



# BULLETIN

BANK OF FINLAND

April 1992 Vol. 66 No. 4

---

Russia's Economic Reform and  
Trade between Finland and Russia

Foreign-Owned Bank in Finland

**Russia's Economic Reform and Trade Between Finland and Russia**

by Jouko Rautava and Juhana Hukkinen

3

**Foreign-Owned Banks in Finland**

by Juha Savela and Risto Herrala

8

Items:	The Board of Management of the Bank of Finland	13
	Financial support package for the banking sector	
	The Government's economic policy package	
	Publications of the Bank of Finland	

Monetary and foreign exchange policy measures  
from June 1991 to May 1992

16

Finland in brief

20

Statistics

List of tables on page S1

Charts

List of charts on page S27

## PUBLISHER

**Suomen Pankki Finlands Bank**

P.O.Box 160, SF-00101 HELSINKI, FINLAND

Telephone: National (90)1831

International +358 0 1831

Telex: 121224 SPFB SF

Telefax: 174872

Cables: SUOMENPANKKI

**Editor-in-Chief** Antero Arimo  
**Editor** Marja Hirvensalo-Niini  
**Subscriptions** Heli Virtanen

The contents of the Bulletin may be freely quoted,  
but due acknowledgement is requested.

ISSN 0784-6509

# RUSSIA'S ECONOMIC REFORM AND TRADE BETWEEN FINLAND AND RUSSIA

by **Jouko Rautava**, M.Pol.Sc.  
Unit for Eastern European Economies  
and **Juhana Hukkinen**, M.A.  
Economics Department  
Bank of Finland

In the area comprising the former Soviet Union all factors of vital importance to foreign trading partners are undergoing change, and the transformation of the system together with the economic dislocation this inevitably involves are seriously hampering trade relations. In some respects, Finland has suffered more than other western countries from the consequences of the transition process under way in her eastern neighbour, as the bilateral trading system and associated clearing payments arrangement between Finland and the former Soviet Union were abolished at the end of 1990. Since the beginning of 1991, trade between Finland and the former Soviet republics has been conducted on the basis of payments in convertible currencies. The future prospects for Finland's – as too for other countries' – trade with this region depends crucially on how the transition in Russia proceeds and how the economic situation there improves.

## **UNCONTROLLED DISINTEGRATION HASTENED THE COLLAPSE OF THE SOVIET ECONOMY IN 1991**

In 1991, the process of disintegration in the Soviet Union accelerated both politically and economically. Already in the spring, the Baltic states, Armenia, Georgia and Moldova boycotted the negotiations on a new union treaty advocated by President Gorbachev. New momentum to the process of disintegration was provided by the abortive coup in August, which enabled the Baltic states to reassert their independence. And, despite repeated efforts, an

agreement preserving the Soviet state was not reached between the other republics in the course of the autumn. Ukraine, the second-most important republic after Russia, declared independence at the beginning of December, and the fate of the Soviet Union was finally sealed at Alma Ata on December 21 when eleven of the republics formed the Commonwealth of Independent States (CIS).

The process of disintegration was not confined to politics and inter-republican relations but also involved the transfer of economic power to enterprises on an ever-increasing scale within the republics. The demise of the old administrative system led, however, to economic chaos as the country did not possess the institutional foundations necessary for a market-based economy. The breakdown of the system of economic control in the domestic economy coupled with the lack of functioning markets was reflected in falling production and growing shortages. It already became evident early in 1991 that the central administration had lost control over, for example, budgetary developments as the republics sought to increase their own authority and refused to transfer revenue to the central budget. The financing of the resultant budget deficit by printing banknotes undermined the monetary system.

In the Soviet Union's foreign trade, the collapse of production and the demise of the administrative system were reflected in plunging exports and imports and growing payment difficulties. According to official statistics, the value of Soviet exports declined by about one-third and imports by 44 per cent. Output of crude oil fell by approximately 10

per cent, but exports by a full 50 per cent in volume.

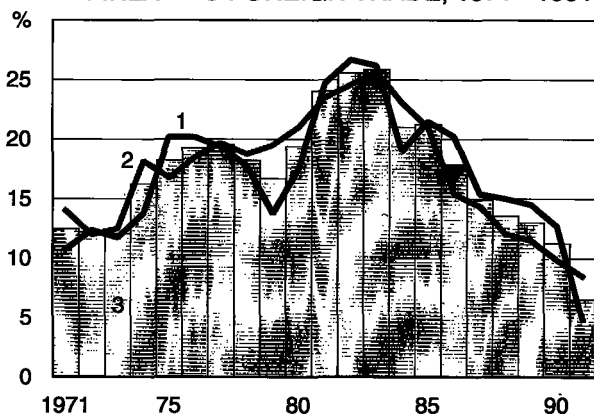
Although statistics on economic performance in the Soviet Union should be treated with caution, all available data clearly indicate that the Soviet Union's imports declined by substantially more than its exports. In spite of this, the country ran into serious payment difficulties, culminating in the rescheduling of its debts at the end of the year. The main reason for the payment difficulties is considered to be the chaotic state of the country's currency management and the fact that the central administration was unable to control the use of foreign currency assets by enterprises and their repatriation to the Soviet Union. Indeed, it is estimated that enterprises in the former Soviet Union have deposits with western banks totalling more than USD 10 billion. According to several sources the former Soviet Union's debts to western countries amount to about USD 65 billion.

## **FINLAND'S EXPORTS TO THE SOVIET UNION FELL MORE THAN THOSE OF OTHER COUNTRIES**

The fact that the bilateral trade and clearing payments arrangements between Finland and the Soviet Union lasted right up until the end of 1990 was largely the outcome of the Soviet Union's political system and its tendency to ignore economic considerations in decision making. Admittedly, an important contributory factor was Finland's reluctance to abandon the clearing arrangement, which was considered to be beneficial to Finnish industry and the economy as a whole.

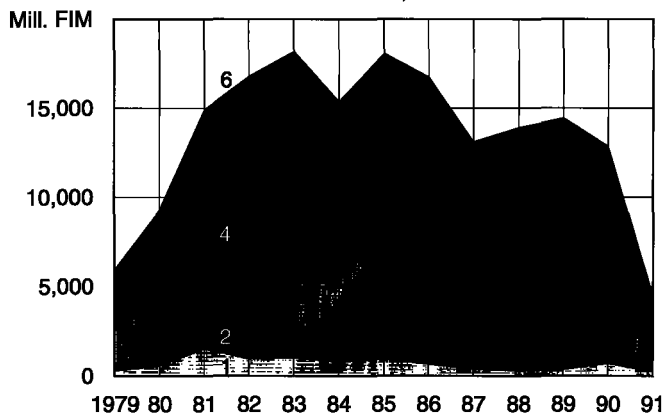
Because of the Soviet Union's method of political admin- 3

**CHART 1.  
SHARE OF THE SOVIET UNION  
IN FINLAND'S FOREIGN TRADE, 1971 - 1991**



1. Share of exports to the Soviet Union
2. Share of imports from the Soviet Union
3. Imports plus exports

**CHART 2.  
STRUCTURE OF FINLAND'S EXPORTS  
TO THE SOVIET UNION, 1979 - 1991**



1. Food products
2. Textiles and clothing
3. Wood and paper products
4. Chemical products
5. Metal and engineering products
6. Other

istration, the clearing system closely connected with it and the generally closed nature of the Soviet economy and tendency to focus on domestic markets, Finland's share of the Soviet market grew out of all proportion to her economic potential. In the 1980s, Finland's share of the Soviet Union's total imports from western countries varied between 10 and 15 per cent a year while, for example, her corresponding market share in Germany in 1989

4

was just over 1 per cent and that in Sweden about 8 per cent. As late as the mid-1980s, the Soviet Union still absorbed more than one-fifth of Finland's total merchandise exports, but by 1990 the share had shrunk to 13 per cent along with the fall in oil prices and the weakening of the dollar (Chart 1).

In 1991, trade between Finland and the Soviet Union collapsed from its level in the previous year. The value of Finnish exports plunged by 65 per cent (a fall of FIM 8.4 billion) and

that of imports by 27 per cent (a fall of FIM 2.8 billion). As a result of the sharp decline in exports, the trade account with the Soviet Union, which for several years had showed a surplus in Finland's favour, swung into a clear deficit amounting to FIM 2.9 billion. The Soviet Union absorbed only 5 per cent of Finland's total exports in 1991.

In 1991, Finnish exports to the Soviet Union fell by more than the exports of any of the Soviet Union's other leading western trading partners and by about the same as the corresponding exports of the East European countries. On the basis of preliminary figures for the foreign trade of OECD countries in 1991, it can be estimated that Finland's share in the Soviet Union's imports from the OECD decreased from 9 per cent in 1990 to about 4 per cent in 1991.

The value of exports of forest-based products to the Soviet Union dropped by more than 70 per cent, or by FIM 2.1 billion. Exports by the metal and engineering industries also fell by some 70 per cent but in markka terms the fall amounted to FIM 4.7 billion. Exports of textiles and clothing declined by as much as 90 per cent and those of the food industries by 70 per cent. Of the main manufacturing sectors, chemicals fared best with a fall of 35 per cent in the value of its exports (Chart 2).

In 1991, the volume of Finland's crude oil imports from the Soviet Union contracted by 36 per cent. The Soviet Union's share in Finland's total oil imports fell to 34 per cent, compared with 94 per cent only two years earlier. The downward trend will continue in the current year, with only about one-fifth of Finland's crude oil requirements being met by Russia, in part because of the production difficulties being experienced there.

One reason for the drastic decline in Finland's exports was the sharply reduced supply of financing available for Soviet exports. The outstanding amount of Finland's claims and export guarantees related to the Soviet

trade had already reached a relatively high level in relation to Finland's financing potential in 1990. This limited the scope for the provision of additional financing in 1991 and will also be factor reducing Finland's competitiveness in the markets of the former Soviet Union for some time to come. At the end of 1991, Finnish financial institutions had outstanding claims on the former Soviet Union totalling some FIM 5 billion (USD 1.2 billion), most of which were guaranteed by the State Guarantee Board. In addition, firms had claims in the form of arrears on payments totalling an estimated FIM 600 million (USD 130 million).

### **COLLAPSE OF EXPORTS TO THE SOVIET UNION DEEPENED THE RECESSION**

Although the share of exports to the Soviet Union in Finland's total exports has been shrinking for the past five years, the magnitude of the decline in the level of exports in 1991 was unlike anything experienced before. Partly as a result of this, the economic recession in Finland, which had started in 1990, developed into a full-scale depression. In 1991, total output contracted by 6 per cent from the previous year. Both exports and domestic demand, with the exception of the public sector, declined sharply. There were particularly large drops in production in the key export sectors of the forest industries and the metal and engineering industries while investment recorded the sharpest decline on the demand side. Unemployment soared to record levels, the number of business failures rose sharply, banks' loan losses increased and the financial balance of the public sector deteriorated substantially.

The slump in economic activity in Finland was deeper than in any other western industrial country. Besides the collapse in exports to the Soviet Union, this was due to a severe recession in Finland's leading export markets in the United Kingdom and Sweden, the worldwide oversupply

of forest industry products and the imbalances in the domestic economy that followed in the wake of the overheating during the boom of the late 1980s. In just two years, Finland lost more than 10 per cent of her total exports as a consequence of the contraction in Soviet trade. Because of their composition, only a small proportion of the lost exports could be compensated for by increasing shipments to western countries, where the situation was exacerbated by the recession in these markets.

Thus, the collapse of Finnish exports to the Soviet Union was an important factor – albeit not the only one – contributing to the severe recession in the Finnish economy in 1991. Calculations made using the econometric models of the Bank of Finland and the Ministry of Finance, which enable multiplier effects to be taken into account, indicate that the collapse of exports to the Soviet Union added two percentage points to the fall in total output and caused the loss of between 30 000 and 40 000 jobs. All in all, the number of unemployed rose by over 150 000 in the course of 1991.

### **THE CLEARING SYSTEM WOULD NOT HAVE PREVENTED THE COLLAPSE OF TRADE**

The prime cause of the drastic decline in Finnish exports to the Soviet Union in 1991 was the chaotic state of the Soviet economy and the slump in economic activity and payments difficulties which accompanied it. The reasons why the drop in Finnish exports was distinctly larger than the falls experienced by other countries are to be found in the ending of the clearing arrangement as well as in the poor competitiveness of Finnish firms and, in particular, the limited opportunities for financing trade that this entailed. As regards the clearing arrangement, however, it should be borne in mind that it was a product of its time and surroundings. In 1991, the situation had already changed to the extent that the political and bureaucrat-

ic procedures that had sustained it no longer functioned. Indeed, it is clear that, had the system been retained, Soviet enterprises would have sought ways of avoiding it to the extent that the overall level of trade would not have been much higher than was actually the case. Moreover, the continuation of the clearing system would have involved a major risk of an increase in the outstanding claims related to the financing of trade.

Moreover, with the shift to trade settled in freely convertible currencies, it was possible to dismantle the import controls applied to energy products and fuels, thus paving the way for increased competition in Finland's domestic markets. In addition, the abandoning of clearing trade has probably resulted in lower prices for imports of Soviet products and in their improved availability as Finnish importers now pay for them in hard currency, which is far preferable to clearing currency as far as Russian exporters are concerned. This argument is not refuted by the fact that there has been an increase in the number of barter deals in the trade with Russia as these also represent a more attractive option to Russian export firms than clearing arrangements at the governmental level. Furthermore, the changeover to convertible currencies has enabled both Finland and Russia to dismantle the special regulations applied to clearing trade and payments. As a consequence, Finnish companies are regarded by Russians as just as attractive business partners as firms from other countries, and it is now easier for Finnish companies to find partners from third countries to participate in joint operations in Russia.

### **NEW AGREEMENTS SAFEGUARD CONTINUATION OF DUTY-FREE TRADE DURING TRANSITIONAL PHASE**

With the disintegration of the Soviet Union, Finland set about making new agreements governing her trading relations with Rus-

sia and the Baltic states. A new trade agreement was signed with Russia in January 1992 and similar agreements with the Baltic states a little later. Finland and Russia also signed an agreement covering the neighbouring regions of Russia bordering on Finland. Under the agreement, the two parties confirmed their intention to intensify cooperation in the regions of Murmansk, Karelia and St Petersburg and its environs. Illustrative of the potential significance of these regions to Finland is that they have a combined population of 9 million as against Finland's 5 million.

The purpose of the new agreements was first to clarify the situation as regards trade policy and the related trading arrangements and secondly to ensure the continuation of the reciprocal exemption from customs duty applied in merchandise trade with the Soviet Union. The conclusion of the new agreements was speeded up by the decision of Russia and the Baltic states to apply for membership of GATT and the IMF, both important organizations as regards trade policy. Indeed, a major new feature of the agreements concluded with Russia is that they incorporate a commitment to observe the principles of the GATT treaty.

However, the new trade agreements are essentially transitional since it is still not known in exactly what kind of environment trade policy will have to be conducted in Russia and the Baltic states. Besides technical shortcomings such as the lack of a customs tariff and a functioning customs establishment, it is still unclear, for example, what kind of trade policy the former Soviet republics will apply in their mutual trade and what form their trade policy will take in relation to third countries.

### **TRADE LIBERALIZATION IS INTEGRAL TO RUSSIA'S ECONOMIC REFORM**

Future developments in Russia's foreign trade will largely depend on how the authorities

succeed in stabilizing conditions in the country and in creating an environment which, particularly as regards ownership legislation, the monetary and banking system, currency convertibility and taxation, is attractive to business, trade and investment. The situation in early 1992 appears very gloomy as the danger of hyperinflation has still not been averted, the economy was firmly set on a path of impoverishment and relations between the member states of the CIS have yet to be put on an orderly basis.

Undoubtedly, the most urgent task facing the Russian government is to stabilize the monetary system so as to provide a sound basis for financial management and entrepreneurship. In the quest for monetary stability, all price controls – with some minor exceptions – have been or are due to be lifted during the first four months of this year. It is hoped that the inflation that accompanies the freeing of prices will help to remove the monetary overhang inherited from the Soviet economy. The aim is to deal with the hyperinflation by balancing the budget, sharply curtailing lending to enterprises and stabilizing the exchange rate of the rouble. All this is due to take place in the course of this spring, and it is clear that Russia will need the support of western countries in this endeavour.

It is worth noting that trade liberalization is a key element of Russia's economic reform programme – as indeed of most stabilization programmes – along with restoring the stability of the currency and making it convertible. Apart from general efficiency considerations, a major liberalization of foreign trade can be justified on the grounds that it would expose monopolies to competition, help to attract foreign investment and support Russia's attempts to forge closer ties with international trade organizations.

The west is also making a commitment to backing the liberalization of Russia's foreign trade through the financing of the stabilization programme. In this

connection, it is worth mentioning the shift in EC policy towards trade with Eastern Europe, good examples of which are the association agreements embracing the four freedoms that have been concluded with Poland, Czechoslovakia and Hungary. In addition, steps are being taken to free trade between the EC and Russia, and particularly as regards trade in goods, the implementation of a number of far-reaching arrangements can be expected by the end of the decade.

A significant development from Finland's point of view is the fact that it seems clear that the trade policy arrangements now taking shape between the EC and Russia will move closer to the kind of arrangement which already exists between Finland and Russia since there will be little scope in the foreseeable future for Finland to expand the reciprocal removal of trade barriers with Russia. It is unlikely that there will be a return to special arrangements based on political considerations, such as bilateral trade at governmental level, because Russia's trade policy will continue to be dictated purely by economic considerations. Together with the new agreements between Finland and Russia referred to above, this suggests that there will not be any factors at work in the two countries' economic relations that might hinder Finland's participation in the process of integration in Western Europe.

### **GLOOMY OUTLOOK FOR THE RUSSIAN ECONOMY CLOUDS THE PROSPECTS IN THE NEAR TERM**

As a result of Russia's economic reforms and the accompanying slump in economic activity, the level of trade between Finland and Russia has fallen below its potential, as calculated on the basis of Russia's population and raw material resources. It is worth recalling that Russia's exports to the OECD countries in 1991 are estimated to have been only about one-fifth higher than Finland's total ex-

ports. So, taking into account the differences in the countries' size, the opening up of Russia holds out promising prospects. It would appear that, despite a heightening of competition, Finland will have a comparative advantage in Russian markets, based on the special knowledge accumulated in the Soviet trade and, especially in the regions bordering Finland, on her geographical proximity, good communications and cultural ties.

However, the outlook for the Russian economy in the near term is very gloomy and this will be reflected in trade between Finland and Russia over the next few years. Looked at purely in terms of the level of trade, the worst of the contraction is now over, and the picture can be expected to gradually improve. But, at least in the meantime, the difficulties in Russian markets are forcing Finland's export industries to restructure and to fo-

cus their efforts on other markets. However, the greater efficiency in production and improved competitiveness that come about as a result of this adjustment will equip Finnish companies in the best possible way for the Russian markets as well.

April 3, 1992

## FOREIGN-OWNED BANKS IN FINLAND

by **Juha Savela**, M.Sc. (Econ.) and  
**Risto Herrala**, M.Pol.Sc.  
Financial Markets Department  
Bank of Finland

### THE ESTABLISHMENT OF FOREIGN-OWNED BANKS IN FINLAND

**W**hen Hambros Bank from the United Kingdom set up a representative office in Finland in 1973, the granting of full banking licences to foreign-owned banks was still not allowed under domestic law. At that time, as, indeed, is also the case today, the office could not engage in banking as it is defined by the law, and it therefore functioned mainly as an intermediary between Finnish firms and foreign parent banks.

The presence of foreign banks in Finland was restricted, *inter alia*, in order to prevent foreign capital from gaining too much influence in Finland. In addition, problems associated with the supervision of banks under foreign control and the fear that the room for manoeuvre in monetary policy would be curtailed by the entry of foreign banks in the domestic market help to explain the negative attitude taken by authorities. The ability of Finnish banks to compete on equal terms with foreign banks was considered to be a matter of some concern.

The attitude of the authorities has subsequently undergone major change. Underlying this new thinking is, above all, the belief that freer competition works to the benefit of the customer. Instead of aiming at an independent monetary policy, the focus turned to the integration of Finland into the international economy. International cooperation has at the same time resolved some of the problems regarding the supervision of banks.

8 Reform in Finland received a further stimulus from the prog-

ress that had been made in dismantling controls in other industrial countries. For example, the changes implemented within the framework of the OECD Codes of Liberalization proceeded at an unprecedented pace in the 1980s.<sup>1</sup>

In 1979, a law came into force in Finland concerning the right of foreigners to own shares in Finnish commercial banks and to engage in banking activities in Finland. This law and the subsequent amendments to it, as well as the step-by-step dismantling of exchange control in the 1980s, have removed a large number of the legal obstacles to the establishment of foreign banks in Finland. Foreign banks have been allowed to establish subsidiaries in Finland since 1979 and branches since 1991.

Some restrictions nevertheless still remain concerning foreign ownership of Finnish banks. At present, foreigners may only own unrestricted shares in Finnish banks without special authorization. The number of votes carried by unrestricted shares cannot exceed 20 per cent of the total number of votes carried by all the shares. A larger ownership share is possible only for foreign credit institutions and requires authorization by the Council of State (Government). This authorization procedure has not, in practice, significantly hindered entry to the Finnish banking markets, since the Council of State has so far approved all requests for such authorization.

The establishment of a branch in Finland requires a licence from the Ministry of Finance. One of the conditions is that the credit institution in ques-

tion is subject to adequate supervision in its home country. The Ministry is obliged to grant a licence unless the establishment of a branch would be contrary to the public interest. The manager of a branch must be a resident of Finland but need not be a Finnish citizen. A branch must belong to the joint guarantee fund of the commercial banks and Postipankki.

A minimum of 20 Finnish or other Nordic nationals who are residents of Finland is required for the establishment of a savings bank; the minimum number in the case of a cooperative bank is 100. There are also certain citizenship and residency requirements concerning membership of the supervisory boards, boards of directors etc of savings and cooperative banks. However, the Ministry of Finance can grant exemptions from the citizenship and residency requirements.

The establishment of a representative office also requires permission from the Ministry of Finance. Opinions are requested from the Bank of Finland and the Banking Supervision Office regarding applications for such permission.

As deregulation has proceeded, new competitors have entered the Finnish banking markets. At present, there are eight foreign representative offices, two foreign-owned commercial banks and three foreign branches in Finland (Table 1).

### BUSINESS OPERATIONS AND PERFORMANCE

Banking regulations in Finland guarantee banks established by foreigners the right to operate under the same competitive conditions as Finnish-owned banks. The activities of

<sup>1</sup> See the article by Onera Kuokkanen in the March 1992 issue of the Bulletin.



TABLE 1. REPRESENTATIVE OFFICES, SUBSIDIARIES AND BRANCHES OF FOREIGN BANKS IN FINLAND

	Home country	Original year of establishment
Representative offices:		
Den Norske Bank	Norway	1985
Gota Bank	Sweden	1989
Hambros Bank	United Kingdom	1973
Skandinaviska Enskilda Banken	Sweden	1984
Sparekassen Bikuben A/S	Denmark	1991
Swedbank	Sweden	1984
Unibank A/S	Denmark	1987
Union Bank of Norway	Norway	1984
Subsidiary banks:		
Citibank Oy	USA	1982
Nordbanken Finland Oy	Sweden	1990
Branches:		
Banque Indosuez	France	1982
Midland Bank plc	United Kingdom	1986
Svenska Handelsbanken	Sweden	1990

subsidiaries of foreign banks are regulated, inter alia, by the Deposit Bank Act and the Commercial Bank Act.

