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Monetary Policy and Developments in  
Financial Markets

Securities Market Legislation

Saving in Finland

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# MONETARY POLICY AND DEVELOPMENTS IN FINANCIAL MARKETS

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The main aim of monetary policy over the past 12 months has been to curb the overheating of the Finnish economy. However, given the fixed exchange rate regime, the scope for raising interest rates has been limited and this has led to some institutional changes. The fluctuation range of the Bank of Finland's currency index was widened in November 1988 from approximately 4.5 per cent to about 6 per cent. Then, in March 1989, the fluctuation limits of the currency index were lowered by some 4 per cent.

A salient feature of developments in financial markets in recent years has been the rapid growth of bank lending. This mainly reflects structural factors following the deregulation of financial markets. These factors include portfolio adjustments by households after a long period of credit rationing and liberal concessions for interest expenditure in personal income taxation. To reduce asymmetries in the tax treatment of interest income and expenditure, certain restrictions on the tax deductibility of interest payments were introduced in taxation for 1989 and the aim is to gradually reduce the tax-deductible fraction of interest expenditure further in the years ahead. Similarly, with the implementation of the reform of capital income taxation at the beginning of this year, the tax exemption of bank deposits has been significantly reduced.

To curb the growth of bank lending the Bank of Finland resorted to the exceptional step in February 1989 of sign-

ing an additional cash reserve agreement with the banks. The agreement enables the Bank of Finland to collect supplementary interest-free cash reserve deposits in the years 1989—1990. In addition certain changes were made in the system of central bank financing in October 1988 and again in June 1989. The progressive liberalization of exchange controls has been continued during the last 12 months.

## MONETARY POLICY

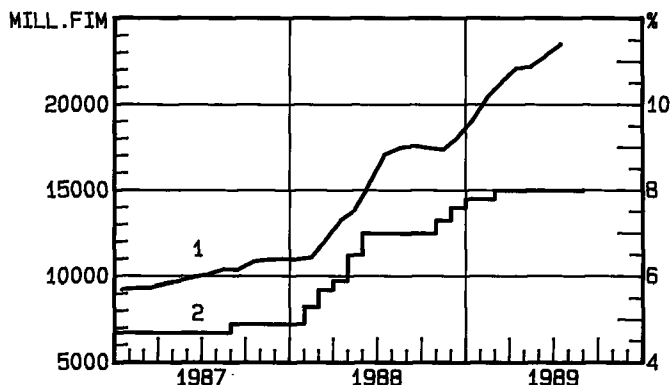
A tight monetary policy stance has been necessary to deal with the growing imbalances in the economy. In 1988, the growth of GDP accelerated to over 5 per cent. Because of the buoyant growth of domestic demand and real income, the external balance deteriorated further and the rate of inflation accelerated. Since the final months of 1988, the cumulative 12-month current account deficit has been running

at a level of almost FIM 15 billion, equivalent to over 3 per cent of GDP. With domestic demand continuing buoyant in the current year, the rate of inflation has accelerated further. As a result of labour shortages in many industries, the stabilization agreement<sup>1</sup> concluded in August 1988 has not succeeded in bringing down the rate of inflation. Hence, the rise in consumer prices in the 12 months to December 1989 will clearly exceed the 4 per cent index threshold contained in pay agreements.

Though the Government took various discretionary actions aimed at curbing domestic demand during the spring of 1989 and automatic stabilizers have contributed to the emergence of a budget surplus, budgetary consolidation has not been sufficient to bring about a balance between do-

<sup>1</sup>See the item in the September 1988 issue of the Bulletin.

CHART 1.  
BANKS' CASH RESERVE DEPOSITS



1. Cash reserve deposits at the Bank of Finland, mill. FIM (left)
2. Cash reserve requirement, % (right)

mestic demand and supply. This task has been rendered difficult by the introduction of the comprehensive tax reform at the beginning of the current year and the budgetary support provided to the stabilization agreement.

The prime objective of the Bank of Finland over the past year has been to keep interest rates high, without inducing large capital inflows. To lessen the incentives for capital inflows, a slightly narrower interest differential vis-à-vis abroad was allowed in the summer of 1988. During the autumn of 1988, the cash reserve requirement was progressively raised. In the period between September 1988 and February 1989, the cash reserve requirement applied to banks' deposits was raised from 7.0 per cent to 8.0 per cent, the maximum permitted under the present agreement (Chart 1).

Thanks to the reduced interest differential, capital inflows came to a halt in the third quarter of 1988. However, as a result of tighter liquidity, domestic interest rates started to rise in the autumn of 1988. The capital outflow was reversed and the currency index strengthened close to the lower limit of its fluctuation band. At the end of November 1988, the Government decided, on the basis of a proposal by the

Parliamentary Supervisory Board, to widen the fluctuation band of the currency index from approximately 4.5 per cent to about 6 per cent while maintaining the middle point unchanged (Chart 2). This measure gave the Bank of Finland scope to slightly tighten monetary policy. Inflows of capital nevertheless re-emerged in the early months of 1989.

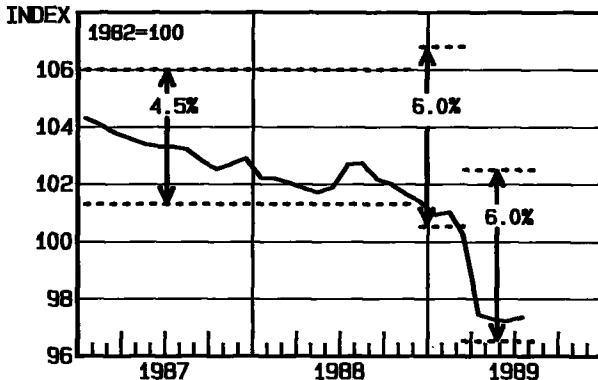
The Finnish economy continued to expand at rapid pace in the first quarter of this year and signs of overheating became increasingly apparent. With fiscal policy constrained by the tax reform, a further tightening of monetary conditions was deemed necessary. Accordingly, in March 1989, the Bank of Finland and the banks agreed on a supplementary cash reserve agreement aimed at curbing the growth of bank lending. The agreement is effective until the end of 1990 and it enables the Bank of Finland to collect interest-free cash reserve deposits up to a maximum of 4 per cent of the reserve base. Collection of these supplementary reserves is conditional on the growth of bank lending in the period between February and December 1989. The additional deposits will be refunded in equal instalments at the latest in July-December

1990. In May-August 1989, the supplementary cash reserve requirement was raised by 0.7 percentage point on average and interest-free deposits totalling FIM 2 billion were collected from the banks. These new interest-free cash reserve deposits have increased cost pressures in the banking sector and have contributed to a rise in bank lending rates without having any significant effect on market interest rates.

In March 1989, the Government decided to lower the fluctuation limits of the Bank of Finland's currency index by about 4 per cent, thus giving the markka more room to appreciate (Chart 2). In view of the prevailing circumstances, the decision to allow the external value of the markka to strengthen was considered the most effective and, in practice, the only feasible way to swiftly tighten policy stance. With the appreciation of the markka following the March decision, domestic interest rates and the differential between domestic and foreign interest rates have increased by more than one percentage point (Chart 3).

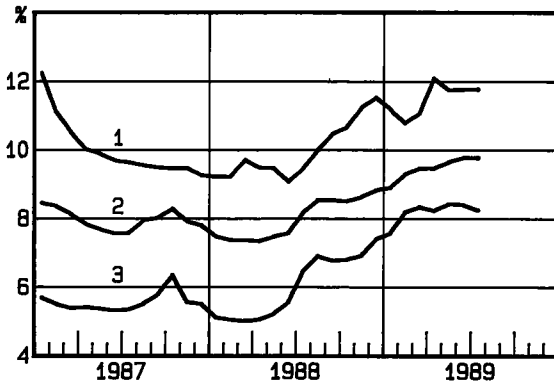
Capital inflows in the first months of 1989 were entirely attributable to the private sector. As the growth of the economy has continued faster than expected, the central government's financial position has improved markedly and the central government has made further net repayments of its foreign debt. In contrast, domestic companies have actively raised foreign currency loans. On the other hand, there has been a moderate outflow of capital via the forward exchange market, which used to be the major channel for capital inflows when borrowing abroad was still regulated. Foreign banks also reduced their markka positions in the forward exchange market in the first months of this year, but this trend was reversed in the May-June period.

CHART 2.  
BANK OF FINLAND CURRENCY INDEX



Monthly averages  
4.5 % and 6.0 % = fluctuation range of the index

**CHART 3.**  
**INTEREST RATES IN FINLAND AND ABROAD**



1. 3-month HELIBOR
  2. 12-currency basket rate\*
  3. 3-currency basket rate
- \* as from March 16, 14 currencies

**BANK LENDING AND DEPOSITS**

The growth of bank lending accelerated rapidly during the second half of 1988. In December, lending by banks was up 30 per cent compared with the corresponding month a year earlier. Special factors contributed to the demand for credit during the final months of 1988. As part of the tax reform, the provisions on the tax-exemption of deposits were tightened on January 1, 1989. Under the new Tax Relief Act covering the years 1989—1991, deposits are tax-exempt only if they bear a maximum rate of interest equivalent to the base rate less 4 percentage points for ordinary savings and deposit accounts or the base rate less 2 percentage points for 24-month deposits. This change in tax rules strongly boosted the growth of 24-month deposits; the old, more liberal tax rules will be applied to deposits made before the turn of the year. Total bank funding rose by approximately 25 per cent between December 1987 and December 1988. Bank deposits and lending were also boosted by brisk acquisition activity in anticipation of the tightening of capital gains tax at the beginning of 1989.

As a result of the monetary policy measures there was a marked deceleration in the growth of bank lending during the spring of 1989. In the first six months of this year, bank lending to the public grew by slightly less than 9 per cent. During this period, average rates of interest on new markka-denominated loans have risen by more than one percentage point (Chart 4), and this has evidently curbed the public's demand for credit. The growth of bank deposits has decelerated even more

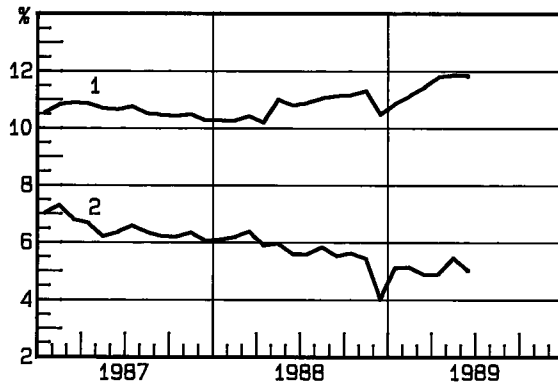
rapidly than the growth of bank lending. In the January-June period, bank deposits increased by only about 5 per cent.

The structural composition of bank deposits is slowly shifting towards taxable deposits carrying more market-determined rates of interest. However, the proportion of taxable deposits is still rather small compared to tax-exempt fixed-term deposits. A significant part of new fixed-term deposits is still being channelled to tax-exempt 24-month accounts even though the rate of interest paid on these accounts is only just over half that paid on taxable deposits. The proportion of bank lending linked to market rates has grown rapidly during the past twelve months. In June 1989, more than one-fifth of outstanding markka-denominated bank lending to the public was linked to market rates of interest while the corresponding share of new lending was as high as 27 per cent. The most popular reference rate for market rate loans is 3-month HELIBOR.

**INSTITUTIONAL CHANGES**

The interbank market did not function entirely satisfac-

**CHART 4.**  
**NOMINAL AND REAL RATES OF INTEREST ON NEW MARKKA LOANS**



1. Nominal rate of interest on deposit banks' new markka loans
2. Real rate of interest on new loans (nominal rate of interest less 12-month change in consumer prices)

torily in 1988, and from time to time banks were unable to balance liquidity differences between themselves in the interbank market. To encourage competition in the interbank market, the Bank of Finland widened the differential between the call money deposit rate and the call money lending rate in October 1988. The rate on call money credits was raised from 11 per cent to 13 per cent while that on call money deposits was lowered from 7.5 per cent to 4 per cent.

After the differential between the call money deposit rate and the call money lending rate was widened, the functioning of the call money credit facility was found to be fairly efficient from the point of view of monetary policy and bank competition in the interbank market. However, recourse to call money credit was restricted by bank-specific quotas, borrowing in excess of which was subject to penalty interest at a rate of 19 per cent. The system of bank-specific quotas was difficult to administer and was, to certain degree, an obstacle to competition between banks in the interbank market. To simplify the call money window system, the Bank of Finland decided in June 1989 to abolish both the call money credit quotas and the penalty rate of interest. In connection with the reform the call money credit rate was raised from 13 per cent to 15 per cent, while the call money deposit rate was kept unchanged at 4 per cent.

The new system encourages banks to keep a certain amount of excess reserves as a buffer for unexpected liquidity changes. In practice, following the introduction of the new system, banks seemed to be content with holding only a small amount of call money deposits. As a consequence, the overnight rate and short-term HELIBOR rates fell rapidly. This trend was reversed with the tightening of liquidity in

early July. On July 5, 1989 the banking sector as a whole shifted exceptionally into deficit at the call money window. When the banks adjusted to the new conditions at the call money window, the overnight interest rate and hence short-term interest rates fluctuated considerably in the June-July period. Since mid-July, the amount of excess reserves has risen and the interbank market has functioned smoothly.

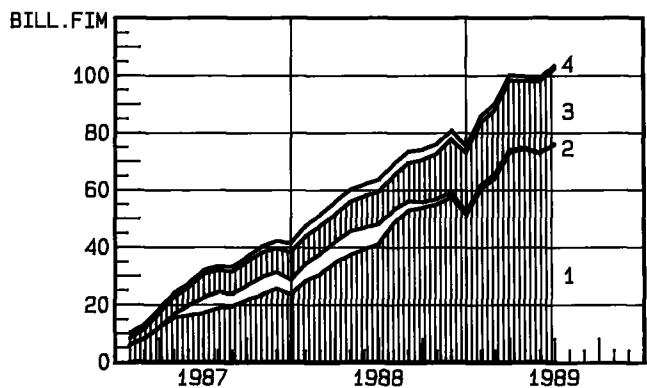
Over the past 12 months, the Bank of Finland has continued the stepwise liberalization of exchange controls. In August 1988, the foreign exchange regulations concerning portfolio and direct investments by Finnish residents were liberalized. In June 1989, the Bank of Finland decided to relax most of the remaining regulations governing foreign investment. As regards capital exports, the regulations governing the purchase abroad of dwellings and real estate and investments in the form of foreign securities, goods and deposits with foreign banks were lifted. Moreover, the permission of the Bank of Finland is no longer needed for the granting of credit of more than one year's maturity to non-residents. As regards capital imports, non-financial com-

panies, excluding housing and real estate companies, may now raise foreign credit of over one year's maturity as opposed to five years previously. Most of the decisions took effect on September 1, 1989. Transfers of foreign currency must be effected through an authorized bank and investors are still required to notify the Bank of Finland of investments made abroad.

