 043	-14 609	-17 527	-4 908	-5 860
1992*														
I	-581	27	155	91	..	273	819	1 229	2 528	-4 078	499	190	149	1 623
II	-1 544	-19	1 161	-1 490	..	-348	-296	-807	522	-559	-1 140	-3 033	-2 030	1 015
III	-552	13	-895	786	..	-96	1 260	553	2 619	3 493	7 925	7 277	-4 710	6 051
IV	-695	25	-100	3 361	..	3 286	1 912	2 435	-1 924	4 276	6 699	9 290	5 227	492
1993*														
I	967	158	2 823	-577	..	2 404	1 577	-726	-1 516	15 387	14 722	18 093	1 615	5 586
II	1 118	2	-1 095	-972	..	-2 065	478	-185	247	-3 820	-3 279	-4 227	-1 617	-10 684
III	-538	77	-841	3 975	..	3 211	-250	-1 008	1 514	9 514	9 769	12 443	2 160	11 019
IV	7 378	636	-120	-494	..	21	21	1 081	-6 308	-6 564	-11 770	-4 371	2 900	-7 141
1994*														
I	5 344	43	-662	211	-201	-609	-1 336	-1 279	2 612	-5 779	-5 781	-1 047	-1 757	-10 279
II	5 083	-68	-3 283	-4 468	-27	-7 846	1 418	-1 508	-681	6 203	5 431	2 668	1 948	-10 172

6.3 FINLAND'S INTERNATIONAL INVESTMENT POSITION, MILL. FIM

Position at end of period	Liabilities												
	Direct investment in Finland	Portfolio investment					Total (2+3+5+6)	Other investment				Total (8+9+10+11)	Total Liabilities (1+7+12)
		Shares	Bonds	Of which: marketable denominated bonds	Money market instruments	Financial derivatives		Trade credits	Loans	Currency and deposits	Other		
1	2	3	4	5	6	7	8	9	10	11	12	13	
1991	17 443	4 149	141 055	19 036	20 834	..	166 038	8 559	68 892	8 555	85 281	171 287	354 769
1992*	19 348	5 138	211 361	14 366	19 391	..	235 889	11 943	78 330	11 880	78 804	180 958	436 195
1993*	24 000	30 375	261 916	27 149	14 718	-6 103	300 906	16 419	92 355	5 940	53 562	168 276	493 182
1991													
III	18 273	4 154	128 768	18 607	23 551	..	156 473	14 029	64 707	9 408	82 592	170 735	345 481
IV	17 443	4 149	141 055	19 036	20 834	..	166 038	8 559	68 892	8 555	85 281	171 287	354 769
1992*													
I	18 027	4 279	150 644	17 366	15 612	..	170 535	8 900	69 353	7 607	96 351	182 210	370 772
II	18 122	4 083	160 415	17 851	18 160	..	182 658	8 369	66 741	8 275	81 099	164 483	365 263
III	18 483	3 367	184 851	15 547	18 023	..	206 242	10 875	72 530	9 942	89 639	182 986	407 711
IV	19 348	5 138	211 361	14 366	19 391	..	235 889	11 943	78 330	11 880	78 804	180 958	436 195
1993*													
I	19 868	8 121	253 159	16 281	15 513	..	276 793	13 684	96 786	13 135	77 587	201 192	497 853
II	20 988	11 901	254 886	21 118	15 200	..	281 986	13 503	93 408	11 461	67 867	186 239	489 214
III	21 717	22 725	265 540	23 460	13 010	..	301 276	12 862	95 327	13 276	61 185	182 650	505 643
IV	24 000	30 375	261 916	27 149	14 718	-6 103	300 906	16 419	92 355	5 940	53 562	168 276	493 182
1994*													
I	27 165	39 079	266 599	28 087	11 656	-8 855	308 479	15 338	86 166	4 724	60 047	166 275	501 919
II	29 686	42 719	272 721	24 622	14 788	-7 931	322 297	15 035	86 918	2 964	56 930	161 847	513 830

Position at end of period	Assets												
	Direct investment abroad	Portfolio investment					Total (15+16+17+18)	Other investment				Total (20+21+22+23)	Total assets (14+19+24)
		Shares	Bonds	Money market instruments	Financial derivatives	Trade credits		Loans	Currency and deposits	Other			
14	15	16	17	18	19	20	21	22	23	24	25		
1991	44 823	426	7 004	4 154	..	11 584	16 163	28 504	7 647	72 498	124 812	181 218	
1992*	44 921	469	8 697	7 917	..	17 083	21 063	35 251	12 665	76 520	145 499	207 502	
1993*	54 000	1 285	10 706	11 028	446	23 465	25 039	34 018	6 572	88 429	154 059	231 524	
1991													
III	41 915	569	6 823	6 041	..	13 434	16 430	26 074	10 495	75 623	128 623	183 971	
IV	44 823	426	7 004	4 154	..	11 584	16 163	28 504	7 647	72 498	124 812	181 218	
1992*													
I	43 876	428	7 472	4 550	..	12 450	17 160	30 223	10 193	68 559	126 135	182 461	
II	41 966	408	8 681	2 881	..	11 970	16 811	28 128	10 558	65 317	120 814	174 750	
III	45 982	442	8 176	4 032	..	12 650	18 622	30 676	14 188	68 195	131 682	190 314	
IV	44 921	469	8 697	7 917	..	17 083	21 063	35 251	12 665	76 520	145 499	207 502	
1993*													
I	51 973	676	11 952	7 766	..	20 394	23 292	36 976	12 275	92 136	164 680	237 047	
II	49 165	671	10 801	6 627	..	18 099	23 477	34 148	12 159	97 012	166 796	234 060	
III	49 413	759	10 074	10 689	..	21 522	23 386	34 208	13 929	97 734	169 258	240 194	
IV	54 000	1 285	10 706	11 028	446	23 465	25 039	34 018	6 572	88 429	154 059	231 524	
1994*													
I	59 494	1 296	9 576	10 910	622	22 403	22 941	31 396	7 412	92 014	153 763	235 660	
II	64 720	1 206	5 956	6 320	550	14 031	24 335	29 705	6 531	107 431	168 002	246 753	

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

Position at end of period	Corporate sector	Banks	Bank of Finland	Other financial institutions	Central government	Local government	Net (1+2+3+4+5+6)	Net interest and dividend expenditure	Net interest and dividend expenditure in relation to current receipts, %
	1	2	3	4	5	6	7	8	9
1991	27 735	107 434	-34 046	18 960	52 748	719	173 550	15 671	12.7
1992*	29 464	80 248	-27 546	30 378	113 801	2 347	228 693	19 011	13.6
1993*	49 100	48 615	-33 279	29 973	164 293	2 956	261 658	22 329	12.9
1991									
III	33 869	95 634	-27 372	17 818	40 840	721	161 509	3 409	10.8
IV	27 735	107 434	-34 046	18 960	52 748	719	173 550	3 713	11.1
1992*									
I	27 883	110 668	-33 471	20 750	60 859	1 623	188 311	4 887	14.7
II	28 111	94 368	-31 437	21 931	75 837	1 703	190 513	4 883	14.2
III	29 872	83 775	-16 715	24 364	94 143	1 958	217 397	4 314	12.8
IV	29 464	80 248	-27 546	30 378	113 801	2 347	228 693	4 926	12.6
1993*									
I	33 576	63 228	-27 782	32 092	156 756	2 937	260 806	6 751	16.3
II	35 152	59 271	-37 288	29 740	165 469	2 810	255 154	7 288	16.8
III	43 843	42 457	-27 318	29 858	173 642	2 967	265 449	4 018	9.4
IV	49 100	48 615	-33 279	29 973	164 293	2 956	261 658	4 271	9.1
1994*									
I	55 542	53 969	-42 504	28 463	167 556	3 233	266 259	7 023	16.0
II	54 663	53 177	-52 617	26 049	182 557	3 247	267 077	6 792	14.2

7. FOREIGN TRADE

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

During period	Exports, fob	Imports, cif	Balance (1-2)
	1	2	3
1989	99 784	105 516	- 5 732
1990	101 327	103 027	- 1 700
1991	92 842	87 744	5 098
1992	107 463	94 947	12 516
1993*	133 927	103 078	30 849
1993*			
June	10 191	7 797	2 394
July	10 899	8 129	2 770
Aug.	10 127	8 210	1 917
Sept.	11 452	8 029	3 423
Oct.	13 906	8 405	5 501
Nov.	12 369	9 620	2 749
Dec.	10 812	9 443	1 369
1994*			
Jan.	11 890	8 310	3 580
Feb.	10 924	7 415	3 509
March	12 145	9 509	2 636
April	12 349	9 403	2 946
May	13 317	10 878	2 439
June	13 272	9 564	3 708

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

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1989	121	144	156	126	123
1990	125	138	154	128	120
1991	114	115	154	131	118
1992	124	112	164	145	113
1993	147	109	172	163	106
1991					
IV	124	118	157	135	116
1992					
I	118	112	162	142	114
II	125	118	162	143	113
III	117	102	163	142	115
IV	133	116	171	154	111
1993					
I	135	108	176	165	106
II	143	105	174	165	105
III	141	101	174	165	105
IV	165	116	170	161	105
1994*					
I	155	107	170	161	106