Foreign-owned banks have, upon application, been granted access to central bank financing on the same basis as other deposit banks. They have also been granted the rights of authorized foreign exchange banks. These rights are conditional, inter alia, on their having at least sufficient capital to meet the minimum capital adequacy requirements set by the BIS and effective internal risk control systems.

In 1991, three subsidiaries of foreign banks in Finland were converted into branches. This involved some change in the conditions on which they operate. Branches are not subject to the equity capital requirements applied to subsidiaries. The supervision of a branch's activities is primarily the responsibility of the home-country authorities, who also supervise the parent bank's activities. Branches of foreign banks operating in Finland must, however, submit separate annual financial statements to the Banking Supervision Office. The law also requires that a branch have

adequate risk control systems. The regulations prohibit branches from taking business risks of a magnitude that would endanger their ability to operate. Branches report regularly to the Bank of Finland on their income, balance sheet and risk positions.

The advantage of a branch, as compared to a subsidiary, is that the former is afforded the protection of the parent bank's equity capital. This enables the bank's equity capital to be used efficiently. However, an increase in the branch's assets requires an increase in the parent bank's equity capital. Hence, it can be presumed that the pricing of a branch's products is based to some extent on the parent bank's capital adequacy requirements as well as the target it sets for return on equity.

The operations of foreign-owned banks in Finland have been guided by strategies that differ to some extent from those employed by Finnish commercial banks. Their basic strategies have generally been exploiting the international parent bank's expertise, utilizing the opportunities provided by liberalization of the Finnish financial markets, making active use of new finan-

cial and foreign exchange instruments, focusing on large customers, organizational flexibility and containing costs through a slim organization.

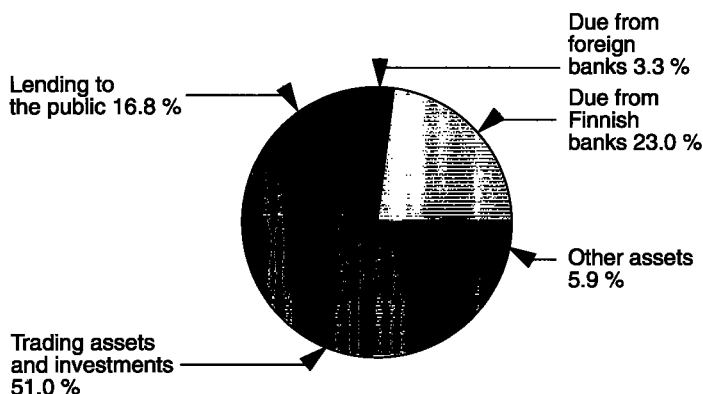
Foreign banks have not sought to capture Finnish retail banking markets by building branch networks; rather, they have been content to do business from a single outlet in Helsinki. Among the commercial banks, the market share of foreign banks has varied according to product. Measured by balance sheet totals, their market share varied from 0.5 per cent to 1.0 per cent over the period 1989–1990. However, their market share has subsequently increased with the establishment of a branch in Finland by Svenska Handelsbanken.

Foreign banks operating in Finland sell, among other things, money and foreign exchange market instruments and services associated with investments, ownership restructuring, foreign issues and foreign trade payments. They have also been active in the intermediation of foreign loans to Finnish companies. In the 1980s, some of the foreign-owned banks were involved in securities broking on the Helsinki Stock Exchange, but interest in this activity diminished with the fall in share prices and decline in stock exchange turnover at the end of the decade. At present, the only unit involved in securities broking is Nordbanken Finland.

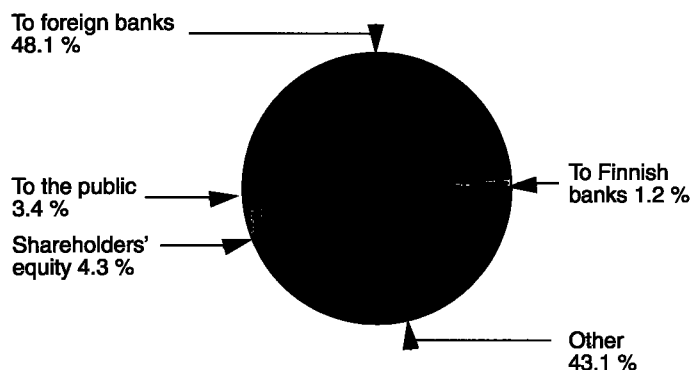
The composition of the balance sheets of foreign-owned banks indicates the main areas of the banks' activities. In 1990, 23 per cent of their total claims were on Finnish banks and 48 per cent of their liabilities were to foreign banks. Loans to the public accounted for 52 per cent of the claims of Finnish commercial banks; the corresponding figure for foreign-owned banks was only 17 per cent. Foreign-owned banks have devoted hardly any resources to marketing their services to personal customers. Trading assets and investments accounted for 51 per cent of foreign banks' total assets, which

**CHART.  
STRUCTURE OF FOREIGN-OWNED BANKS'  
BALANCE SHEETS, 1990**

**ASSETS, DEC. 31, 1990**



**LIABILITIES AND SHAREHOLDERS' EQUITY, DEC. 31, 1990**



shows that trading was an important part of their business (Chart).

The structure of the income of foreign-owned banks also clearly indicates which are their

key areas of business. Foreign exchange dealings, fees and commissions of various kinds together accounted for 38 per cent of their total income. The cor-

responding share for Finnish banks was 24 per cent of their total income (Table 2).

The magnitude of off-balance-sheet obligations gives some indication of a bank's strategy. In 1991, the total nominal value of the off-balance-sheet items of foreign-owned banks was 9 times their combined balance sheet total; for other commercial banks, the nominal value was two times their combined balance sheet total.<sup>2</sup>

The relative importance of off-balance-sheet activity reflects the efforts of international banks to limit balance sheet growth. In this context, these banks have sought to develop new types of financial services which do not expand their balance sheets.

In the period 1986-1990, the profitability of foreign-owned banks was weaker on average than that of Finnish banks. Their combined operating income as a percentage of the aggregate balance sheet total fluctuated between 0.72 per cent and -0.96 per cent. In 1990, the combined operating income of foreign-owned banks was 0.21 per cent of their combined balance sheet total (Table 3). In the same year, the average profitability of Finnish commercial banks was 0.56 percentage point higher than that of foreign-owned banks.

The increase in credit and guarantee losses at the end of the 1980s also impaired the profitability of some of the foreign banks. For example, the Finnish subsidiaries of Banque Indosuez and Midland Bank experienced exceptionally heavy losses in 1989, which weakened their financial results (Table 3).

With the deregulation of the Finnish financial markets, interest rate and foreign exchange risk have increased. When a bank actively operates in the money and foreign exchange

**TABLE 2. STRUCTURE OF BANKS' INCOME, 1990<sup>1</sup>**

	Finnish commercial banks	%	Foreign-owned banks
Net interest income	53		61
Income from foreign exchange dealings	5		23
Service charges	15		10
Commissions on guarantees etc	4		5
Dividends and other similar earnings	3		0
Income from real estate	6		-
Other income	14		1
Total	100		100

<sup>2</sup> Off-balance-sheet items here include guarantees and other comparable commitments, formal standby facilities and credit lines. Certain foreign exchange and interest rate related instruments are included, such as forward purchases, options and futures, as well as swaps and other similar agreements.

TABLE 3. PROFITABILITY OF FOREIGN-OWNED BANKS, 1986–1990<sup>1</sup>

Bank	Operating income									
	1986		1987		1988		1989		1990	
	Million FIM	% of balance sheet total	Million FIM	% of balance sheet total	Million FIM	% of balance sheet total	Million FIM	% of balance sheet total	Million FIM	% of balance sheet total
Citibank Oy	13.3	0.97	2.0	0.13	-1.7	-0.27	9.3	1.92	5.2	1.16
Banque Indosuez	2.5	0.30	2.5	0.28	0.2	0.02	-47.9	-4.66	5.7	0.45
Midland Bank Plc	..	..	8.1	0.47	2.6	0.10	-11.2	-0.60	-3.9	-0.32
Nordbanken Finland Oy	..	..	-6.7	-0.82	0.1	0.01	3.8	0.26	2.1	0.15
Foreign-owned banks, total	15.8	0.72	5.9	0.12	1.2	0.02	-46.0	-0.96	9.1	0.21

Bank	Profit / loss before provisions and taxes				
	1986	1987	1988	1989	1990
Citibank Oy	12.2	0.9	-4.0	8.7	4.8
Banque Indosuez	1.6	1.6	-0.5	-48.4	5.2
Midland Bank Plc	..	7.1	1.8	-13.4	-6.0
Nordbanken Finland Oy	..	-7.4	-0.8	2.3	0.9
Foreign-owned banks, total	13.8	2.2	-3.5	-50.8	4.9

<sup>1</sup> Based on banks' annual reports, 1986–1990.

markets, it knowingly takes market risks, which can result in losses. However, the credit risk associated with many instruments used in the money and foreign exchange markets is very small, which is one reason why the credit losses of certain foreign banks stayed at a very low level in the period 1986–1990.

Subsidiaries and branches of foreign banks can control their market risk by making use of their parent banks' risk management systems, which are usually highly sophisticated. In general, foreign banks have reacted to unsatisfactory financial results by trimming the operating costs of their subsidiary banks and branches in Finland.

The significance of foreign banks in Finnish financial markets can be estimated by examining their various activities. As regards lending to the public, the market share of foreign banks is too small to effectively increase competition, lower interest rates or reduce service charges in lending. However, foreign banks have provided additional financial services to corporate customers and extended the range of available services. The relatively large amount of off-balance-sheet services provided by foreign banks helps to spread

the risks arising from financing companies' activities across the banking sector. This situation has also benefited the banks' customers, who use derivative instruments to reduce market risk.

The establishment of foreign banks in Finland has increased the number of participants in the domestic money and foreign exchange markets. This has added depth to the markets, which, in turn, has further helped to spread risk and to increase market efficiency.

#### FUTURE PROSPECTS

The EEA agreement between the EC and EFTA would entail a host of legislative changes concerning the establishment and activities of foreign banks. Much preliminary work on legislative reform has already been done. Regulations governing the activities of credit institutions are being brought into line with the relevant EC directives, in so far as this has not already been done in respect of Finland's obligations under the OECD Codes.

Once the new legislation is in force there will be no legal limit on the proportion of a Finnish bank's shares that can be owned by foreigners. However, any investor, domestic or foreign, will

be obliged to disclose their holdings in a Finnish bank to the Banking Supervision Office once their stakes exceed the trigger points of 10, 20, 33, or 50 per cent of the bank's total shares. The establishment of a bank in Finland will continue to require a licence. The granting of a licence will be subject to similar provisions as those laid down in the EC's second banking directive.

A credit or financial institution that has been licensed by any EEA country to provide services in the EEA area can, without a Finnish licence, offer those same services in Finland through a branch. Before such a branch can commence operations, the home country authorities of the parent institution must provide the Banking Supervision Office with sufficient information concerning, inter alia, the type of business to be conducted by the branch, its management and responsible persons. A branch can be denied the right to operate in Finland if its parent credit institution is a subsidiary of a credit institution subject to the law of a non-EEA country which restricts the establishment of Finnish credit institutions on its territory.

The establishment of branches by credit institutions which have not previously been li- 11

censed to operate in any EEA country will continue to be subject to licensing by the Ministry of Finance. However, a licence may not be refused on the grounds of the parent institution's nationality unless its home country's regulations discriminate against Finnish banks. In addition, the activities of a credit institution that establishes a branch in Finland may not differ essentially from the activities that are open to Finnish credit institutions and adequate arrangements must exist for their public supervision.

The establishment of a representative office will not require permission, but the Banking Supervision Office will have to be informed of the commencement of its operations.

Deregulation will probably continue even if the EEA agreement is delayed. In any case, the main obstacles to the establishment of foreign banks in Finland have already been removed. Since the forthcoming legislative reform described above will not in itself materially change the ability of foreign banks to operate

in Finland, it is unlikely to make the Finnish banking markets significantly more attractive to foreign banks. In the longer term, the attractiveness of the markets will depend on economic factors and taxation.

April 3, 1992

## **THE BOARD OF MANAGEMENT OF THE BANK OF FINLAND**

The President of the Republic accepted Mr. Rolf Kullberg's resignation from his post as Governor of the Bank of Finland with effect from April 5, 1992. At the same time, the President appointed Dr. Sirkka Hämäläinen as the new Governor of the Bank of Finland with effect from the same date.

## **FINANCIAL SUPPORT PACKAGE FOR THE BANKING SECTOR**

Acting on the basis of the report by the working group on banking headed by Sirkka Hämäläinen, then Member of the Board of Management of the Bank of Finland, the Government and the Bank of Finland have decided on a package of measures designed to bolster the banking sector and stave off the threat of a credit crunch. The banks, in turn, have undertaken to take measures to improve their profitability and efficiency without recourse to a massive calling in of loans.

### **New capital for banks**

The deterioration in the capital position of the banks due to actual and prospective losses threatens their capacity to extend credit. Given the current distressed state of the economy and the prospect of increased demand for credit when economic activity starts to pick up, a credit crunch would have serious consequences. Therefore the Government has put forward a proposal for an arrangement that would strengthen the capital base of the banking sector.

In the supplementary budget presented by Parliament in March the Government proposed the setting aside of a sum of FIM 8 billion for investment in banks' core (Tier 1) capital. In normal conditions, the investments would yield the central government a return corresponding to market interest rates. Furthermore, the terms of such investments would be designed to encourage banks to replace them with other capital. The facility would be made available to all the banks on the same terms.

### **The Bank of Finland's base rate**

As part of the package, the Parliamentary Supervisory Board of the Bank of Finland decided to raise the base rate from 8.5 per cent to 9.5 per cent with effect from May 1, 1992. The base-rate rise is aimed at reducing the difference between market interest rates and those linked to the base rate, thereby making possible an improvement in banks' profitability through wider interest margins.

With the substantial rise in market rates, the rigidity of the base rate has led to a situation where most of the outstanding loans that are tied to the base rate carry very low interest rates in relation to loans that have been granted in recent years and to banks' funding costs. This places a strain on banks' profitability. As a result of the base-rate rise, banks will be able to raise interest rates on these low-interest loans; however, only rates which do not exceed 11 per cent are to be raised by a full percentage point and those between 11 and 12 per cent will be raised to 12 per cent.

The low-interest loans whose rates will rise as a result of this measure also include the major part of those loans which contain an interest subsidy element. The government will bear half of the cost of the rise in rates on the most important interest subsidy loans and extend a 50 per cent government guarantee to most loans in this category which were not previously guaranteed by the government. This will free bank capital for other lending purposes.

In order for the increase in the base rate to have the intended profitability effect, it is essential to prevent a significant rise in the banks' funding costs. This is to be achieved through a proposed amendment to the law on the tax relief of deposits and bonds. The maximum interest payable on tax-exempt, 24-month fixed-term deposits would be fixed at two percentage points below the base rate, as compared with one percentage point previously. The maximum rates on tax-exempt deposits made prior to the entry into force of the amended law would also remain unchanged. As regards tax-exempt transactions accounts, the Government proposed that their tax-exempt status be made permanent and that their interest rate linkage to the base rate be abolished; the maximum rate payable on these deposits would continue to be 4½ per cent. Further, the tax relief law would be extended by one year until the end of 1993.

### **The Government Guarantee Fund**

The Government also proposed the establishment of the Government Guarantee Fund. The purpose of the Fund would be to help ensure the stability of 13

the deposit banks' operations and secure depositors' claims. If necessary, it would grant support loans and guarantees to the banks' own guarantee funds as well as provide other kinds of financial support. According to the proposal, the Fund would be able to use up to FIM 20 billion for these purposes. In the same context, the Government proposed that the minimum contribution payable by banks to their own guarantee funds be raised fivefold and that the maximum contribution be doubled.

### **Other measures**

In the same context, the Parliamentary Supervisory Board decided to raise the rate of interest payable on the banks' cash reserve deposits at the Bank by one percentage point; with effect from April 1, 1992, the new rate is 3-month HELIBOR less two percentage points, but not less than 8 per cent.

In addition, the Government proposed the abolition of the stamp duty applied to securities transactions, including those in derivative instruments, on the Stock Exchange.

## **THE GOVERNMENT'S ECONOMIC POLICY PACKAGE**

Concern about the poor performance of the economy, especially the unsustainable growth of the budget deficit, and a public row between the Government and the central bank over the conduct of economic policy – which led to the resignation of Mr Rolf Kullberg, Governor of the Bank of Finland – induced a wave of speculation in the foreign exchange market in early April. On April 5, the Government announced a package of economic policy measures aimed at calming the market.

Earlier this year, the Government had made a decision on the framework for budgets in the period 1993–1995, which implied a reduction in the volume of central government expenditure and in budget deficits. On April 5, as a

14 concrete step in the implementa-

tion of this programme, the Government announced spending cuts equivalent to about 2 per cent of GDP.

The Government reiterated its commitment to low inflation and a stable currency and to defending, together with the Bank of Finland, the external value of the markka. A major goal of economic policy in the longer term remains to ensure that Finland will meet the conditions for joining European Monetary Union (EMU).

It was stated further that the Bank of Finland has a well-defined role in the division of duties in economic policy, i.e. the maintenance of a stable currency and an adequate level of foreign exchange reserves.

In this context the Bank of Finland also agreed on support arrangements with the central banks of three Nordic countries, Denmark, Norway and Sweden, as well as with the Bundesbank.

### **Reductions in public expenditure and pension policy measures**

The Government's measures will reduce public expenditure by a total of some FIM 10 billion. The saving measures relate mainly to expenditure in 1993 but many of them will help to curb the growth of spending in subsequent years as well.

About a third of the cuts represent reductions in consumption and investment by the central government and in government funding of municipalities. Transfers to households are to be cut substantially; the measures will, inter alia, curb the growth of pension expenditure, unemployment benefits and health care transfers. State support to the business sector is to be cut back and employers will be required to pay a larger share of unemployment benefits arising from lay-offs. Government support for financing housing is to be cut, as too is official overseas development aid.

The Government's pension policy measures aim at permanently slowing the growth of pension expenditure; inter alia, the

lower age limit in all early retirement schemes is to be raised and pension benefits in the public sector are to be reduced, initially in respect of new employees.

### **Taxation**

Capital taxation is to be reformed with effect from January 1, 1993. After the reform, a standard tax rate of 25 per cent will be applied to all capital income and in corporate taxation. Interest income will nevertheless be subject to a lower tax rate for the time being. The value added tax system will be introduced from January 1, 1994.

### **Other measures**

The restrictions on the rights of foreigners to own equity in Finnish companies are to be removed with effect from January 1, 1993.

## **PUBLICATIONS OF THE BANK OF FINLAND**

The Bank of Finland Year Book for 1991 has been published. The Year Book includes the Governor's review, a review of central bank policy and other central bank activities in 1991 as well as the financial statements and accompanying notes. Various banking transactions undertaken by the Bank during the year under review are included in a statistical appendix. Helsinki 1992. 71 pp. ISSN 0081-9468.

The following publication has appeared in series B:45: Jouko Vilmunen, Labour Markets, Wage Indexation and Exchange Rate Policy, doctoral dissertation presented to the Faculty of Social Sciences of the University of Helsinki, Helsinki 1992, 159 pp. ISBN 951-686-307-8, ISSN 0357-4776.

The dissertation is a theoretical inquiry into the relationship between wage rigidity and exchange rate regimes in models of a small open economy subject to aggregate uncertainty originating from various sources, such as foreign prices and interest rates, domestic money markets and production. The main interest in the study is the deter-

mination of an optimal policy mix of wage indexation and foreign exchange intervention from the point of view of macroeconomic stability.

The analysis emphasizes that, as far as macroeconomic stability is concerned, the desired degree of wage flexibility should be seen in relation to the prevailing exchange rate regime and vice versa and in relation to the shocks impinging on the domestic economy. If exchange rates are fixed, nominal wages should adjust to the underlying shocks in order to minimize adverse fluctuations in output and employment. If exchange rates are less than completely fixed, the required adjustment in nomi-

nal wages is heavily dependent upon the source of the aggregate shock to the domestic economy.

The desired degree of exchange rate flexibility is heavily dependent not only upon the degree of wage flexibility but also upon the source of the aggregate disturbance. Shocks to foreign interest rates and domestic money markets, either in the form of shocks to money supply or liquidity demand, require fixity while shocks to international commodity prices and domestic production generally require flexibility in exchange rates. In the latter case, the desired degree of exchange rate flexibility is dependent upon the actual degree of wage flexibility.

The study concludes by arguing that short-run demand management policies may entail costs in terms of employment and output levels, so that short-run stabilization policies should be judged in relation to their effects on the long-run equilibrium of the economy.

# MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM JUNE 1991 TO MAY 1992

1991

## JUNE

### **Cash reserve requirement.**

The Bank of Finland lowers the banks' cash reserve requirement from 5.8 per cent to 5.5 per cent of the cash reserve base at end-May 1991.

### **Finnish Markka linked to the European Currency Unit (ECU).**

On the basis of a proposal by the Bank of Finland, the Government decides on June 4, 1991 to present a bill to Parliament providing for the amendment of section 2 of the Currency Act. By the amendment, which is approved on June 7, the markka is unilaterally linked to the EC's official accounting and currency unit, the European Currency Unit (ECU), from June 7, 1991.

The amendment does not involve any change in the fluctuation range of the markka. The new fluctuation margins and the midpoint are set so as to correspond with the fluctuation margins and midpoint applied to the old currency index. The midpoint is defined on the basis of the exchange rates confirmed by the EC on June 6, 1991 at 3.15 pm (Finnish time). The new midpoint is 4.87580 (FIM/ECU). The markka may fluctuate within margins of 3 per cent on either side of the midpoint, i.e. between FIM 4.72953 and FIM 5.02207.

### **Foreign Exchange**

**Regulations.** The Bank of Finland decides to rescind all controls on the raising of loans abroad by private individuals and comparable corporate entities as from October 1, 1991. This measure completes the abolition of exchange control in Finland.

## JULY

### **Cash reserve requirement.**

The Bank of Finland lowers the banks' cash reserve requirement from 5.5 per cent to 5.2 per cent of the cash reserve base at end-June 1991.

## AUGUST

### **Cash reserve requirement.**

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

## SEPTEMBER

### **Cash reserve requirement.**

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

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

## OCTOBER

### **Cash reserve requirement.**

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

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

**The Bank of Finland's borrowing powers.** On October 25, 1991, the Parliamentary Supervisory Board decides to raise the Bank's foreign

borrowing powers from USD 1.5 billion to USD 5 billion; the previous borrowing powers dated from 1980.

## NOVEMBER

### **Cash reserve requirement.**

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

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

On November 14, 1991, the Parliamentary Supervisory Board of the Bank of Finland extends the powers of the Bank of Finland to set interest rates. The maximum call money credit rate is raised from 30 per cent to 50 per cent. The Bank of Finland raises the interest rate on call money credit from 15 per cent to 20 per cent, implying a penalty rate of 40 per cent. On November 19, 1991, the Bank of Finland lowers the interest rate on call money credit to 15 per cent again, implying a 30 per cent penalty rate.