### MONEY MARKET

The rapid expansion of the Finnish money market has continued during the past 12 months (Chart 5). At the end of June, the outstanding volume of negotiable money market instruments amounted to just over FIM 100 billion, of which bank CDs accounted for FIM 76 billion. The share of negotiable instruments has grown to about 75 per cent of all money market instruments. As the Bank of Finland's money market operations have mainly consisted of purchases of CDs, the amount of bank CDs in the Bank of Finland's portfolio has grown from zero at the end of June 1988 to about FIM 15 billion at the end of June 1989. The commercial paper market has also grown rapidly over the last 12 months, the outstanding stock of com-

CHART 5.  
NEGOTIABLE MONEY MARKET INSTRUMENTS



1. Bank CDs
2. Bank of Finland CDs
3. Commercial paper
4. Treasury bills and local authority paper

mercial paper amounting to about FIM 26 billion at the end of June 1989. Finance companies have been the most active issuers of commercial paper. Reflecting the growing surplus in the central government budget balance, issues of Treasury bills decreased significantly in the first six months of 1989.

In March 1989, the three major commercial banks created a market for medium-term notes in Finland by starting a joint programme of issues of medium-term CDs. All three banks act as market makers for medium-term notes issued by the other banks, thereby guaranteeing the liquidity of these instruments. Maturity dates of medium-term notes are standardised to correspond with the maturity dates of forward rate agreements (FRAs).

On June 1, 1989, a clearing centre for the money market in Finland, the Helsinki Money Market Centre Ltd, was established by the Bank of Finland, the Government and the so-called HELIBOR banks. The functions of the centre will be the registration of money market instruments and transactions, the settlement of transactions and the management of payments and the provision of information on market volumes and prices. The system will also ensure that both the system itself and the market participants do not become subject to excessive risks as a result of fluctuations in prices and market interest rates.

### CAPITAL MARKET

According to the Unitas index, share prices on the Helsinki Stock Exchange rose by 10.5 per cent in the 12 months to June 1989. Share prices rose briskly in the first months of 1989 mainly as a result of companies' good financial results. In the second quarter, share prices turned down slightly following a record

Table 1.  
SHARE AND BOND ISSUES IN 1980—1988, FIM BILLION

	Shares <sup>1</sup>	Bonds			
		All		Issued by companies	
		Total	Public issues	Total	Public issues
1980	0.4	4.8	2.8	0.4	—
1981	0.1	4.2	2.6	0.2	0.1
1982	0.9	6.9	3.5	1.4	0.2
1983	1.2	11.6	5.0	2.0	0.4
1984	2.9	13.9	7.3	2.5	0.5
1985	1.4	20.4	14.5	4.8	3.1
1986	3.5	22.7	13.5	5.0	2.6
1987	5.4	22.3	18.2	4.5	3.1
1988	10.8	18.7	14.5	3.2	1.3
1989 <sup>2</sup>	7.2	14.9	9.7	2.4	0.6

<sup>1</sup> Listed companies    <sup>2</sup> To the end of June

amount of new equity issues and a marked rise in interest rates. Trading in shares and subscription rights on the Helsinki Stock Exchange amounted to FIM 31.7 billion in 1988, about FIM 5 billion more than in the previous year.

In 1988, bond issues totalled FIM 18.7 billion, appreciably less than in the previous year. Borrowers' interest in bond issues has diminished reflecting the new, more flexible and less costly financing opportunities available to companies and the emergence of the surplus in the central government budget balance. In contrast to shares, trading in bonds and debentures on the Helsinki Stock Exchange was noticeably less brisk, amounting to less than FIM 6 billion in 1988. During the past two years, the most active trading in bonds has shifted from the Helsinki Stock Exchange to the interbank market, where trading is mainly conducted in government bonds and debentures issued by the private sector. In January-June 1989, turnover in this market amounted to more than FIM 4 billion. Efficiency in the interbank market has also increased so that the spread between offer and bid rates narrowed from 13—14 basis points in the autumn of 1987 to about 10 basis points in spring 1989. However, the spread is still about twice that applied in

normal money market transactions.

The regulatory framework of the securities market in Finland is currently undergoing major change. The new Securities Market Act took effect in August 1989.<sup>2</sup> This law contains provisions on such matters as disclosure requirements connected with marketing and issuing securities, public quotation of securities, intermediation of securities, insider trading and the supervision of the securities market. At the same time a separate Act governing the regulation of the operations of securities firms came into force.

With the completion of the Helsinki Stock Exchange Automated Trading and Information System (HETI), computerized trading in shares started in spring 1989; continuous trading in bonds and debentures on the Helsinki Stock Exchange had begun a year earlier. Apart from continuous trading in securities, the other functions of the new HETI system are the registration of transactions, the provision of statistical information on securities trading and the calculation of share price indexes on a continuous basis.

September 1, 1989

<sup>2</sup> See the article by Pertti Pylkkönen in this issue of the Bulletin.

## SECURITIES MARKET LEGISLATION

by **Pertti Pylikkönen**, M.Sc. (Pol.)  
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**W**ith the entry into force of the Securities Market Act and the Securities Broking Firms Act on August 1, the self-regulation of the Finnish securities market administered by the Helsinki Stock Exchange was superseded by a statutory system based on supervision by the authorities.

Organized security market activities commenced in Finland in 1912 with the foundation of the Helsinki Stock Exchange. According to its rules, the activities of the Stock Exchange included trading in securities, commodities and foreign exchange. From the very beginning, however, the business of the Helsinki Stock Exchange focussed on securities trading. Trading in commodities was discontinued when World War I broke out. For a few years in the 1920s, official foreign exchange dealing took place on the Stock Exchange, but ceased in 1926 when most countries returned to the gold standard. Up until the 1980s, securities trading played only a minor role in the Finnish financial markets. In recent years, however, there has been a substantial increase in both turnover and new issue activity on the Stock Exchange, and the securities market has quickly assumed more importance in financial intermediation.

With the vigorous expansion and rapid internationalization of the securities market, the need for statutory supervision became apparent in the early 1980s. The drawing up of a comprehensive body of legislation on the securities market began in the mid-1980s. The

legislative work has proceeded in stages. First, the Unit Trust Act came into effect in autumn 1987 and then legislation on the derivative market in autumn 1988. The main piece of legislation governing the securities market, the Securities Market Act, entered into force on August 1, 1989, when the Securities Broking Firms Act also took effect. The next major legislative project is the completion of a law on a book entry system, which will pave the way for the introduction of the paperless handling and management of securities. The reform of the legislation on debt securities is also under way, the aim being to eventually incorporate the necessary provisions on debt securities in the Securities Market Act.

This article describes the new Securities Market Act and the Securities Broking Firms Act. The Securities Market Act lays down regulations on the issue of securities, trading in publicly offered securities in the primary and secondary markets and the listing of securities. The Security Broking Firms Act regulates the activities of enterprises engaged in the securities business, which became subject to licence with the entry into force of the new law.

With the liberalization of capital movements and increasing integration of capital markets, the authorities in Finland have considered it important to ensure operating conditions fostering an equitable and efficient securities market and to maintain investors' confidence in the securities market.

One of the main aims of the Securities Market Act is to im-

prove investor protection. The exploitation of confidential inside information has been made a criminal offence. In addition, the new law prohibits the use of practices contrary to conventional business conduct and the use of terms in securities trading which are unreasonable from the point of view of the client.

The point of departure for the legislative work was that statutory regulation should be complemented by self-regulation supervised by government agencies. This was considered necessary so as to prevent regulation from unduly restraining the development and efficient functioning of the market. Another basic principle underlying the regulation and supervision of the securities market was that the Ministry of Finance should be the licensing authority while the supervisory powers should rest with the Banking Supervision Office, which is responsible to the Ministry of Finance.

### **SCOPE OF APPLICATION OF THE SECURITIES MARKET ACT**

The Securities Market Act is applied to the issue of securities to the public and to the exchange and public trading of securities in the secondary market. According to the Act, securities include shares, dividend or subscription rights certificates connected with shares, unit trust units, bonds and debentures and other comparable debt instruments, and bonds with warrants and convertible bonds.

Securities entitling the holder to the ownership of a dwelling or real estate are out-



side the scope of the Act. Nor is the Act applicable to derivative instruments, the use of which is regulated by the Act on Trading in Standard Options and Futures, which came into force in November 1988. However, the regulations concerning the ethical principles referred to in the Securities Market Act must be observed in the trading of derivatives.

### **MARKETING AND ISSUE OF SECURITIES**

The Securities Market Act forbids the giving of untrue or misleading information in connection with the marketing of securities or acquisition of securities for business purposes, or the use of practices which are contrary to conventional business conduct or otherwise inappropriate. The scope of application of this provision is wide and applies to all publicly issued securities in both the primary and secondary markets.

When issuing securities, adequate information must be made available to subscribers on factors likely to substantially affect the value of the securities. Such information must be available to investors at places where the securities can be subscribed or in a prospectus published prior to subscription.

The Securities Market Act includes a special disclosure requirement concerning share issues and issues of convertible bonds and bonds with warrants. When such securities are offered to the public, the issuer must publish a prospectus containing the subscription terms as well as adequate information on factors likely to substantially affect the value of the securities. Though the provisions concerning the disclosure of information in connection with an issue merely lay down in law a practice which has been fairly widely applied in the market hitherto, the obligation to publish a detailed issue prospectus represents a

major improvement in investor protection.

In addition to the provisions of the Securities Market Act, listed and OTC companies must also observe the detailed instructions on the contents of the prospectus issued by the Banking Supervision Office.

### **DISCLOSURE REQUIREMENTS**

A major aim of the Securities Market Act is to guarantee the availability of information to investors on factors likely to affect the prices of various securities. It is essential for the efficient and reliable functioning of the securities market that the same information be provided simultaneously to all investors in both the primary and secondary markets.

A basic principle of the Securities Market Act is that listed and OTC companies should disclose without delay any information on such matters concerning the company and its activities which is likely to substantially affect the value of the company's shares. Stock exchanges and market makers are subject to a secondary disclosure requirement regarding the publication of information on, for example, company decisions concerning financial statements, share issues and the distribution of dividends. In addition, information must be disclosed on important business transactions by the company in question, such as a major takeover and the related terms and conditions. A company must also disclose any information that it acquires on, for example, agreements by shareholders on the exercise of voting power in the company.

Under the Act, shareholders are also subject to a disclosure requirement. A shareholder must announce any change in his shareholding in a listed or OTC company as soon as his voting power rises above or falls below  $\frac{1}{10}$ ,  $\frac{1}{5}$ ,  $\frac{1}{3}$ ,  $\frac{1}{2}$  or  $\frac{2}{3}$  of the total voting power. The re-

quirement applies to all shareholders. A shareholder must also notify the relevant stock exchange or market maker of the change in his shareholding. If a shareholder fails to comply with the disclosure requirement, the company concerned must announce any changes in the share of voting rights above or below the specified limits which come to their knowledge.

### **PROVISIONS ON INSIDER TRADING**

The provisions on insider trading are also important for investor protection. According to the Securities Market Act, the prohibition of the misuse of confidential information regarding a company applies to persons who, by virtue of their position, job or other duties, acquire unpublished information concerning the issuer of publicly traded securities which is likely to substantially affect the value of these securities. The prohibition also extends to all other persons who have in some other way come into the possession of confidential information regarding a company and who can reasonably suspect that the information has been disclosed without permission or accidentally.

The Securities Market Act contains separate provisions on insider trading restrictions. The restrictions apply to, among others, board directors, executives and auditors of listed and OTC companies. Such persons may acquire publicly traded shares and securities carrying the right to shares in the company in question only in the form of long-term investments. An investment is regarded as long-term when the period between the purchase and the sale of the securities is at least six months.

Persons subject to the insider trading restrictions must notify the register held by the company concerned of their shareholdings and of any

changes therein. In addition, they must lodge with the register the names of any corporate entities or foundations in which they have a substantial interest.

Likewise, persons defined as insiders may not trade in derivative instruments the underlying securities of which are issued by a company with which they have an insider relationship.

Each listed and OTC company must keep a separate register of persons who are subject to the insider trading restrictions. These registers are public.

Furthermore, the management of a stock exchange and persons who are entitled to trade on a stock exchange are required to disclose information on their shareholdings.

### **PUBLIC BIDS**

The provision on public bids applies to public bids for the shares of listed and OTC companies as well as for securities carrying the right to such shares. An offer is considered to be a public bid if it is published in the media or if an offer is sent individually to shareholders known to the bidder. This regulation also applies to foreign bidders when an offer is made in Finland.

The bidder must offer equal terms to all holders of the securities in question. The Securities Market Act does not, however, contain any provisions on when the public bid must be made.

The offer document must state the type and number of securities concerned, the bid price, the period of validity of the offer and the time of payment. In addition, the document must include relevant and sufficient information enabling a potential seller to assess how attractive the bid is. In addition, the offer document must contain information on the bidder's shareholding and voting power in the company. Any restrictions in connection with a bid must also

clearly be stated. A public bid is binding and the result of the bidding must be published on the expiry of the offer period.

### **PURCHASE REQUIREMENT**

In addition to public bids, the Securities Market Act lays down detailed regulations on the obligation of shareholders to purchase shares under certain conditions. According to the Securities Market Act, a shareholder whose holding rises above two-thirds of the voting power of the shares of a listed or OTC company is required to purchase the company's remaining shares at the market price after the shares become the object of public trading.

A shareholder must make an announcement immediately a purchase situation arises and an offer for the remaining shares within a month of the announcement. Shares must be purchased at the market price, which is normally the average price paid for the shares in question in public trading during the previous two months. When setting the purchase price, account must be taken of any deficiencies resulting from imperfections in the determination of prices in the market. Similarly, account should be taken of the price which has been paid for the shares outside the stock exchange or organized marketplace and which can be considered to be known by the person required to purchase the shares. When making an offer to purchase the remaining shares, all shareholders must be treated equally.

### **STOCK EXCHANGE ACTIVITIES**

A licence is required for carrying on stock exchange activities and the stock exchange must adopt a set of rules complementing the provisions of the Securities Market Act on trading procedures, the listing of securities and the rights and obligations of per-

sons trading on the stock exchange.

A company must file an application for a listing on a stock exchange. A stock exchange may only list shares of Finnish or foreign companies which have not been listed on any other stock exchange in Finland or for which there is no market-making agreement with a resident securities intermediary.

The activities of a stock exchange may be suspended for a fixed period or indefinitely by order of the Ministry of Finance, if the stock exchange has acted in contravention of current laws or decrees. Business may also be suspended if the exchange of securities is disturbed to the extent that the continuation of activities on the stock exchange could pose a serious threat to the operation of the securities market or to investors.

### **ACTIVITIES OF SECURITIES INTERMEDIARIES**

Securities intermediaries may not apply terms and conditions in contracts concerning the intermediation of securities which are contrary to conventional business practice or unreasonable from the point of view of the client. Nor may they manipulate the prices of securities which are the object of public trading on their own or someone else's account.

A securities intermediary must treat all clients equally and execute orders concerning the same security in the order they have been received from clients. An intermediary is obliged to disclose any such information on the securities that are the object of the client's order which is likely to substantially affect the investor's decision to enter into the deal. The disclosure requirement applies only to matters which can be regarded as common knowledge.

A securities intermediary may not, without the permission of his client, act as his

counterparty in an intermediation order placed by the client. The client's approval is not required if a direct transaction between the customer and the intermediary is involved rather than an order to act as an intermediary for the client.

In general, the insider trading restrictions also apply to persons employed by securities broking firms. Such persons may thus acquire publicly traded securities in their own name only in the form of long-term investments.