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, fob					Imports by use of goods, cif				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
	1	2	3	4	5	6	7	8	9	10
1989	7 416	32 513	8 844	32 682	18 329	51 786	8 310	20 606	24 055	759
1990	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
1991	6 984	29 695	10 539	29 188	16 436	42 505	9 399	13 973	21 195	672
1992	7 892	32 587	12 172	35 741	19 071	49 514	9 745	13 348	20 826	1 514
1993*	10 889	37 410	14 192	48 099	23 337	54 778	10 911	15 337	21 045	1 007
1993*										
June	930	2 931	966	3 710	1 654	4 293	1 043	909	1 484	68
July	774	2 753	1 162	4 385	1 825	4 358	973	983	1 645	170
Aug.	668	2 991	1 255	3 304	1 909	4 350	969	1 147	1 682	62
Sept.	988	3 255	1 328	3 767	2 114	4 360	951	873	1 713	132
Oct.	1 133	3 508	1 258	5 869	2 138	4 718	863	978	1 835	11
Nov.	1 061	3 294	1 354	4 479	2 181	4 969	1 377	1 282	1 946	46
Dec.	964	2 954	1 069	3 766	2 059	4 999	1 107	1 349	1 892	96
1994*										
Jan.	978	3 009	1 282	4 272	2 349	4 511	691	1 153	1 807	148
Feb.	1 018	3 060	1 060	3 741	2 045	4 215	603	934	1 620	43
March	1 026	3 623	1 248	4 061	2 187	5 141	755	1 309	2 193	111
April	1 165	3 487	1 156	4 338	2 203	4 811	976	1 657	1 911	48
May	1 431	3 506	1 511	4 538	2 331	6 033	1 293	1 302	2 227	23
June	1 318	3 358	1 289	4 882	2 425	5 488	866	1 189	1 947	74

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, feb				Imports, cff			
	1993*		1994* January - June		1993*		1994* January - June	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	102 135	76.3	55 366	11.8	81 607	79.2	43 338	6.2
OECD Europe	86 513	64.6	47 848	11.4	66 956	65.0	34 726	4.6
Of which:								
Austria	1 427	1.1	765	7.6	1 179	1.1	627	10.5
Belgium and Luxembourg	2 955	2.2	1 663	8.9	3 008	2.9	1 516	10.5
Denmark	4 479	3.3	2 672	26.0	3 231	3.1	1 734	8.6
France	7 114	5.3	3 907	14.2	4 716	4.6	2 408	6.8
Germany	17 628	13.2	10 144	15.9	16 901	16.4	8 139	- 10.7
Italy	4 350	3.2	2 225	- 6.3	3 811	3.7	2 216	16.7
Netherlands	6 729	5.0	3 955	16.6	3 847	3.7	1 995	8.2
Norway	4 277	3.2	2 349	15.1	5 010	4.9	2 716	10.8
Spain	3 263	2.4	1 718	- 9.1	1 245	1.2	821	31.2
Sweden	14 855	11.1	7 998	11.7	10 531	10.2	5 864	13.9
Switzerland	2 111	1.6	1 141	13.1	2 044	2.0	977	2.9
United Kingdom	14 020	10.5	7 749	12.3	9 160	8.9	4 483	7.0
Other OECD	15 622	11.7	7 519	14.8	14 651	14.2	8 612	13.6
Of which:								
Canada	1 075	0.8	498	- 9.5	724	0.7	351	9.7
Japan	2 187	1.6	1 441	57.3	5 958	5.8	3 504	15.9
United States	10 506	7.8	4 601	10.0	7 498	7.3	4 475	11.2
Non- OECD European countries	12 679	9.5	8 550	56.1	11 207	10.9	6 221	14.9
Of which:								
Russia	6 051	4.5	3 856	56.1	7 813	7.6	4 478	13.7
Other countries	19 113	14.3	9 981	6.5	10 264	10.0	5 520	9.6
Of which:								
OPEC countries	3 266	2.4	1 348	- 5.4	542	0.5	212	- 0.9
TOTAL	133 927	100.0	73 897	14.8	103 078	100.0	55 079	7.5
Of which:								
EC countries	62 850	46.9	35 237	11.7	47 974	46.5	24 401	1.7
EFTA countries	22 799	17.0	12 313	12.2	18 831	18.3	10 240	11.9

8. DOMESTIC ECONOMIC DEVELOPMENTS

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

(seasonally adjusted figures)

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

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1990=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manu- facturing	Wood and paper industries	Metal and engineering industries	Other manu- facturing	Energy and water supply
	(100.0)	(1.3)	(89.6)	(16.8)	(31.3)	(41.5)	(9.1)
	1	2	3	4	5	6	7
1989	100.3	101.9	100.5	102.3	99.6	100.8	97.9
1990	100.2	99.8	100.2	100.1	100.4	100.1	100.0
1991	91.2	91.3	89.9	91.5	85.6	92.6	103.6
1992	92.4	88.4	91.4	94.6	91.1	90.2	103.0
1993*	97.1	85.8	96.2	104.3	99.4	90.4	107.9
1993*							
May	93.0	92.0	92.2	99.3	96.5	86.2	103.2
June	97.2	76.9	96.5	105.6	99.1	90.4	110.4
July	97.9	105.0	96.8	104.5	99.7	91.6	107.4
Aug.	96.3	85.1	95.5	105.0	96.9	90.5	106.0
Sept.	99.3	70.3	98.6	107.1	102.5	92.4	109.8
Oct.	100.9	78.2	100.4	110.2	105.0	93.1	110.6
Nov.	101.7	80.5	100.9	110.0	104.8	94.1	109.9
Dec.	102.4	84.4	101.1	110.3	106.3	93.7	113.6
1994*							
Jan.	102.0	84.5	100.9	112.6	103.4	93.4	111.9
Feb.	102.9	69.4	100.8	107.7	109.0	92.2	121.8
March	102.2	78.2	100.9	109.9	113.9	87.9	116.6
April	104.7	84.2	104.3	112.1	112.1	95.3	111.7
May	108.4	87.7	108.4	112.0	117.8	100.0	114.5

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
1989	124.2	117.0	130.3	132.9	137.6	125.2	161.4	116.7
1990	119.9	111.6	127.3	124.8	161.7	122.1	144.6	117.5
1991	99.4	103.5	103.9	94.4	127.7	109.9	102.1	110.2
1992	87.2	92.9	79.5	73.8	76.2	87.5	84.5	106.9
1993*	82.5	87.6	59.5	60.5	52.9	59.8	82.9	105.2
1993*								
April	80.9	89.5	..	..	..	..	..	104.3
May	81.6	88.1	..	..	..	..	..	102.7
June	85.5	86.3	..	..	..	..	..	104.9
July	83.1	85.7	..	..	..	..	..	104.6
Aug.	83.2	85.9	..	..	..	..	..	104.5
Sept.	81.9	85.3	..	..	..	..	..	105.3
Oct.	81.3	86.1	..	..	..	..	..	105.7
Nov.	82.9	86.7	..	..	..	..	..	106.7
Dec.	83.5	88.7	..	..	..	..	..	107.1
1993*								
I	82.1	89.5	61.9	63.5	47.2	67.7	117.8	105.7
II	82.7	87.9	59.9	61.8	54.3	65.7	73.2	104.0
III	82.7	85.6	58.7	59.7	49.3	64.4	60.4	104.8
IV	82.6	87.2	57.8	56.8	62.0	50.4	78.7	106.5
1994*								
Jan.	79.3	85.5	..	..	..	..	..	106.9
Feb.	85.0	89.5	..	..	..	..	..	107.1
March	85.1	94.9	..	..	..	..	..	108.7
April	80.0	86.6	..	..	..	..	..	109.5
1994*								
I	83.1	89.9	53.4	60.1	37.9	15.2	72.7	107.6

8.4 WAGES AND PRICES, 1990=100

Period	Index of wage and salary earnings	By sectors			Consumer price index	Indicator of underlying inflation	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private	Of which: Manufacturing (SIC3)	Public				Domes- tic goods	Import- ed goods		Export- ed goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1989	91.5	91.7	91.1	91.2	94.2	94.9	96.6	96.9	99.1	98.1	100.5	96.9	94.1
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	106.4	106.4	106.1	106.4	104.3	104.1	100.0	99.8	100.8	99.4	98.5	99.8	102.2
1992	108.4	108.1	108.3	109.0	107.4	107.1	101.4	99.5	108.5	101.6	102.7	101.1	100.4
1993¹	109.4	108.9	110.0	110.4	109.7	109.9	104.8	100.8	119.3	105.5	109.2	103.9	100.7
1993													
June	..	..	..	..	109.9	110.2	105.1	101.0	120.2	106.0	109.7	104.3	100.8
July	..	..	..	..	109.7	110.0	105.0	100.9	120.0	105.5	108.9	104.0	100.7
Aug.	..	..	..	..	109.5	110.1	105.0	100.7	120.5	105.6	109.4	104.0	100.7
Sept.	..	..	..	..	109.7	110.6	105.1	101.2	119.2	106.1	110.0	104.4	100.9
Oct.	..	..	..	..	109.9	110.8	104.9	101.1	119.1	106.1	110.3	104.3	101.0
Nov.	..	..	..	..	109.7	110.8	104.7	101.0	118.3	105.6	109.4	104.0	101.0
Dec.	..	..	..	..	109.7	110.6	104.5	100.8	118.2	105.2	109.2	103.5	100.8
1993¹													
I	109.1	108.6	109.1	110.1	109.4	108.9	104.2	100.5	118.0	104.6	107.8	103.2	100.3
II	109.3	108.8	109.8	110.3	110.0	110.0	105.2	101.0	120.7	106.0	110.1	104.3	100.7
III	109.0	108.3	109.6	110.5	109.6	110.2	105.0	100.9	119.9	105.7	109.4	104.1	100.8
IV	110.1	109.7	111.5	110.9	109.8	110.7	104.7	101.0	118.5	105.6	109.6	103.9	100.9
1994													
Jan.	..	..	..	..	109.4	110.3	104.8	101.2	117.8	105.5	109.4	103.9	101.6
Feb.	..	..	..	..	109.8	110.8	105.1	101.7	117.4	105.5	108.4	104.3	101.6
March	..	..	..	..	110.0	111.0	105.4	101.9	118.1	105.7	108.0	104.7	101.7
April	..	..	..	..	110.2	111.3	105.8	102.1	119.2	105.8	108.0	104.8	101.7
May	..	..	..	..	110.3	111.3	105.8	102.2	119.1	106.4	109.0	105.2	101.9
June	..	..	..	..	111.3	..	106.1	102.5	119.5	107.0	110.3	105.6	102.2
1994¹													
I	110.7	110.4	113.1	111.4	109.7	110.7	105.1	101.6	117.8	105.6	108.6	104.3	101.6