### **Devaluation of the markka.**

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

**Till-money credits.** The Bank of Finland revises the base amounts, the share of banks'



till-money holdings which is not financed by the Bank of Finland under the till-money credit arrangement. The combined total of base amounts is kept unchanged in proportion to currency in circulation with the public. Owing to a reduction in currency in circulation with the public, the combined total of the banks' base amounts falls by FIM 49 million and amounts to FIM 1 194 million as from the last business day in November.

1992

## JANUARY

### **Cash reserve requirement.**

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

## APRIL

### **Interest on cash reserve**

**deposits.** As part of the financial support package for the banking sector, the Parliamentary Supervisory Board raises the rate of interest payable on the banks' cash reserve deposits at the Bank of Finland by one percentage point with effect from April 1, 1992.

The new rate is 3-month HELIBOR less two percentage points, not however less than 8 per cent.

### **Call money credit rate.**

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

## MAY

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



# Visiting Scholars Programme

BANK OF FINLAND

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

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

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

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

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

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

## 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 the Soviet Union in the east and has a coastline bordered by the Baltic Sea in the south and west. Agricultural land accounts for 8 % of the total area, forest and other wooded land for 69 % and inland waters for 10 %. Located between latitudes 60° and 70° north, Finland has warm summers and cold winters. Helsinki on the south coast has an average maximum temperature of 22° C (72° F) in July and -4° C (25° F) in February.

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

There are two official languages: 93.5 % of the population speaks Finnish as its mother tongue and 5.9 % Swedish. There is a small Lapp population in the north. Finnish is a member of the small Finno-Ugrian group of languages, which also includes Estonian and Hungarian.

## FORM OF GOVERNMENT

Finland is a parliamentary democracy with a republican constitution. From the twelfth century to 1809 Finland was part of the Kingdom of Sweden. In 1809, Finland was annexed to Russia as an autonomous Grand Duchy with the Tsar as Grand Duke. On December 6, 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, March 1, 1988 to March 1, 1994, is Dr. Mauno Koivisto.

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

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

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

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

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

## INTERNATIONAL RELATIONS

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

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

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

## THE ECONOMY

**Output and employment.** The Finnish economy is essentially based on private enterprise, with over 80 % of manufacturing output and some 90 % of banking services produced by private companies. Of the gross domestic product of FIM 458 billion in basic values in 1990, 3 % was generated in agriculture and fishing, 3 % in forestry, 23 % in industry, 9 % in construction, 11 % in trade, restaurants and hotels, 8 % in transport and communications, 5 % in finance and insurance, 20 % in other private services and 18 % by producers of government services. Of total employment of 2.3 million persons in 1991, 8 % were

engaged in primary production, 29 % in industry and construction and 63% in services.

In 1991, expenditure on the gross domestic product in purchasers' values amounted to FIM 510 billion and was distributed as follows: net exports -0.5 % (exports 21.6 %, imports -22.1 %), gross fixed capital formation 23 %, private consumption 54 % and government consumption 24 %. Finland's gross tax ratio (gross taxes in relation to GDP) was 37 % and the net tax ratio (net taxes in relation to GDP) 20 %, which is about the average for OECD countries.

Average annual (compounded) growth of real GDP was 4.7 % in the period 1950-59, 5.0 % in 1960-69, 3.7 % in 1970-79, 3.7 % in 1980-89 and 4.3 % in 1990-89. Finland's GDP per capita in 1991 was USD 25 100.

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

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

**Forest resources.** Finland has fairly abundant forest resources, but only limited amounts of other raw materials. The growing stock comprises 1860 million cubic metres, of which 45 % is pine, 37 % spruce and 18 % broad-leaved species, chiefly birch.

The annual growth increment totals 79 million cubic metres and the total drain calculated on the basis of commercial fellings was 43 million cubic metres in 1991.

**Energy.** In 1990, gross consumption of primary energy amounted to 31 Mtoe, of which industry accounted for 46 %, heating for 21 %, transportation for 14 % and other purposes for 19 %. The sources of primary energy in 1988 were as follows: oil 30 %, coal 12 %, nuclear power 14 %, hydro-electric power, peat and other indigenous

sources 29 %, others 15 %. Compared internationally (1989), 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 40 %, 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 November 1, 1977 to June 7, 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 November 30, 1988 the range was 6 percentage points). Since June 7, 1991, the markka has been pegged to the European Currency Unit, the ECU. The fluctuation margins and the midpoint were set so as to correspond to the fluctuation margins and midpoint of the old currency index. The midpoint was 4.87580 (FIM/ECU). Since the devaluation of the markka on November 15, 1991, the midpoint has been 5.55841 and the fluctuation limits FIM 5.39166 and FIM 5.72516, where the lower limit means the highest permissible value for the markka and the upper limit the lowest permissible value. Under the Currency Act, the fluctuations limits are set by the Government on the proposal of the Bank of Finland.

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

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

The foreign exchange operations of financial institutions are still con-

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

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

**The Central Bank.** The Bank of Finland (Suomen Pankki - Finlands Bank), founded in 1811, operates under the supervision of the Parliamentary Supervisory Board, the nine members of which are entrusted with overall supervision of the Bank and certain specific decisions such as fixing the Bank's base rate and the limits for other rates. The Governor and a maximum of five other Members of the Board of Management are appointed by the President of the Republic. The Board manages all affairs not expressly entrusted to the Parliamentary Supervisory Board, including the terms of banks' central bank finance, open market operations, intervention in the foreign exchange market, determination of the external value of the currency within the fluctuation limits, direct lending and permits for international capital transactions. The powers vested in the Bank and its independence of the Government make the Bank of Finland one of the world's stronger central banks. In practice, the Bank liaises closely with the Government, so as to coordinate economic policy. The Bank of Finland has a head office in Helsinki and 12 branch offices in other towns.

**Other banks** (Dec. 31, 1991). Finland has three major groups of deposit banks with a total of more than 3 000 offices. There are three big commercial banks with national branch networks and ten smaller ones, two of which are

foreign-owned. The commercial banks have a total of 32 foreign branches, subsidiaries and associate banks and 27 representative offices abroad. There are 86 savings banks and 328 cooperative banks with their own extensive branch networks. In addition, foreign banks have three branches and eight representative offices in Finland.

**Financial market.** Of the total stock of FIM 733 billion in outstanding domestic credit at the end of 1990, 64 % was provided by deposit banks, 3 % by private mortgage banks, 16 % by insurance companies, 4 % by other private credit institutions, 4 % by public financial institutions and 8 % by the state, local authorities and social security funds. There are no quantitative restrictions or interest rate limitations on lending. Regulation of bank lending rates was progressively relaxed earlier in the 1980s and finally abolished in 1986.

In the money market, 81 % of the instruments, which totalled approximately FIM 150 billion at end-1991, were negotiable instruments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds raised through bank trust departments and non-negotiable bank debt instruments make up the bulk of non-negotiable instruments. In its open market operations, the Bank of Finland deals in bank certificates of deposit and also issues its own certificates of deposit.

There are 65 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 64 billion (at end-1991). Four foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1991 totalled FIM 145 billion; government bonds made up 24 % of the total. Turnover on the Stock Exchange in 1991 amounted to FIM 8 billion; the share of shares and subscription rights in the total was approximately 82 %.



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

# 1. THE BALANCE SHEET OF THE BANK OF FINLAND

## 1.1 THE BALANCE SHEET OF THE BANK OF FINLAND, MILL.FIM

	1991		1992		
	Dec. 31	March 6	March 13	March 23	March 31
<b>ASSETS</b>					
<b>Gold and foreign currency claims</b>	33 662	32 525	32 264	32 291	33 183
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	932	1 052	1 050	1 051	1 198
IMF reserve tranche	1 136	1 231	1 229	1 210	1 201
Convertible currencies	29 381	28 036	27 780	27 824	28 580
Tied currencies	34	27	26	27	25
<b>Other foreign claims</b>	2 690	2 623	2 623	2 635	2 593
Markka subscription to Finland's IMF quota	2 260	2 225	2 225	2 246	2 246
Term credit	430	398	398	389	347
<b>Claims on financial institutions</b>	17 413	10 414	9 779	9 620	8 968
Call money credits	—	2	0	2	13
Certificates of deposit	9 157	2 730	2 568	2 412	2 097
Securities with repurchase commitments	2 725	1 882	1 411	1 411	1 411
Till-money credits	3 528	3 869	3 869	3 869	3 521
Bonds	1 765	1 692	1 692	1 688	1 688
Other claims on financial institutions	238	238	238	238	238
<b>Claims on the public sector</b>	1 375	1 382	1 381	1 382	1 383
Bonds	3	3	3	3	3
Total coinage	1 372	1 379	1 378	1 379	1 380
<b>Claims on corporations</b>	1 288	1 223	1 214	1 205	1 197
Financing of domestic deliveries (KTR)	879	819	811	802	799
Bonds: KTR credits	207	201	201	201	196
Bonds: Other	2	2	2	2	2
Other claims on corporations	201	201	201	201	201
<b>Other assets</b>	2 916	7 456	9 486	10 086	11 606
Loans for stabilizing the money market	1 730	7 307	9 337	9 937	11 457
Accrued items	1 034	—	—	—	—
Other assets	153	149	149	149	149
<b>Total</b>	<b>59 346</b>	<b>55 623</b>	<b>56 747</b>	<b>57 220</b>	<b>58 931</b>
<b>LIABILITIES</b>					
Foreign currency liabilities	46	136	101	47	59
Convertible currencies	45	135	100	46	58
Tied currencies	1	1	1	1	1
<b>Other foreign liabilities</b>	3 102	3 112	3 110	3 132	3 125
IMF markka accounts	2 260	2 225	2 225	2 246	2 246
Allocations of special drawing rights	843	887	885	886	879
<b>Notes and coin in circulation</b>	14 528	13 289	13 440	14 969	14 243
Notes	13 306	12 093	12 243	13 768	13 040
Coin	1 222	1 196	1 197	1 201	1 203
<b>Certificates of deposit</b>	8 880	10 050	10 680	10 130	13 030
<b>Liabilities to financial institutions</b>	12 567	10 027	10 444	10 069	10 016
Call money deposits	2 206	136	553	177	232
Cash reserve deposits	10 361	9 891	9 891	9 891	9 783
Other liabilities to financial institutions	0	1	1	1	1
<b>Liabilities to the public sector</b>	3	4	4	4	4
Cheque accounts	—	—	—	—	—
Other liabilities to the public sector	3	4	4	4	4
<b>Liabilities to corporations</b>	7 057	5 693	5 661	5 528	5 490
Deposits for investment and ship purchase	7 057	5 693	5 661	5 528	5 490
Other liabilities to corporations	—	—	—	—	—
<b>Other liabilities</b>	1 682	105	98	100	100
Accrued items	1 584	—	—	—	—
Other liabilities	98	105	98	100	100
<b>Valuation account and reserves</b>	5 715	7 442	7 444	7 477	7 099
<b>Capital accounts</b>	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	—	—	—	—	—
<b>Total</b>	<b>59 346</b>	<b>55 623</b>	<b>56 747</b>	<b>57 220</b>	<b>58 931</b>



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

MILL. FIM

End of period	Foreign sector									Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies, net	Convertible reserves, total (1+2+3+4)	Tied currencies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabilities	Net liabilities (11-10)
	1	2	3	4	5	6	7	8	9	10	11	12
<b>1987</b>	2 128	899	793	23 571	27 391	1 212	28 604	1 131	29 735	977	901	-76
<b>1988</b>	2 128	1 120	940	24 373	28 561	945	29 506	1 117	30 623	1 128	1 903	775
<b>1989</b>	2 179	966	950	18 780	22 875	-564	22 312	440	22 752	1 137	5 325	4 188
<b>1990</b>	2 180	791	783	33 451	37 205	-882	36 324	-364	35 960	1 314	1 321	7
<b>1991</b>	2 180	932	1 136	29 336	33 584	33	33 616	-412	33 204	1 375	3	-1 372
<b>1991</b>												
<b>March</b>	2 180	1 001	892	31 441	35 514	-397	35 117	-376	34 741	1 388	1 320	-68
<b>April</b>	2 180	945	1 065	30 681	34 871	-260	34 611	-386	34 225	1 388	3	-1 385
<b>May</b>	2 180	833	1 091	23 154	27 258	-17	27 241	-387	26 854	1 405	4	-1 401
<b>June</b>	2 180	1 021	1 115	29 588	33 904	29	33 933	-394	33 539	1 411	4	-1 407
<b>July</b>	2 180	853	1 111	29 535	33 679	56	33 734	-399	33 335	1 391	4	-1 387
<b>Aug.</b>	2 180	875	1 086	25 966	30 107	55	30 161	-401	29 760	1 382	3	-1 379
<b>Sept.</b>	2 180	863	1 142	22 743	26 928	49	26 976	-400	26 576	1 398	3	-1 395
<b>Oct.</b>	2 180	868	1 145	12 242	16 435	42	16 478	-404	16 074	1 375	3	-1 372
<b>Nov.</b>	2 180	954	1 193	19 868	24 195	38	24 231	-419	23 812	1 388	3	-1 385
<b>Dec.</b>	2 180	932	1 136	29 336	33 584	33	33 616	-412	33 204	1 375	3	-1 372

### 1992

<b>Jan.</b>	2 180	946	1 234	29 512	33 872	30	33 901	-482	33 419	1 379	4	-1 375
<b>Feb.</b>	2 180	1 070	1 232	29 834	34 316	27	34 343	-490	33 853	1 382	4	-1 378
<b>March</b>	2 180	1 198	1 201	28 522	33 101	24	33 124	-532	32 592	1 383	4	-1 379

End of period	Domestic financial sector					Corporate sector					
	Term claims on deposit banks	Call money claims on deposit banks, net	Cash reserve deposits of deposit banks	Till-money credits to deposit banks	Other liabilities to financial institutions, net	Net claims (13+14-15+16-17)	Claims in the form of special financing	Special deposits and other items, net	Net claims (19-20)	Notes and coins in circulation	Out-standing CDs issued by the Bank of Finland
	13	14	15	16	17	18	19	20	21	22	23
<b>1987</b>	-	-757	10 941	2 730	-2 350	-6 618	3 449	4 782	-1 333	9 990	4 970
<b>1988</b>	7 187	335	19 039	2 920	-3 733	-4 864	2 823	6 579	-3 756	11 550	1 130
<b>1989</b>	33 230	-531	25 506	3 310	-2 248	12 751	2 000	10 604	-8 604	13 129	-
<b>1990</b>	9 411	-418	17 401	3 427	-2 317	-2 664	1 477	9 724	-8 247	14 555	-
<b>1991</b>	11 882	-2 206	10 361	3 528	-2 003	4 846	1 086	6 854	-5 768	14 528	8 880
<b>1991</b>											
<b>March</b>	11 829	350	15 740	3 535	-2 234	2 208	1 374	8 974	-7 600	13 412	3 770
<b>April</b>	11 193	-441	15 845	3 429	-2 169	505	1 336	8 587	-7 251	13 244	3 280
<b>May</b>	16 252	1 282	14 700	3 442	-2 181	8 457	1 310	8 076	-6 766	14 405	2 380
<b>June</b>	12 715	-1 996	14 161	3 786	-2 164	2 508	1 273	8 190	-6 917	13 973	2 850
<b>July</b>	10 515	-1 877	13 546	3 740	-2 127	959	1 236	8 074	-6 838	13 840	1 090
<b>Aug.</b>	12 159	-1 078	12 707	3 631	-2 133	4 138	1 212	7 993	-6 781	13 614	370
<b>Sept.</b>	13 289	285	11 842	3 542	-2 105	7 379	1 172	7 973	-6 801	13 621	610
<b>Oct.</b>	13 587	13 383	11 047	3 471	-2 066	21 460	1 143	7 896	-6 753	13 500	4 090
<b>Nov.</b>	20 743	-1 580	10 276	3 519	-2 064	14 470	1 120	7 457	-6 337	13 490	6 650
<b>Dec.</b>	11 882	-2 206	10 361	3 528	-2 003	4 846	1 086	6 854	-5 768	14 528	8 880
<b>1992</b>											
<b>Jan.</b>	7 136	-651	9 928	3 806	-1 947	2 310	1 053	5 974	-4 921	13 323	10 640
<b>Feb.</b>	2 982	468	9 891	3 869	-1 935	-637	1 030	5 535	-4 505	13 271	11 110
<b>March</b>	3 508	-219	9 783	3 521	-1 925	-1 048	995	5 287	-4 292	14 243	13 030

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

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Impact on liquidity (1-2-3)	Call money credits	Call money deposits	Total net change (4+5-6)
	1	2	3	4	5	6	7
<b>1987</b>	1 263	23 658	-17 520	-4 875	-6 818	626	-12 319
<b>1988</b>	13 840	19 190	-16 850	11 500	463	-629	12 592
<b>1989</b>	131 110	3 855	99 245	28 010	-425	441	27 144
<b>1990</b>	163 326	26 379	160 797	-23 850	-38	-151	-23 737
<b>1991</b>	109 568	30 380	81 969	-2 781	-	1 788	-4 569
<b>1991</b>							
<b>March</b>	9 600	1 790	4 360	3 450	756	-1 195	5 401
<b>April</b>	13 060	1 200	8 990	2 870	-752	39	2 079
<b>May</b>	12 670	1 180	7 950	3 540	1 366	-357	5 263
<b>June</b>	9 603	2 980	9 493	-2 870	-1 305	1 973	-6 148
<b>July</b>	6 865	160	7 366	-661	-71	-190	-542
<b>Aug.</b>	11 430	280	7 380	3 770	21	-778	4 569
<b>Sept.</b>	11 670	680	10 360	630	277	-1 086	1 993
<b>Oct.</b>	15 350	6 710	8 990	-350	13 086	-12	12 748
<b>Nov.</b>	9 850	6 340	7 020	-3 510	-13 371	1 592	-18 473
<b>Dec.</b>	2 430	6 660	2 260	-6 490	-13	613	-7 116
<b>1992</b>							
<b>Jan.</b>	2 000	7 790	-80	-5 710	3	-1 552	-4 155
<b>Feb.</b>	1 710	8 460	1 170	-7 920	476	-643	-6 801
<b>March</b>	2 000	9 420	-5 290	-2 130	-466	221	-2 817

## 2.2 FORWARD EXCHANGE MARKET, MILL.FIM

End of period	Banks' forward positions with					
	Domestic companies			Foreign banks, net	Bank of Finland, net	Total, net (3+4+5)
	Forward exchange bought by banks	Forward exchange sold by banks	Net (1-2)			
1	2	3	4	5	6	
<b>1987</b>	21 671	1 158	20 513	-233	-1 287	18 994
<b>1988</b>	16 488	1 543	14 946	9 086	-377	23 654
<b>1989</b>	10 531	3 563	6 967	8 031	205	15 204
<b>1990</b>	11 609	4 979	6 631	10 100	-6 098	10 633
<b>1991</b>	33 004	36 352	-3 348	2 550	8 953	8 155
<b>1991</b>						
<b>Feb.</b>	12 545	7 871	4 673	9 413	-3 028	11 058
<b>March</b>	13 919	12 231	1 688	3 336	-2 593	2 431
<b>April</b>	14 088	15 045	-957	6 496	-1 568	3 971
<b>May</b>	15 130	25 075	-9 945	6 181	663	-3 101
<b>June</b>	16 144	23 123	-6 980	8 500	3 159	4 679
<b>July</b>	16 228	20 422	-4 194	5 350	3 257	4 413
<b>Aug.</b>	16 961	30 053	-13 092	7 757	3 187	-2 148
<b>Sept.</b>	17 020	38 496	-21 477	13 454	3 947	-4 076
<b>Oct.</b>	22 174	53 395	-31 222	9 433	9 034	-12 755
<b>Nov.</b>	37 546	51 191	-13 645	1 551	9 601	-2 493
<b>Dec.</b>	33 004	36 352	-3 348	2 550	8 953	8 155
<b>1992</b>						
<b>Jan.</b>	31 732	27 973	3 759	4 673	8 276	16 708
<b>Feb.</b>	31 502	25 516	5 987	2 441	3 774	12 202

## 2.3 BANKS' CENTRAL BANK POSITION, MILL.FIM

Average of daily observations	Call money credits	Bank CDs held by the Bank of Finland	Gross debt to the Bank of Finland (1+2)	Call money deposits	Holdings of CDs issued by the Bank of Finland	Cash reserve deposits	Gross claim on the Bank of Finland (4+5+6)	Net position (3-7)
	1	2	3	4	5	6	7	8
<b>1987</b>	481	1 581	2 062	703	4 705	10 092	15 501	-13 439
<b>1988</b>	128	2 190	2 319	621	5 044	15 159	20 824	-18 505
<b>1989</b>	373	15 146	15 519	403	465	23 035	23 903	-8 384
<b>1990</b>	142	24 056	24 198	790	1 924	23 406	26 120	-1 922
<b>1991</b>	936	12 293	13 229	868	2 728	14 154	17 749	-4 520
<b>1991</b>								
<b>March</b>	474	9 094	9 568	535	3 253	15 690	19 477	-9 909
<b>April</b>	49	12 235	12 284	999	3 288	15 743	20 030	-7 746
<b>May</b>	148	11 837	11 985	1 319	2 504	15 808	19 631	-7 645
<b>June</b>	535	15 926	16 461	2 332	2 469	14 646	19 447	-2 986
<b>July</b>	34	10 038	10 073	1 132	1 856	14 142	17 130	-7 057
<b>Aug.</b>	24	10 002	10 026	865	683	13 492	15 040	-5 014
<b>Sept.</b>	219	14 983	15 202	418	412	12 678	13 508	1 694
<b>Oct.</b>	5 126	12 287	17 413	405	2 094	11 817	14 316	3 098
<b>Nov.</b>	4 422	20 294	24 716	429	4 043	10 996	15 468	9 248
<b>Dec.</b>	36	15 685	15 721	743	10 325	10 279	21 347	-5 626
<b>1992</b>								
<b>Jan.</b>	33	9 212	9 246	937	9 728	10 347	21 012	-11 766
<b>Feb.</b>	50	4 521	4 571	548	10 951	9 925	21 424	-16 853
<b>March</b>	88	3 923	4 011	366	10 794	9 888	21 047	-17 036

### 3. RATES OF INTEREST

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

Average of daily observations	Inter-bank overnight rate	HELIBOR				Bank of Finland rates			Cash reserve requirement	
		1 month	3 months	6 months	12 months	Call money credit rate	Call money deposit rate	Base rate	Ordinary	Additional (average)
	1	2	3	4	5	6	7	8	9	10
<b>1987</b>	9.16	9.90	10.02	10.14	10.40	11.71	7.78	7.00	4.8	.
<b>1988</b>	8.47	9.77	9.97	10.16	10.50	11.50	7.04	7.63	6.5	.
<b>1989</b>	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67	8.0	0.5
<b>1990</b>	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50	7.9	.
<b>1991</b>	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50	5.3	.
<b>1991</b>										
<b>March</b>	18.90	15.66	14.72	14.10	13.64	15.00	4.00	8.50	6.2	.
<b>April</b>	16.33	14.69	13.97	13.52	13.28	15.00	4.00	8.50	6.2	.
<b>May</b>	13.12	12.25	11.98	11.94	11.95	15.00	4.00	8.50	5.8	.
<b>June</b>	13.45	11.29	11.25	11.41	11.56	15.00	4.00	8.50	5.5	.
<b>July</b>	9.48	10.09	10.69	11.19	11.52	15.00	4.00	8.50	5.2	.
<b>Aug.</b>	10.20	10.62	11.09	11.28	11.50	15.00	4.00	8.50	4.9	.
<b>Sept.</b>	19.84	14.80	13.20	12.45	12.07	15.00	4.00	8.50	4.6	.
<b>Oct.</b>	15.72	15.95	14.38	13.01	12.46	15.00	4.00	8.50	4.3	.
<b>Nov.</b>	20.94	16.75	14.66	13.25	12.77	16.23	4.00	8.50	4.0	.
<b>Dec.</b>	10.89	12.55	12.78	12.71	12.63	15.00	4.00	8.50	4.0	.
<b>1992</b>										
<b>Jan.</b>	11.41	12.09	12.26	12.33	12.39	15.00	4.00	8.50	3.7	.
<b>Feb.</b>	10.74	11.78	11.74	11.74	11.75	15.00	4.00	8.50	3.7	.
<b>March</b>	14.27	12.95	12.38	12.08	11.99	15.00	4.00	8.50	3.7	.