### **THE SECURITIES BROKING FIRMS ACT**

According to the Securities Broking Firms Act, the intermediation of securities refers to the purchase, sale, exchange and subscription of securities by a securities broking firm in its own name on the account of someone else and trading in standard options and futures by a securities broking firm in its own name on the account of someone else.

With the entry into force of the Act, securities trading carried on as a business or professionally became subject to licence. A licence is granted by the Ministry of Finance, which, before deciding for or against issuing a licence, must obtain a statement from the Banking Supervision Office. The Ministry of Finance may revoke the licence of a securities broking firm which infringes current laws or decrees. In addition, the operations of a broking firm may be restricted for a prescribed period if they are found to be lacking in skill or expertise or careless.

Securities trading may only be carried on by Finnish limited companies which have been granted a licence for this purpose (a securities broking firm) or by a deposit bank. According to the Act, the share capital of a securities broking firm must be at least FIM 1 million. The liquidity of a securities broking firm must be adequate in relation to the scope of

its activities. A securities broking firm's claims on and commitments to the same customer may not, without the permission of the Banking Supervision Office, exceed 50 per cent of its share capital.

In addition to broking services, a securities broking firm may, inter alia, offer underwriting, portfolio management and custodial services, function as a market maker for derivative contracts and manage collateral in connection with derivatives, perform the duties of a depository bank as prescribed in the Unit Trusts Act and arrange financing or credit for clients in connection with securities intermediation.

A securities broking firm must carry on its activities from a fixed location. The establishment of a place of business abroad requires the authorization of the Ministry of Finance. Authorization must be granted if adequate supervision of the foreign establishment can be arranged.

### **FUTURE PROSPECTS**

The entry into force of the Securities Market Act and the Securities Broking Firms Act can be expected to lead to greater efficiency, more equitable operating conditions and increased confidence in the securities market. Contributing to this will be the improvement of investor protection and the stricter requirements regarding disclosure and supervision. The Acts will, however, soon be complemented by additional provisions and more precise formulations. For example, the definition of the scope of application of the Acts is open to interpretation and requires more precise formulation. Likewise, the obligation to disclose information on transactions in listed shares outside official stock exchanges cannot be regarded as adequate in all respects.

Amendments to the Securities Market Act and the Securities Broking Firms Act are

currently under preparation by the authorities. The report of the committee which has drafted the amendments includes recommendations for the development of self-regulation in the securities market as well as for further improvements in the position and legal protection of investors. The committee suggests that the disclosure requirements applicable to listed companies should be extended. Portfolio management and investment advice should be defined in law and it is proposed that provisions regulating these activities should be incorporated in the Securities Broking Firms Act. It is also sought to improve the position of small investors in take-over situations. Furthermore, the committee draws attention to cross-ownership in companies and to differences in voting rights between different share series. A tightening of the regulations concerning public bids is also proposed. The committee further proposes that the Securities Market Act be supplemented by provisions on debt securities. The separate legislation on debt securities would be rescinded and the relevant provisions added to the Securities Market Act.

September 1, 1989

# SAVING IN FINLAND: TRENDS, PROBLEMS AND PROSPECTS

by **Seppo Kostainen**, Head of Office  
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**W**ith the recent deepening of the current account deficit, the issue of national and particularly household saving has aroused considerable discussion in Finland. It has been argued that present patterns of national and sectoral saving behaviour could give rise to problems despite the fact that the gross national saving ratio in Finland is still high by international standards. The argument is that inadequate saving and in particular excessive private consumption are the principal factors behind the disequilibrium between national saving and investment.

There are also many controversial issues concerning the measurement of saving and the relevance of sectoral analysis of national saving. For instance, problems in assessing the impact of taxation could easily result in wrong conclusions being drawn about household saving behaviour if it is examined in isolation from

saving by other sectors. Furthermore, the national accounts do not include consumer durables among investment goods and exclude capital gains and losses from disposable income and thus saving. This tends to give a misleading picture of developments in national saving in general and household saving in particular.

This article first describes the observed long-term trends in saving in Finland and compares them internationally. It then goes on to discuss the problems associated with the measurement and sectoral allocation of saving. Finally, the reasons for the most recent changes observed in saving and in the saving-investment gap are analyzed and the prospects for reversing the unfavourable trends considered.

## LONG-RUN DECLINE IN THE NATIONAL SAVING RATIO

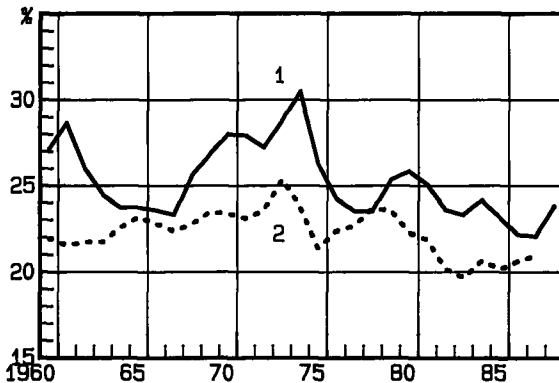
The Finnish gross national saving ratio has for long been

somewhat higher than that in most other industrial countries, amounting on average to one-quarter of GDP. In 1960—1987, the average gross national saving ratio was notably higher only in Japan and Luxembourg and slightly higher in Switzerland, Norway and Austria.<sup>1</sup>

As in other OECD countries, the Finnish gross national saving ratio declined slightly and the net saving ratio more sharply in the 1970s, and has remained low ever since (Chart 1). A comparison of longer-run averages shows that the decline in the national saving ratio derives entirely from lower public sector saving. However, it should be noted that non-financial enterprises and households have from time to time contributed significantly to the fall in national saving, the former in the mid-1970s and the latter since 1983. In the 1980s, the public sector saving ratio has remained some 3.5 percentage points below its 1960—1979 average while the household saving ratio has been falling at an accelerating pace since 1983. On the other hand, the significance of financial institutions in maintaining the national saving ratio has increased (Chart 2).

The behaviour of the net national saving ratio and the corresponding sectoral rates is very similar to that of the gross saving ratios. However, the relative decline in the net national saving ratio is three times more than that in the gross ratio. In contrast to the gross ratio, the net national

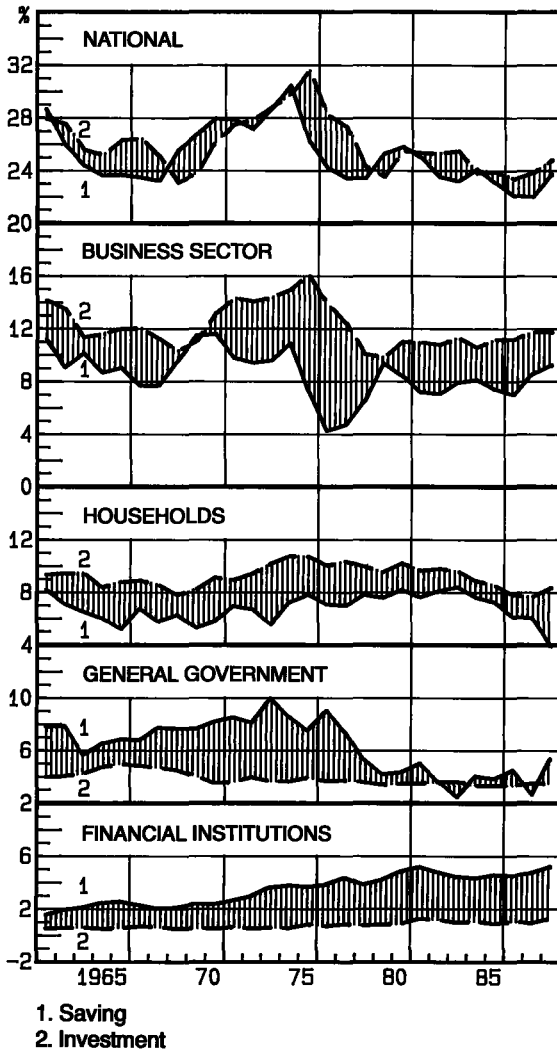
CHART 1.  
GROSS NATIONAL SAVING RATIO IN FINLAND AND  
THE OECD (PER CENT OF GNP)



1. Finland  
2. OECD average

<sup>1</sup>Source: OECD Economic Outlook; Historical Statistics 1960—1987, Paris 1989.

**CHART 2.**  
**SECTORAL GROSS SAVING AND INVESTMENT**  
**RATIOS (PER CENT OF GNP)**



saving ratio in Finland is at about the same level as the OECD average (Chart 3). It should also be noted that the net saving ratio of nonfinancial enterprises has been negative in several years since 1974 while the household saving ratio fell below zero in 1988 (Chart 4). Moreover, these ratios seem to be well below the international average.

The main question concerning the present historically low national saving ratio is whether it reflects deficiencies in official statistics, more or less permanent changes in

institutions and the behaviour of economic agents or temporary cyclical variations.

### **MEASURING THE SAVING RATIO**

In national accounting, saving is measured as the difference between income and consumption. According to this definition consumer durables are included in consumption. However, theoretical arguments suggest that the purchase of consumer durables should be included in household investment along with housing investments, since

they also provide service flows to households in the future. If this fact is taken into account, both the household and the national saving ratios are on average some 3 percentage points higher than indicated by the official statistics.

An alternative way to measure saving is to define it as the change in wealth. The relative prices of dwellings and shares have increased sharply in recent years. Since these are not taken into account when measuring household income in the national accounts statistics, the official figures underestimate the real amount of wealth accumulation and thus saving. For example, in 1988, when household saving was measured as being negative, the net wealth of Finnish households is estimated to have grown by more than FIM 200 billion, a sum roughly equal to household disposable income. This was mainly due to the rise in house prices. Though it is hard to quantify the effect of such vast changes in wealth on consumption, they must have been substantial.

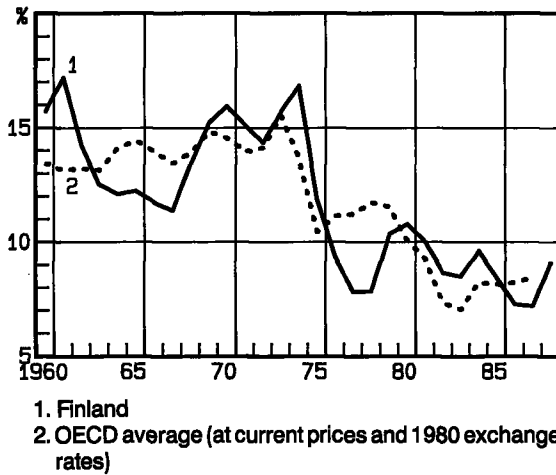
### **DOES SECTORAL ANALYSIS OF SAVING MAKE SENSE?**

The decomposition of national saving into sectoral savings involves a number of institutional and definitional problems. Moreover, there are some important theoretical considerations which make strict sectoral investigation of saving problematic.

First, how should housing and nonprofit corporations be properly classified? In the national accounts, housing corporations are included in nonprofit corporations. However, there would seem to be more justification for including housing corporations in the household sector since they are mainly owned and managed by households.

Secondly, should saving by official pension funds be treated as saving by financial insti-

**CHART 3.**  
**NET NATIONAL SAVING RATIO IN FINLAND AND**  
**THE OECD (PER CENT OF GNP)**



tutions, as is done in the national accounts, or as the accumulated net wealth and saving of households? After all, payments made to pension funds represent that part of labour income which becomes available after retirement. It is also evident that households discount their expected pensions when making consumption and saving decisions today. According to this line of reasoning households save through pension funds, a fact that should be duly taken into account when measuring household saving (Chart 5).

In addition to these institutional factors, there are some theoretical considerations which cast doubt on the sectorwise decomposition of national saving. Basically, the question is whether households see through the "corporate veil" as well as the "public veil". According to the famous "Ricardian equivalence" proposition, a rational household takes an increase in public debt to mean an equivalent increase in the future tax burden. This causes households to increase their saving. However, international empirical evidence confirms this hypothesis only in cases where budget deficits are large and the level of national debt high.

Public saving has declined in Finland but no corresponding increase in household saving can be detected. Accordingly, there seems to be no reason to consider household and public saving as substitutes for each other in Finland.

As far as companies' retained earnings are concerned, it seems justified to regard at least part of them as household saving. In Finland, distributed corporate profits have until now been subject to double taxation, which has effectively prevented the distribution of profits to households. Indeed, retained earnings have been high and distributed profits low compared internationally. This has resulted in a high saving ratio in the business sector, which has, in turn, contributed to the high overall rate of savings. Savings accumulated in firms have been realized either by selling shares in companies tax-free after five years of ownership or by letting shares increase in value in investors' portfolios.

Thus it seems reasonable to include at least part of business sector saving in household saving. Judging by the stability of private sector saving vis-à-vis household and business sector saving, this conclusion seems to be justified, at

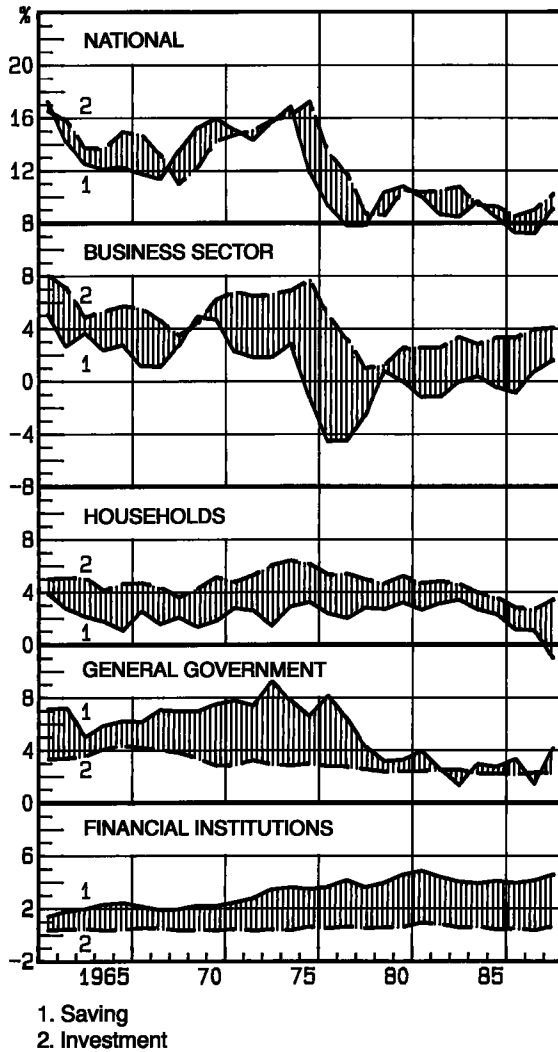
least as a first approximation. A careful analysis of household saving should consider not only household saving *per se* but also corporate saving. Since no significant long-term trend can be discerned in the private sector saving ratio, its recent decline can be at least partly be interpreted as a normal cyclical variation around an average of 18—19 per cent (Chart 6). But underlying this long-term average there is in all probability also some structural change, particularly in recent years.

The above discussion leads to the conclusion that households take companies' retained earnings and accumulated pension funds at least partly into account in their consumption and saving decisions. This implies that at least part of the saving which takes place outside the household sector could well be included in household saving and that it has a significant influence on households' saving behaviour. Thus the decline in the household saving ratio may not be as marked as the SNA figures suggest at first glance. Nevertheless, the present current account deficit is still a problem to which households have contributed through their saving and investment decisions.