¹ Preliminary figures for columns 1-4.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds %	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status		By industry				Unem-ployed	Unem-employment rate
				Self-employed	Wage and salary earners	Agri-culture and forestry	Industry	Con-struction	Service industries		
				4	5	6	7	8	9	10	11
1989	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5
1990	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4
1991	67.4	2 533	2 340	340	2 000	197	502	179	1 461	193	7.6
1992	66.1	2 502	2 174	325	1 849	188	454	150	1 382	328	13.1
1993	65.3	2 484	2 041	312	1 729	173	423	124	1 319	444	17.9
1993											
June	64.9	2 465	2 012	309	1 702	166	415	126	1 304	454	18.4
July	65.1	2 474	2 022	308	1 714	173	418	118	1 313	452	18.3
Aug.	65.5	2 490	2 032	299	1 733	167	420	125	1 319	459	18.4
Sept.	65.4	2 490	2 020	318	1 702	172	427	116	1 305	470	18.9
Oct.	65.1	2 480	2 015	314	1 700	172	416	123	1 303	466	18.8
Nov.	65.3	2 485	2 023	293	1 730	172	413	121	1 317	463	18.6
Dec.	65.2	2 485	2 014	319	1 695	172	419	113	1 310	471	19.0
1994											
Jan.	64.8	2 470	1 995	356	1 639	170	409	115	1 301	474	19.2
Feb.	65.4	2 493	2 028	297	1 730	170	419	111	1 328	466	18.7
March	65.2	2 489	2 014	313	1 701	166	422	107	1 319	474	19.1
April	64.7	2 472	2 004	314	1 689	165	419	111	1 309	468	18.9
May	65.0	2 484	2 016	309	1 707	167	418	113	1 318	467	18.8
June	65.0	2 485	2 025	314	1 711	172	420	102	1 332	460	18.5

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
1989	39 397	76 458	471	15 990	132 316	3 926	136 241	35 082	72 008	33 244	35 715
1990	42 611	77 364	953	18 423	139 351	4 260	143 611	41 535	81 190	37 646	40 313
1991	41 054	73 251	1 136	19 182	134 624	4 442	139 069	45 085	101 220	42 297	55 160
1992	34 312	69 541	1 512	21 251	126 616	5 054	131 669	49 291 ^r	105 184	42 990	59 180
1993	31 667	67 291	1 443	28 823	129 224	7 366	136 593	46 880	108 608	42 720	63 535
1993											
March	2 456	6 205	127	3 496	12 284	2 119	14 403	4 145	9 295	3 698	5 440
April	3 875	4 926	93	2 657	11 551	98	11 649	3 835	9 436	4 055	5 278
May	2 697	5 638	97	2 688	11 120	510	11 630	3 646	9 115	3 958	5 013
June	2 870	5 633	86	2 748	11 337	591	11 928	4 110	8 842	3 958	4 672
July	3 208	5 626	119	1 759	10 712	197	10 909	4 719	8 225	3 287	4 696
Aug.	3 011	5 884	102	2 166	11 163	154	11 318	3 424	7 820	3 395	4 102
Sept.	2 792	5 185	129	2 247	10 353	108	10 461	3 658	9 482	3 371	5 987
Oct.	2 774	5 548	118	1 072	9 512	64	9 576	3 381	9 774	3 375	6 235
Nov.	2 736	5 757	147	2 672	11 312	2 638	13 952	3 708	9 371	3 437	5 820
Dec.	2 078	6 543	115	5 142	13 878	759	14 637	4 256	10 357	3 609	6 318
1994											
Jan.	2 827	6 024	67	1 857	10 775	27	10 802	3 699	9 936	3 118	6 609
Feb.	2 757	5 500	115	1 770	10 142	496	10 637	3 090	8 334	3 084	4 939
March	3 774	4 727	100	2 283	10 884	2 386	13 270	4 097	9 474	3 521	5 820

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)
1989	8 393	5 343	120 826	7 566	128 390	11 490	7 851	- 4 009	3 842
1990	5 962	4 927	133 614	9 319	142 934	5 737	678	1 201	1 879
1991	5 370	6 368	158 044	13 328	171 372	- 23 420	- 32 304	25 659	- 6 645
1992	5 042	8 499	168 016 ^r	35 501	203 516 ^r	- 41 400 ^r	- 71 847 ^r	70 691	- 1 155 ^r
1993	4 306	18 076	177 870	19 753	197 623	- 48 646	- 61 030	84 036	23 009
1993									
March	313	2 248	16 001	3 211	19 211	- 3 717	- 4 808	9 245	4 437
April	306	1 554	15 131	2 060	17 191	- 3 580	- 5 542	12 592	7 050
May	318	1 156	14 235	1 351	15 586	- 3 115	- 3 956	2 086	- 1 870
June	384	2 650	15 986	768	16 753	- 4 649	- 4 825	4 424	- 401
July	406	914	14 264	3 935	18 200	- 3 552	- 7 291	7 157	- 134
Aug.	416	874	12 534	723	13 258	- 1 371	- 1 940	5 079	3 139
Sept.	417	1 135	14 692	1 756	16 448	- 4 339	- 5 987	3 529	- 2 457
Oct.	369	2 497	16 021	740	16 761	- 6 509	- 7 185	6 076	- 1 109
Nov.	349	771	14 199	767	14 966	- 2 887	- 1 014	1 230	216
Dec.	477	1 744	16 834	2 491	19 325	- 2 956	- 4 688	91	- 4 596
1994									
Jan.	187	3 336	17 158	545	17 703	- 6 383	- 6 901	519	- 6 383
Feb.	224	1 202	12 850	1 044	13 895	- 2 708	- 3 258	7 659	4 402
March	245	3 120	16 936	3 116	20 052	- 6 052	- 6 782	- 41	- 6 823

NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

GENERAL

Source

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

Symbols used

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

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

NOTES AND EXPLANATIONS TO TABLES

1 THE BALANCE SHEET OF THE BANK OF FINLAND

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

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

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

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

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

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

Table 2.5 The markka value of forward contracts is given.

3 RATES OF INTEREST

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

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

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

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

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

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

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

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

4 RATES OF EXCHANGE

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

5 OTHER DOMESTIC FINANCING

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

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

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

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

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

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

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

Table 5.6 Source: The Helsinki Stock Exchange.

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

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

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

Table 6.2 Short-term foreign exchange transfers related to cash management flows between direct investors and their direct investment enterprises are classified as direct investment (Columns 1 and 14). Loans received by resident direct investors from group 'in-house' finance companies located abroad (intra-group loans) are classified as loans under other investment (Columns 9 and 21). Money market instruments are classified as portfolio investment (Columns 5 and 17). Premiums and margin payments arising from transactions in financial derivatives are included as a new item under portfolio investment (Columns 6 and 18). Financial derivatives also include payments arising from currency and interest rate swaps related to loans, i.e. outstanding loans are recorded according to the original loan contract. Medium-term notes (MTNs) are included under bonds (Columns 3 and 16). The category other investment (Columns 8-12 and 20-24) covers transactions related to