#### 3.2 WEIGHTED EURORATES AND COMMERCIAL ECU INTEREST RATE, PER CENT

Average of daily observations	ECU	3 currencies	14 currencies	Commercial ECU
	1	2	3	4
<b>1987</b>	7.0	5.6	8.0	7.1
<b>1988</b>	6.9	6.0	8.0	6.9
<b>1989</b>	9.3	8.4	9.9	9.3
<b>1990</b>	10.5	9.1	10.9	10.4
<b>1991</b>	10.1	8.5	9.9	9.9
<b>1991</b>				
<b>March</b>	10.2	8.7	10.2	9.5
<b>April</b>	10.1	8.6	10.1	9.4
<b>May</b>	9.9	8.4	9.8	9.7
<b>June</b>	9.9	8.4	9.6	10.1
<b>July</b>	10.0	8.5	9.6	10.0
<b>Aug.</b>	10.0	8.4	9.6	9.9
<b>Sept.</b>	9.8	8.3	9.4	9.8
<b>Oct.</b>	9.9	8.3	9.5	9.9
<b>Nov.</b>	10.0	8.2	9.5	10.0
<b>Dec.</b>	10.4	8.2	10.1	10.6
<b>1992</b>				
<b>Jan.</b>	10.2	8.0	9.8	10.4
<b>Feb.</b>	10.2	8.1	9.7	10.3
<b>March</b>	10.3	8.2	9.7	10.2

#### 3.3 COVERED EURODOLLAR RATE, PER CENT

Average of daily observations	1 month	3 months	6 months	12 months
	1	2	3	4
<b>1987</b>	9.8	9.9	9.9	10.1
<b>1988</b>	9.5	9.8	9.9	10.2
<b>1989</b>	11.8	12.1	12.1	12.1
<b>1990</b>	13.2	13.7	13.9	14.1
<b>1991</b>	13.5	13.0	12.6	12.4
<b>1991</b>				
<b>March</b>	15.3	14.5	13.8	13.3
<b>April</b>	14.5	13.8	13.3	13.0
<b>May</b>	12.1	11.9	11.9	11.8
<b>June</b>	11.7	11.7	11.5	11.6
<b>July</b>	10.3	11.0	11.4	11.6
<b>Aug.</b>	11.1	10.9	11.3	11.5
<b>Sept.</b>	14.9	13.4	12.5	12.0
<b>Oct.</b>	15.7	14.4	13.0	12.3
<b>Nov.</b>	16.3	14.3	13.1	12.6
<b>Dec.</b>	11.9	12.4	12.3	12.3
<b>1992</b>				
<b>Jan.</b>	11.7	12.0	12.0	12.1
<b>Feb.</b>	11.5	11.5	11.5	11.5
<b>March</b>	12.8	12.2	11.9	11.8

### 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 <sup>1</sup>	Other tax-exempt deposits, on max. rate of interest <sup>1</sup>	Average rate of interest on deposits	Average rate of interest on other funding	Average rate of interest on markka funding	
	Cheque account and postal giro credits	Bills of exchange	Loans								New lending, total
	1	2	3	4	5	6	7	8	9	10	11
<b>1987</b>	10.50	12.31	10.01	10.62	8.99	8.91	7.00	2.75	4.47	10.13	5.29
<b>1988</b>	10.22	12.27	10.50	10.72	9.88	9.74	8.00	3.75	5.24	9.80	6.20
<b>1989</b>	12.97	13.47	11.58	12.07	10.56	10.40	7.50	4.50	5.67	11.92	7.37
<b>1990</b>	13.24	15.62	13.33	13.85	11.84	11.61	7.50	4.50	6.43	13.55	8.41
<b>1991</b>	13.63	15.88	13.40	13.84	12.08	11.80	7.50	4.50	7.10	13.22	8.97
<b>1991</b>											
<b>Feb.</b>	15.45	16.36	14.01	14.69	12.18	11.96	7.50	4.50	7.23	13.83	9.06
<b>March</b>	14.99	16.45	14.44	14.91	12.31	12.16	7.50	4.50	7.29	15.07	9.62
<b>April</b>	15.85	16.45	14.17	14.80	12.25	11.99	7.50	4.50	7.29	13.93	9.26
<b>May</b>	15.50	15.05	13.37	13.85	12.20	11.96	7.50	4.50	7.14	13.25	9.03
<b>June</b>	13.98	15.55	13.02	13.54	11.91	11.56	7.50	4.50	7.05	12.35	8.61
<b>July</b>	12.00	15.54	12.80	13.19	11.67	11.28	7.50	4.50	6.79	11.69	8.21
<b>Aug.</b>	12.54	15.35	12.70	13.09	11.70	11.38	7.50	4.50	6.82	11.73	8.29
<b>Sept.</b>	12.81	15.74	13.78	13.96	11.96	11.76	7.50	4.50	6.95	12.95	8.87
<b>Oct.</b>	12.48	16.07	13.83	14.01	12.19	11.96	7.50	4.50	7.18	13.63	9.36
<b>Nov.</b>	14.19	16.29	13.71	14.16	12.21	11.87	7.50	4.50	7.24	13.63	9.41 <sup>r</sup>
<b>Dec.</b>	10.15	15.25	12.35	12.51	12.15	11.79	7.50	4.50	7.08	12.63	8.71 <sup>r</sup>
<b>1992</b>											
<b>Jan.</b>	12.52	15.42	13.14	13.41	12.06	11.76	7.50	4.50	7.19	12.29	8.66
<b>Feb.</b>	13.79	15.58	12.96	13.47	12.00	11.76	7.50	4.50	7.21	12.15	8.67

<sup>1</sup> End of period.

### 3.5 YIELDS ON BONDS AND DEBENTURES, PER CENT

Period	Secondary market yields						Taxfree public issues	Offer yield on taxable public issues
	Reference rates calculated by the Bank of Finland		Taxable government bonds	Taxable public issues	Issued by:			
	3 years	5 years			Financial institutions	Corporations		
	1	2	3	4	5	6	7	8
<b>1987</b>	..	..	.	11.2	11.1	11.2	8.1	10.7
<b>1988</b>	10.7	10.8	10.6	10.6	10.6	10.6	7.8	10.4
<b>1989</b>	12.2	12.0	12.1	11.9	12.0	12.0	8.1	11.7
<b>1990</b>	13.7	13.5	13.2	13.3	13.3	13.2	9.2	13.0
<b>1991</b>	12.3	12.2	11.9 <sup>r</sup>	12.6	12.5	13.0	10.0	11.7
<b>1991</b>								
<b>Feb.</b>	13.0	13.0	12.6	13.3	13.4	13.4	10.6	12.7
<b>March</b>	13.0	12.9	12.5	13.2	13.1	13.8	10.4	12.4
<b>April</b>	12.7	12.5	12.2	13.0	11.8	14.1	10.3	12.1
<b>May</b>	11.9	11.8	11.5	12.4	12.1	12.5	10.2	11.2
<b>June</b>	11.5	11.5	11.1	11.7	11.5	12.7	10.1	11.1
<b>July</b>	11.8	11.7	11.2	12.4	12.2	12.6	10.0	10.8
<b>Aug.</b>	11.7	11.7	11.2	11.9	11.9	12.3	9.8	11.2
<b>Sept.</b>	11.7	11.7	11.3	12.2	12.0	12.7	9.6	11.3
<b>Oct.</b>	11.8	11.7	11.4	12.2	12.2	12.7	9.6	11.1
<b>Nov.</b>	12.4	12.3	12.1	12.5	12.5	12.5	9.6	11.2
<b>Dec.</b>	12.7	12.7	12.4	13.6	13.6	13.1	9.9	12.2
<b>1992</b>								
<b>Jan.</b>	12.5	12.5	12.3	13.0	12.9	13.1	10.0	11.9
<b>Feb.</b>	12.1	12.0	11.2	12.7	12.4	12.9	9.8	11.3

## 4. RATES OF EXCHANGE

### 4.1 AVERAGE SPOT SELLING RATES, FIM

Average New York of daily quotations	Montreal	London	Dublin	Stockholm	Oslo	Copenhagen	Frankfurt a.M.	Amsterdam	Brussels	Zurich	
1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEF	1 CHF	
1	2	3	4	5	6	7	8	9	10	11	
<b>1987</b>	4.404	3.325	7.213	6.556	0.6952	0.6547	0.6444	2.4514	2.1755	0.11806	2.9563
<b>1988</b>	4.191	3.412	7.466	6.397	0.6848	0.6444	0.6235	2.3895	2.1233	0.11421	2.8700
<b>1989</b>	4.295	3.632	7.051	6.104	0.6673	0.6234	0.5886	2.2879	2.0281	0.10925	2.6306
<b>1990</b>	3.831	3.287	6.827	6.347	0.6479	0.6130	0.6197	2.3721	2.1053	0.11480	2.7635
<b>1991</b>	4.053	3.543	7.159	6.540	0.6713	0.6264	0.6345	2.4464	2.1709	0.11887	2.8300
<b>1991</b>											
<b>March</b>	3.835	3.319	7.035	6.398	0.6535	0.6152	0.6248	2.3990	2.1284	0.11651	2.7770
<b>April</b>	4.001	3.473	7.007	6.292	0.6547	0.6051	0.6141	2.3506	2.0858	0.11431	2.7796
<b>May</b>	4.047	3.525	6.992	6.320	0.6587	0.6061	0.6164	2.3578	2.0922	0.11469	2.7824
<b>June</b>	4.228	3.699	6.983	6.355	0.6592	0.6088	0.6163	2.3737	2.1072	0.11539	2.7662
<b>July</b>	4.298	3.745	7.087	6.434	0.6647	0.6169	0.6217	2.4030	2.1332	0.11679	2.7733
<b>Aug.</b>	4.245	3.710	7.148	6.509	0.6705	0.6232	0.6292	2.4323	2.1582	0.11820	2.7906
<b>Sept.</b>	4.143	3.646	7.148	6.530	0.6711	0.6244	0.6323	2.4405	2.1656	0.11853	2.7910
<b>Oct.</b>	4.127	3.661	7.113	6.534	0.6706	0.6243	0.6323	2.4413	2.1667	0.11863	2.7910
<b>Nov.</b>	4.202	3.722	7.475	6.920	0.7091	0.6600	0.6670	2.5893	2.2979	0.12575	2.9249
<b>Dec.</b>	4.266	3.732	7.774	7.249	0.7440	0.6912	0.6989	2.7192	2.4131	0.13206	3.0708
<b>1992</b>											
<b>Jan.</b>	4.305	3.725	7.796	7.266	0.7496	0.6946	0.7031	2.7270	2.4215	0.13248	3.0696
<b>Feb.</b>	4.431	3.751	7.877	7.309	0.7543	0.6986	0.7061	2.7354	2.4312	0.13289	3.0435
<b>March</b>	4.541	3.812	7.835	7.298	0.7542	0.6974	0.7047	2.7329	2.4281	0.13286	3.0111

Average of daily quotations	Paris	Rome	Vienna	Lisbon	Reykjavik	Madrid	Athens	Tokyo	Melbourne	ECU Commercial	SDR
1 FRF	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 GRD	1 JPY	1 AUD	1 XEU	1 XDR	
12	13	14	15	16	17	18	19	20	21	22	
<b>1987</b>	0.7345	0.00341	0.3488	0.0315	0.1163	0.0358	..	0.03050	3.106	5.075	5.68010
<b>1988</b>	0.7060	0.00324	0.3401	0.0294	0.1006	0.0361	..	0.03273	3.309	4.954	5.61826
<b>1989</b>	0.6757	0.00315	0.3254	0.0276	0.0782	0.0364	..	0.03122	3.423	4.731	5.49375
<b>1990</b>	0.7054	0.00321	0.3374	0.0271	0.0681	0.0377	..	0.02654	3.011	4.875	5.18345
<b>1991</b>	0.7208	0.00328	0.3479	0.0283	0.0710	0.0392	0.0234	0.03016	3.176	5.019	5.53082
<b>1991</b>											
<b>March</b>	0.7063	0.00323	0.3412	0.0278	0.0690	0.0387	..	0.02802	2.980	4.927	5.29584
<b>April</b>	0.6969	0.00318	0.3342	0.0273	0.0692	0.0382	..	0.02921	3.138	4.844	5.39487
<b>May</b>	0.6969	0.00319	0.3354	0.0273	0.0694	0.0382	..	0.02932	3.151	4.847	5.42606
<b>June</b>	0.7013	0.00321	0.3376	0.0273	0.0702	0.0382	0.0230	0.03024	3.231	4.879	5.56841
<b>July</b>	0.7095	0.00324	0.3417	0.0281	0.0711	0.0385	0.0230	0.03117	3.331	4.938	5.66884
<b>Aug.</b>	0.7172	0.00327	0.3459	0.0286	0.0715	0.0391	0.0230	0.03103	3.338	4.992	5.65829
<b>Sept.</b>	0.7186	0.00328	0.3471	0.0287	0.0713	0.0390	0.0230	0.03080	3.304	5.002	5.59644
<b>Oct.</b>	0.7177	0.00328	0.3472	0.0286	0.0713	0.0388	0.0230	0.03158	3.291	5.000	5.61024
<b>Nov.</b>	0.7593	0.00345	0.3681	0.0299	0.0743	0.0410	0.0241	0.03243	3.324	5.285	5.80952
<b>Dec.</b>	0.7973	0.00361	0.3865	0.0309	0.0771	0.0427	0.0250	0.03329	3.317	5.530	5.98926
<b>1992</b>											
<b>Jan.</b>	0.8011	0.00363	0.3877	0.0317	0.0777	0.0432	0.0250	0.03439	3.237	5.560	6.04989
<b>Feb.</b>	0.8051	0.00366	0.3893	0.0320	0.0783	0.0437	0.0250	0.03474	3.350	5.594	6.14937
<b>March</b>	0.8066	0.00365	0.3887	0.0320	0.0785	0.0434	0.0249	0.03419	3.464	5.590	6.19184

## 4.2 MARKKA VALUE OF THE ECU AND CURRENCY INDICES

Average of daily observations	Markka value of the ECU		Currency indices, 1982=100		
	FIM/ECU	Deviation from the midpoint, %	Bank of Finland's trade-weighted currency index	Payments currency index	MERM index
	1	2	3	4	5
<b>1987</b>	5.08273	.	103.3	103.2	106.1
<b>1988</b>	4.96108	.	102.0	101.1	104.7
<b>1989</b>	4.73670	.	98.4	98.4	102.8
<b>1990</b>	4.85697	.	97.3	96.1	97.3
<b>1991</b>	5.00580	.	101.4	100.1	102.8
<b>1991</b>					
<b>March</b>	4.91308	.	98.7	97.2	98.8
<b>April</b>	4.83628	.	98.4	97.4	100.2
<b>May</b>	4.84342	.	98.7	97.9	100.8
<b>June</b>	4.86741	-0.2	99.6	99.2	103.0
<b>July</b>	4.92615	1.0	100.8	100.5	104.6
<b>Aug.</b>	4.98131	2.2	101.6	101.0	104.7
<b>Sept.</b>	4.99324	2.4	101.5	100.5	103.9
<b>Oct.</b>	4.98879	2.3	101.5	100.4	104.2
<b>Nov.</b>	5.27668	0.9	106.8	105.2	108.3
<b>Dec.</b>	5.52866	-0.5	111.5	109.4	111.9
<b>1992</b>					
<b>Jan.</b>	5.55238	-0.1	112.1	110.0	113.0
<b>Feb.</b>	5.58207	0.4	112.9	111.2	114.4
<b>March</b>	5.57515	0.3	112.9	111.6	115.0

## 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
<b>1987</b>	4 477	9 510	8 119	206	69	9 409	8 830	4 142	22 380
<b>1988</b>	3 027	8 418	6 889	268	61	7 861	6 522	4 280	18 663
<b>1989</b>	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
<b>1990</b>	4 640	17 917	4 420	490	1 007	17 260	607	10 607	28 473
<b>1991*</b>	7 252	27 138	11 073	1 320	-	31 442	-	15 341	46 783
<b>1991*</b>									
<b>Feb.</b>	272	485	-	-	-	435	-	322	757
<b>March</b>	271	1 015	500	29	-	1 267	-	548	1 815
<b>April</b>	161	1 457	1 800	-	-	2 487	-	931	3 418
<b>May</b>	613	2 030	1 475	50	-	3 488	-	680	4 167
<b>June</b>	880	3 207	-	315	-	2 355	-	2 047	4 401
<b>July</b>	1 592	2 107	-	-	-	1 515	-	2 184	3 699
<b>Aug.</b>	275	817	4 693	50	-	5 680	-	155	5 835
<b>Sept.</b>	449	1 468	300	250	-	2 318	-	149	2 467
<b>Oct.</b>	327	1 302	205	403	-	624	-	1 612	2 236
<b>Nov.</b>	1 117	2 646	100	223	-	1 613	-	2 472	4 086
<b>Dec.</b>	244	7 548	-	-	-	5 305	-	2 486	7 791
<b>1992*</b>									
<b>Jan.</b>	662	968	4 465	70	-	5 482	-	683	6 165
<b>Feb.</b>	770	2 583	-	450	-	2 533	-	1 270	3 803

### 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
<b>1987</b>	17 509	36 773	26 518	1 200	232	24 831	28 229	29 172	82 232
<b>1988</b>	19 195	42 892	28 953	1 413	292	32 028	30 054	30 663	92 745
<b>1989</b>	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
<b>1990</b>	23 522	59 756	28 812	1 756	1 298	52 273	22 970	39 902	115 145
<b>1991*</b>	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
<b>1990</b>									
<b>IV</b>	23 522	<u>59 756</u>	28 812	1 756	<u>1 298</u>	52 273	22 970	39 902	115 145
<b>1991*</b>									
<b>I</b>	24 169	62 451	29 594	1 466	4 006	58 366	20 638	42 680	121 684
<b>II</b>	23 269	67 588	30 932	1 760	4 395	63 588	19 971	44 384	127 943
<b>III</b>	25 034	69 492	33 235	2 037	3 744	70 002	18 614	44 926	133 542
<b>IV</b>	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020



## 5.6 HELSINKI STOCK EXCHANGE

Average of daily observations	Share prices												Turnover <sup>2</sup> , mill. FIM				
	HEX Index (Dec. 28, 1990=1000)											Unitas index <sup>1</sup> , 1975=100			Shares and subscription rights	Bonds and debentures	Total
	All-share index	By ownership		By industry						All-share index	Banks	Industry					
		Re-restricted	Non-restricted	Banks and finance	Insurance and investment	Manufacturing	Of which										
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			
<b>1987</b>	1 284	1 264	1 385	1 449	1 054	1 285	1 421	1 342	1 369	546	319	603	26 641	4 604	31 245		
<b>1988</b>	1 692	1 727	1 473	1 825	1 371	1 705	1 591	1 629	2 013	677	404	734	31 734	5 718	37 452		
<b>1989</b>	1 827	1 850	1 689	1 958	1 528	1 818	1 728	1 748	2 061	742	441	793	33 160	7 375	40 536		
<b>1990</b>	1 332	1 324	1 395	1 263	1 185	1 376	1 436	1 282	1 474	536	283	595	15 521	4 550	20 071		
<b>1991</b>	962	949	1 062	901	898	1 003	1 075	1 076	1 020	367	206	400	6 339	1 315	7 655		
<b>1991</b>																	
<b>March</b>	1 092	1 077	1 198	1 075	971	1 135	1 235	1 241	1 150	.	.	.	953	141	1 094		
<b>April</b>	1 138	1 123	1 243	1 060	993	1 210	1 279	1 263	1 273	.	.	.	607	117	724		
<b>May</b>	1 071	1 051	1 210	1 001	1 000	1 123	1 169	1 171	1 179	.	.	.	692	62	754		
<b>June</b>	1 031	1 010	1 184	977	963	1 076	1 089	1 128	1 139	.	.	.	710	111	821		
<b>July</b>	983	971	1 076	912	942	1 023	1 032	1 094	1 076	.	.	.	307	51	358		
<b>Aug.</b>	986	971	1 095	915	950	1 025	1 049	1 098	1 073	.	.	.	324	58	382		
<b>Sept.</b>	914	897	1 032	829	904	948	1 007	1 037	974	.	.	.	373	61	433		
<b>Oct.</b>	846	833	945	755	807	891	988	994	889	.	.	.	447	40	487		
<b>Nov.</b>	831	819	927	727	745	884	1 038	978	856	.	.	.	406	36	442		
<b>Dec.</b>	787	779	853	664	618	857	1 060	955	807	.	.	.	487	125	612		
<b>1992</b>																	
<b>Jan.</b>	852	837	961	681	646	950	1 187	1 056	909	.	.	.	790	69	859		
<b>Feb.</b>	904	889	1 011	649	653	1 040	1 252	1 244	990	.	.	.	648	65	712		
<b>March</b>	858	845	959	595	612	991	1 159	1 204	941	.	.	.	581	41	622		

<sup>1</sup> The calculation of the Unitas index was discontinued as from March 1991.

<sup>2</sup> During period.