### **THE INVESTMENT-SAVING GAP**

A proper evaluation of the adequacy of national saving involves, on the one hand, its relation to the investment ratio, and, on the other hand, its relation to the country's economic growth rate. Like the gross saving ratio, the gross investment ratio has been high in Finland compared with other countries, varying between 23 and 35 per cent. It exhibits a downward trend over the longer run; in 1960—79 the average investment ratio was 27.5 per cent compared to 25.2 per cent in 1980—88. As the gross national saving ratio has declined by roughly the

**CHART 4.**  
**NATIONAL AND SECTORAL NET SAVING AND**  
**INVESTMENT RATIOS IN FINLAND (PER CENT**  
**OF GNP)**



same amount, the relative size of the average investment-saving gap has remained unchanged on average in the 1980s, i.e. 1.6–1.7 per cent of GNP. Apart from two exceptional years Finland has always invested more than it has saved (Chart 2).

These longer-term investment-saving gap averages give an impression of stability, but shorter-term variations in investment activity and GNP growth clearly reveal the subtleties involved. The national financial deficit, i.e. the current

account deficit, doubled in the 1970s relative to the 1960s, whereas the average for 1980–88 in relation to GNP is 0.6 percentage point below the 1970–79 average.

In the mid-1970s the investment-saving gap widened to as much as 7.5 per cent of GNP on account of exceptionally high growth and investment activity in Finland. This led to severe problems in the external balance and to an abrupt tightening of economic policies. Throughout the rest of the 1970s and the first half of

the 1980s, the investment-saving gap remained within reasonable limits by and large, and did not give rise to any significant problems.

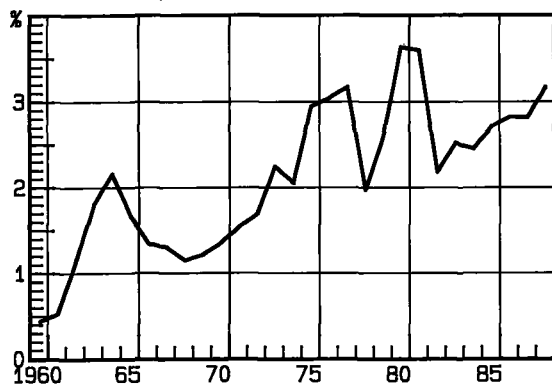
Since 1986, however, the gap has widened to a level regarded as high in international comparison, i.e. about 3 per cent relative to GNP. In addition, it threatens to stay more or less permanently at this level, or even increase, implying unsustainable growth in the national debt-GNP ratio in the near future. All in all, this would seem to indicate that, despite the apparent longer-term stability in the saving-investment gap relative to GNP, the most recent developments in this ratio should be carefully analyzed and its causal relationships scrutinized.

Since investment in Finland has almost invariably exceeded saving at the same time as the saving ratio has been internationally high, one is tempted to ask whether it is the high investment ratio rather than the low saving ratio which is principally to blame for the investment-saving gap. In the 1980s, the gross investment ratio in relation to GNP growth has not deviated from its 1960–79 average of 2¼, whereas in other OECD countries it has increased on average by nearly one percentage point to 3.1. These figures indicate that in the 1980s the Finnish economy has not, in contrast to the OECD area as a whole, needed more investment per percentage point of GNP growth than on average in the preceding 20 years.

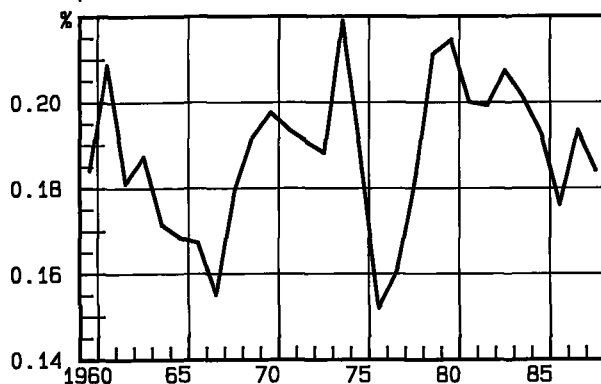
### **SECTORAL** **INVESTMENT-SAVING** **GAPS**

Although one should bear in mind the caveats of sectoral classification of national saving, it is still of interest to look at the contributions each sector has made to the investment-saving gap in the 1980s. The financial surplus of the public sector relative to GNP has fallen by nearly 3 percentage

**CHART 5.**  
**SOCIAL SECURITY FUNDS SAVING RATIO**  
**IN FINLAND (PER CENT OF GNP)**



**CHART 6.**  
**PRIVATE SAVING RATIO IN FINLAND**  
**(PER CENT OF GNP)**



points over the period 1980 to 1989 relative to the average for 1960—79, whereas the financial deficit of the private sector has decreased by the same amount. To be more specific, the fall in the financial deficits of both the household and business sectors relative to GNP is 0.8 percentage point while the increase in the financial surplus of financial institutions is 1.4 percentage points. Thus it seems that the private sector has fully adjusted in the long run to the smaller financial surplus of the public sector (Chart 2).

As regards the most recent widening of the national investment-saving gap, however, the main contributions come from the public and household sectors. The public sector financial surplus moved into deficit for

the first time since World War II in 1983 and for the second time in 1987, while the household financial deficit tripled in 1988 mainly because of a falling saving ratio and partly because of a rising investment ratio. In addition, the business sector financial deficit increased marginally owing to rapid growth of business investment.

The Finnish economy tends to invest more than it saves, even in the long run. An internationally high level of investment activity has generated rapid economic growth, particularly in the 1980s. In spite of this, one may ask whether the level of investment has been too high or its allocation inefficient. There are many taxes and market imperfections that distort prices and consequent-

ly may, through the optimizing behaviour of individual economic agents, lead to national investment levels that are higher than optimal. Although the excess of investment over saving displays a certain stability in the long run, it has fluctuated greatly over business cycles.

The previous investment-saving crisis in the mid-1970s seemed to mark an end to persistent investment-saving disequilibria. However, the recent large current account deficits show that this need not be the case. Since the problem lies in the investment-saving balance, it is evident that measures affecting both investment and saving are needed to cope with it. The saving ratio must rise and conversely the investment ratio fall. The investment-saving gap has to fall to its historical average in order to prevent foreign debt from rising much further from its present — albeit internationally still low — level.

### **MAIN REASONS FOR THE RECENT RISE IN THE INVESTMENT-SAVING GAP**

According to the foregoing sectoral analysis of the national investment-saving gap, it is declining public sector saving which primarily accounts for the falling longer-term trend in the national saving ratio. This phenomenon is also clearly discernible in most other OECD countries and in half of these countries the public sector has changed from being a net creditor to a net borrower. However, in Finland, apart from two exceptional years, the public sector has remained a net creditor (Chart 2).

### **Public saving has fallen in the long run**

The main factors contributing to the fall in the saving ratio and financial surplus of the public sector are broadly similar to those in most other industrial countries, although there are some domestic rea-



sons too. Among these we may note the long period of slow growth resulting partly from the first oil crisis and partly from the deep, domestically-generated recession around the mid-1970s. Apart from slow growth, attempts to reduce the overall tax burden and improve the competitive position of the open sector through tax measures reduced central government tax receipts. At the same time, the implementation of a number of major government welfare programmes help to maintain high expenditure growth in both the central and local government sectors. Spending has continued to increase at a rapid pace in the 1980s as well, notwithstanding efforts to curb it.

On the other hand, the practice widely-favoured in many countries of reducing both the size and growth of expenditure in the public sector could, at least in the short run, also provide some scope for increasing public sector saving in Finland. In fact this is the strategy that has been adopted by the present Government; as a result of fiscal stabilizers, the central government saving ratio and financial surplus started to increase in 1988 and, thanks to discretionary policy measures, are set to increase further this year and next. On the other hand, the local government saving ratio has been falling and the financial deficit rising continuously since the second half of the 1970s. Although some recovery of public saving can be expected it seems unlikely that it will return to the high levels of the 1960s and early 1970s. Consequently, it seems clear that in the longer run some major new ways of either increasing the national saving ratio or lowering the national investment ratio will have to be found in order to prevent the investment-saving gap from growing to the extent that it would limit the future growth of the Finnish economy and the room

for manoeuvre in economic policy.

### **Business saving has returned to its normal level**

Business sector saving (nonfinancial enterprises) is by definition equal to retained earnings. Its share of corporate profits has been high in Finland on account of double taxation and accelerated depreciation rates allowed in tax laws. This in turn has helped to maintain the high level of overall savings. Thus business saving mainly reflects the cyclical situation and competitiveness of the Finnish business sector as well as competitive conditions in Finnish markets.

In the 1970s, the international recession following the first oil crisis, together with anti-inflationary economic policies, depressed economic activity and squeezed corporate profits in Finland for many years. Business saving started to recover slowly in the late 1970s, assisted first by the Government's supply-oriented economic policy and later by the international upswing (Chart 2).

Despite the exceptionally long period of virtually uninterrupted economic growth which has subsequently ensued, business saving has stabilized at a somewhat lower level than on average during the preceding two decades. Thus in the present circumstances the room for increasing non financial business saving is limited. In addition, because of the lack of productive capacity, it seems neither feasible nor sensible to limit business investment in general, even though there is clearly a risk of overinvestment in certain sectors, especially the nontradeables sector. Furthermore, as noted above, the favourable tax treatment of depreciation may have helped to maintain inefficient production to some degree and thus sustained investment at an artificially high level. Nevertheless, the business sector cannot realistically be expected to

make any significant contribution to improving the investment-saving disequilibrium. Since also financial institutions are already high savers, the solution to this problem has to be sought in the household sector.

### **The household saving ratio has been falling since the early 1980s**

A drastic change in household saving behaviour occurred in 1984 when the earlier upward trend of the saving ratio was reversed. By 1988, the gross saving ratio had dropped by 4 percentage points to 4 per cent measured in terms of the saving-GNP ratio. Last year the household net saving ratio even turned negative for the first time since World War II (Chart 2).

An investigation of the reasons for this changed trend reveal no single dominating factor. However, as in many other countries, the liberalization of financial markets in the 1980s has played an important role. It has enabled households to exploit not only their expected future income streams but also capital gains in financing today's consumption expenditure, thereby significantly weakening the dependence of their current consumption on their current income. The rapid and long-sustained growth of household real income in the 1980s has strengthened households' optimistic income expectations and their confidence in the future.

In addition, the possibility to deduct the interest costs of consumer and housing loans up to a certain amount in personal income taxation has acted as an incentive to households to increase their indebtedness. Although interest payments on loans have for long been deductible, it was only with the liberalization of financial markets that it became possible to exploit these deductions to the full.

The interaction of these factors is an important cause of the recent decline in the household saving ratio. Furthermore, the favourable tax treatment of consumer and housing loans may have encouraged excessive investment in housing and consumer durables. In addition to favourable income developments, the rapid increase in households' wealth in the 1980s has increased households' ability and willingness to incur more debt and to consume.

The ongoing development and expansion of social security systems have undoubtedly reduced the risks associated with future incomes and thus lessened the need to save for future uncertainty. On the other hand, the compulsory saving which takes place, for instance, in the framework of statutory pensions schemes and the health insurance system has not been large enough to compensate for the decrease in household saving. There have also been some demographic changes which have contributed negatively to household saving. The number of households in age-groups purchasing owner-occupied housing has been decreasing continually over the past ten years, thus reducing this particular motive to save. Furthermore, the liberalization of financial markets has reduced the need to save in advance for the acquisition of larger capital or consumer goods. Also, it appears that the time preference of households in the young and middle-aged age groups has changed dramatically in favour of present consumption.

The effects of the social security system, demographic factors, financial market liberalization and changing values and attitudes towards saving are fairly permanent and stable. By contrast, households' income expectations, taxation and wealth, as well as firms'

retained earnings, are closely dependent on current business conditions and economic policies, and can thus change or be changed comparatively quickly. Accordingly, it seems quite likely that household saving will recover at least partly from its present low level when the cyclical situation weakens, the tax reform starts to take effect and the full force of the present counter-cyclical policy measures is felt. This conclusion is also supported by the hypothesis that part of the increased consumption is a *once-and-for-all* phenomenon which is due to the satisfaction of needs accumulated during the long period of credit rationing.

However, because of the longer-term factors mentioned above, there is no guarantee that earlier levels will be attained in the near future. On the contrary, it seems most unlikely. Only a partial recovery in household saving can be expected after accumulated consumption pressures have eased and household indebtedness has stabilized to a new level, and when the repayment of the increased stock of debt forces households to save and income prospects weaken.

Since both the rapid increase of household investment and the decline in household saving contributed to the widening of the national saving-investment gap last year, some improvement in this imbalance can be expected when the housing boom is over. There are already clear signs that the boom has passed its peak and prices in some areas have started to fall. In a longer-run context, the gradual reduction of the tax-deductibility of interest payments on housing loans could lead to lower levels of housing investment.

### CONCLUSION

The preceding analysis has thrown light on several aspects relating to saving ratios. The

long-run trend decline in the national saving ratio is due to a fall in public saving, although in recent years some of it is clearly attributable to lower private saving. The fall in household saving has been partly offset by investments in consumer durables and changes in wealth which do not show up in the official statistics. Moreover, part of saving by financial institutions and the business sector should be considered as household saving. Finally, in terms of external balance, the saving-investment gap is more relevant than the rate of savings alone, and so the investment ratio should also be a matter of concern.

In summary, it could be said that there are long-term forces at work in the economy tending to maintain the present low level of savings. However, there are also some short-run influences present which may well lead to increased saving. It can realistically be expected that the net effect of these forces will be some weakening in the underlying downward trend, or even a modest upturn. At the same time the national investment ratio can be expected to decrease somewhat.

It is nonetheless clear that both demand management and structural policies will be needed in order for trends in national indebtedness to be put on a sustainable basis. Among the measures called for are a reduction in domestic demand in the short run, institutional changes in taxation and the financing of pension schemes and an improvement in competitive conditions in the goods, labour and financial markets. Attention should also be paid to removing any distortions which encourage excessive private investment. Some of these measures are already included in the 1990 budget proposal.

September 1, 1989

## ITEMS

### FINLAND'S BALANCE OF PAYMENTS IN JANUARY—JUNE 1989

According to the Bank of Finland's preliminary figures, the current account showed a deficit of FIM 8 500 million in January-June this year. The net inflow of long-term capital amounted to FIM 4 784 million and the net inflow of short-term capital to FIM 4 362 million. Thus the Bank of Finland's foreign exchange reserves increased by FIM 646 million. In the corresponding period of 1988, the current account had shown a deficit of FIM 6 505 million.

**Current account.** Compiled on a balance-of-payments basis, the trade account posted a deficit of FIM 879 million in January-June, compared with a surplus of FIM 209 million in the corresponding period of 1988. Commodity exports grew by 12 per cent in value and by 1 per cent in volume. The fastest growth in export volume occurred in the basic metals industry, but exports of the metal products, machinery and paper industries also showed a clear increase. The value of commodity imports was 14 per cent and the volume just under 9 per cent up on the first six months of 1988. The fastest increase in import volume was recorded for vehicles, machinery and equipment and other investment goods.