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

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

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

7 FOREIGN TRADE

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

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

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

8 DOMESTIC ECONOMIC DEVELOPMENTS

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

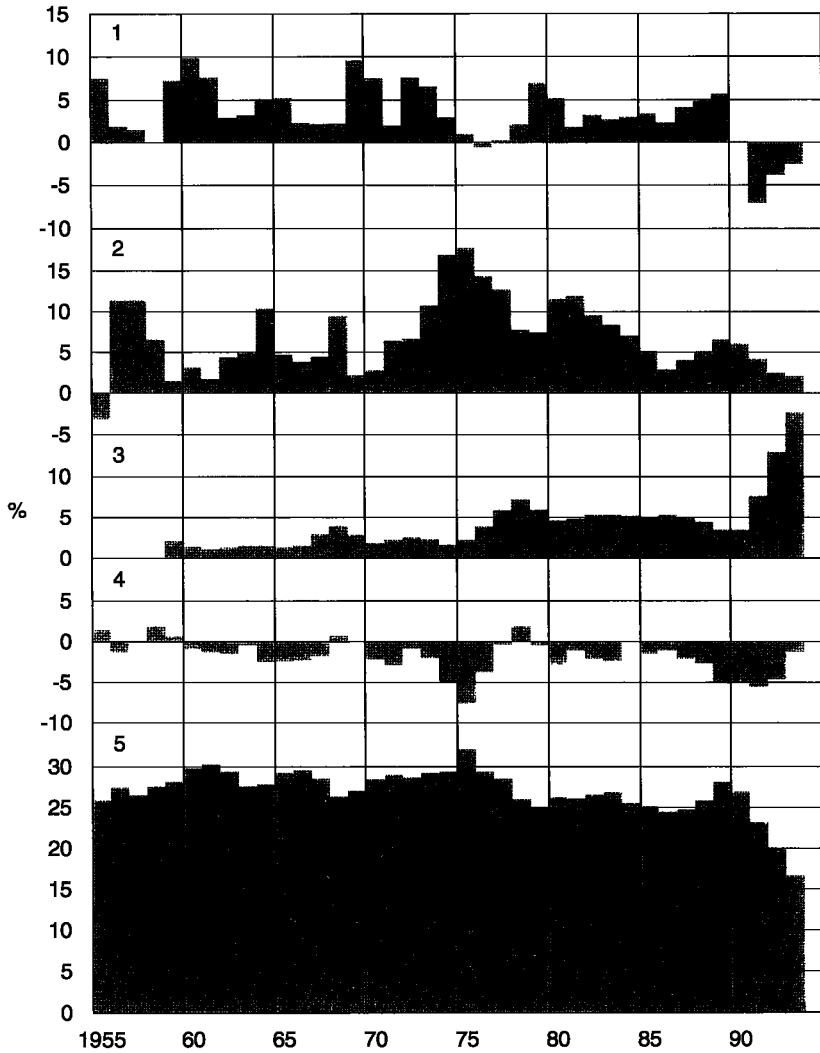
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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

Table 8.6 Source: Ministry of Finance.

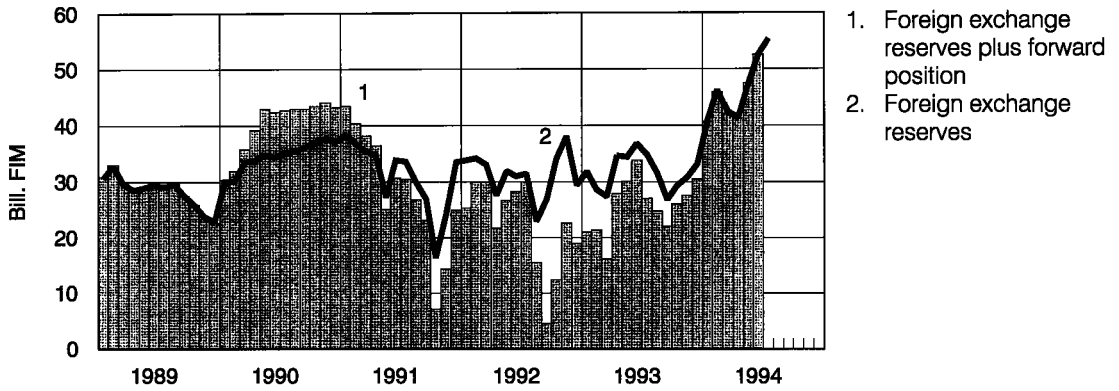
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Rates of interest set by the Bank of Finland	S29
5. Banks' liquidity position with the Bank of Finland	S30
6. Liquidity management interest rates	S30
7. HELIBOR rates of interest,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

1. LONG-TERM INDICATORS

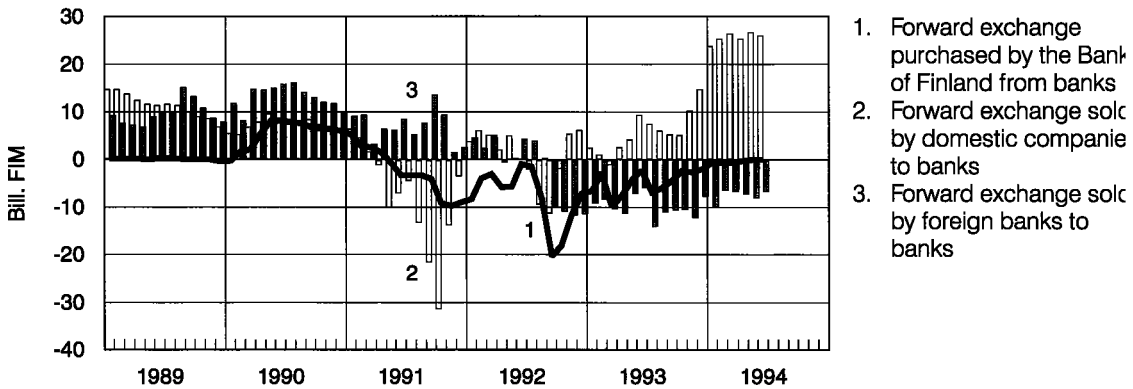


1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

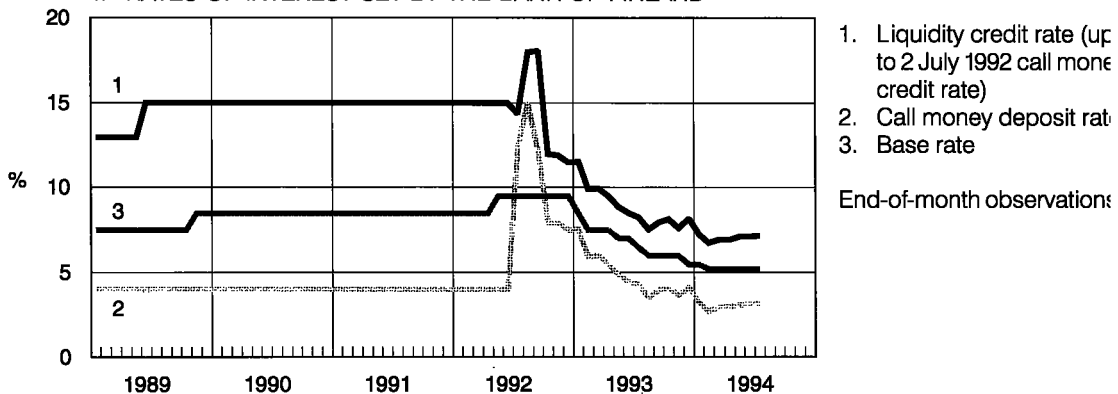
2. THE BANK OF FINLAND'S FOREIGN EXCHANGE RESERVES AND FORWARD POSITION



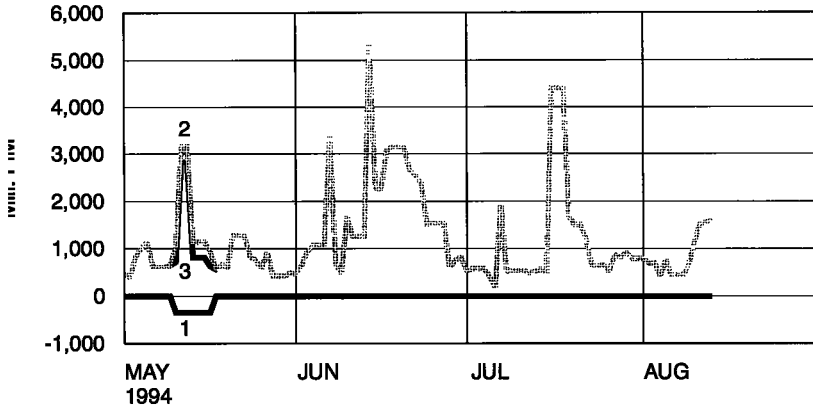
3. FORWARD MARKET



4. RATES OF INTEREST SET BY THE BANK OF FINLAND

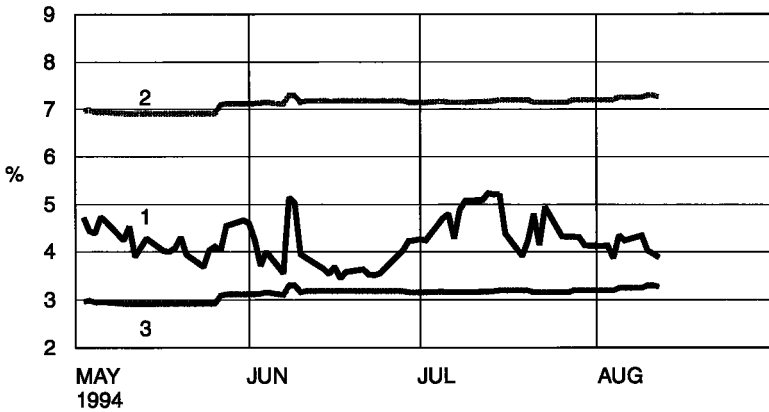


5. BANKS' LIQUIDITY POSITION WITH THE BANK OF FINLAND



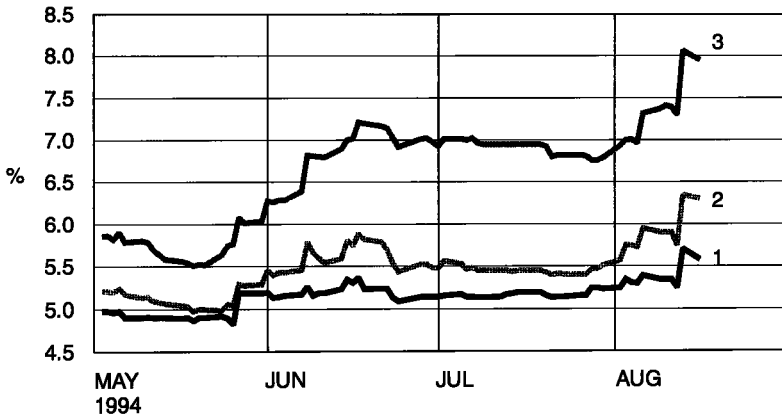
- 1. Liquidity credits (-)
- 2. Call money deposits
- 3. Net