## 6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

### 6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, f.o.b.	Transport receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Investment income	Transfers and other income	Current account receipts (6+7+8)	Imports of goods, c.i.f.	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>1987</b>	83 826	6 387	3 736	6 099	16 222	100 048	6 162	3 231	109 441	81 867	2 610	6 811	6 488
<b>1988</b>	91 313	7 026	4 280	6 132	17 438	108 750	9 377	4 415	122 543	91 232	3 338	7 907	7 390
<b>1989</b>	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
<b>1990*</b>	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
<b>1991*</b>	91 260	8 037	5 000	5 986	19 023	110 283	13 776	4 601	128 660	86 678	4 442	11 100	10 547
<b>1989</b>													
<b>III</b>	22 534	1 982	1 421	1 466	4 869	27 403	2 368	927	30 698	25 637	1 022	2 431	2 070
<b>IV</b>	27 418	1 879	1 129	2 114	5 122	32 540	3 211	944	36 694	29 708	1 080	2 446	2 285
<b>1990*</b>													
<b>I</b>	24 356	1 984	794	1 621	4 399	28 755	3 190	1 084	33 028	24 732	928	2 514	2 250
<b>II</b>	26 481	2 096	1 070	1 546	4 712	31 193	3 299	1 142	35 634	27 406	1 104	2 581	2 190
<b>III</b>	22 902	2 189	1 598	1 186	4 973	27 875	2 607	1 104	31 587	23 063	1 054	2 912	2 089
<b>IV</b>	26 011	2 078	1 188	1 728	4 994	31 005	3 642	1 130	35 777	26 766	1 277	2 760	2 974
<b>1991*</b>													
<b>I</b>	21 987	1 912	933	1 646	4 492	26 479	3 802	1 104	31 385	22 083	973	2 612	2 727
<b>II</b>	21 255	1 996	1 275	1 410	4 680	25 935	3 169	1 189	30 293	20 975	1 133	2 602	2 486
<b>III</b>	22 793	2 106	1 645	1 385	5 136	27 928	3 618	1 092	32 639	20 600	1 063	2 918	2 460
<b>IV</b>	25 225	2 023	1 146	1 546	4 715	29 940	3 187	1 215	34 343	23 020	1 273	2 968	2 874

During period	Services expenditure, total (11+12+13)	Imports of goods and services (10+14)	Investment expenditure (15+16+17)	Transfers and other expenditure (15+16+17)	Current account expenditure (15+16+17)	Trade account (1-10)	Trans- port (3-12)	Travel (3-12)	Other services (4-13)	Services account (20+21+22)	Goods and services account (19+23)	Investment income, net (7-16)	Transfers and 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
<b>1987</b>	15 909	97 775	13 356	5 860	116 990	1 960	3 778	-3 075	-390	313	2 273	-7 194	-2 629	-7 550
<b>1988</b>	18 634	109 866	17 033	6 975	133 874	80	3 689	-3 627	-1 258	-1 196	-1 116	-7 656	-2 560	-11 331
<b>1989</b>	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
<b>1990*</b>	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
<b>1991*</b>	26 089	112 767	29 934	9 378	152 080	4 582	3 595	-6 100	-4 562	-7 067	-2 485	-16 158	-4 777	-23 420
<b>1989</b>														
<b>III</b>	5 522	31 160	5 332	1 730	38 222	-3 103	960	-1 010	-604	-654	-3 757	-2 964	-804	-7 524
<b>IV</b>	5 811	35 519	6 299	1 827	43 645	-2 291	799	-1 316	-171	-689	-2 980	-3 088	-883	-6 951
<b>1990*</b>														
<b>I</b>	5 693	30 425	6 218	2 167	38 810	-377	1 056	-1 720	-629	-1 293	-1 670	-3 028	-1 084	-5 782
<b>II</b>	5 874	33 281	7 198	2 378	42 857	-925	992	-1 511	-644	-1 163	-2 087	-3 899	-1 236	-7 223
<b>III</b>	6 054	29 117	6 415	2 132	37 665	-161	1 136	-1 314	-903	-1 082	-1 243	-3 808	-1 028	-6 078
<b>IV</b>	7 011	33 777	7 141	2 289	43 207	-755	801	-1 572	-1 246	-2 017	-2 772	-3 499	-1 159	-7 430
<b>1991*</b>														
<b>I</b>	6 312	28 395	7 826	2 834	39 055	-96	939	-1 678	-1 081	-1 821	-1 916	-4 024	-1 729	-7 670
<b>II</b>	6 222	27 197	7 933	2 043	37 173	281	863	-1 328	-1 077	-1 542	-1 261	-4 765	-854	-6 880
<b>III</b>	6 440	27 040	6 881	2 024	35 945	2 192	1 043	-1 272	-1 075	-1 304	888	-3 262	-932	-3 306
<b>IV</b>	7 115	30 136	7 294	2 477	39 907	2 205	750	-1 822	-1 329	-2 400	-195	-4 107	-1 262	-5 564

## 6.2 CAPITAL ACCOUNT<sup>1</sup>, MILL. FIM

During period	Imports of long-term capital					Exports of long-term capital					Long-term capital account (5-10)	Basic balance
	Direct investment in Finland	Portfolio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Portfolio investment abroad	Loans	Other long-term capital	Total (6+7+8+9)		
	1	2	3	4	5	6	7	8	9	10	11	12
<b>1987</b>	1 165	9 319	1 370	91	11 945	5 015	2 285	4 927	272	12 499	-554	-8 104
<b>1988</b>	2 218	14 457	2 960	85	19 720	10 919	1 248	4 249	292	16 708	3 013	-8 319
<b>1989</b>	2 095	14 756	8 608	79	25 538	13 327	180	4 747	273	18 527	7 011	-17 863
<b>1990*</b>	3 023	22 656	19 674	169	45 522	12 548	546	1 807	294	15 195	30 327	3 814
<b>1991*</b>	131	34 876	12 293	561	47 861	8 501	-590	905	87	8 902	38 958	15 538
<b>1989</b>												
<b>III</b>	681	2 841	1 481	-16	4 987	3 626	338	935	12	4 911	76	-7 448
<b>IV</b>	1 012	2 804	5 323	75	9 214	4 136	-190	416	102	4 464	4 750	-2 201
<b>1990*</b>												
<b>I</b>	574	6 788	12 238	126	19 726	2 055	302	807	156	3 320	16 406	10 624
<b>II</b>	272	2 836	1 657	-34	4 731	2 928	-425	395	0	2 898	1 833	-5 390
<b>III</b>	84	6 702	2 518	-26	9 278	2 658	284	195	10	3 147	6 131	53
<b>IV</b>	2 093	6 330	3 261	103	11 787	4 907	385	410	128	5 830	5 957	-1 473
<b>1991*</b>												
<b>I</b>	549	8 008	3 402	-267	11 693	2 090	4	18	165	2 278	9 416	1 746
<b>II</b>	358	14 185	3 758	484	18 784	1 697	-368	643	-19	1 953	16 832	9 952
<b>III</b>	-269	9 243	2 752	-61	11 665	1 966	402	-527	-2	1 839	9 826	6 520
<b>IV</b>	-507	3 440	2 381	404	5 718	2 748	-628	771	-58	2 833	2 885	-2 679

During period	Imports of short-term capital				Exports of short-term capital				Errors and omissions	Short-term capital account (16-20+21)	Overall balance excl. reserve movements (12+22)	Change in central bank's foreign exchange reserves
	Short-term capital imports of authorized banks	Trade credits	Other short-term capital	Total (13+14+15)	Short-term capital exports of authorized banks	Trade credits	Other short-term capital	Total (17+18+19)				
	13	14	15	16	17	18	19	20	21	22	23	24
<b>1987</b>	19 324	-665	3 835	22 494	-9 346	-183	1 268	-8 261	-6 915	23 839	15 736	-15 736
<b>1988</b>	10 950	-399	-811	9 740	1 754	644	1 995	4 393	3 155	8 501	183	-183
<b>1989</b>	4 285	1 627	3 679	9 592	1 873	475	710	3 058	5 368	11 902	-5 961	5 961
<b>1990*</b>	12 352	1 471	-1 822	12 000	-4 318	-864	814	-4 368	-5 091	11 278	15 092	-15 092
<b>1991*</b>	-15 246	1 534	-985	-14 697	3 654	1 662	3 223	8 540	1 294	-21 942	-6 404	6 404
<b>1989</b>												
<b>III</b>	4 047	1 107	537	5 690	3 860	24	264	4 148	2 919	4 462	-2 987	2 987
<b>IV</b>	-16 243	2 915	-148	-13 476	-12 331	24	-615	-12 922	-865	-1 419	-3 620	3 620
<b>1990*</b>												
<b>I</b>	19 514	735	956	21 205	10 570	-593	1 575	11 552	-9 430	222	10 847	-10 847
<b>II</b>	9 095	793	-1 742	8 146	5 078	-593	-103	4 382	2 400	6 164	774	-774
<b>III</b>	-2 325	-351	517	-2 158	-3 743	-58	238	-3 563	602	2 007	2 059	-2 059
<b>IV</b>	-13 932	293	-1 554	-15 192	-16 223	379	-896	-16 740	1 338	2 885	1 412	-1 412
<b>1991*</b>												
<b>I</b>	14 459	-679	2 412	16 192	22 260	-247	3 978	25 991	4 952	-4 848	-3 102	3 102
<b>II</b>	-7 077	-674	-588	-8 339	1 197	-1 193	1 972	1 976	-1 857	-12 172	-2 221	2 221
<b>III</b>	-16 120	1 380	-337	-15 077	-5 103	2 036	1 873	-1 194	458	-13 425	-6 905	6 905
<b>IV</b>	-6 508	1 508	-2 472	-7 472	-14 700	1 066	-4 599	-18 233	-2 258	8 503	5 824	-5 824

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

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

End of period	Long-term liabilities					Long-term assets					Long-term debt, net (5-10)
	Direct investment in Finland	Portfolio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Portfolio investment abroad	Loans	Other long-term capital	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
<b>1987</b>	10 339	54 317	30 379	830	95 865	17 892	6 975	13 638	2 192	40 697	55 168
<b>1988</b>	12 673	68 957	33 117	915	115 662	24 199	8 223	18 002	2 484	52 908	62 754
<b>1989</b>	16 692	82 313	40 110	994	140 109	33 234	7 852	22 581	2 757	66 424	73 685
<b>1990*</b>	17 896	96 543	54 846	4 630	173 915	42 868	7 184	25 595	5 487	81 133	92 782
<b>1991*</b>	18 027	143 769	74 609	5 427	241 832	56 339	7 139	27 919	6 122	97 518	144 314
<b>1989</b>											
<b>III</b>	15 205	79 950	35 418	919	131 492	30 172	8 392	22 317	2 655	63 536	67 956
<b>IV</b>	16 692	82 313	40 110	994	140 109	33 234	7 852	22 581	2 757	66 424	73 685
<b>1990*</b>											
<b>I</b>	16 812	85 070	50 790	1 120	153 792	34 561	8 113	23 149	2 913	68 736	85 056
<b>II</b>	16 629	85 823	52 247	1 086	155 785	36 760	7 715	23 501	2 913	70 889	84 896
<b>III</b>	16 258	89 500	54 362	1 060	161 180	38 690	7 631	23 553	2 923	72 797	88 383
<b>IV</b>	17 896	96 543	54 846	4 630	173 915	42 868	7 184	25 595	5 487	81 133	92 782
<b>1991*</b>											
<b>I</b>	18 445	111 430	59 579	4 234	193 687	44 958	7 214	25 982	5 917	84 072	109 615
<b>II</b>	18 803	125 488	64 991	4 741	214 023	46 655	6 885	27 086	6 061	86 687	127 335
<b>III</b>	18 534	130 483	67 136	4 718	220 871	48 621	7 302	26 013	5 934	87 870	133 001
<b>IV</b>	18 027	143 769	74 609	5 427	241 832	56 339	7 139	27 919	6 122	97 518	144 314

End of period	Short-term liabilities					Short-term assets					Short-term liabilities, net (16-21)	Debt, net (11+22)	Net investment expenditure	Net investment expenditure in relation to current account receipts
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits	Other short-term liabilities	Total (12+13+14+15)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits	Other short-term assets	Total (17+18+19+20)				
	12	13	14	15	16	17	18	19	20	21	22	23	24	25
<b>1987</b>	3 362	73 132	11 470	9 691	97 654	31 134	34 043	15 397	2 663	83 238	14 417	69 585	7 194	6.6
<b>1988</b>	3 341	83 828	11 070	9 039	107 278	32 037	35 797	16 041	4 789	88 664	18 614	81 367	7 656	6.2
<b>1989</b>	3 558	88 751	12 697	12 883	117 889	25 113	37 670	16 516	5 666	84 965	32 924	106 609	11 670	9.0
<b>1990*</b>	3 922	104 087	13 859	13 650	135 518	39 506	31 626	14 764	6 608	92 504	43 014	135 796	14 234	10.5
<b>1991*</b>	3 149	100 636	15 316	14 481	133 582	35 922	35 610	16 891	10 523	98 946	34 635	178 949	16 158	12.6
<b>1989</b>														
<b>III</b>	3 919	104 777	9 783	12 965	131 443	29 839	50 001	16 492	6 212	102 544	28 899	96 855	2 964	9.7
<b>IV</b>	3 558	88 751	12 697	12 883	117 889	25 113	37 670	16 516	5 666	84 965	32 924	106 609	3 088	8.4
<b>1990*</b>														
<b>I</b>	4 036	108 663	13 432	13 808	139 940	35 895	48 239	15 924	7 218	107 276	32 663	117 719	3 028	9.2
<b>II</b>	4 195	118 120	14 226	12 066	148 607	36 764	53 318	15 331	7 126	112 539	36 067	120 963	3 899	10.9
<b>III</b>	4 071	116 509	13 521	12 544	146 645	38 454	49 575	15 273	7 325	110 627	36 019	124 402	3 808	12.1
<b>IV</b>	3 922	104 087	13 859	13 650	135 518	39 506	31 626	14 764	6 608	92 504	43 014	135 796	3 499	9.8
<b>1991*</b>														
<b>I</b>	3 399	119 227	13 071	17 102	152 798	37 748	52 566	14 514	11 366	116 194	36 605	146 220	4 024	12.8
<b>II</b>	2 889	113 157	12 388	17 386	145 820	36 023	53 362	13 342	13 753	116 480	29 340	156 675	4 765	15.7
<b>III</b>	2 826	100 119	13 768	16 837	133 551	29 006	47 502	15 385	15 153	107 045	26 506	159 507	3 262	10.0
<b>IV</b>	3 149	100 636	15 316	14 481	133 582	35 922	35 610	16 891	10 523	98 946	34 635	178 949	4 107	12.0

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

End of period	Long-term liabilities					Long-term assets						Long-term liabilities, net (6-12)	
	Corporate sector	Banks	Other financial institutions	Central government	Other	Total (1+2+3+4+5)	Corporate sector	Banks	Other financial institutions	Central government	Other		Total (7+8+9+10+11)
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>1987</b>	39 522	17 365	9 777	28 691	509	95 865	19 493	14 509	3 403	2 653	639	40 697	55 168
<b>1988</b>	46 471	27 427	14 339	26 926	499	115 662	25 093	20 192	3 573	3 101	949	52 908	62 754
<b>1989</b>	58 602	40 199	17 671	23 063	574	140 109	34 999	24 058	2 313	3 517	1 537	66 424	73 685
<b>1990*</b>	67 585	56 394	21 680	27 635	621	173 915	44 579	28 153	2 075	4 279	2 047	81 133	92 782
<b>1991*</b>	83 478	69 325	31 672	56 537	820	241 832	58 818	29 286	2 065	4 752	2 597	97 518	144 314
<b>1989</b>													
<b>III</b>	52 901	36 375	17 942	23 783	491	131 492	31 816	23 317	3 695	3 374	1 334	63 536	67 956
<b>IV</b>	58 602	40 199	17 671	23 063	574	140 109	34 999	24 058	2 313	3 517	1 537	66 424	73 685
<b>1990*</b>													
<b>I</b>	63 700	47 491	19 518	22 478	604	153 792	35 917	25 018	2 388	3 699	1 714	68 736	85 056
<b>II</b>	62 810	50 028	20 722	21 588	636	155 785	38 010	25 172	2 118	3 734	1 855	70 889	84 896
<b>III</b>	62 359	54 380	21 121	22 647	673	161 180	39 755	25 547	1 763	3 772	1 960	72 797	88 383
<b>IV</b>	67 585	56 394	21 680	27 635	621	173 915	44 579	28 153	2 075	4 279	2 047	81 133	92 782
<b>1991*</b>													
<b>I</b>	72 749	58 297	25 781	36 123	737	193 687	47 197	27 857	2 114	4 651	2 252	84 072	109 615
<b>II</b>	78 621	65 895	29 985	38 814	708	214 023	49 433	27 758	2 093	5 040	2 362	86 687	127 335
<b>III</b>	78 706	66 897	30 201	44 332	735	220 871	51 286	27 286	2 109	4 655	2 534	87 870	133 001
<b>IV</b>	83 478	69 325	31 672	56 537	820	241 832	58 818	29 286	2 065	4 752	2 597	97 518	144 314

## 7. FOREIGN TRADE

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

During period	Exports, f.o.b.	Imports, c.i.f.	Balance (1-2)
	1	2	3
<b>1987</b>	85 516	82 807	2 709
<b>1988</b>	92 902	92 118	784
<b>1989</b>	99 784	105 516	-5 732
<b>1990*</b>	101 327	103 027	-1 700
<b>1991*</b>	92 876	87 720	5 156
<b>1991</b>			
<b>Feb.</b>	6 946	7 224	-278
<b>March</b>	7 665	7 546	119
<b>April</b>	8 704	7 871	833
<b>May</b>	7 651	7 184	467
<b>June</b>	5 294	6 202	-908
<b>July</b>	8 026	7 069	957
<b>Aug.</b>	7 057	6 706	351
<b>Sept.</b>	8 156	7 139	1 017
<b>Oct.</b>	8 495	7 833	662
<b>Nov.</b>	8 973	7 281	1 692
<b>Dec.</b>	8 209	8 164	45
<b>1992*</b>			
<b>Jan.</b>	7 583	7 217	366
<b>Feb.</b>	8 275	7 751	524

### 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
<b>1987</b>	118	119	138	119	116
<b>1988</b>	121	130	145	122	119
<b>1989</b>	121	144	156	126	123
<b>1990*</b>	125	138	154	128	120
<b>1991*</b>	114	115	154	131	118
<b>1989</b>					
<b>III</b>	112	141	155	126	124
<b>IV</b>	134	163	157	126	125
<b>1990*</b>					
<b>I</b>	122	134	153	128	120
<b>II</b>	132	151	154	126	122
<b>III</b>	114	124	155	129	120
<b>IV</b>	130	139	154	133	116
<b>1991*</b>					
<b>I</b>	110	117	154	131	118
<b>II</b>	107	112	153	130	118
<b>III</b>	113	109	156	132	119
<b>IV</b>	124	118	156	135	116

### 7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, f.o.b.					Imports by use of goods, c.i.f.				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
<b>1987</b>	7 470	27 058	7 770	26 230	16 988	41 175	9 406	14 138	17 478	610
<b>1988</b>	7 567	30 474	8 450	29 225	17 186	45 791	7 533	17 274	20 828	692
<b>1989</b>	7 416	32 513	8 844	32 682	18 329	51 786	8 310	20 606	24 055	759
<b>1990*</b>	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
<b>1991*</b>	7 009	29 699	10 538	29 163	16 467	42 440	9 445	14 009	21 205	621
<b>1991*</b>										
<b>Feb.</b>	555	2 394	821	1 920	1 256	3 654	427	1 221	1 916	6
<b>March</b>	571	2 616	902	2 260	1 316	3 668	527	1 174	2 168	9
<b>April</b>	578	2 577	896	3 297	1 356	3 912	600	1 326	1 998	35
<b>May</b>	592	2 454	835	2 396	1 374	3 774	700	1 091	1 612	7
<b>June</b>	283	1 009	804	2 035	1 163	3 005	905	957	1 299	36
<b>July</b>	705	3 277	693	2 135	1 216	3 453	670	1 109	1 833	4
<b>Aug.</b>	572	2 587	733	1 854	1 311	3 225	806	992	1 650	33
<b>Sept.</b>	643	2 442	955	2 548	1 568	3 534	854	1 015	1 734	2
<b>Oct.</b>	655	2 681	965	2 630	1 564	3 567	1 205	1 128	1 803	130
<b>Nov.</b>	680	2 835	1 062	2 880	1 516	3 544	979	1 003	1 732	23
<b>Dec.</b>	576	2 429	976	2 795	1 433	3 610	991	1 658	1 651	254
<b>1992*</b>										
<b>Jan.</b>	528	2 444	987	2 197	1 427	3 574	690	1 090	1 747	116
<b>Feb.</b>	643	2 589	1 087	2 302	1 654	3 847	611	1 280	1 895	117

## 7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, f.o.b.				Imports, c.i.f.			
	1991*		1992* January		1991*		1992* January	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period on the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
<b>All OECD countries</b>	75 815	81.6	6 219	1.3	70 038	79.8	5 695	-4.3
<b>OECD Europe</b>	67 045	72.2	5 612	1.4	57 797	65.9	4 656	-4.8
Of which:								
Austria	1 227	1.3	101	20.3	1 054	1.2	80	1.5
Belgium and Luxembourg	2 404	2.6	216	13.8	2 252	2.6	199	10.2
Denmark	3 446	3.7	314	8.9	3 006	3.4	250	21.2
France	5 499	5.9	500	4.0	3 673	4.2	315	-13.7
Germany	14 333	15.4	1 242	5.6	14 835	16.9	1 110	-7.6
Italy	3 304	3.6	287	9.0	3 661	4.2	256	-15.9
Netherlands	4 655	5.0	425	17.2	2 968	3.4	278	8.0
Norway	3 080	3.3	232	-4.6	3 991	4.6	337	-9.9
Spain	2 534	2.7	209	1.2	1 008	1.1	139	25.6
Sweden	12 886	13.9	1 000	-10.5	10 797	12.3	806	-16.1
Switzerland	1 813	2.0	154	-10.1	1 573	1.8	129	-6.6
United Kingdom	9 617	10.4	755	-2.8	6 749	7.7	577	6.9
<b>Other OECD</b>	8 770	9.4	606	-0.3	12 241	14.0	1 038	-1.6
Of which:								
Canada	720	0.8	36	-24.5	547	0.6	39	-25.5
Japan	1 393	1.5	130	11.4	5 287	6.0	436	-10.0
United States	5 648	6.1	356	-7.0	6 026	6.9	539	9.2
<b>Non-OECD European countries</b>	6 423	6.9	618	-10.7	9 539	10.9	758	-5.8
Of which:								
Russia <sup>1</sup>	4 522	4.9	334	-42.8	7 461	8.5	575	-11.3
<b>Other countries</b>	10 638	11.5	746	-13.0	8 144	9.3	764	2.2
Of which:								
<b>OPEC countries</b>	1 977	2.1	100	-39.1	1 302	1.5	128	-48.0
<b>TOTAL</b>	92 876	100.0	7 583	-1.4	87 720	100.0	7 217	-3.8
Of which:								
<b>EC countries</b>	47 585	51.2	4 086	5.1	40 240	45.9	3 292	-1.1
<b>EFTA countries</b>	19 115	20.6	1 494	-7.9	17 452	19.9	1 354	-12.9

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

## 8. DOMESTIC ECONOMIC DEVELOPMENTS

### 8.1 SUPPLY AND USE OF RESOURCES, MILL. FIM, 1985 PRICES

(seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4	5	6	7	8	9
<b>1987</b>	199 981	73 458	72 761	11 654	2 246	360 100	102 127	106 568	355 659
<b>1988</b>	209 956	75 190	81 839	11 446	9 062	387 493	105 897	118 405	374 985
<b>1989</b>	218 775	77 117	95 178	11 234	14 056	416 360	107 552	128 834	395 078
<b>1990*</b>	219 654	80 600	88 534	12 691	13 675	415 154	109 236	127 735	396 655
<b>1991*</b>	210 048	82 433	71 258	12 718	4 735	381 192	102 255	110 820	372 627
<b>1989</b>									
<b>III</b>	54 850	19 327	24 486	2 832	4 467	105 962	26 153	32 800	99 315
<b>IV</b>	55 135	19 488	25 129	2 990	4 546	107 288	27 626	34 301	100 612
<b>1990*</b>									
<b>I</b>	55 028	19 885	23 746	3 161	2 916	104 736	27 310	32 548	99 497
<b>II</b>	55 396	20 075	22 164	3 306	4 601	105 541	29 005	34 251	100 295
<b>III</b>	54 836	20 244	21 251	3 076	3 409	102 815	26 442	30 242	99 015
<b>IV</b>	54 394	20 396	21 374	3 148	2 750	102 061	26 479	30 694	97 847
<b>1991*</b>									
<b>I</b>	53 206	20 343	20 509	3 084	2 091	99 234	25 740	29 597	95 376
<b>II</b>	52 505	20 541	18 568	3 332	591	95 537	24 376	26 728	93 186
<b>III</b>	52 423	20 704	17 168	3 248	-106	93 438	26 849	27 672	92 614
<b>IV</b>	51 914	20 845	15 013	3 053	2 159	92 983	25 290	26 822	91 451