The services account registered a deficit of FIM 887 million in January-June, an increase of almost FIM 100 million on the corresponding period of the previous year. The surplus on the transport ac-

### MAJOR BALANCE OF PAYMENTS ITEMS JANUARY—JUNE 1989, MILLION FIM<sup>1</sup>

	Receipts	Expenditure	Net
Trade (exports f.o.b., imports c.i.f.)	49 080	49 574	-494
Adjustment items	-836	-450	-385
Trade account	48 244	49 124	-879
Transport	3 893	1 659	2 234
Travel	1 965	4 311	-2 346
Other services	3 284	4 059	-775
Services account	9 142	10 029	-887
<b>GOODS AND SERVICES ACCOUNT</b>	<b>57 387</b>	<b>59 153</b>	<b>-1 766</b>
Investment income, net	4 830	9 389	-4 559
Unrequited transfers	378	2 257	-1 879
Other	1 430	1 725	-296
<b>A. CURRENT ACCOUNT</b>	<b>64 024</b>	<b>72 524</b>	<b>-8 500</b>
	Change in assets	Change in liabilities	Net
Long-term financial loans and suppliers' credits: <sup>2</sup>			
drawings	-2 625	18 844	16 219
redemptions	685	-7 521	-6 836
Direct investment	-3 830	8	-3 822
Other long-term capital	-1 204	427	-777
<b>B. LONG-TERM CAPITAL ACCOUNT</b>	<b>-6 974</b>	<b>11 758</b>	<b>4 784</b>
<b>BASIC BALANCE (A+B)</b>			<b>-3 716</b>
Prepayments and liabilities related to imports			-335
Prepayments and receivables related to exports			-20
Short-term capital of authorized banks			6 964
Other short-term capital			982
Errors and omissions			-3 229
<b>C. SHORT-TERM CAPITAL ACCOUNT</b>			<b>4 362</b>
<b>D. ALLOCATIONS OF SDRs</b>			<b>-</b>
<b>OVERALL BALANCE (A+B+C+D)</b>			<b>646</b>
Change in the foreign exchange reserves of the Bank of Finland			-646

Assets: increase —, decrease +  
Liabilities: increase +, decrease —

<sup>1</sup> Preliminary figures.

<sup>2</sup> Assets include export credits only.

count grew from FIM 1 945 million to FIM 2 234 million. Travel receipts grew by 8 per cent and travel expenditure by 15 per cent. Thus the travel account posted a deficit of FIM 2 346 million as against FIM 1 928 million in the first six months of last year. The other services account registered a deficit of FIM 775 million.

Interest payments on foreign loans amounted to FIM 9 389 million. With interest income on foreign assets totalling FIM 4 830 million, the investment account showed a deficit of FIM 4 559 million. This was FIM 400 million more than in the corresponding period last year. The unrequited transfers account posted a deficit of FIM 1 879 million.

**Capital account.** Drawings of long-term loans amounted to FIM 18 844 million in January—June, which was FIM 4 926 million more than in the corresponding period last year. The central government accounted for FIM 2 020 million of these. Repayments of long-term loans amounted to FIM 7 521 million. Drawings of long-term export credits granted to foreign customers amounted to FIM 2 625 million and repayments of outstanding export credits to FIM 685 million. Finnish net direct investment abroad totalled FIM 3 830 million. The total net inflow of long-term capital amounted to FIM 4 784 million; this represents an increase of FIM 2 489 million on the corresponding period last year.

The inflow of short-term capital (incl. errors and omissions) totalled FIM 4 362 million in January—June 1988. Short-term liabilities related to imports decreased by an estimated FIM 335 million, while net prepayments and receivables related to exports increased by FIM 20 million. The net short-term liability of the authorized banks increased by FIM 6 964 million.

The foreign exchange reserves of the Bank of Finland

grew by FIM 646 million in January—June. The convertible foreign exchange reserves increased by FIM 1 219 million, while tied currency claims decreased by FIM 573 million. At the end of June, the convertible foreign exchange reserves of the Bank of Finland stood at FIM 29 447 million and tied currency reserves at FIM 354 million.

At the end of June, Finland's net foreign debt totalled FIM 76 590 million; the net long-term debt amounted to FIM 64 163 million and the net short-term debt to FIM 12 427 million. The central government's share of net foreign debt was FIM 21 501 million.

# MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM OCTOBER 1988 TO SEPTEMBER 1989

1988

## OCTOBER

**Call money market.** The differential between the call money deposit rate and the call money credit rate is widened with effect from October 6, 1988. The rate on call money credits is raised from 11 per cent to 13 per cent while the rate on call money deposits is lowered from 7.5 per cent to 4 per cent.

**Cash reserve requirement.** The Bank of Finland raises the cash reserve requirement from 7.0 per cent to 7.3 per cent of the cash reserve base in October.

## NOVEMBER

**Cash reserve requirement.** The Bank of Finland raises the cash reserve requirement from 7.3 per cent to 7.6 per cent of the cash reserve base in November.

**Currency index.** On the proposal of the Parliamentary Supervisory Board, the Government decides to widen the fluctuation range of the Bank of Finland's currency index from approximately 4.5 per cent to about 6 per cent while keeping the middle point unchanged. Effective as from 30 November, the new fluctuation limits are 100.5 and 106.8.

## DECEMBER

**Cash reserve requirement.** The Bank of Finland raises the cash reserve requirement

from 7.6 per cent to 7.8 per cent of the cash reserve base in December.

1989

## JANUARY

**Base rate.** The Bank of Finland's base rate is lowered from 8 to 7.5 per cent as from January 1.

**Special financing arrangements.** As from the beginning of 1989, the Bank of Finland abolishes the financing arrangements for new-export credits and short-term export credits. The Bank of Finland abandons the financing of KTR credits with effect from the beginning of 1989. (KTR = financing arrangement for domestic suppliers' credits.)

## FEBRUARY

**Export deposits.** The Government decides to levy export deposits of 3 per cent on wood-free printing paper exported during the period February 1, 1989 and January 31, 1990.

**Cash reserve requirement.** The Bank of Finland raises the cash reserve requirement from 7.8 per cent to 8 per cent of the cash reserve base in February.

## MARCH

**Supplementary cash reserve agreement.** An agreement supplementing the cash reserve agreement between the Bank of Finland

and the banks is signed on March 13, 1989. The supplementary agreement, which is effective until the end of 1990, enables the Bank of Finland to raise the cash reserve requirement to a maximum of 12 per cent. The application of the additional requirement is linked to developments in bank lending (see the item in the April 1989 Bulletin).

**Fluctuation limits of the currency index.** On March 17, 1989, the Government, on the basis of a proposal by the Parliamentary Supervisory Board, decides to lower the fluctuation limits (range) of the currency index by about 4 per cent, thus making possible a revaluation of the markka of corresponding magnitude. The new upper limit of the fluctuation range of the currency index is 102.5 and the new lower limit 96.5.

## APRIL

**Till-money credits.** The Bank of Finland raises the base amount — the share of banks' till-money holdings which is not financed by the Bank of Finland — by over FIM 60 million as from the beginning of April. The new base amount is effective until the end of March 1990.

**Amendments to the cash reserve agreement and the terms of central bank financing.** The Bank of Finland grants Interbank Ltd. the right to central bank financing with effect from

the beginning of April. The bank joins the cash reserve agreement between the Bank of Finland and the banks on February 16, 1989.

## MAY

**Export deposits.** The Government decides to terminate the temporary export deposits levied on wood-free printing paper since the beginning of February 1, 1989 with effect from the beginning of May.

**Cash reserve requirement.** The Bank of Finland raises the cash reserve requirement for certain banks. Together with the 8 per cent ratio in force hitherto, the banks' average deposit requirement now amounts to just under 8.2 per cent of the cash reserve base in April.

## JUNE

**Foreign Exchange Regulations.** The Bank of Finland relaxes the foreign exchange regulations concerning direct investments by enterprises in the financial and insurance sector as from June 1, 1989. After this date, only direct investments by private individuals and direct investments in countries with which Finland maintains payments agreements require the Bank of Finland's authorization.

**Call money market.** With effect from June 16, 1989, the Board of Management of the Bank of Finland decides to abolish the bank-specific quotas for call money credit of the banks entitled to central bank financing. At the same time, the penalty interest charged on borrowing in excess of quota, which last stood at 19 per cent, is abolished. In addition, the call money credit rate is raised from 13 per cent to 15 per cent; the call money deposit rate remains at 4 per cent.

## Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement for certain banks and groups of bank. Together with the 8 per cent ratio in force hitherto, the banks' average deposit requirement now amounts to about 8.4 per cent of the cash reserve base in May.

## JULY

### Cash reserve requirement.

The Bank of Finland adjusts the cash reserve requirement for certain banks and groups of bank. Together with the 8 per cent ratio in force hitherto, the banks' average deposit requirement now amounts to about 8.5 per cent of the cash reserve base in June.

## AUGUST

### Cash reserve requirement.

The Bank of Finland adjusts the cash reserve requirement for certain banks and groups of bank. Together with the 8 per cent ratio in force hitherto, the banks' average deposit requirement now amounts to about 8.7 per cent of the cash reserve base in July.

## SEPTEMBER

### Foreign Exchange

**Regulations.** The Bank of Finland relaxes the foreign exchange regulations concerning foreign investments and capital imports. The amendments enter into force on September 1, 1989, except for those applying to private individuals. For tax control reasons, the decisions regarding capital exports by private individuals will enter into force on a later date, however not later than July 1, 1990.

**Capital exports.** Acquisitions of dwellings and real estate abroad no longer require authorization; previously, permission was necessary

if the purchase price exceeded FIM 1 million. Investments in the form of foreign securities, deposits held in accounts with foreign monetary institutions and merchandise held abroad are permitted without the permission of the Bank of Finland or quantitative restrictions. In addition, credit of more than one year's maturity may be granted to non-residents without the Bank of Finland's permission.

**Capital imports.** Non-financial companies, except housing and real estate companies, are permitted to raise foreign credit of more than one year's maturity; previously, only loans of more than five years' maturity were permitted. The authorization of the Bank of Finland is still required if a company borrows directly from a foreign lender. Suppliers' credits and prepayments in respect of imports are entirely freed from authorization. In addition, most direct investments in Finland no longer require authorization.



## FINLAND IN BRIEF

### LAND, CLIMATE AND POPULATION

Finland covers an area of more than 338 000 square kilometres. The total area is slowly increasing because of the steady uplift of the land since the last glacial era. The country shares frontiers with Sweden in the west, Norway in the north and 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 4 954 400 (Dec. 31, 1988) and an average population density of 16.3 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 491 800 inhabitants, Tampere (Tammerfors) 171 000, Espoo (Esbo) 168 100, Turku (Åbo) 159 400 and Vantaa (Vanda) 151 400.

There are two official languages: 93.6% of the population speaks Finnish as its mother tongue and 6.0% 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 1987, the seats of the various parties in Parliament are distributed as follows:

Social Democratic Party 56; National Coalition Party 53; Centre Party 40; People's Democratic League 16; Swedish People's Party 13; Rural Party 9; Christian League 5; the Greens 4; and the Democratic Alternative 4.

Of the 18 ministerial posts in the present government appointed in May 1987, 8 are held by Social Democrats, 7 by the National Coalition Party, 2 by the Swedish People's Party and 1 by the Rural Party. The Prime Minister is Mr. Harri Holkeri of the National Coalition 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, and enjoys friendly relations with all European countries and countries elsewhere. Finland's development cooperation programmes channel assistance via international organizations and, bilaterally, to a number of African, Asian and Latin American countries.

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 and the AfDB in 1982.

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.

### 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 pri-

vate companies. Of the gross domestic product of FIM 383 billion in basic values in 1988, 3% was generated in agriculture and fishing, 3% in forestry, 27% in industry, 9% in construction, 12% in trade, restaurants and hotels, 8% in transport and communications, 5% in finance and insurance, 16% in other private services and 17% by producers of government services. Of total employment of 2.3 million persons, 10% were engaged in primary production, 31% in industry and construction and 59% in services.

In 1988, expenditure on the gross domestic product in purchasers' values amounted to FIM 440 billion and was distributed as follows: net exports -0.3% (exports 24.8%, imports -25.1%), gross fixed capital formation 25%, private consumption 53% and government consumption 20%. Finland's gross tax ratio (gross taxes in relation to GDP) was 38% and the net tax ratio (net taxes in relation to GDP) 25%, which is about the average for OECD countries.

Average annual (compounded) growth of real GDP was 4.9% in the period 1950-60, 4.8% in 1960-70, 3.5% in 1970-80, 3.2% in 1980-88 and 4.2% in 1950-88. Finland's GDP per capita in 1988 was USD 21 200; this put Finland in fifth place among the 24 member countries of the OECD, preceded by Switzerland, Iceland, Japan and Norway.

**Foreign trade.** Over 80% of Finland's trade is carried on with market economies, the most important among which are Sweden, the Federal Republic of Germany, the United Kingdom, the United States, France and Japan. Bilateral trade with the Soviet Union, which is conducted at world market prices, dominates Finland's trade with socialist countries. Finland imports mainly oil and other energy products from the Soviet Union, while her exports consist primarily of manufactured goods.

In 1988, the share of forest industry products in total merchandise exports was 42%, the share of metal and engineering products 39% and the share of other goods 19%. Raw materials and intermediate goods (incl. crude oil) accounted for 55% of merchandise imports, fuels for 3%, investment goods for 19% and consumption goods for 23%.

**Forest resources.** Finland has fairly abundant forest resources, but only limited amounts of other raw mate-



rials. The growing stock comprises 1 660 million cubic metres, of which 45 % is pine, 37 % spruce and 18 % broad-leaved species, chiefly birch. The annual growth increment totals 68 million cubic metres and the total drain calculated on the basis of commercial fellings was 58 million cubic metres in 1988.

**Energy.** In 1987, gross consumption of primary energy amounted to 29 Mtoe, of which industry accounted for 45 %, heating for 24 %, transportation for 13 % and other purposes for 18 %. The sources of primary energy in 1987 were as follows: oil 33 %, coal 12 %, nuclear power 16 %, hydro-electric power, peat and other indigenous sources 30 %, others 9 %. Compared internationally (1985), Finland's consumption of 5.5 toe per capita was 1.8 times higher than the average in European OECD countries. The self-sufficiency rate (OECD definition) in Finland was 42 %, as compared with 62 % in western Europe on average.

## FINANCE AND BANKING

**Currency.** Since 1865 Finland has had its own monetary system. The currency unit is the markka (plural: markkaa), abbreviation FIM, which is divided into 100 penniä (singular: penni). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a trade-weighted currency index. As from Jan. 1, 1984 only convertible currencies have been included in the index. Since November 30, 1988, the index has been permitted to fluctuate within a range of 6 percentage points (previously 4.5). The range is defined by fluctuation limits which are set by the Government at the proposal of the Bank of Finland. Since March 17, 1989, the fluctuation limits have been 96.5 and 102.5 (1982 = 100), where the lower limit means the highest permissible value for the markka and the upper limit the lowest permissible value.

**International payments.** The use of the markka in foreign trade and as a eurocurrency has increased, but most international payments are effected in other currencies. Finland adopted Article VIII status at the International Monetary Fund in 1979. There are no restrictions concerning payments for merchandise or invisibles, and short-term trade finance may be acquired whenever exporters and importers see fit. The remaining exchange controls apply mainly to financial transactions.