6. LIQUIDITY MANAGEMENT INTEREST RATES



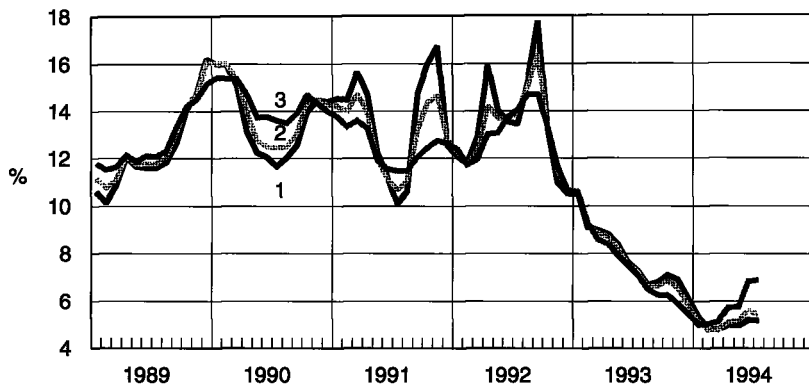
- 1. Inter-bank overnight rate
 - 2. Liquidity credit rate
 - 3. Call money deposit rate
- Daily observations

7. HELIBOR RATES OF INTEREST, DAILY



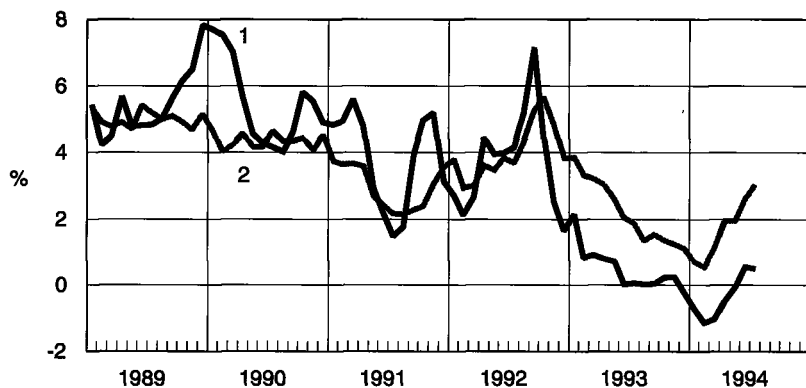
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

8. HELIBOR RATES OF INTEREST, MONTHLY



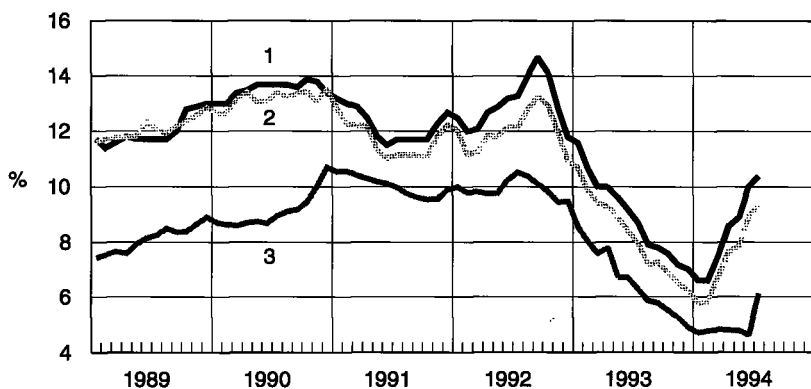
1. 1-month HELIBOR
2. 3-month HELIBOR
3. 12-month HELIBOR

9. DIFFERENTIAL BETWEEN FINNISH AND GERMAN INTEREST RATES



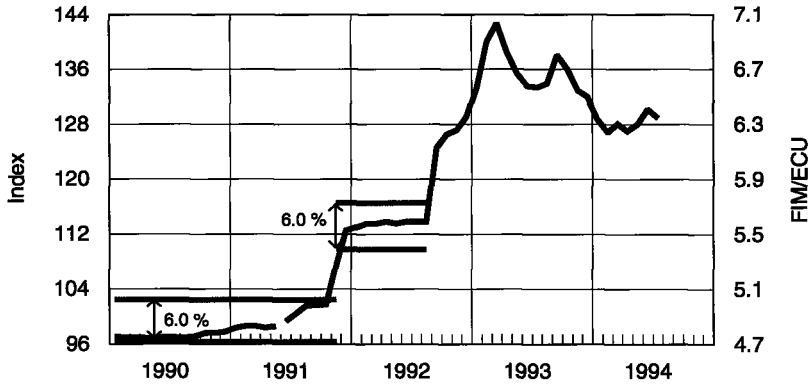
1. 3-month HELIBOR *minus* 3-month DEM eurorate
2. 5-year Finnish government bond yield *minus* 5-year German government bond yield

10. YIELDS ON BONDS



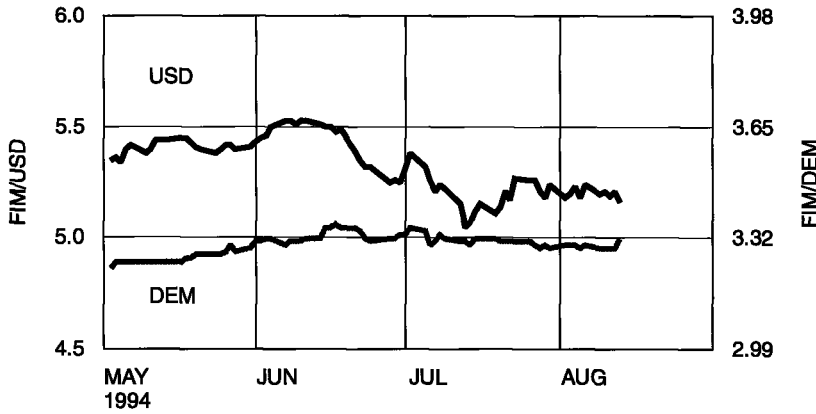
1. Bank of Finland's 5-year reference rate
2. Yield on (4-5 year) taxable government bonds
3. Yield on (4-5 year) taxfree government bonds

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



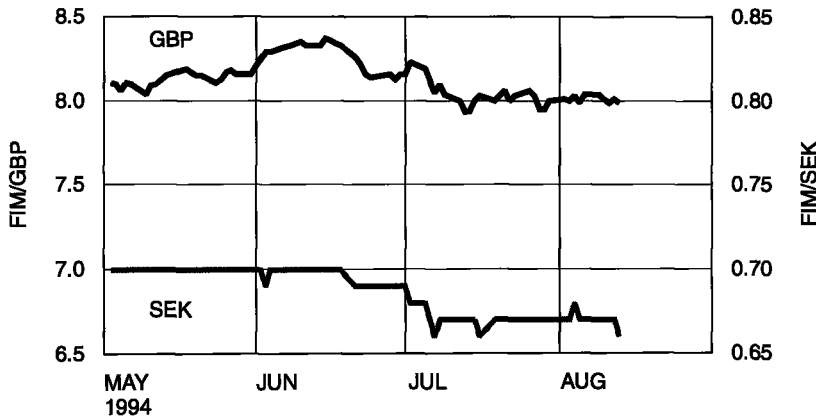
Until 7 June 1991, the Bank of Finland currency index. From 7 June 1991, the markka's exchange rate against the ECU, the fluctuation limits of which were 4.72953–5.02207 in the period 7 June – 14 November 1991, and 5.39166–5.72516 in the period 15 November 1991 – 7 September 1992. Since 8 September 1992,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

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



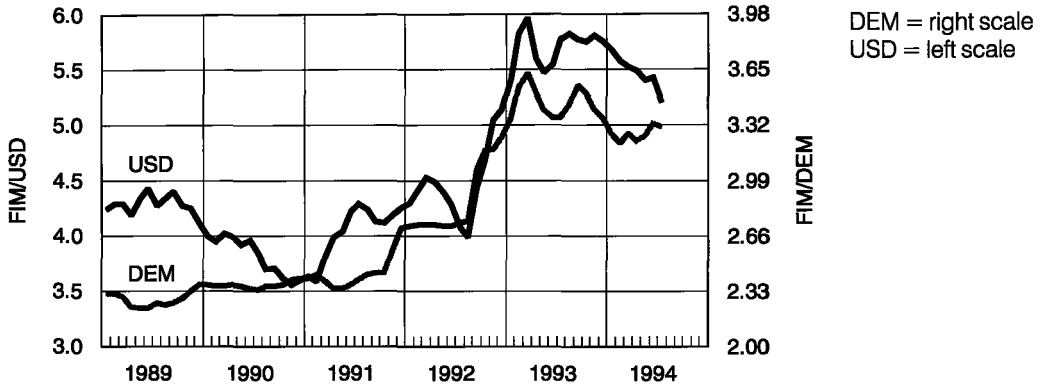
Middle rates
DEM = right scale
USD = left scale