### 8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1985=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manufacturing	Wood and paper industries	Metal and engineering industries	Other manufacturing	Energy and water supply
	(100.0)	(1.6)	(87.9)	(16.5)	(30.0)	(41.4)	(10.5)
	1	2	3	4	5	6	7
<b>1987</b>	107.2	99.9	107.2	106.5	110.2	105.4	107.8
<b>1988</b>	110.9	108.8	111.0	113.1	114.5	107.6	110.1
<b>1989</b>	114.6	117.9	115.0	116.6	121.5	109.6	110.5
<b>1990*</b>	113.9	115.5	114.0	114.6	121.8	108.0	112.9
<b>1991*</b>	104.2	101.4	102.4	103.9	107.7	97.8	119.6
<b>1991*</b>							
<b>Jan.</b>	109.8	112.5	108.7	107.1	118.0	102.4	116.8
<b>Feb.</b>	107.4	108.4	105.1	105.1	111.9	100.0	123.4
<b>March</b>	108.3	107.5	107.2	107.8	115.2	100.9	116.8
<b>April</b>	105.9	100.4	104.4	107.2	110.3	99.8	119.8
<b>May</b>	105.2	90.2	103.3	106.7	111.3	96.2	124.1
<b>June</b>	100.0	79.7	98.9	90.4	103.0	97.3	115.2
<b>July</b>	106.7	101.8	104.5	105.4	110.0	101.0	122.2
<b>Aug.</b>	102.1	111.7	100.0	102.4	103.0	97.0	120.9
<b>Sept.</b>	101.5	103.9	99.1	103.4	102.0	95.3	125.7
<b>Oct.</b>	100.8	102.5	98.1	103.3	101.6	93.5	123.1
<b>Nov.</b>	100.3	95.9	98.5	103.4	101.2	94.3	114.9
<b>Dec.</b>	102.1	101.6	100.7	104.2	104.7	96.4	112.1
<b>1992*</b>							
<b>Jan.</b>	104.5	109.0	102.7	103.2	111.2	96.1	116.5



### 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
<b>1987</b>	111.3	107.7	95.6	89.0	101.0	102.6	114.3	107.0
<b>1988</b>	116.7	113.0	108.6	106.0	113.4	110.6	135.0	110.7
<b>1989</b>	124.2	117.0	130.3	132.9	137.6	125.2	161.4	115.5
<b>1990*</b>	119.9	111.7	127.3	124.8	161.7	122.1	144.6	116.7
<b>1991*</b>	101.2	103.9	104.4	95.2	128.5	108.3	102.3	110.7
<b>1990*</b>								
<b>Dec.</b>	107.1	106.7	..	..	..	..	..	113.3
<b>IV</b>	112.8	108.9	118.8	114.0	166.8	117.4	144.1	114.7
<b>1991*</b>								
<b>Jan.</b>	111.1	104.9	..	..	..	..	..	113.8
<b>Feb.</b>	108.4	104.6	..	..	..	..	..	112.3
<b>March</b>	96.2	102.7	..	..	..	..	..	111.3
<b>April</b>	109.0	106.5	..	..	..	..	..	112.1
<b>May</b>	101.8	105.1	..	..	..	..	..	110.9
<b>June</b>	97.8	103.7	..	..	..	..	..	108.7
<b>July</b>	107.3	107.2	..	..	..	..	..	112.6
<b>Aug.</b>	99.3	104.3	..	..	..	..	..	109.9
<b>Sept.</b>	99.5	103.4	..	..	..	..	..	110.0
<b>Oct.</b>	94.8	102.5	..	..	..	..	..	109.0
<b>Nov.</b>	94.9	102.3	..	..	..	..	..	108.6
<b>Dec.</b>	94.5	100.1	..	..	..	..	..	109.3
<b>I</b>	105.2	104.1	112.9	109.4	156.3	109.4	110.0	112.5
<b>II</b>	102.8	105.1	111.6	100.9	153.5	118.0	100.4	110.6
<b>III</b>	102.0	105.0	99.5	90.3	90.6	109.6	86.3	110.9
<b>IV</b>	94.7	101.6	93.6	80.0	113.6	96.1	112.6	109.0

## 8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which: Manufacturing (SIC3)	Central government	Local government	Non-profit institutions			Domestic goods	Imported goods		Exported goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>1987</b>	114.4	114.5	113.4	115.7	113.3	115.2	107.2	97.9	100.2	89.3	97.3	98.1	96.8	109.1
<b>1988</b>	124.7	124.6	122.7	128.8	122.0	128.0	112.6	101.5	104.9	89.1	101.7	103.8	100.7	116.3
<b>1989</b>	135.7	136.5	133.8	137.4	132.1	137.1	120.0	107.3	111.3	92.6	107.8	110.5	106.4	125.5
<b>1990<sup>1</sup></b>	148.2	148.9	146.9	149.8	144.8	150.1	127.3	110.9	115.7	93.6	110.0	110.4	109.8	134.5
<b>1991<sup>1</sup></b>	157.4	158.1	155.9	158.2	154.4	158.2	132.6	111.2	115.8	94.2	109.9	108.7	110.4	137.3
<b>1990<sup>1</sup> IV</b>	153.3	154.1	152.5	153.9	150.0	154.0	129.1	112.6	117.0	96.6	110.9	110.3	111.2	136.8
<b>1991<sup>1</sup> Feb.</b>	..	..	..	..	..	..	131.6	111.6	116.7	92.8	110.2	109.2	110.7	136.8
<b>March</b>	..	..	..	..	..	..	131.7	111.5	116.5	93.3	109.8	108.6	110.4	137.4
<b>April</b>	..	..	..	..	..	..	132.2	111.2	116.0	93.5	109.5	108.7	109.9	137.4
<b>May</b>	..	..	..	..	..	..	132.8	111.2	116.0	93.6	109.4	108.4	109.9	137.4
<b>June</b>	..	..	..	..	..	..	132.7	111.1	116.0	93.5	109.8	109.0	110.2	137.2
<b>July</b>	..	..	..	..	..	..	132.7	111.0	115.6	94.0	109.6	108.3	110.2	137.8
<b>Aug.</b>	..	..	..	..	..	..	132.8	110.8	115.2	94.5	109.4	108.2	110.1	137.5
<b>Sept.</b>	..	..	..	..	..	..	133.0	110.8	115.3	94.4	109.7	108.5	110.3	137.8
<b>Oct.</b>	..	..	..	..	..	..	133.3	111.0	115.6	94.4	109.8	108.0	110.7	137.5
<b>Nov.</b>	..	..	..	..	..	..	133.4	111.2	115.3	96.1	110.1	108.4	110.9	137.4
<b>Dec.</b>	..	..	..	..	..	..	134.0	111.3	115.4	96.3	110.8	110.7	110.9	137.1
<b>I</b>	154.5	155.5	153.7	154.6	150.8	154.3	131.4	111.6	116.6	93.4	110.1	108.9	110.6	137.1
<b>II</b>	157.4	158.3	156.1	158.2	153.9	158.2	132.6	111.1	116.0	93.5	109.6	108.7	110.0	137.3
<b>III</b>	158.4	158.8	156.0	159.9	155.9	159.9	132.8	110.8	115.4	94.3	109.6	108.3	110.2	137.7
<b>IV</b>	159.4	159.9	157.9	160.1	156.9	160.2	133.6	111.1	115.4	95.6	110.3	109.0	110.8	137.3
<b>1992</b>														
<b>Jan.</b>	..	..	..	..	..	..	134.7	111.8	115.4	98.4	111.1	111.4	111.0	136.5
<b>Feb.</b>	..	..	..	..	..	..	135.0	112.0	115.6	99.0	111.4	111.6	111.3	136.5

<sup>1</sup> Preliminary figures for columns 1—6.

## 8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status			By industry			Unemployed	Unemployment rate	
				Self-employed	Wage and salary earners	Agri-culture and forestry	Industry	Con-struction	Service Industries			
		1000 persons										
		%									%	
		1	2	3	4	5	6	7	8	9	10	11
<b>1987</b>	68.6	2 554	2 423	372	2 051	251	569	184	1 419	130	5.1	
<b>1988</b>	68.4	2 546	2 431	368	2 062	238	553	188	1 452	116	4.6	
<b>1989</b>	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5	
<b>1990</b>	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4	
<b>1991</b>	67.4	2 533	2 340	340	2 000	197	502	179	1 461	193	7.6	
<b>1991</b>												
<b>Jan.</b>	67.9	2 548	2 425	346	2 079	202	533	203	1 487	123	4.8	
<b>Feb.</b>	67.4	2 528	2 386	348	2 038	198	524	194	1 470	142	5.6	
<b>March</b>	68.3	2 565	2 415	359	2 056	200	527	188	1 500	150	5.8	
<b>April</b>	67.9	2 548	2 389	344	2 045	198	514	193	1 484	159	6.2	
<b>May</b>	67.4	2 530	2 360	342	2 018	196	516	186	1 461	170	6.7	
<b>June</b>	67.2	2 525	2 339	345	1 994	193	510	179	1 457	186	7.4	
<b>July</b>	67.2	2 527	2 330	330	2 000	196	498	180	1 456	197	7.8	
<b>Aug.</b>	67.2	2 529	2 327	340	1 987	205	494	180	1 448	202	8.0	
<b>Sept.</b>	67.0	2 522	2 297	326	1 970	189	485	164	1 459	225	8.9	
<b>Oct.</b>	67.0	2 525	2 282	330	1 952	198	480	158	1 445	243	9.6	
<b>Nov.</b>	66.9	2 523	2 273	337	1 936	196	473	166	1 439	250	9.9	
<b>Dec.</b>	66.9	2 526	2 257	331	1 926	197	472	158	1 430	268	10.6	
<b>1992</b>												
<b>Jan.</b>	66.6	2 514	2 237	333	1 904	196	466	152	1 423	277	11	

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

During period	Revenue							Expenditure			
	Direct taxes	Indirect taxes	Other taxes and similar revenue	Other revenue	Revenue before financial transactions (1+2+3+4)	Redemptions of loans granted by the state	Revenue before borrowing (5+6)	Consumption	Transfers and subsidies	Of which:	
	1	2	3	4	5	6	7	8	9	10	11
<b>1986</b>	28 079	51 733	323	11 640	91 774	2 209	93 983	26 354	52 845	23 215	28 131
<b>1987</b>	29 454	57 312	491	12 391	99 648	2 482	102 129	29 419	59 498	26 456	30 964
<b>1988</b>	35 339	66 348	473	13 629	115 789	2 557	118 346	32 266	65 502	29 757	33 108
<b>1989</b>	39 397	76 458	471	15 990	132 316	3 926	136 241	35 082	72 008	33 244	35 715
<b>1990</b>	42 611	77 364	953	18 423	139 351	4 260	143 611	41 535	81 190	37 646	40 313
<b>1990</b>											
<b>Nov.</b>	4 576	5 868	77	1 871	12 393	701	13 094	3 493	7 574	3 212	4 192
<b>Dec.</b>	4 045	8 332	222	2 740	15 339	278	15 616	3 730	8 101	3 311	4 150
<b>1991</b>											
<b>Jan.</b>	2 877	6 212	229	1 127	10 445	7	10 452	3 947	7 435	3 102	4 188
<b>Feb.</b>	2 995	6 373	111	1 174	10 653	121	10 775	3 421	7 309	3 079	3 422
<b>March</b>	2 876	5 452	126	1 522	9 976	64	10 040	3 453	7 218	3 431	3 667
<b>April</b>	2 954	5 586	44	2 607	11 191	1 771	12 962	3 638	8 726	3 286	5 333
<b>May</b>	1 575	6 096	70	1 471	9 212	341	9 553	3 784	8 164	3 600	4 278
<b>June</b>	5 619	6 144	-81	1 615	13 297	499	13 797	3 789	8 622	4 041	4 109
<b>July</b>	5 450	6 176	97	1 794	13 517	144	13 661	4 778	7 889	3 360	4 290
<b>Aug.</b>	3 120	6 425	77	1 020	10 642	157	10 799	3 247	7 817	3 387	4 205
<b>Sept.</b>	3 336	6 164	69	1 303	10 872	124	10 996	3 610	7 895	3 458	4 271
<b>Oct.</b>	3 080	5 759	99	1 150	10 088	85	10 174	3 763	9 259	3 433	5 574
<b>Nov.</b>	3 296	6 173	229	1 763	11 461	711	12 172	3 728	10 423	4 263	5 979

During period	Expenditure					Financial balance			
	Fixed investment	Other expenditure	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)
	12	13	14	15	16	17	18	19	20
<b>1986</b>	6 111	5 058	90 368	4 913	95 281	1 406	-1 298	4 203	2 905
<b>1987</b>	7 089	4 732	100 738	5 672	106 410	-1 090	-4 280	7 604	3 324
<b>1988</b>	7 565	5 614	110 946	6 529	117 476	4 842	870	2 417	3 287
<b>1989</b>	8 393	5 343	120 826	7 566	128 390	11 490	7 851	-4 009	3 842
<b>1990</b>	5 962	4 927	133 614	9 319	142 934	5 737	678	4 202	4 880
<b>1990</b>									
<b>Nov.</b>	565	114	11 745	804	12 549	648	545	1 492	2 038
<b>Dec.</b>	738	370	12 939	926	13 866	2 400	1 750	4 738	6 489
<b>1991</b>									
<b>Jan.</b>	359	612	12 353	918	13 272	-1 908	-2 820	2 173	-647
<b>Feb.</b>	333	288	11 351	774	12 125	-698	-1 350	-152	-1 502
<b>March</b>	380	641	11 692	958	12 649	-1 716	-2 609	4 634	2 025
<b>April</b>	418	1 050	13 832	2 893	16 725	-2 641	-3 763	-17	-3 780
<b>May</b>	505	891	13 344	1 051	14 394	-4 132	-4 841	1 080	-3 760
<b>June</b>	450	311	13 172	1 429	14 601	125	-804	492	-312
<b>July</b>	460	187	13 314	847	14 162	203	-501	2 382	1 881
<b>Aug.</b>	416	-67	11 413	826	12 240	-771	-1 441	1 180	-261
<b>Sept.</b>	498	523	12 526	829	13 355	-1 654	-2 359	3 242	883
<b>Oct.</b>	567	713	14 302	993	15 295	-4 214	-5 121	4 991	-130
<b>Nov.</b>	458	327	14 936	1 012	15 947	-3 475	-3 775	5 865	2 089

# NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

## GENERAL

### Source

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

### Symbols used

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

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

## NOTES AND EXPLANATIONS TO TABLES

### 1 THE BALANCE SHEET OF THE BANK OF FINLAND

**Table 1.2 Domestic financial sector.** Term claim on deposit banks (Column 13) = term credits (from December 1986 to July 1987) + bank certificates of deposit held by the Bank of Finland (since March 1987). Other liabilities to financial institutions, net (Column 17) = capital import deposits + other liabilities to financial institutions - bonds and debentures - other claims on financial institutions. **Corporate sector.** Claims in the form of special financing (Column 19) = export bills + new-export credits + financing of domestic deliveries. Special deposits, net (Column 20) = deposits for investment and ship purchase + capital import deposits + export deposits + other liabilities to corporations - bonds - other claims on corporations.

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

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

**Table 2.2** As from the beginning of 1990, the statistics on the forward exchange market are based on data on individual contracts against the Finnish markka as reported by banks (excluding Columns 5 and 6). The new statistical system covers all authorized banks and contracts. The rates of exchange used in the statistics are the forward rates on the contract date.

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

### 3 RATES OF INTEREST

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

**Table 3.2** The rates shown are based on the lending rates quoted for the respective currencies in the Euro-market. ECU (Column 1); the weights of the ECU basket, 3 currencies (Column 2): DEM 60, USD 30 and GBP 10 per cent. 14 currencies (Column 3); weighted according to the relative shares of the respective countries in Finland's foreign trade (= weights of the Bank of Finland's trade-weighted currency index = the old Bank of Finland currency index). Until March 1989, the index consisted of 12 currencies.

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

**Table 3.4 Lending.** New credits (Columns 1-4); rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts. Annual rates are arithmetic averages of monthly observations until 1987 after which they are weighted by loan amounts. Average lending rates (Columns 5 and 6) are all weighted by loan amounts. As from January 1989, the loans of Postipankki Ltd have been included in the commercial banks' outstanding stock of loans. **Deposits.** 24-month tax-exempt deposits (Column 7): 24-month deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less 1 percentage point (since December 1989). Other tax-exempt deposits (Column 8): Deposits other than 24-month deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less 4 percentage points (since January 1989). Up till December 1988, the figures for tax-exempt deposits (Columns 7 and 8) are the rates of interest applied to standard tax-exempt deposit accounts as agreed upon between banks. All markka deposits (Column 9): the stock of deposits comprises all markka deposits by the public. The monthly and annual average rates of interest are weighted by deposit amounts. Other funding (Column 10): CDs outstanding + promissory notes + bonds. The average rate of interest is weighted by amounts. Total markka funding (Column 11); markka deposits by the public + banks' other markka funding. The rate of interest is weighted by amounts.

### Table 3.5 Secondary market yields.

Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered rates for taxable, fixed-rate bonds quoted daily by the five largest banks. From June 1990 onwards, the yield on taxable government bonds (Column 3) is calculated by the Bank of Finland as the monthly average of the offered rates quoted daily by the five largest banks. Until January 1992, the yield was calculated on a bullet bond due on March 15, 1994 with a coupon rate of 13 per cent. From February 1992 onwards the yield is calculated on a bullet bond due on January 15, 1999 with a coupon rate of 11 per cent. The annual figure for 1990 is calculated as the arithmetic mean of yields on fixed-rate government bonds with a remaining maturity of between 4 and 5 years. The yield on taxable public issues (Column 4) is calculated as the arithmetic mean of yields on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued by all issuers except the central government with a remaining maturity of between 3 and 6 years. Financial institutions (Column 5): as in Column 4 for issues by financial institutions incl. banks. Corporations (Column 6): as in Column 4 for issues by non-financial corporations. The yield on taxfree public issues (Column 7) is calculated as the arithmetic mean of yields on fixed-rate public bonds with a remaining maturity of between 4 and 5 years. The Bank of Finland calculates the yields for columns 3-7 once a week on the basis of the trading quotations of the Helsinki Stock Exchange. Monthly observations are the averages of weekly observations and annual observations the averages of monthly observations. **The offer yield** on fixed-rate taxable public bonds and debentures (Column 8) is the average yield weighted by issue amounts - in the case of government bonds by amounts sold - on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued during the period.

### 4 RATES OF EXCHANGE

**Table 4.2 FIM/ECU** (Column 1): The markka value of the ECU is calculated as the sum of the dollar amounts of the currencies in the ECU valued at current market rates, for which daily quotations at noon Finnish time are used. The midpoint (Column 2) was FIM 4,87580 from June 7 to November 14, 1991, and has been FIM 5.55841 since November 15, 1991. The markka may fluctuate  $\pm 3$  per cent around the midpoint. The Bank of Finland's trade-weighted currency index (Column 3): The weights are moving averages of the shares of (currently) 14 countries in Finland's for-

eight merchandise trade (only convertible currencies are included). The payments currency index (Column 4): The weights are moving averages of shares of payments currencies (14 convertible currencies) in Finland's foreign trade. The MERM index (Column 5): The weights are fixed 1977 weights computed on the basis of the IMF's world trade model; fourteen currencies are included in this index.

## 5 OTHER DOMESTIC FINANCING

**Table 5.1** Source: Statistics Finland. The public comprises households and non-profit institutions, enterprises (excl. financial institutions) and the local government sector. The table is based on new classifications of Statistics Finland applied since March 1991. Series before March 1991 have been reclassified by the Bank of Finland to conform with the present table, except for columns 3 and 4 where disaggregation was not possible and combined figures are shown. Time deposits (Column 3) consist of all fixed-term deposits. Other deposits (Column 4) include mainly investment accounts with no specific time-period. Other funding (Column 8) comprises CDs, promissory notes and bonds. Since the beginning of 1987, the figures for banks' holdings of CDs issued by other banks, as well as the CD holdings of the Bank of Finland and the central government have been netted out; netting out is done by the Bank of Finland. Hence, this column includes some liabilities held by entities not covered by the above definition of the public.

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

**Table 5.3** Foreign assets, net (Column 1) = the Bank of Finland's foreign claims + banks' foreign claims (incl. foreign claims of banks' foreign branches) - the Bank of Finland's foreign liabilities - banks' foreign liabilities (incl. foreign liabilities of banks' foreign branches). *Domestic credit*. Claims on the central government, net (Column 2) = the Bank of Finland's claims on the central government + banks' claims on the central government - the central government's deposits with the Bank of Finland and Postipankki - loans granted from state funds through banks. Claims on the public (incl. local government), (Column 3) = the Bank of Finland's claims on the private sector + banks' claims on the private sector (loans to the public, bonds and debentures (excl. government bonds and bank debentures), claims on other financial institutions, shares held by banks). Other items, net (Column 5) = capital accounts and other items of the Bank of Finland (incl. private sector time deposits with the Bank of Finland) + capital accounts of deposit banks + unclassified assets and liabilities of deposit banks, net (bank debentures, bank CDs held by the public, other market funding and foreign currency deposits by the public).  $M_1$  (Column 6) = currency in circulation - banks' till money + markka cheque and postal

giro account deposits and transactions account deposits held by the public.  $M_2$  (Column 7) =  $M_1$  + quasi-money (markka time deposits held by the public, excl. deposits with the Bank of Finland).  $M_3$  (Column 8) =  $M_2$  + bank CDs held by the public.

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

**Table 5.5** Source: Table B: Statistics Finland from the beginning of 1991. Tables A and B on the markka bond market include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland.

**Table 5.6** Source: The Helsinki Stock Exchange.

## 6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

**Table 6.1** The figures for the trade and goods and services accounts are compiled in accordance with the System of National Accounts.