Outward direct investment is permitted without the Bank of Finland's authorization except for direct investments in countries with which Finland maintains payments agreements. Similarly, inward direct investment is permitted without the Bank of Finland's authorization except for direct investments in enterprises in the financial sector and direct investments by countries with which Finland maintains payments agreements. Foreign investors may also buy shares of listed Finnish

companies; however, foreign investment in markka-denominated bonds is normally prohibited for the present. Finnish companies may freely raise foreign credits and extend loans abroad of over one year's maturity. Finnish residents, except enterprises in the financial sector, may invest freely in foreign securities and real estate. The unlimited right to make foreign investments also applies to private individuals, but the date of its entry into force is to be determined separately. The date will not, however, be later than July 1, 1990.

Transactions with the Soviet Union, the German Democratic Republic and Bulgaria are carried out on a bilateral basis and payments are effected through clearing accounts. The necessary licencing of trade for maintaining balance in bilateral trade is carried out by the Export and Import Permits Office; the scope for suppliers' credits is also limited.

**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, 1988).

Finland has four major groups of deposit banks with a total of more than 3 550 offices. There are two big commercial banks with national branch networks and eight smaller ones, four of which are foreign-owned. The commercial banks have a total of 29 foreign branches, subsidiaries and associate banks and 29 representative offices abroad. There are 211 savings banks and 267 cooperative banks with their own extensive branch networks. The government-owned Postipankki has 56 branches and also offers basic services in post offices.

**Financial markets.** Of the total stock of FIM 487 billion in outstanding domestic credit at the end of 1987, 60 % was provided by deposit banks, 4 % by mortgage banks, 17 % by insur-

ance companies, 8 % by other credit institutions and 11 % by the state, local authorities and social security funds. There are no quantitative restrictions or interest rate limitations on lending. Regulation of bank lending rates was progressively relaxed earlier in the 1980s and finally abolished in 1986.

In the money market, 69 % of the instruments, which totalled approximately FIM 108 billion at end 1988, were negotiable instruments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds intermediated 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 69 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 127 billion (at end-1988). Three foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1988 totalled FIM 93.6 billion; government bonds made up 33 % of the total. Turnover on the Stock Exchange in 1988 amounted to FIM 37 billion; the share of shares and subscription rights in the total was approximately 85 %.



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# 1. THE BALANCE SHEET OF THE BANK OF FINLAND

## 1.1 THE BALANCE SHEET OF THE BANK OF FINLAND,

MILL. FIM

	1988		1989			
	Aug. 31	Dec. 31	Aug. 8	Aug. 15	Aug. 23	Aug. 31
<b>ASSETS</b>						
<b>Gold and foreign currency claims</b>	32 074	29 753	30 214	30 489	30 405	30 345
Gold	2 128	2 128	2 128	2 128	2 128	2 128
Special drawing rights	1 025	1 120	862	881	885	882
IMF reserve tranche	947	940	927	932	937	934
Convertible currencies	25 131	24 492	25 465	25 737	25 516	25 568
Tied currencies	2 842	1 073	832	810	938	832
<b>Other foreign claims</b>	4 240	4 199	4 073	4 090	4 090	4 096
Markka subscription to Finland's IMF quota	2 262	2 283	2 195	2 195	2 195	2 195
Term credit	1 978	1 916	1 878	1 895	1 895	1 901
<b>Claims on financial institutions</b>	10 445	14 384	23 340	23 515	23 095	24 721
Call money credits	457	463	0	44	129	2
Certificates of deposit	4 399	7 187	17 197	17 444	16 914	18 641
Term credits	—	—	—	—	—	—
Till-money credits	2 042	2 920	2 956	2 843	2 874	2 899
Financing of crop failure loans	1 222	1 222	611	611	611	611
Bonds	2 066	2 325	2 338	2 336	2 329	2 329
Other claims on financial institutions	259	267	238	238	238	238
<b>Claims on the public sector</b>	999	1 128	1 114	1 114	1 115	1 113
Treasury notes and bills	—	88	10	10	10	—
Bonds	0	20	30	30	30	31
Total coinage	999	1 020	1 074	1 074	1 075	1 082
Other claims on the public sector	—	—	—	—	—	—
<b>Claims on corporations</b>	3 265	3 041	2 453	2 439	2 427	2 425
Financing of exports	554	400	34	34	31	30
Financing of domestic deliveries (KTR)	2 370	2 205	1 926	1 913	1 904	1 903
Bonds: KTR credits	123	218	281	281	281	281
Bonds: Other	35	35	24	24	24	24
Other claims on corporations	183	183	187	187	187	187
<b>Other assets</b>	115	787	94	92	90	95
Accrued items	—	668	—	—	—	—
Other assets	115	118	94	92	90	95
<b>Total</b>	51 137	53 291	61 289	61 739	61 222	62 794
<b>LIABILITIES</b>						
<b>Foreign currency liabilities</b>	183	247	145	142	147	148
Convertible currencies	74	119	23	24	24	23
Tied currencies	109	128	123	118	123	126
<b>Other foreign liabilities</b>	3 082	3 082	2 974	2 978	2 982	2 979
IMF markka accounts	2 262	2 283	2 195	2 195	2 195	2 195
Allocations of special drawing rights	820	800	779	783	787	784
<b>Notes and coin in circulation</b>	10 253	11 550	11 717	11 671	11 609	11 651
Notes	9 352	10 601	10 718	10 672	10 610	10 652
Coin	901	949	999	999	999	999
<b>Certificates of deposit</b>	3 450	1 130	160	110	60	60
<b>Liabilities to financial institutions</b>	17 699	19 248	24 998	25 189	24 692	25 825
Call money deposits	36	128	536	727	230	841
Term deposits	—	—	—	—	—	—
Cash reserve deposits	17 612	19 039	24 116	24 116	24 116	24 639
Capital import deposits	—	—	310	310	310	310
Other liabilities to financial institutions	51	81	37	36	36	35
<b>Liabilities to the public sector</b>	1 249	1 903	1 475	1 475	1 485	1 486
Cheque accounts	1	1	1	1	1	1
Counter-cyclical fund deposit	900	900	—	—	—	—
Counter-cyclical deposits	348	981	1 319	1 319	1 319	1 319
Export deposits	—	20	154	154	165	166
Capital import deposits	—	—	—	—	—	—
Other liabilities to the public sector	0	1	1	1	1	1
<b>Liabilities to corporations</b>	6 538	6 797	10 652	10 651	10 649	10 799
Deposits for investment and ship purchase	6 200	6 447	10 134	10 133	10 131	10 234
Capital import deposits	328	349	517	517	517	564
Other liabilities to corporations	10	1	0	0	0	0
<b>Other liabilities</b>	37	1 107	61	50	66	60
Accrued items	—	1 064	—	—	—	—
Other liabilities	37	43	61	50	66	60
<b>Valuation account and reserves</b>	3 156	2 391	3 270	3 637	3 696	3 949
<b>SITRA's capital</b>	400	400	400	400	400	400
<b>Capital accounts</b>	5 088	5 436	5 436	5 436	5 436	5 436
Primary capital	5 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	88	88	436	436	436	436
Profit/loss for the accounting year	—	348	—	—	—	—
<b>Total</b>	51 137	53 291	61 289	61 739	61 222	62 794

## 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 currencies, 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>1984</b>	1 732	936	859	15 303	18 830	-337	18 493	-917	17 576	1 951	4 277	2 326
<b>1985</b>	2 081	931	775	18 572	22 359	-285	22 074	-849	21 225	1 023	4 300	3 277
<b>1986</b>	2 081	983	793	6 778	10 635	3 421	14 056	-838	13 218	1 002	2 001	999
<b>1987</b>	2 128	899	793	23 571	27 391	1 212	28 603	1 131	29 734	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>1988</b>												
<b>Aug.</b>	2 128	1 025	947	25 057	29 157	2 733	31 890	1 158	33 048	999	1 249	250
<b>Sept.</b>	2 128	1 022	945	24 270	28 365	1 675	30 040	1 149	31 189	1 011	1 566	555
<b>Oct.</b>	2 128	1 008	922	23 638	27 696	1 818	29 514	1 134	30 648	1 044	1 575	531
<b>Nov.</b>	2 128	1 011	939	23 754	27 832	1 340	29 172	1 111	30 283	1 064	1 581	517
<b>Dec.</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>												
<b>Jan.</b>	2 128	1 066	945	26 514	30 653	2 296	32 949	1 129	34 078	1 114	2 016	902
<b>Feb.</b>	2 128	878	959	28 919	32 884	2 332	35 216	1 131	36 347	1 119	2 017	898
<b>March</b>	2 128	853	901	25 659	29 541	1 352	30 893	1 097	31 990	1 079	1 368	289
<b>April</b>	2 128	832	890	24 628	28 478	1 725	30 203	1 085	31 288	1 103	1 404	301
<b>May</b>	2 128	861	1 004	25 028	29 021	1 580	30 601	1 103	31 704	1 113	1 433	320
<b>June</b>	2 128	858	961	25 501	29 448	353	29 801	1 113	30 914	1 136	1 458	322
<b>July</b>	2 128	854	919	25 318	29 219	717	29 936	1 094	31 030	1 113	1 472	359
<b>Aug.</b>	2 128	882	934	25 545	29 489	706	30 195	1 117	31 312	1 113	1 486	373
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>1984</b>	.	2 802	8 696	1 563	-1 618	-2 713	4 646	2 614	2 032	7 442	.	
<b>1985</b>	.	4 014	10 222	1 925	-1 386	-2 897	4 525	4 113	412	8 072	.	
<b>1986</b>	2 381	6 687	9 270	2 305	-2 240	4 343	4 581	4 757	-176	8 668	.	
<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>1988</b>												
<b>Aug.</b>	4 399	421	17 612	2 042	-3 496	-7 254	3 047	6 320	-3 273	10 253	3 450	
<b>Sept.</b>	5 506	-48	17 464	2 170	-3 591	-6 245	2 965	6 385	-3 420	10 617	1 790	
<b>Oct.</b>	5 605	-394	17 328	2 559	-3 569	-5 989	2 908	6 471	-3 563	10 513	1 930	
<b>Nov.</b>	5 907	165	18 112	2 516	-3 554	-5 970	2 844	6 474	-3 630	10 563	1 690	
<b>Dec.</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>												
<b>Jan.</b>	5 291	632	20 389	2 733	-3 447	-8 286	2 681	6 622	-3 941	10 755	1 440	
<b>Feb.</b>	5 195	-101	21 328	2 657	-3 481	-10 096	2 555	6 706	-4 151	10 769	1 460	
<b>March</b>	7 917	1 735	22 120	2 481	-3 017	-6 970	2 455	6 700	-4 245	10 996	980	
<b>April</b>	10 166	256	22 195	2 342	-2 952	-6 479	2 386	6 935	-4 549	11 190	580	
<b>May</b>	7 597	3 803	22 820	2 843	-2 716	-5 861	2 335	7 168	-4 833	11 385	180	
<b>June</b>	16 601	-568	23 500	2 518	-2 816	-2 133	2 239	9 557	-7 318	11 737	160	
<b>July</b>	17 582	-727	24 116	2 936	-2 817	-1 508	2 252	10 439	-8 187	11 774	160	
<b>Aug.</b>	18 641	-839	24 639	2 899	-2 833	-1 105	2 214	10 587	-8 373	11 651	60	

## 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>1984</b>	.	.	.	.	-767	1 606	-2 373
<b>1985</b>	.	.	.	.	201	-1 011	1 212
<b>1986</b>	.	.	.	.	1 599	-1 074	2 673
<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>1988</b>							
<b>Aug.</b>	3 520	—	-1 190	4 710	457	-625	5 792
<b>Sept.</b>	1 160	210	-1 810	2 760	-415	54	2 291
<b>Oct.</b>	1 470	470	1 000	—	-32	314	-346
<b>Nov.</b>	2 970	—	2 380	590	212	-347	1 149
<b>Dec.</b>	3 000	—	1 100	1 900	241	71	2 070
<b>1989</b>							
<b>Jan.</b>	260	1 190	1 370	-2 300	252	-45	-2 003
<b>Feb.</b>	3 260	1 125	2 125	10	-656	77	-723
<b>March</b>	8 695	170	5 095	3 430	1 785	-51	5 266
<b>April</b>	4 710	—	2 370	2 340	-1 548	-69	861
<b>May</b>	6 490	—	7 880	-1 390	3 507	-40	2 157
<b>June</b>	16 295	250	7 875	8 170	-3 798	573	3 799
<b>July</b>	16 790	240	15 170	1 380	7	166	1 221
<b>Aug.</b>	14 560	—	13 160	1 400	-10	102	1 288

## 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>1984</b>	22 921	1 394	21 527	2 002	-19 962	3 566
<b>1985</b>	16 982	1 733	15 249	708	-9 005	6 951
<b>1986</b>	11 446	1 319	10 127	-2 461	-92	7 574
<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>1988</b>						
<b>July</b>	18 309	1 505	16 805	4 678	-201	21 282
<b>Aug.</b>	19 248	1 479	17 769	2 147	-	19 916
<b>Sept.</b>	19 282	1 847	17 435	6 712	-1 216	22 930
<b>Oct.</b>	18 420	1 998	16 422	7 072	-958	22 536
<b>Nov.</b>	17 447	1 894	15 553	8 224	-863	22 914
<b>Dec.</b>	16 488	1 543	14 946	9 086	-377	23 654
<b>1989</b>						
<b>Jan.</b>	15 710	1 058	14 652	9 284	-62	23 874
<b>Feb.</b>	15 495	857	14 638	7 706	-273	22 071
<b>March</b>	14 614	871	13 742	7 221	-168	20 795
<b>April</b>	13 536	1 044	12 492	7 003	-63	19 432
<b>May</b>	13 248	1 535	11 714	9 024	-	20 737
<b>June</b>	12 859	1 408	11 451	9 781	-306	20 926
<b>July</b>	13 125	1 393	11 731	9 870	-395	21 207

## 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>1984</b>	3 176	.	3 176	3 215	.	6 324	9 539	-6 364
<b>1985</b>	5 812	.	5 812	4 527	.	9 578	14 105	-8 293
<b>1986</b>	7 117	120	7 237	1 256	.	9 189	10 445	-3 208
<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>1988</b>								
<b>Aug.</b>	377	2 804	3 181	196	3 955	17 491	21 642	-18 462
<b>Sept.</b>	101	5 006	5 107	483	2 389	17 607	20 479	-15 372
<b>Oct.</b>	52	5 543	5 594	371	1 851	17 459	19 681	-14 087
<b>Nov.</b>	120	5 677	5 796	346	1 846	17 354	19 545	-13 749
<b>Dec.</b>	221	6 633	6 854	306	1 287	18 172	19 765	-12 911
<b>1989</b>								
<b>Jan.</b>	111	6 203	6 314	611	1 252	19 083	20 946	-14 632
<b>Feb.</b>	129	4 612	4 741	501	1 568	20 423	22 491	-17 750
<b>March</b>	711	5 175	5 886	177	1 202	21 352	22 731	-16 845
<b>April</b>	689	8 697	9 386	129	774	22 128	23 031	-13 644
<b>May</b>	1 176	8 908	10 083	127	330	22 214	22 671	-12 588
<b>June</b>	779	11 264	12 042	321	118	22 842	23 282	-11 240
<b>July</b>	46	17 049	17 095	714	160	23 520	24 394	-7 299
<b>Aug.</b>	46	17 384	17 431	507	116	24 132	24 755	-7 325