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

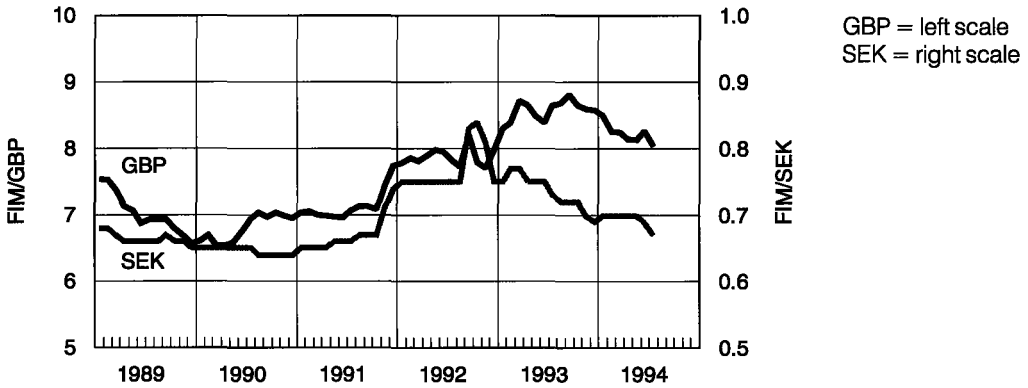


Middle rates
GBP = left scale
SEK = right scale

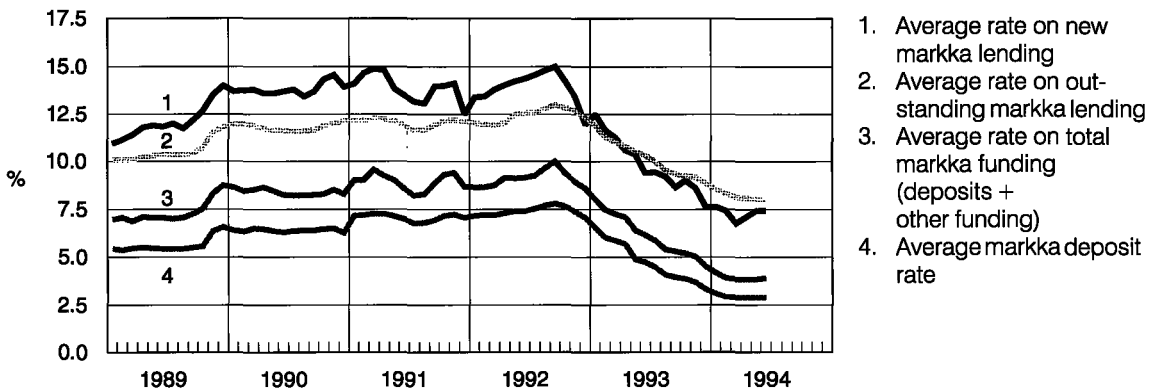
14. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE DEUTSCHMARK AND THE US DOLLAR



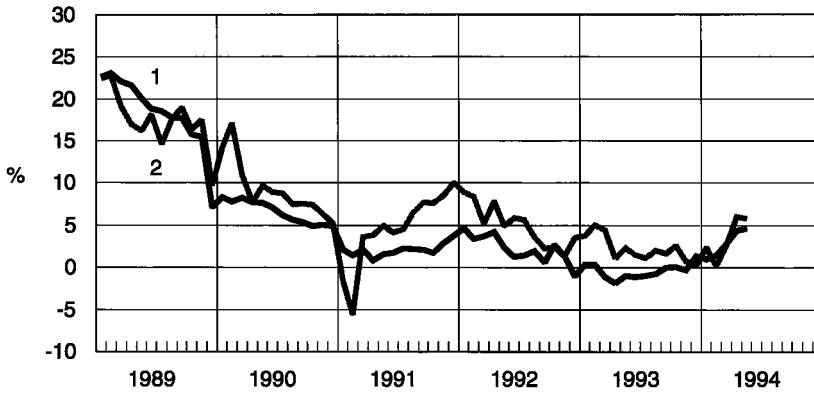
15. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE POUND STERLING AND THE SWEDISH KRONA



16. BANKS' MARKKA LENDING RATES AND MARKKA FUNDING RATES



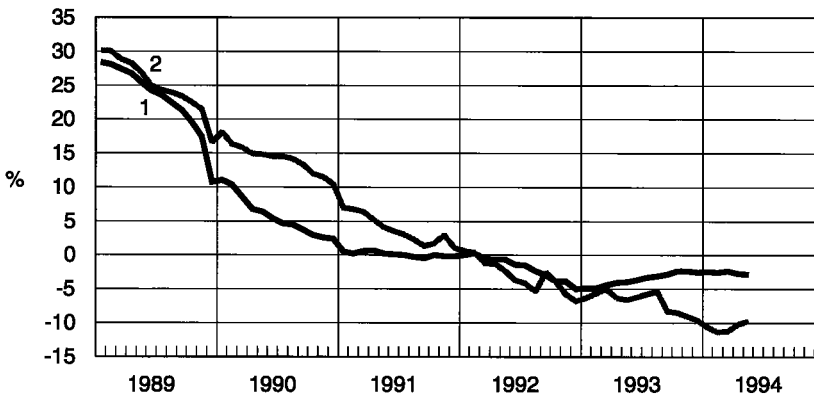
17. BANK FUNDING FROM THE PUBLIC



- 1. Markka deposits
- 2. Total funding

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

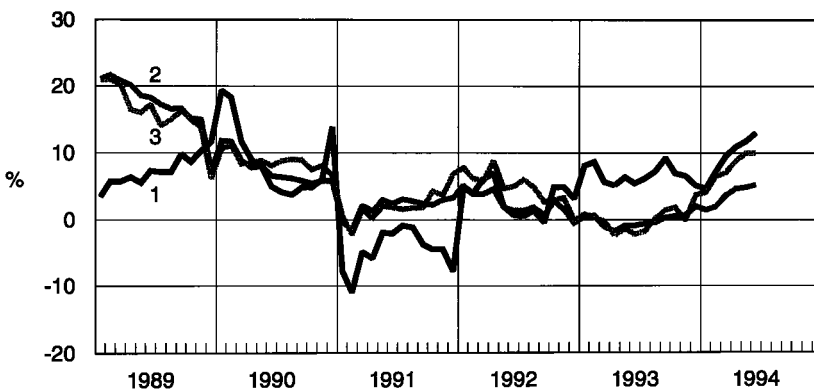
18. BANK LENDING TO THE PUBLIC



- 1. Markka lending
- 2. Total lending

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

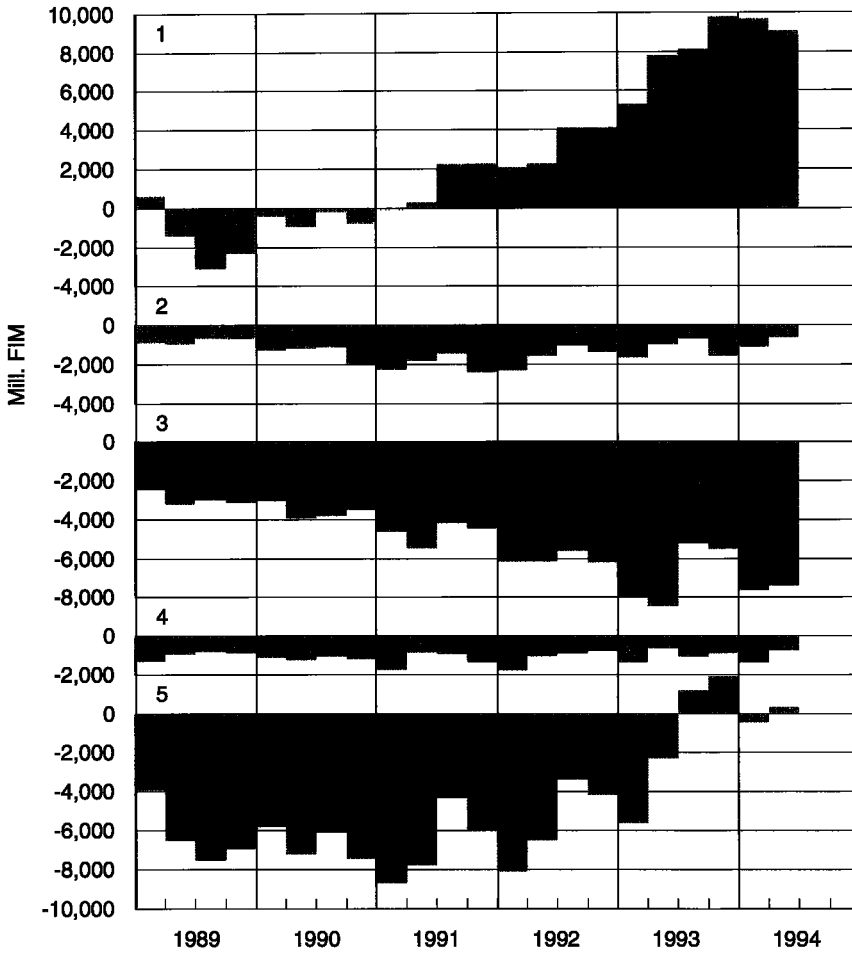
19. MONEY SUPPLY



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

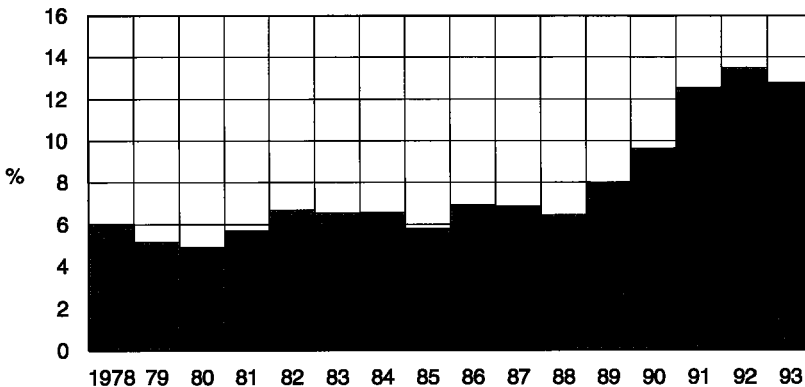
Change from the corresponding month of the previous year, per cent