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

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

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

## 7 FOREIGN TRADE

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

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

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

## 8 DOMESTIC ECONOMIC DEVELOPMENTS

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

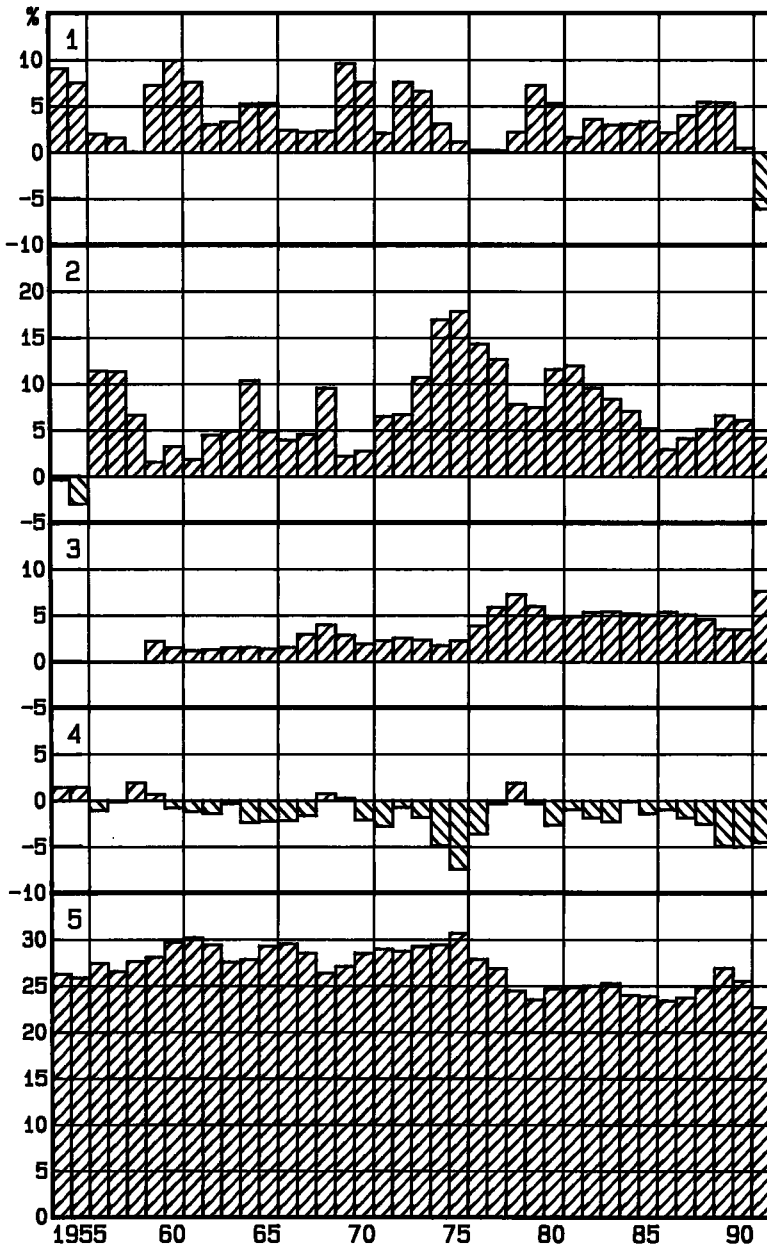
**Table 8.3** The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

**Table 8.4** The consumer price index (Column 7) was revised as from January 1988. Both the weights and the methods of calculation were changed (see the item in the March 1988 issue of the Bulletin). The base year of the new CPI is 1985, while the base year of the index shown until end-1984 is 1981.

**Table 8.6** Source: Ministry of Finance.

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

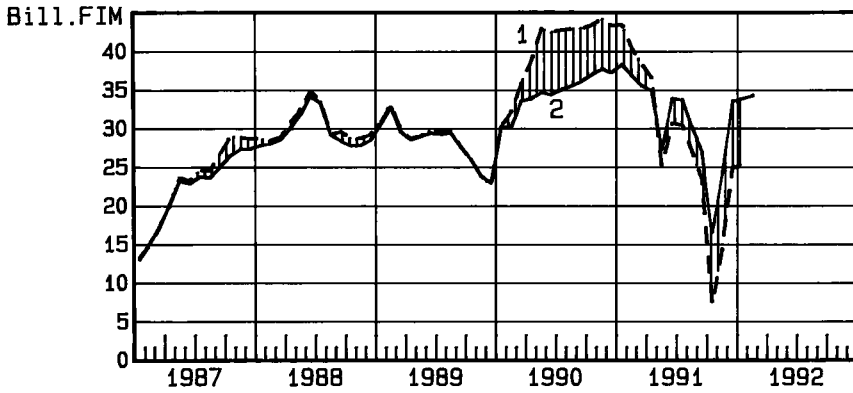
1. LONG-TERM INDICATORS



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

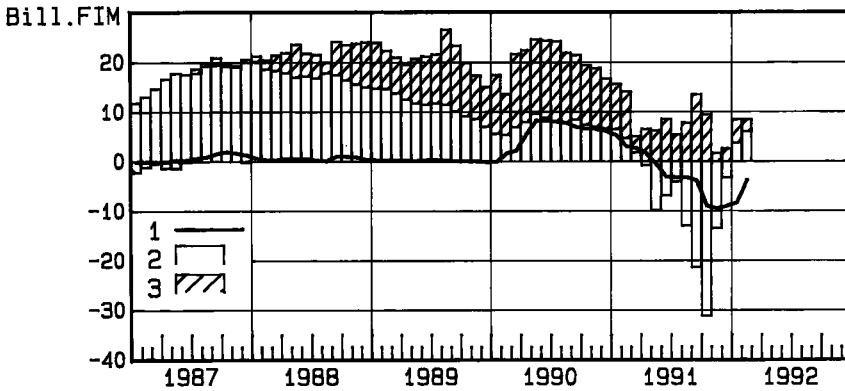


**2. THE BANK OF FINLAND'S FOREIGN EXCHANGE RESERVES AND FORWARD POSITION**



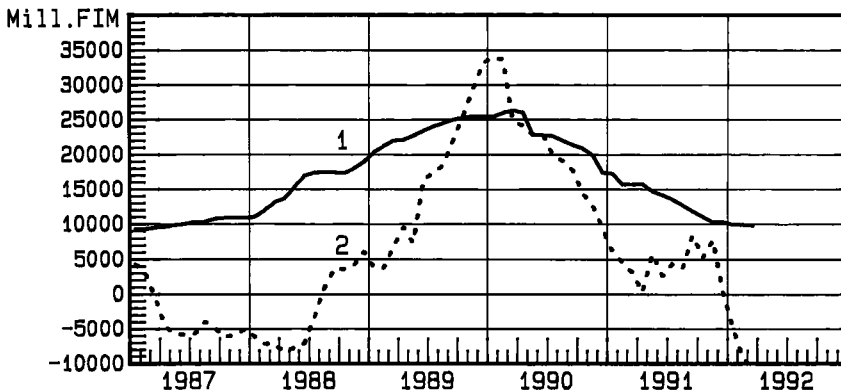
1. Convertible foreign exchange reserves plus forward position
2. Convertible foreign exchange reserves

**3. FORWARD MARKET**



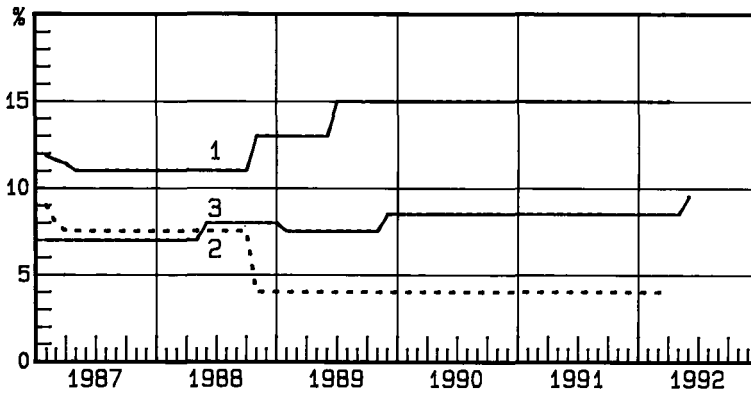
1. Forward exchange purchased by the Bank of Finland from banks
2. Forward exchange sold by companies to banks
3. Forward exchange sold by foreign banks to banks

**4. ITEMS AFFECTING DOMESTIC LIQUIDITY**



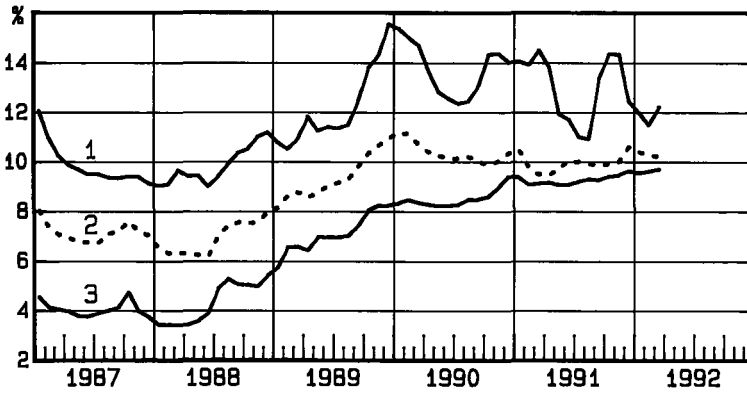
1. Cash reserve deposits
2. Bank of Finland's holdings of money market instruments, net

5. OVERNIGHT RATES



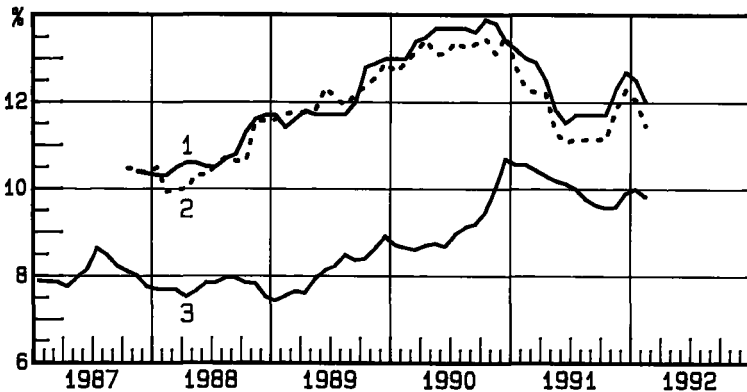
- 1. Inter-bank overnight rate
  - 2. Call money credit rate
  - 3. Call money deposit rate
- Daily observations

6. HELIBOR RATES OF INTEREST



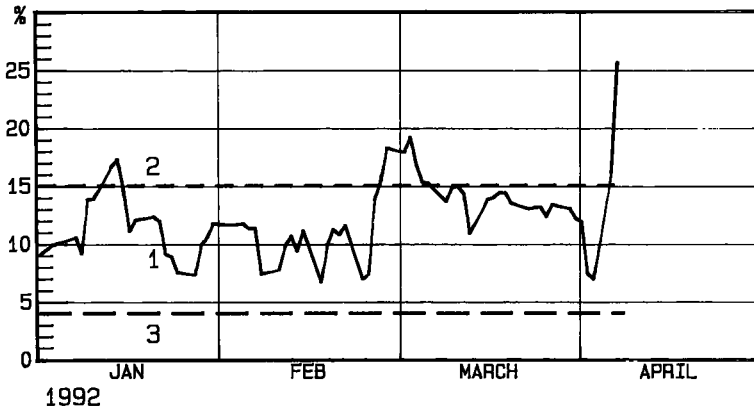
- 1. 1-month HELIBOR
  - 2. 3-month HELIBOR
  - 3. 12-month HELIBOR
- Daily observations

7. HELIBOR RATES OF INTEREST



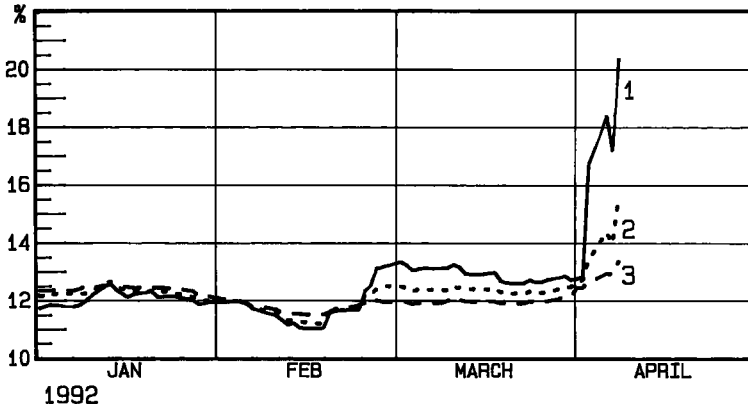
- 1. 1-month HELIBOR
  - 2. 3-month HELIBOR
  - 3. 12-month HELIBOR
- Monthly averages

8. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



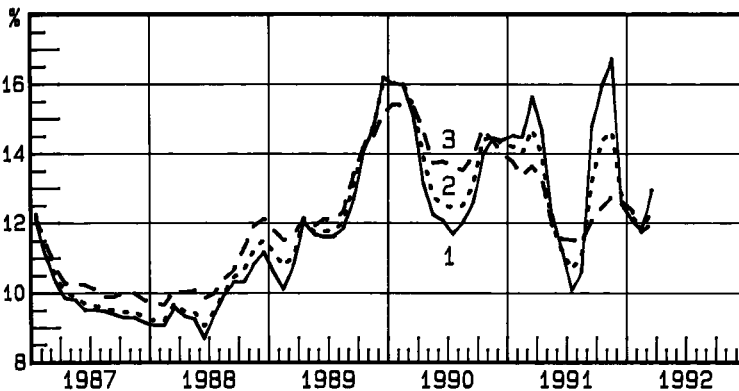
- 1. Call money credit rate
  - 2. Call money deposit rate
  - 3. Base rate
- End-of-month observations

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



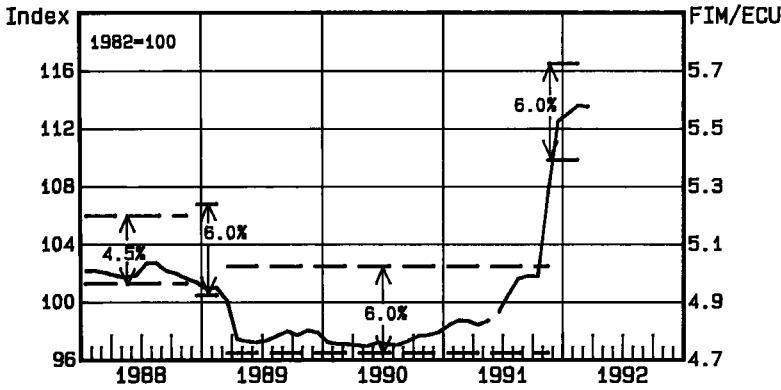
- 1. Covered Eurodollar rate
- 2. ECU rate
- 3. DEM Eurorate

10. YIELDS ON BONDS



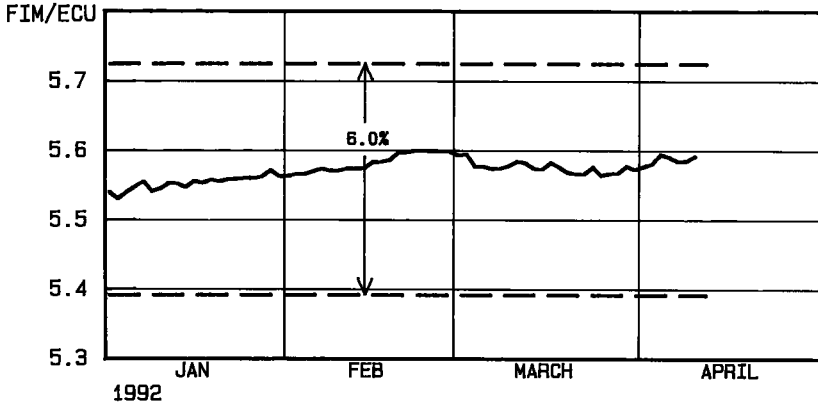
- 1. Bank of Finland's 5-year reference rate
- 2. Until April 1991, yield on (4-5 year) taxable government bonds  
Since May 1991, yield on government bond due on March 15, 1996, coupon rate 11.75 per cent
- 3. Yield on (4-5 year) taxfree government bonds

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



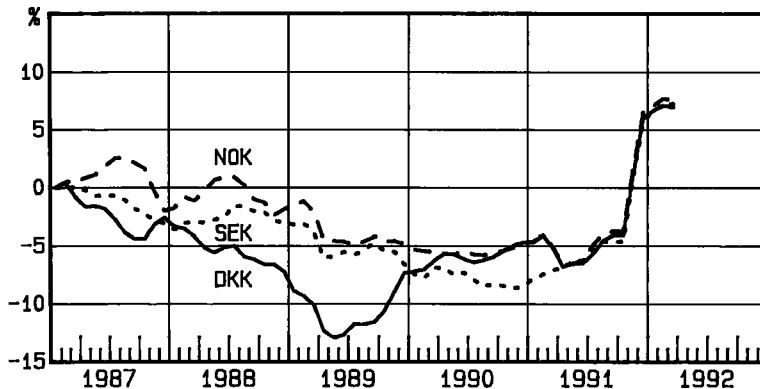
Until June 7, 1991, the Bank of Finland currency index. From June 7, 1991, the markka's exchange rate against the ECU, the fluctuation limits of which were 4.72953 - 5.02207 in the period June 7 - November 14, 1991, and have been 5.39166 - 5.72516 since November 15, 1991. Monthly averages

**12. MARKKA VALUE OF THE ECU**



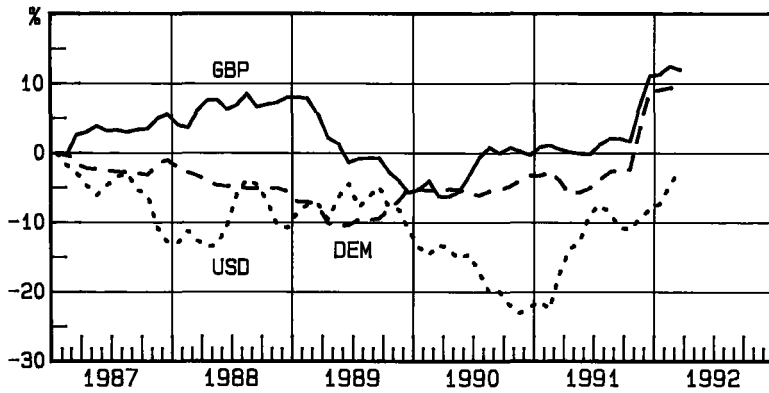
Daily observations

**13. CHANGES IN THE EXCHANGE RATES OF SELECTED NORDIC CURRENCIES**



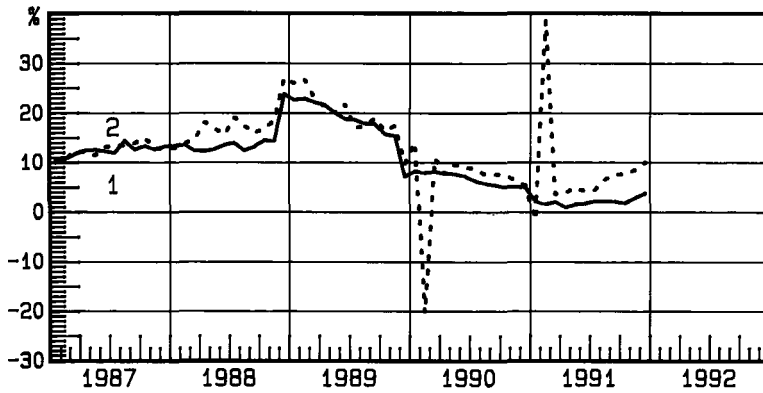
Monthly changes in markka selling rates calculated from the average rates for January 1987

14. CHANGES IN THE EXCHANGE RATES OF SELECTED MAJOR CURRENCIES



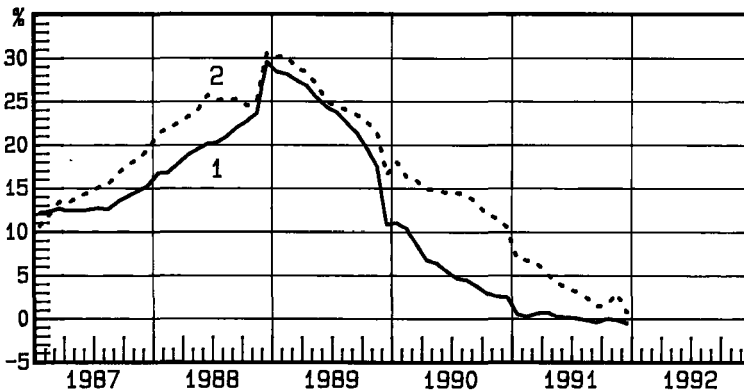
Monthly changes in markka selling rates calculated from the average rates for January 1987

15. BANK FUNDING FROM THE PUBLIC



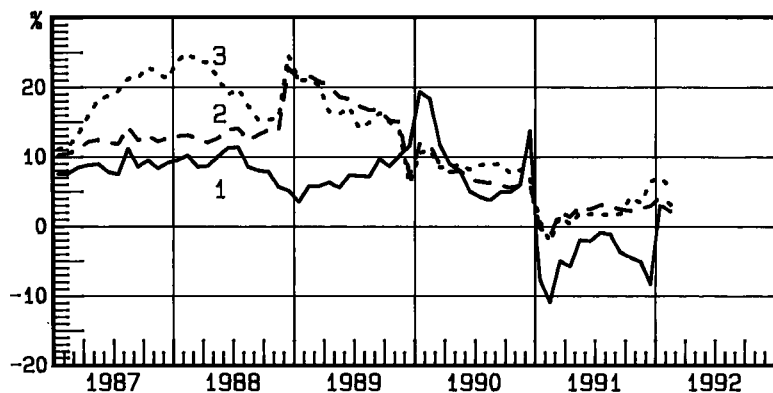
1. Markka deposits  
2. Total funding  
Change from the corresponding month of the previous year, per cent

16. BANK LENDING TO THE PUBLIC



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

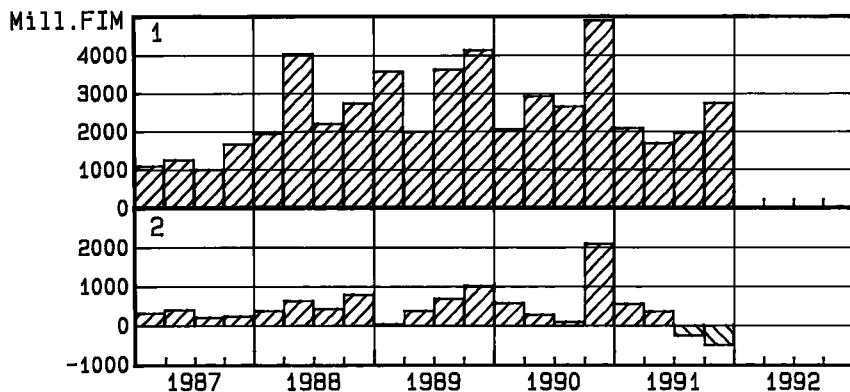
### 17. MONEY SUPPLY



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

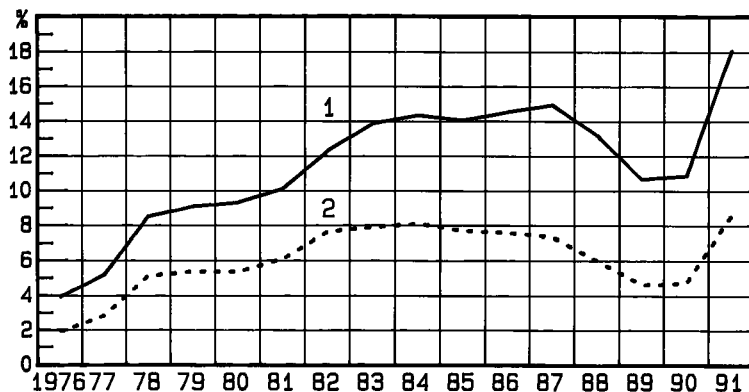
Change from the corresponding month of the previous year, per cent