### 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>1984</b>	..	..	..	..	..	16.53	16.53	9.50	5.4	.
<b>1985</b>	..	..	..	..	..	13.37	13.37	9.04	5.6	.
<b>1986</b>	11.87	..	..	..	..	13.43	11.34	7.46	4.8	.
<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>1988</b>										
<b>Aug.</b>	9.97	9.96	10.00	10.13	10.42	11.00	7.50	8.00	7.0	.
<b>Sept.</b>	8.51	10.34	10.48	10.58	10.68	11.00	7.50	8.00	7.0	.
<b>Oct.</b>	7.88	10.34	10.68	10.96	11.31	12.83	4.34	8.00	7.0	.
<b>Nov.</b>	8.24	10.85	11.26	11.56	11.93	13.00	4.00	8.00	7.3	.
<b>Dec.</b>	8.41	11.21	11.55	11.85	12.14	13.00	4.00	8.00	7.6	.
<b>1989</b>										
<b>Jan.</b>	7.46	10.60	11.19	11.42	11.80	13.00	4.00	7.50	7.8	.
<b>Feb.</b>	7.91	10.12	10.78	11.10	11.53	13.00	4.00	7.50	7.8	.
<b>March</b>	9.09	10.85	11.09	11.34	11.66	13.00	4.00	7.50	8.0	.
<b>April</b>	11.37	12.08	12.11	12.11	12.15	13.00	4.00	7.50	8.0	.
<b>May</b>	11.43	11.70	11.75	11.79	11.90	13.00	4.00	7.50	8.0	0.2
<b>June</b>	9.79	11.62	11.78	11.93	12.13	13.00	4.00	7.50	8.0	0.4
<b>July</b>	10.56	11.64	11.79	11.94	12.11	15.00	4.00	7.50	8.0	0.5
<b>Aug.</b>	8.86	11.87	12.06	12.22	12.35	15.00	4.00	7.50	8.0	0.7

#### 3.2 WEIGHTED EURORATE (3 AND 12 CURRENCIES), PER CENT

Average of daily observations	3 currencies <sup>1</sup>				12 currencies <sup>2</sup>			
	1 month	3 months	6 months	12 months	1 month	3 months	6 months	12 months
	1	2	3	4	5	6	7	8
<b>1984</b>	7.5	7.7	8.0	8.2	..	..	..	..
<b>1985</b>	6.8	6.9	7.0	7.2	..	..	..	..
<b>1986</b>	5.9	5.9	5.9	5.8	..	..	..	..
<b>1987</b>	5.4	5.6	5.7	5.8	7.9	8.0	8.1	8.2
<b>1988</b>	5.9	6.0	6.2	6.4	7.8	8.0	8.1	8.3
<b>1988</b>								
<b>Aug.</b>	6.7	6.9	7.2	7.3	8.2	8.5	8.8	8.9
<b>Sept.</b>	6.6	6.8	7.0	7.1	8.4	8.5	8.7	8.8
<b>Oct.</b>	6.6	6.8	6.9	6.9	8.3	8.5	8.6	8.6
<b>Nov.</b>	6.7	6.9	7.0	7.0	8.5	8.6	8.7	8.7
<b>Dec.</b>	7.4	7.4	7.4	7.5	8.8	8.8	8.9	8.9
<b>1989</b>								
<b>Jan.</b>	7.4	7.6	7.7	7.8	8.8	8.9	8.9	9.0
<b>Feb.</b>	8.0	8.2	8.4	8.4	9.2	9.3	9.3	9.4
<b>March</b>	8.0	8.3	8.6	8.8	9.3	9.5	9.7	9.8
<b>April</b>	8.0	8.2	8.4	8.6	9.2	9.5	9.6	9.7
<b>May</b>	8.3	8.4	8.6	8.7	9.5	9.7	9.7	9.8
<b>June</b>	8.3	8.4	8.5	8.5	9.7	9.8	9.8	9.9
<b>July</b>	8.3	8.2	8.2	8.1	9.8	9.8	9.7	9.7
<b>Aug.</b>	8.3	8.3	8.2	8.2	9.7	9.8	9.8	9.7

#### 3.3 COVERED EURO-DOLLAR RATE, PER CENT

Average of daily observations	1 month	3 months	6 months	12 months
	1	2	3	4
<b>1984</b>	..	..	..	..
<b>1985</b>	12.9	12.8	12.8	12.6
<b>1986</b>	12.1	11.7	11.5	11.1
<b>1987</b>	9.8	9.9	9.9	10.1
<b>1988</b>	9.6	9.8	10.0	10.3
<b>1988</b>				
<b>Aug.</b>	9.9	9.9	10.1	10.4
<b>Sept.</b>	10.2	10.4	10.4	10.6
<b>Oct.</b>	10.2	10.5	10.8	11.0
<b>Nov.</b>	10.6	11.0	11.3	11.6
<b>Dec.</b>	10.8	11.2	11.4	11.7
<b>1989</b>				
<b>Jan.</b>	10.2	10.8	11.0	11.3
<b>Feb.</b>	10.0	10.5	10.7	11.1
<b>March</b>	10.6	10.9	11.1	11.3
<b>April</b>	11.9	11.8	11.8	11.7
<b>May</b>	11.1	11.2	11.2	11.3
<b>June</b>	11.2	11.3	11.4	11.5
<b>July</b>	11.1	11.3	11.5	11.5
<b>Aug.</b>	11.1	11.5	11.7	11.8

<sup>1</sup> DEM 60 per cent, USD 30 per cent, GBP 10 per cent.

<sup>2</sup> Weighted according to their relative shares in the Bank of Finland currency index. Since March 1989, the index has consisted of 14 currencies.



### 3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

End of period	Lending						Deposits					
	New credits <sup>1</sup>				Average lending rate	Of which: Commercial banks	Savings accounts and ordinary deposit accounts	12-month time deposits	24-month time deposits	Average rate of interest on regulated deposits	Average rate of interest on unregulated deposits	Average rate of interest on total deposits
	Cheque account and post-office credits	Bills of exchange	Loans	New lending, total								
1	2	3	4	5	6	7	8	9	10	11	12	
<b>1984</b>	..	..	..	..	10.67	10.68	5.25	8.00	9.25	6.22	15.43	7.30
<b>1985</b>	12.04	12.94	10.62	11.55	10.37	10.37	4.75	7.50	8.75	5.91	13.24	6.81
<b>1986</b>	10.89	12.30	9.76	10.64	8.82	8.81	2.75	5.75	7.00	4.43	11.84	5.35
<b>1987</b>	10.50	12.31	10.01	10.62	9.12	8.99	2.75	5.75	7.00	4.56	10.13	5.29
<b>1988</b>	10.22	12.27	10.50	10.72	10.37	10.25	3.75	6.75	8.00	5.87	9.80	6.20
<b>1988</b>												
<b>July</b>	11.29	12.60	10.72	11.08	10.08	9.91	3.75	6.75	8.00	5.45	9.44	6.30
<b>Aug.</b>	11.04	12.55	10.75	11.07	10.12	9.95	3.75	6.75	8.00	5.48	9.63	6.42
<b>Sept.</b>	12.24	12.53	10.81	11.14	10.19	10.06	3.75	6.75	8.00	5.56	9.83	6.56
<b>Oct.</b>	11.97	12.53	10.82	11.16	10.29	10.15	3.75	6.75	8.00	5.59	10.09	6.63
<b>Nov.</b>	12.08	12.62	11.02	11.33	10.33	10.21	3.75	6.75	8.00	5.66	10.39	6.77
<b>Dec.</b>	10.02	11.68	10.33	10.48	10.37	10.25	3.75	6.75	8.00	5.87	10.62	6.92
<b>1989</b>												
<b>Jan.</b>	11.63	12.37	10.58	10.95	10.09	9.90	3.50	.	5.50	..	..	..
<b>Feb.</b>	11.63	12.23	10.85	11.18	10.09	9.92	3.50	.	5.50	..	..	..
<b>March</b>	12.04	12.69	11.04	11.45	10.11	9.94	3.50	.	5.50	..	..	..
<b>April</b>	12.73	13.10	11.35	11.80	10.23	10.06	3.50	.	5.50	..	..	..
<b>May</b>	12.75	13.11	11.48	11.91	10.31	10.13	3.50	.	5.50	..	..	..
<b>June</b>	12.46	13.12	11.43	11.83	10.35	10.18	3.50	.	5.50	..	..	..
<b>July</b>	12.59	13.25	11.59	12.03	10.34	10.18	3.50	.	5.50	..	..	..

<sup>1</sup> Average rate of interest for period.

### 3.5 RATES OF INTEREST ON BONDS AND DEBENTURES, PER CENT

Period	Secondary market rates						Rates of issue		
	Long-term unregulated market rate		Taxable government bonds	Taxable public issues	Of which:		Taxfree public issues	Taxable public issues	Taxfree public issues
	3 years	5 years			Financial institutions	Corporations			
	1	2	3	4	5	6	7	8	9
<b>1984</b>	..	..	.	14.0	..	..	10.6	13.6	11.1
<b>1985</b>	..	..	.	12.7	..	..	10.1	12.7	10.6
<b>1986</b>	..	..	.	11.7	..	..	8.3	11.3	8.8
<b>1987</b>	..	..	.	11.2	11.1	11.2	8.1	10.7	7.9
<b>1988</b>	10.7	10.8	10.6	10.6	10.6	10.6	7.8	10.4	7.3
<b>1988</b>									
<b>July</b>	10.3	10.5	10.6	10.4	10.4	10.6	7.9	9.8	7.2
<b>Aug.</b>	10.5	10.7	10.7	10.6	10.5	10.7	8.0	10.5	7.2
<b>Sept.</b>	10.7	10.8	10.6	10.7	10.8	10.5	8.0	10.7	7.2
<b>Oct.</b>	11.2	11.3	10.6	10.6	10.6	10.6	7.8	10.3	7.2
<b>Nov.</b>	11.6	11.6	11.6	11.0	11.0	11.3	7.8	10.7	7.2
<b>Dec.</b>	11.8	11.7	11.6	11.3	11.3	11.1	7.5	11.3	7.2
<b>1989</b>									
<b>Jan.</b>	11.8	11.7	11.6	11.8	11.7	12.0	7.4	11.1	6.5
<b>Feb.</b>	11.5	11.4	11.7	11.5	11.8	11.3	7.5	11.5	6.5
<b>March</b>	11.6	11.6	11.8	11.8	11.5	11.8	7.7	11.5	6.5
<b>April</b>	11.9	11.8	11.8	11.8	11.9	11.7	7.6	11.6	6.5
<b>May</b>	11.8	11.7	11.8	11.8	11.9	11.8	7.9	11.6	6.5
<b>June</b>	11.9	11.7	12.3	11.8	11.8	11.7	8.1	11.5	6.5
<b>July</b>	11.8	11.7	12.1	11.8	12.0	11.6	8.2	11.6	6.5

## 4. RATES OF EXCHANGE

### 4.1 AVERAGE SPOT SELLING RATES, FIM

Average of daily quotations	New York	Montreal	London	Dublin	Stockholm	Oso	Copenhagen	Frankfurt a.M.	Amsterdam	Brussels	
	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEC	1 BEL
	1	2	3	4	5	6	7	8	9	10	11
<b>1984</b>	6.010	4.645	8.023	6.533	0.7277	0.7384	0.5816	2.1165	1.8772	0.10428	0.10274
<b>1985</b>	6.206	4.554	8.000	6.590	0.7222	0.7231	0.5871	2.1142	1.8745	0.10483	0.10421
<b>1986</b>	5.077	3.659	7.459	6.816	0.7138	0.6882	0.6290	2.3454	2.0789	0.11399	0.11299
<b>1987</b>	4.404	3.325	7.213	6.556	0.6952	0.6547	0.6444	2.4514	2.1755	0.11806	0.11735
<b>1988</b>	4.191	3.412	7.466	6.397	0.6848	0.6444	0.6235	2.3895	2.1233	0.11421	0.11345
<b>1988</b>											
<b>Aug.</b>	4.469	3.660	7.601	6.369	0.6910	0.6498	0.6198	2.3692	2.0986	0.11314	0.11162
<b>Sept.</b>	4.427	3.611	7.462	6.371	0.6885	0.6419	0.6183	2.3732	2.1034	0.11325	0.11181
<b>Oct.</b>	4.315	3.582	7.492	6.349	0.6883	0.6401	0.6153	2.3699	2.1019	0.11311	0.11197
<b>Nov.</b>	4.151	3.416	7.512	6.350	0.6827	0.6328	0.6154	2.3737	2.1049	0.11333	0.11250
<b>Dec.</b>	4.140	3.466	7.565	6.319	0.6816	0.6365	0.6112	2.3590	2.0902	0.11262	0.11212
<b>1989</b>											
<b>Jan.</b>	4.247	3.568	7.561	6.223	0.6804	0.6385	0.6003	2.3234	2.0583	0.11098	0.11048
<b>Feb.</b>	4.299	3.623	7.550	6.206	0.6814	0.6411	0.5974	2.3231	2.0578	0.11091	0.11045
<b>March</b>	4.302	3.604	7.393	6.170	0.6756	0.6347	0.5925	2.3084	2.0459	0.11026	0.10982
<b>April</b>	4.197	3.534	7.149	6.001	0.6605	0.6190	0.5776	2.2465	1.9913	0.10737	0.10691
<b>May</b>	4.347	3.650	7.090	5.975	0.6618	0.6187	0.5737	2.2325	1.9805	0.10672	0.10639
<b>June</b>	4.437	3.706	6.899	5.985	0.6643	0.6183	0.5757	2.2397	1.9884	0.10708	0.10681
<b>July</b>	4.278	3.602	6.947	6.043	0.6622	0.6164	0.5818	2.2601	2.0043	0.10803	0.10786
<b>Aug.</b>	4.348	3.703	6.950	6.036	0.6657	0.6186	0.5814	2.2582	2.0029	0.10802	0.10782