20. CURRENT ACCOUNT



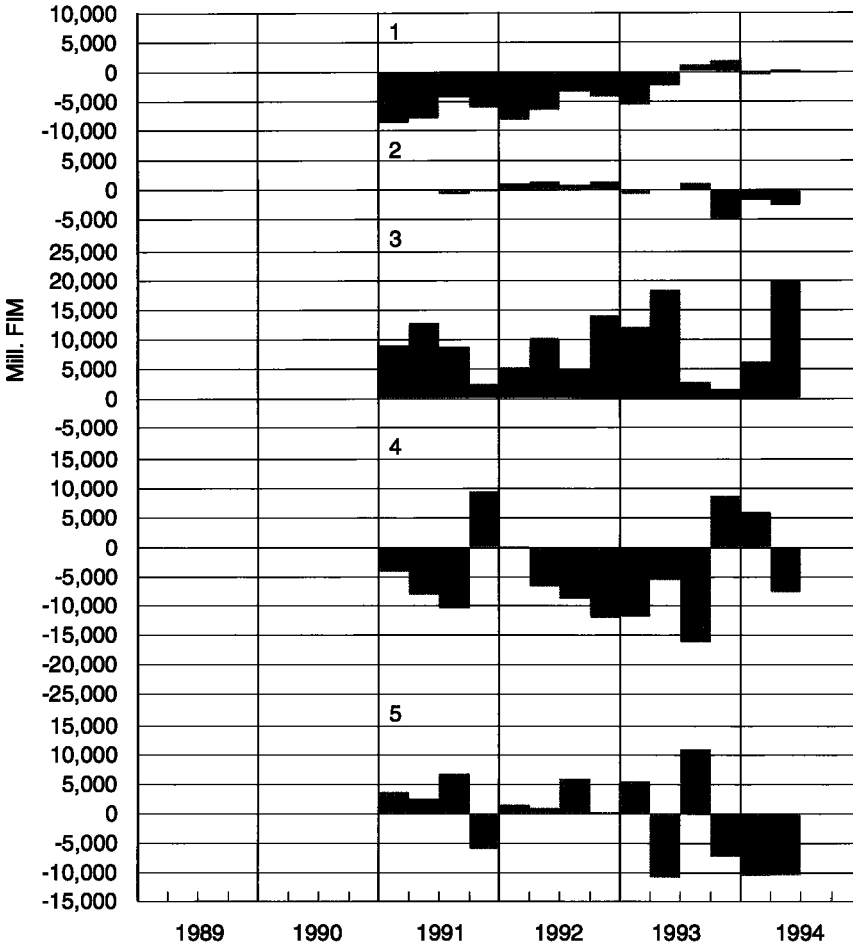
1. Trade account
2. Services account
3. Investment income account
4. Unrequited transfers account and other items, net
5. Current account

21. NET INTEREST AND DIVIDEND EXPENDITURE



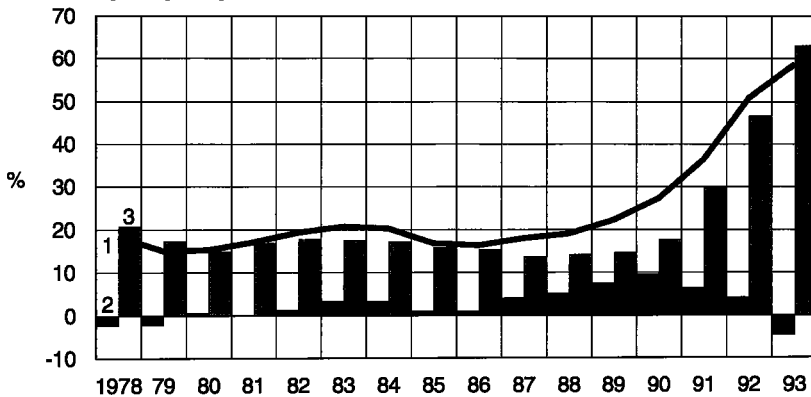
As a percentage of current account receipts

22. BALANCE OF PAYMENTS



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

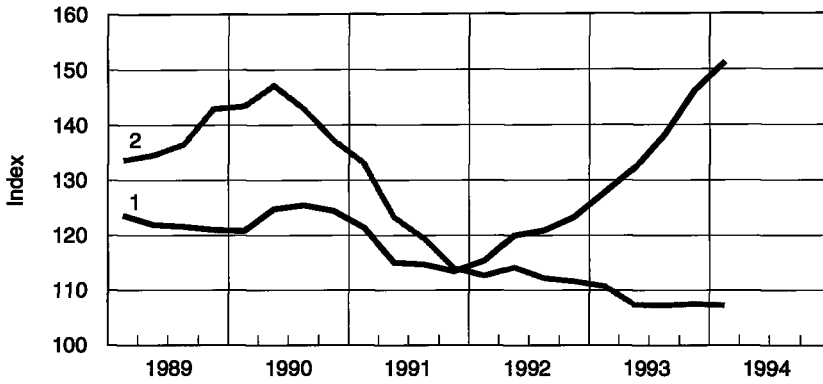
23. FOREIGN DEBT



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

As a percentage of GDP

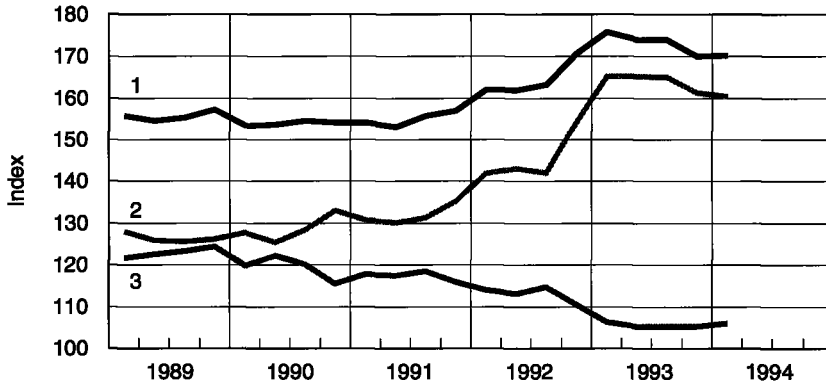
24. FOREIGN TRADE



1. Total exports
2. Total imports

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

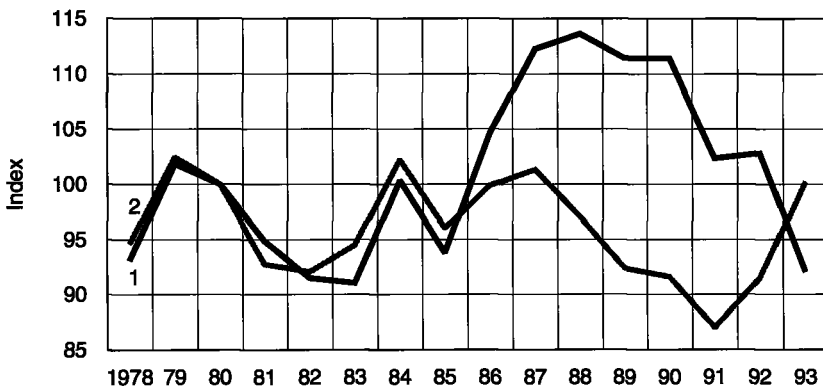
25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