### 18. DIRECT INVESTMENT



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

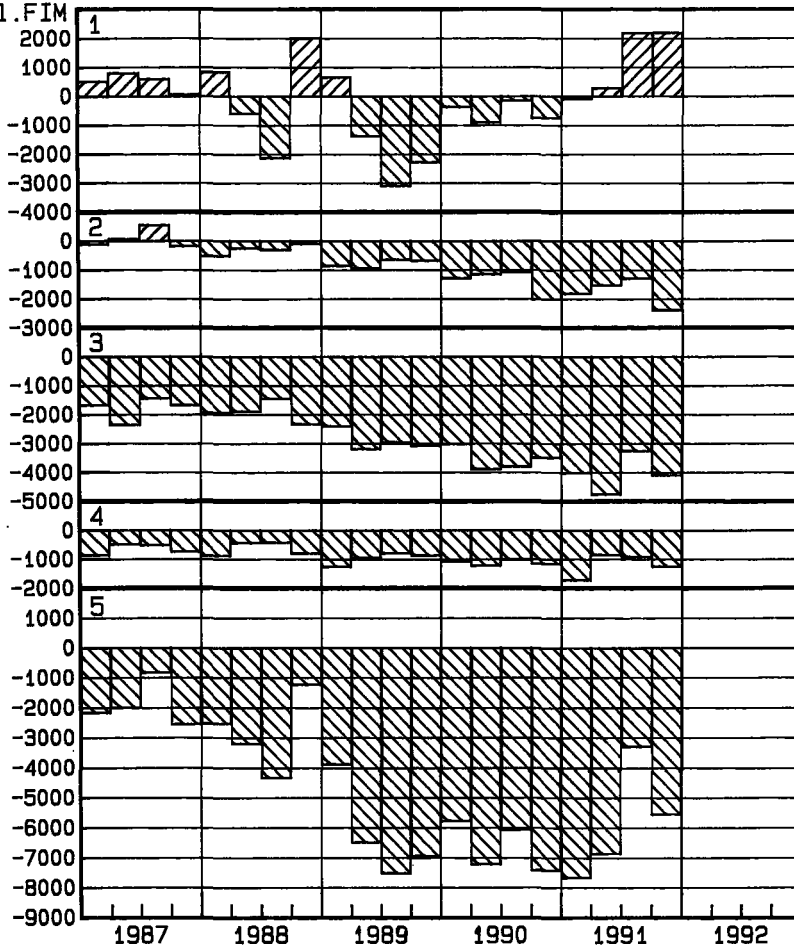
### 19. CENTRAL GOVERNMENT DEBT



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

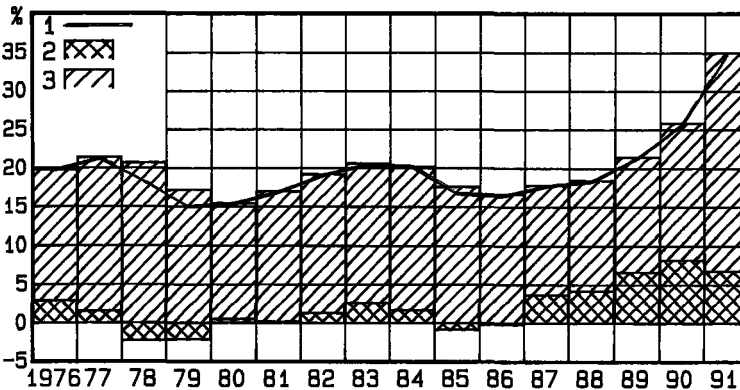
## 20. CURRENT ACCOUNT

Mill.FIM



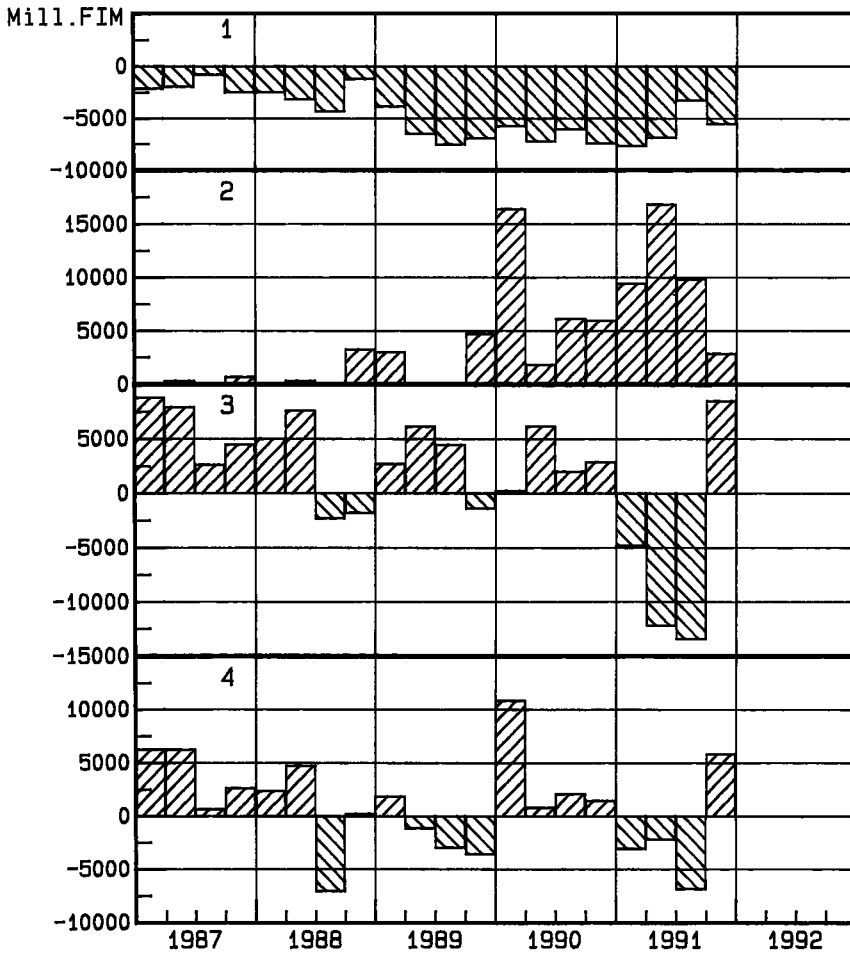
1. Trade account
2. Services account
3. Investment income account
4. Unrequited transfers account and other items, net
5. Current account

## 21. FOREIGN DEBT



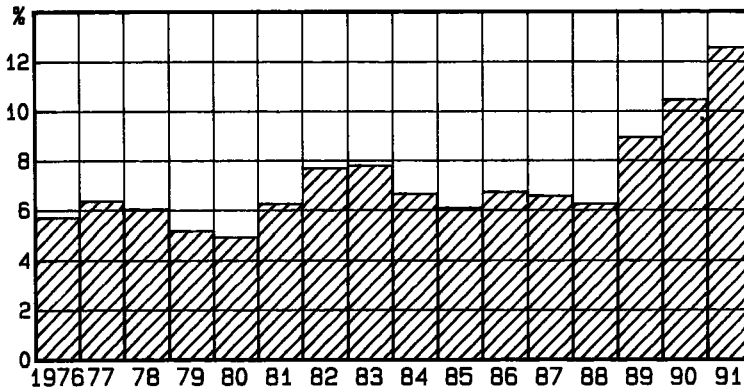
1. Total foreign net debt
  2. Short-term net debt
  3. Long-term net debt
- As a percentage of GDP

## 22. BALANCE OF PAYMENTS



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

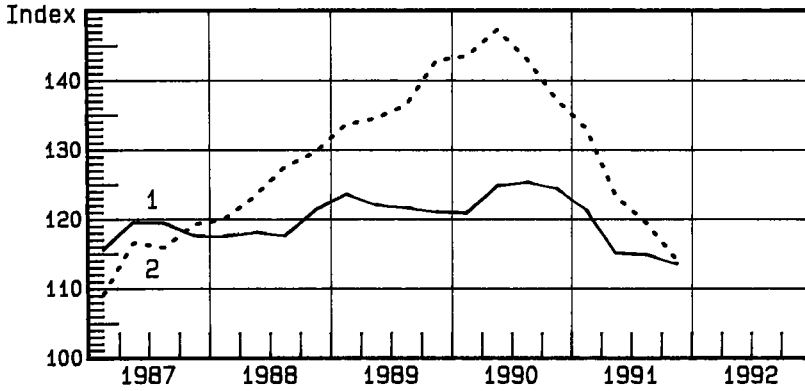
## 23. NET INVESTMENT EXPENDITURE



As a percentage of current account receipts

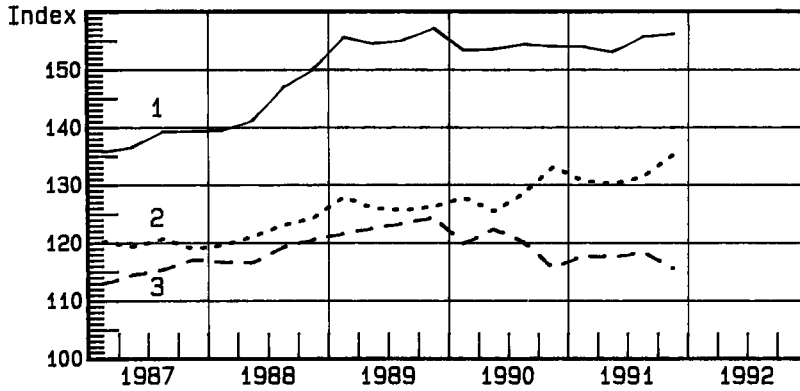


24. FOREIGN TRADE



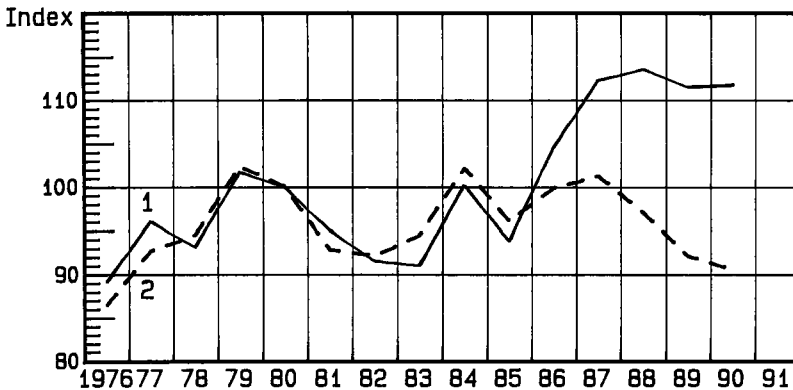
1. Total exports  
 2. Total imports  
 Volume index, 1980 = 100, four-quarter moving average shown as at the last quarter

25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



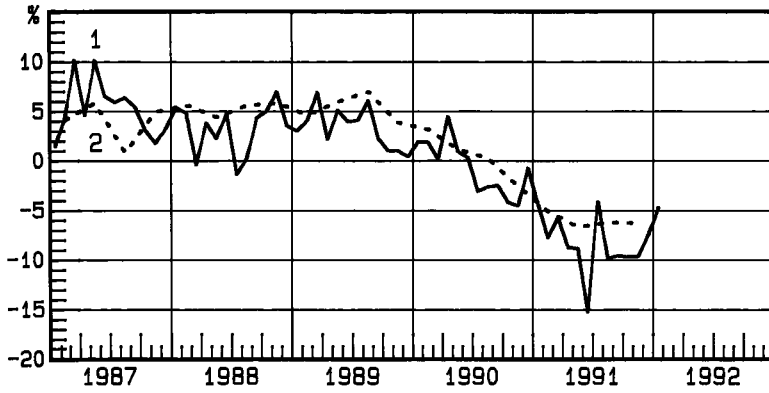
1. Unit value index of exports  
 2. Unit value index of imports  
 3. Terms of trade  
 1980 = 100

26. FINLAND'S EXPORT PERFORMANCE



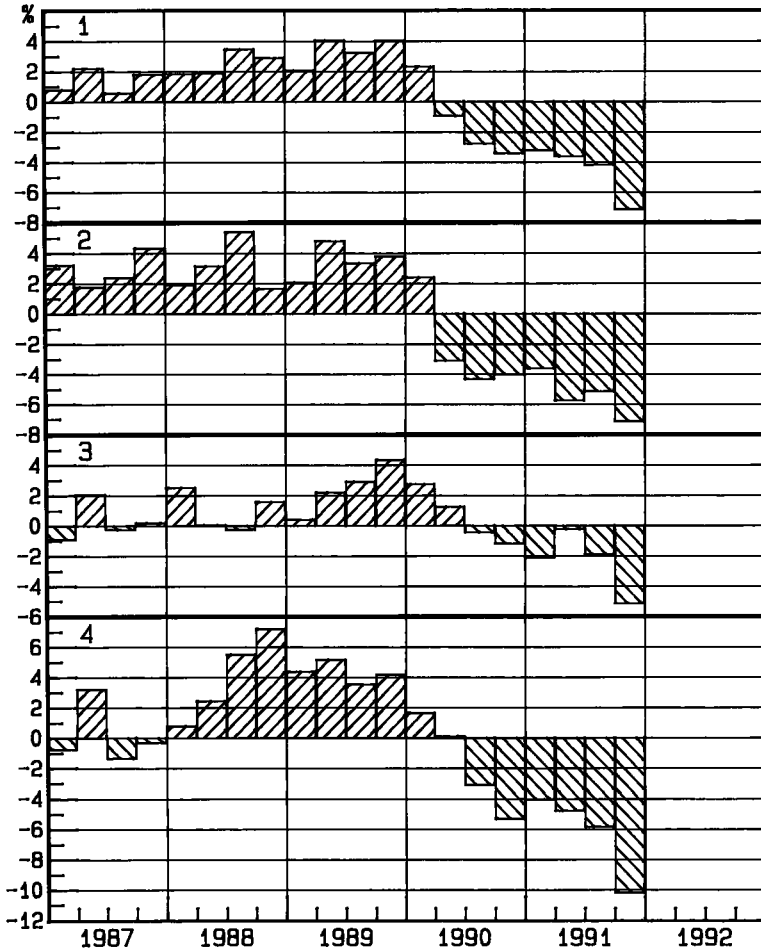
1. Value of exports to OECD countries in relation to imports of OECD countries  
 2. Volume of exports to OECD countries in relation to imports of OECD countries  
 1980 = 100

27. PRODUCTION



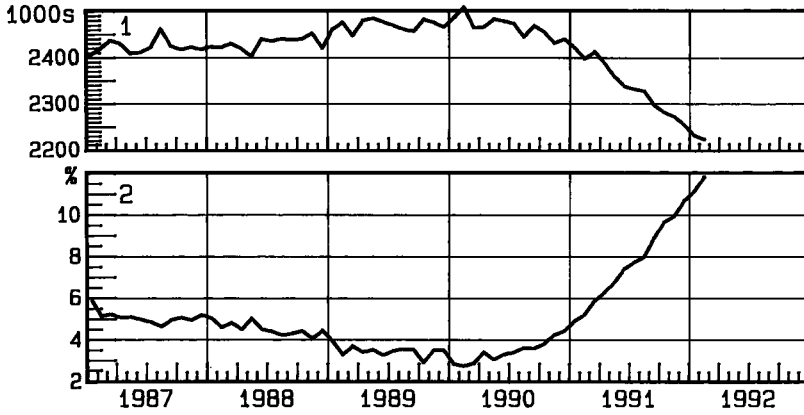
1. Industrial production, change in volume from the corresponding month of the previous year, per cent
2. GDP, change in volume from the corresponding quarter of the previous year, per cent

28. FIXED INVESTMENT



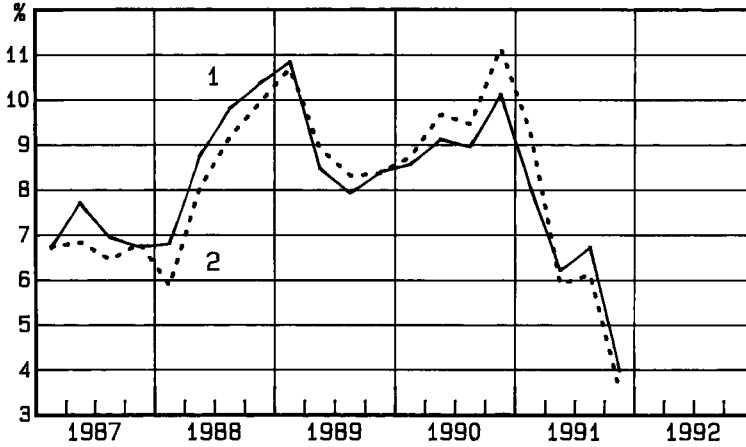
1. Total fixed investment
  2. Investment in machinery and equipment
  3. Building investment, excl. residential buildings
  4. Residential buildings
- Volume changes calculated from four-quarter moving totals and shown as at the last quarter, per cent

### 29. EMPLOYMENT AND THE UNEMPLOYMENT RATE

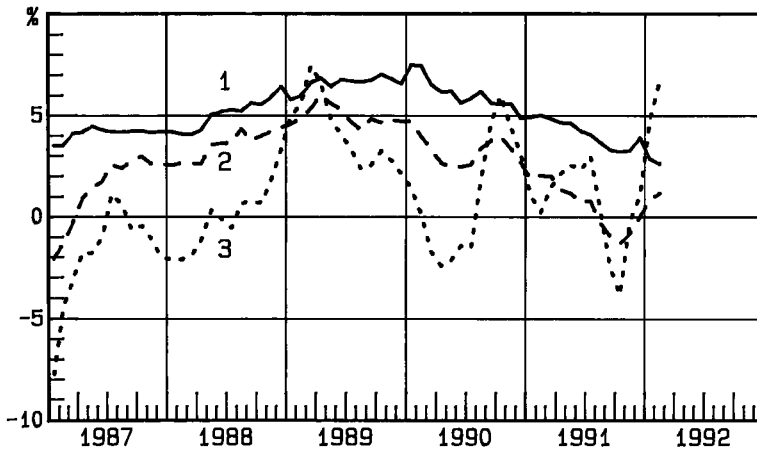


- 1. Employment, 1000 persons
- 2. Unemployment rate, per cent

### 30. PRICES AND WAGES

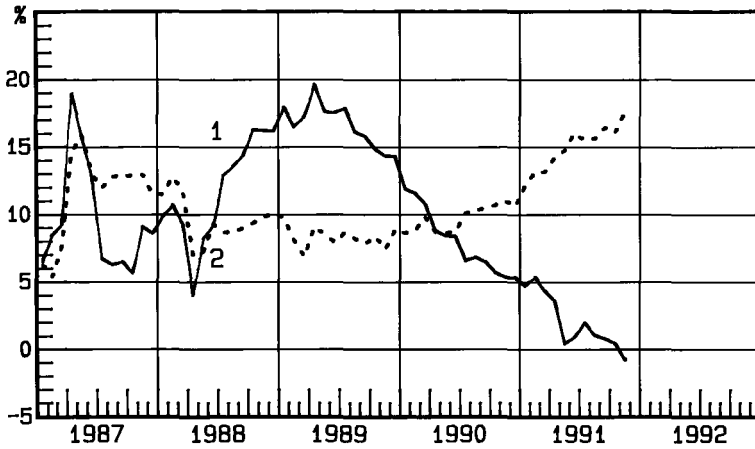


- 1. Index of wage and salary earnings, all wage and salary earners
  - 2. Index of wage and salary earnings, manufacturing workers
- Change from the corresponding quarter of the previous year, per cent



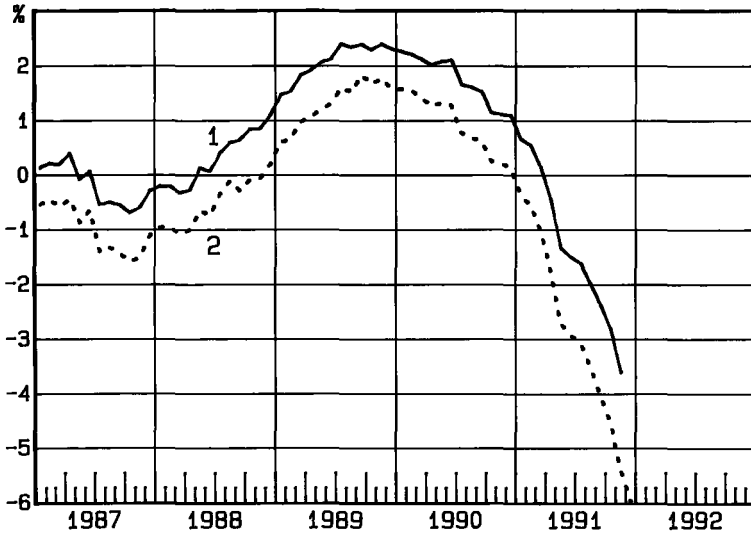
- 1. Consumer price index
  - 2. Wholesale price index
  - 3. Import price index
- Change from the corresponding month of the previous year, per cent

### 31. CENTRAL GOVERNMENT FINANCES



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

Changes calculated from 12-month moving totals and shown as at the last month, per cent



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

12-month moving total shown as at the last month and as a percentage of GDP

# BANK OF FINLAND

April 5, 1992

---

## THE PARLIAMENTARY SUPERVISORY BOARD

---

PENTTI MÄKI-HAKOLA, Chairman  
JUSSI RANTA, Vice Chairman  
SEPPO KÄÄRIÄINEN

HANNU TENHIÄLÄ  
ANNELI JÄÄTTEENMÄKI

TUULIKKI HÄMÄLÄINEN  
ESKO SEPPÄNEN

MAURI MIETTINEN  
JÖRN DONNER

---

## THE BOARD OF MANAGEMENT

---

SIRKKA HÄMÄLÄINEN, Chairman

ESKO OLLILA

ELE ALENIUS

KALEVI SORSA

HARRI HOLKERI

---

## DIRECTORS

## UNITS

---

PENTTI KOIVIKKO

Accounting Department OSSI LEPPÄNEN  
Administration Department URPO LEVO  
Building Projects BENGT PALMROOS  
Data Processing Department RIITTA JOKINEN  
Legal Affairs ARNO LINDGREN

Payment Instruments Department REIJO MÄKINEN  
Personnel Department ANTON MÄKELÄ  
Personnel Projects ANNELI SOINI  
Security JYRKI AHVONEN  
Branches

—

Central Bank Policy Department  
(excl. International Office)  
JOHNNY ÅKERHOLM  
Economics Department KARI PUUMANEN  
Information Department ANTTI HEINONEN

Market Operations Department  
MARKUS FOGELHOLM  
Research Department HEIKKI KOSKENKYLÄ  
Statistical Services Department ESA OJANEN

MATTI VANHALA

Financial Markets Department  
KAIJU KALLIO (Acting Head), Advisers:  
RALF PAULI, PETER NYBERG  
International Office of the Central Bank Policy  
Department

Payments and Settlement Department  
RAIMO HYVÄRINEN  
Unit for Eastern European Economies  
KARI PEKONEN

---

Internal Audit Department TIMO MÄNNISTÖ

---

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

---

## BRANCH OFFICES

---

10 branches: Joensuu, Jyväskylä, Kotka, Kuopio, Lahti, Oulu, Pori, Tampere, Turku, Vaasa

---

## SETEC OY

---

VELI TARVAINEN, Managing Director

---