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

1980 = 100

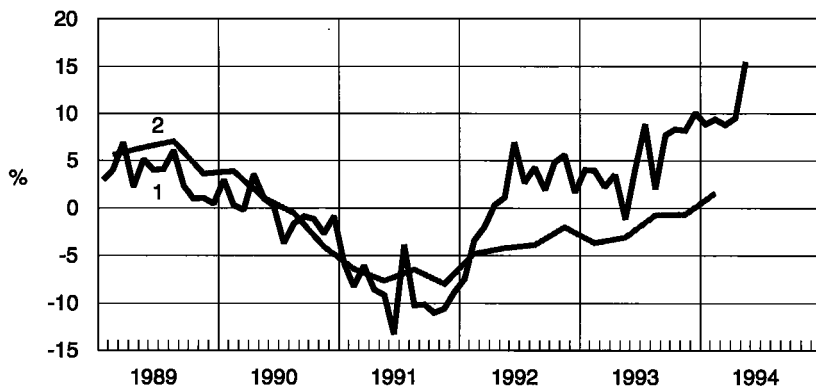
26. FINLAND'S EXPORT PERFORMANCE



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

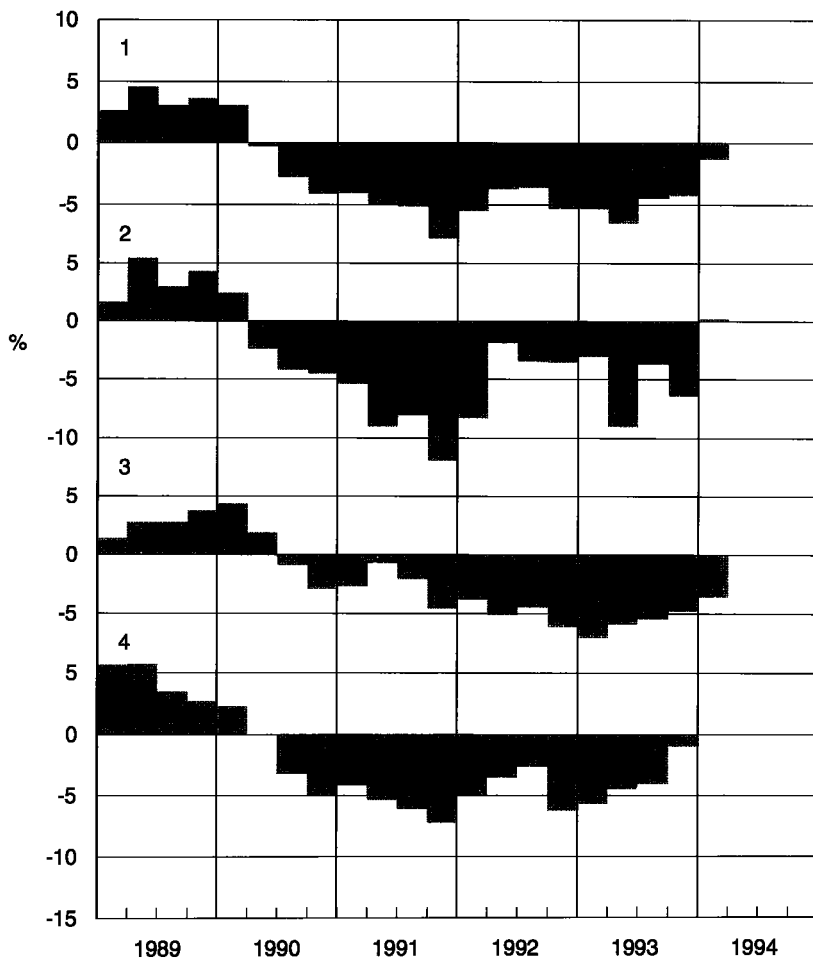
1980 = 100

27. PRODUCTION



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

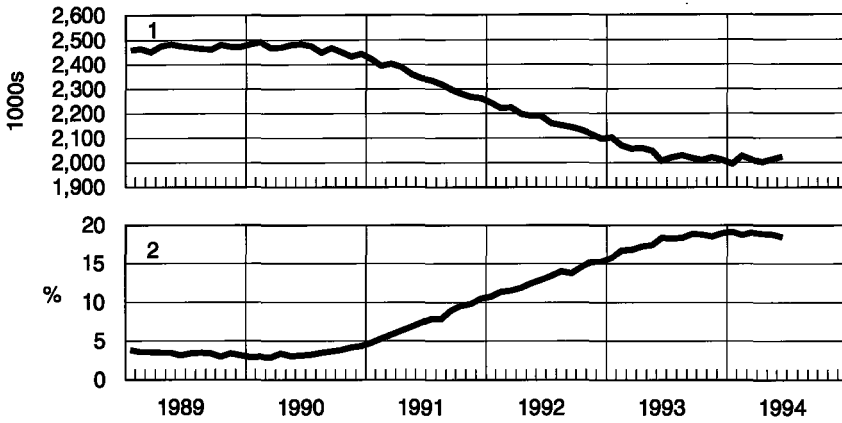
28. FIXED INVESTMENT



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

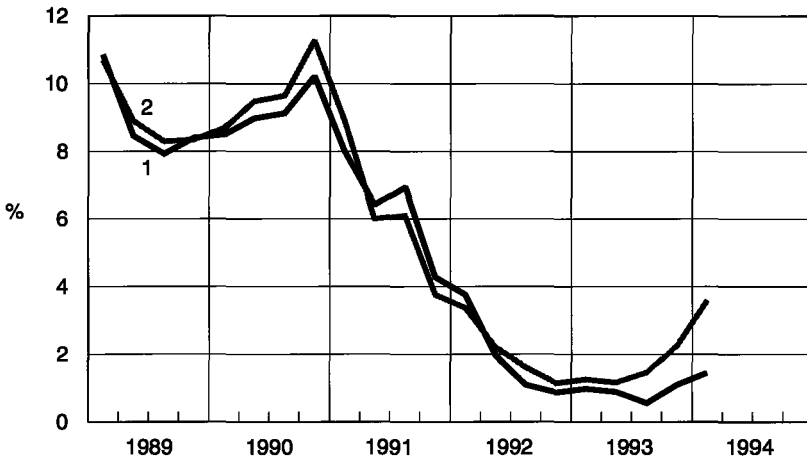
Volume changes calculated from four-quarter moving totals and plotted at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE



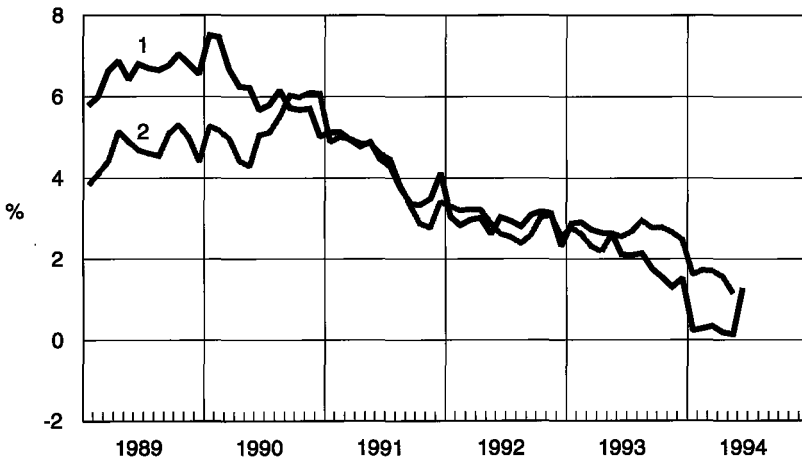
- 1. Employment, 1000 persons
- 2. Unemployment rate, per cent

30. PRICES AND WAGES



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

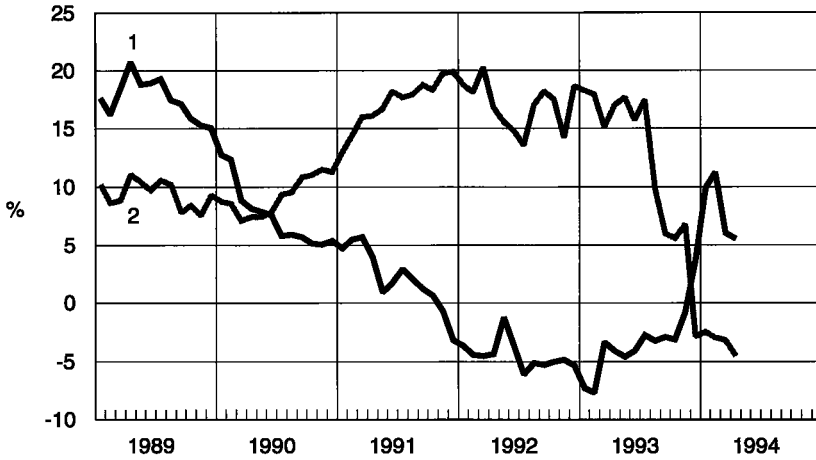
Change from the corresponding quarter of the previous year, per cent



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

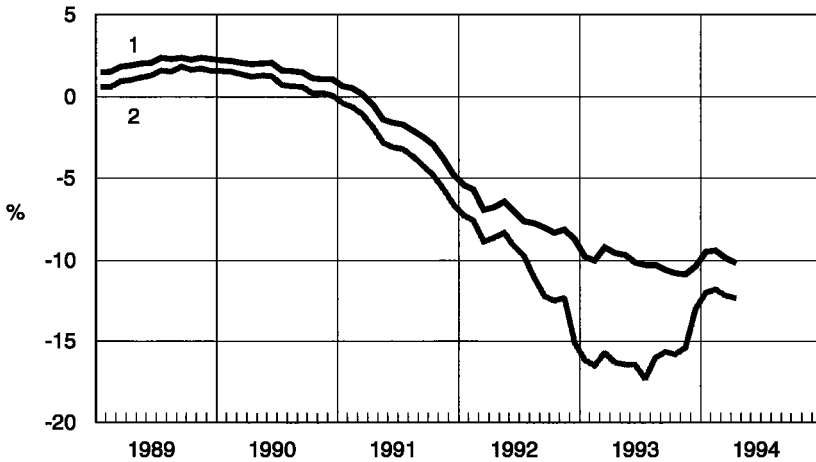
Change from the corresponding month of the previous year, per cent

31. CENTRAL GOVERNMENT FINANCES



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

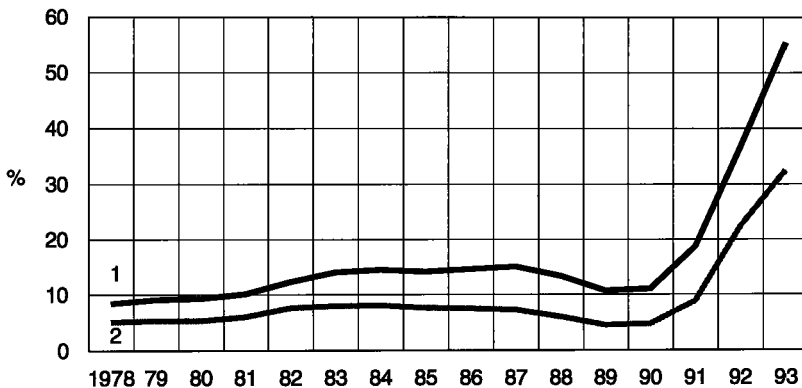
12-month changes calculated from 12-month moving totals and plotted at the last month, per cent



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

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

32. CENTRAL GOVERNMENT DEBT



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

As a percentage of GDP

BANK OF FINLAND*

30 June 1994

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