Average of daily quotations	Zurich	Paris	Rome	Vienna	Lisbon	Reykjavik	Madrid	Tokyo	Moscow	Melbourne	ECU	SDR
	1 CHF	1 FRF	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 JPY	1 SUR	1 AUD	1 XEU	1 XDR
	12	13	14	15	16	17	18	19	20	21	22	23
<b>1984</b>	2.5642	0.6907	0.00344	0.3013	0.0414	0.1939	0.0375	0.02534	7.357	..	..	6.14739
<b>1985</b>	2.5360	0.6940	0.00327	0.3012	0.0367	0.1520	0.0366	0.02610	7.419	..	..	6.27879
<b>1986</b>	2.8349	0.7355	0.00343	0.3339	0.0343	0.1259	0.0364	0.03028	7.228	..	..	5.94432
<b>1987</b>	2.9563	0.7345	0.00341	0.3488	0.0315	0.1163	0.0358	0.03050	6.965	3.106	5.075	5.68010
<b>1988</b>	2.8700	0.7060	0.00324	0.3401	0.0294	0.1006	0.0361	0.03273	6.891	3.309	4.954	5.61826
<b>1988</b>												
<b>Aug.</b>	2.8246	0.7014	0.00321	0.3373	0.0294	0.0981	0.0362	0.03344	7.091	3.620	4.931	5.76379
<b>Sept.</b>	2.8112	0.6992	0.00320	0.3377	0.0291	0.0971	0.0358	0.03295	7.038	3.527	4.917	5.71616
<b>Oct.</b>	2.7995	0.6963	0.00319	0.3374	0.0290	0.0940	0.0360	0.03347	6.998	3.509	4.911	5.68200
<b>Nov.</b>	2.8293	0.6965	0.00321	0.3378	0.0288	0.0931	0.0362	0.03372	6.890	3.548	4.918	5.62011
<b>Dec.</b>	2.8009	0.6921	0.00321	0.3357	0.0288	0.0929	0.0366	0.03349	6.862	3.573	4.899	5.59952
<b>1989</b>												
<b>Jan.</b>	2.7332	0.6831	0.00318	0.3308	0.0286	0.0887	0.0372	0.03346	6.896	3.712	4.840	5.61726
<b>Feb.</b>	2.7314	0.6838	0.00319	0.3305	0.0286	0.0870	0.0373	0.03369	6.943	3.704	4.838	5.64865
<b>March</b>	2.6830	0.6824	0.00316	0.3284	0.0283	0.0842	0.0372	0.03305	6.896	3.530	4.801	5.60538
<b>April</b>	2.5518	0.6659	0.00308	0.3195	0.0275	0.0819	0.0363	0.03181	6.702	3.395	4.672	5.44433
<b>May</b>	2.5138	0.6615	0.00308	0.3176	0.0273	0.0814	0.0359	0.03151	6.770	3.374	4.644	5.48599
<b>June</b>	2.5942	0.6616	0.00310	0.3185	0.0271	0.0789	0.0351	0.03079	6.831	3.367	4.639	5.49166
<b>July</b>	2.6243	0.6679	0.00314	0.3214	0.0273	0.0762	0.0361	0.03047	6.759	3.260	4.678	5.42928
<b>Aug.</b>	2.6201	0.6700	0.00316	0.3211	0.0273	0.0751	0.0362	0.03079	6.821	3.336	4.678	5.47435

## 4.2 CURRENCY INDICES, 1982=100

Average of daily observations	Bank of Finland currency index	Other currency indices		Currency	Weights of the Bank of Finland currency index As from September 7, 1989
		Payments currency index	MERM index		
	1	2	3		4
<b>1984</b>	102.8	108.5	111.6	<b>USD</b>	8.1
<b>1985</b>	102.5	109.4	112.5	<b>GBP</b>	13.4
<b>1986</b>	103.9	106.3	110.4	<b>SEK</b>	19.1
<b>1987</b>	103.3	103.2	106.1	<b>NOK</b>	4.3
<b>1988</b>	102.0	101.0	104.7	<b>DKK</b>	4.5
				<b>DEM</b>	19.3
<b>1988</b>				<b>NLG</b>	4.8
<b>Aug.</b>	102.7	102.7	107.2	<b>BEC</b>	3.1
<b>Sept.</b>	102.2	102.1	106.4	<b>CHF</b>	2.5
<b>Oct.</b>	102.0	101.5	105.8	<b>FRF</b>	6.5
<b>Nov.</b>	101.6	100.5	104.5	<b>ITL</b>	4.9
<b>Dec.</b>	101.4	100.2	104.2	<b>ATS</b>	1.6
				<b>ESP</b>	1.8
<b>1989</b>				<b>JPY</b>	6.1
<b>Jan.</b>	100.9	100.2	104.6		
<b>Feb.</b>	101.0	100.5	105.2		
<b>March</b>	100.1	99.8	104.4		
<b>April</b>	97.4	97.1	101.6		
<b>May</b>	97.3	97.6	102.4		
<b>June</b>	97.2	97.9	102.8		
<b>July</b>	97.4	97.5	101.7		
<b>Aug.</b>	97.7	98.0	102.6		

## 5. OTHER DOMESTIC FINANCING

### 5.1 BANK DEPOSITS BY THE PUBLIC, MILL. FIM

End of period	Demand deposits	Time deposits	Investment accounts	Markka deposits, total (1+2+3)	Foreign currency deposits	Unregulated deposits	Total deposits (4+5+6)
	1	2	3	4	5	6	7
<b>1984</b>	16 975	108 118	.	125 093	4 960	11 287	141 340
<b>1985</b>	19 268	125 366	1 781	146 415	6 192	13 998	166 605
<b>1986</b>	18 393	137 521	3 423	159 337	4 306	17 271	180 914
<b>1987</b>	20 377	155 115	5 243	180 735	3 923	17 892	202 550
<b>1988*</b>	24 831	194 181	5 089	224 101	4 643	41 028	269 772
<b>1988*</b>							
<b>June</b>	26 163	164 253	5 900	196 317	4 169	27 307	227 793
<b>July</b>	24 369	166 174	5 910	196 454	4 362	37 097	237 913
<b>Aug.</b>	24 438	167 010	5 904	197 352	4 406	39 645	241 402
<b>Sept.</b>	23 358	168 233	6 211	197 801	4 310	39 761	241 872
<b>Oct.</b>	25 168	170 139	6 530	201 837	4 783	42 652	249 271
<b>Nov.</b>	23 389	171 714	6 602	201 706	5 028	44 564	251 298
<b>Dec.</b>	24 831	194 181	5 089	224 101	4 643	41 028	269 772
<b>1989*</b>							
<b>Jan.</b>	24 190	194 308	5 842	224 340	4 647	48 256	277 243
<b>Feb.</b>	26 225	194 930	6 433	227 588	5 022	48 346	280 956
<b>March</b>	25 618	193 825	6 932	226 375	4 754	51 153	282 281
<b>April</b>	25 872	195 207	7 408	228 487	5 430	55 898	289 814
<b>May</b>	26 969	194 708	7 672	229 349	5 286	51 275	285 909
<b>June</b>	28 559	196 403	8 080	233 042	6 626	57 898	297 566

### 5.2 BANK LENDING TO THE PUBLIC, MILL. FIM

End of period	Cheque account and postal giro credits	Bills of exchange	Loans	Markka lending, total (1+2+3)	Foreign currency credits	Total lending (4+5)
	1	2	3	4	5	6
<b>1984</b>	5 233	7 644	111 280	124 157	20 363	144 520
<b>1985</b>	6 313	7 471	132 668	146 451	24 704	171 155
<b>1986</b>	7 542	6 354	152 335	166 231	25 016	191 246
<b>1987</b>	8 507	5 177	178 698	192 382	36 954	229 336
<b>1988*</b>	11 358	5 920	234 268	251 545	50 267	301 812
<b>1988*</b>						
<b>June</b>	9 643	4 809	200 832	215 283	47 807	263 090
<b>July</b>	9 436	4 722	203 911	218 068	47 301	265 370
<b>Aug.</b>	9 907	4 767	207 885	222 560	47 085	269 644
<b>Sept.</b>	10 634	4 755	212 246	227 635	47 583	275 218
<b>Oct.</b>	10 647	4 796	216 684	232 127	47 913	280 040
<b>Nov.</b>	10 898	4 902	221 029	236 830	48 558	285 388
<b>Dec.</b>	11 358	5 920	234 268	251 545	50 267	301 812
<b>1989*</b>						
<b>Jan.</b>	11 765	5 334	237 089	254 188	53 142	307 329
<b>Feb.</b>	11 783	5 044	239 517	256 345	56 542	312 886
<b>March</b>	12 595	5 122	241 517	259 234	56 288	315 522
<b>April</b>	12 836	5 129	240 945	258 910	57 559	316 470
<b>May</b>	12 926	5 195	246 520	264 641	59 916	324 557
<b>June</b>	13 422	5 347	248 921	267 691	61 276	328 966

### 5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL. FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M <sub>1</sub>	M <sub>2</sub> (1+4+5)
		Claims on the central government	Claims on the public	Total (2+3)			
	1	2	3	4	5	6	7
<b>1984</b>	-2 575	-5 483	176 694	171 211	-26 978	24 945	141 658
<b>1985</b>	-6 641	-8 694	209 231	200 537	-27 244	27 694	166 652
<b>1986</b>	-16 784	-13 884	237 514	223 630	-27 522	27 838	179 324
<b>1987</b>	-25 484	-14 977	277 068	262 090	-36 145	30 342	200 461
<b>1988*</b>	-40 670	-15 691	351 266	335 574	-48 866	35 232	246 039
<b>1988*</b>							
<b>June</b>	-31 339	-14 240	308 714	294 474	-44 552	36 824	218 583
<b>July</b>	-31 862	-13 831	312 650	298 819	-47 602	35 182	219 356
<b>Aug.</b>	-33 160	-14 690	317 063	302 373	-49 570	34 831	219 644
<b>Sept.</b>	-37 256	-15 307	322 509	307 202	-49 841	34 097	220 105
<b>Oct.</b>	-38 414	-15 174	327 518	312 344	-50 503	35 538	223 428
<b>Nov.</b>	-38 919	-16 343	333 845	317 502	-54 941	33 856	223 642
<b>Dec.</b>	-40 670	-15 691	351 266	335 574	-48 866	35 232	246 039
<b>1989*</b>							
<b>Jan.</b>	-40 982	-13 442	358 025	344 583	-57 465	34 954	246 137
<b>Feb.</b>	-41 631	-13 958	364 209	350 252	-58 621	37 294	250 000
<b>March</b>	-43 785	-16 112	368 268	352 156	-59 424	36 810	248 947
<b>April</b>	-45 413	-13 377	372 511	359 134	-61 684	37 559	252 037
<b>May</b>	-47 950	-10 575	377 748	367 173	-65 679	38 966	253 544
<b>June</b>	-50 499	-11 982	384 021	372 039	-59 320	42 526	262 220

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

End of period	Foreign debt				Domestic debt				Total central government debt (4+8)	Out-standing lending	Cash funds
	Bonds	Other bonds and debentures	Long-term promissory notes	Total (1+2+3)	Public bonds	Other long-term liabilities	Treasury notes and bills	Total (5+6+7)			
	1	2	3	4	5	6	7	8	9	10	11
<b>1984</b>	16 513	2 666	5 767	24 946	12 037	4 520	2 766	19 323	44 269	33 816	6 300
<b>1985</b>	17 316	2 703	5 658	25 677	14 994	4 107	2 203	21 304	46 981	36 032	6 383
<b>1986</b>	17 905	3 038	6 038	26 981	18 059	4 481	2 474	25 013	51 994	38 028	11 686
<b>1987</b>	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	40 035	11 553
<b>1988</b>	20 202	1 804	4 273	26 279	24 243	5 272	2 290	31 805	58 084	42 990	15 858
<b>1988</b>											
<b>July</b>	20 860	2 236	5 156	28 252	23 838	4 969	3 910	32 717	60 969	41 781	11 993
<b>Aug.</b>	20 652	1 865	5 129	27 646	23 834	4 983	3 850	32 667	60 313	41 693	12 504
<b>Sept.</b>	20 200	1 847	5 098	27 145	23 767	4 979	3 580	32 326	59 471	43 141	13 073
<b>Oct.</b>	20 015	1 833	5 100	26 948	24 056	4 980	3 310	32 346	59 294	43 357	13 886
<b>Nov.</b>	19 643	1 814	4 324	25 781	24 079	4 984	2 980	32 043	57 824	43 349	15 683
<b>Dec.</b>	20 202	1 804	4 273	26 279	24 243	5 272	2 290	31 805	58 084	42 990	15 858
<b>1989</b>											
<b>Jan.</b>	20 208	1 790	4 216	26 214	23 563	5 261	2 130	30 954	57 168	43 531	13 022
<b>Feb.</b>	19 999	1 486	4 158	25 643	23 877	5 225	1 930	31 032	56 675	43 990	13 926
<b>March</b>	19 285	1 234	3 893	24 412	24 399	5 219	1 630	31 248	55 660	44 071	17 893
<b>April</b>	18 236	1 219	3 678	23 133	24 508	4 975	1 280	30 763	53 896	44 371	15 128
<b>May</b>	19 333	1 239	3 564	24 136	24 351	4 806	980	30 137	54 273	..	14 374
<b>June</b>	18 759	1 249	3 400	23 408	24 539	4 810	780	30 129	53 537	..	14 598
<b>July</b>	18 587	1 229	3 370	23 186	24 526	4 812	660	29 998	53 184	..	16 701

## 5.5 DOMESTIC 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>1984</b>	2 528	6 167	5 073	112	32	1 947	5 336	6 629	13 912
<b>1985</b>	4 799	9 112	5 994	435	33	8 070	6 394	5 909	20 373
<b>1986</b>	4 976	10 638	6 532	422	105	5 987	7 487	9 199	22 674
<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>1988</b>									
<b>July</b>	523	360	10	74	—	445	10	512	967
<b>Aug.</b>	314	474	576	100	—	772	576	116	1 463
<b>Sept.</b>	13	903	127	—	—	378	482	183	1 042
<b>Oct.</b>	324	706	656	15	—	930	656	115	1 701
<b>Nov.</b>	14	1 240	183	—	—	873	183	381	1 437
<b>Dec.</b>	838	808	174	3	50	638	174	1 062	1 874
<b>1989</b>									
<b>Jan.</b>	738	1 451	1 075	47	—	1 284	1 293	734	3 311
<b>Feb.</b>	153	1 403	1 800	7	—	2 683	400	280	3 362
<b>March</b>	391	1 785	—	6	—	1 234	381	566	2 181
<b>April</b>	274	345	982	13	—	375	—	1 239	1 614
<b>May</b>	353	458	450	56	—	495	450	371	1 316
<b>June</b>	502	2 602	—	15	—	1 111	—	2 008	3 119
<b>July</b>	58	100	—	8	3	100	—	69	169

### 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>1984</b>	6 766	19 960	14 904	247	43	3 531	15 148	23 242	41 921
<b>1985</b>	10 482	26 173	18 575	661	56	10 967	19 002	25 977	55 947
<b>1986</b>	14 075	31 902	22 091	1 042	177	16 432	23 314	29 541	69 287
<b>1987</b>	17 509	36 773	26 518	1 200	232	24 831	28 229	29 172	82 232
<b>1988*</b>	19 222	42 927	28 953	1 412	292	31 970	30 064	30 771	92 805
<b>1988*</b>									
<b>II</b>	17 901	39 712	28 428	1 250	246	28 457	29 627	29 453	87 537
<b>III</b>	18 407	40 650	28 478	1 416	246	29 804	29 588	29 805	89 197
<b>IV</b>	19 222	42 927	28 953	1 412	292	31 970	30 064	30 771	92 805
<b>1989*</b>									
<b>I</b>	20 237	46 069	28 907	1 417	392	35 733	29 416	31 874	97 023
<b>II</b>	20 675	49 118	28 907	1 473	384	37 747	29 384	33 426	100 557

## 5.6 HELSINKI STOCK EXCHANGE

During period	Turnover, mill.FIM			Share prices Unitas index <sup>1</sup> , 1975 = 100		
	Shares and subscription rights	Bonds and debentures	Total (1+2)	Banks	Industry	Overall index
	1	2	3	4	5	6
<b>1984</b>	2 508	5 007	7 515	193	273	259
<b>1985</b>	3 114	9 046	12 160	184	234	229
<b>1986</b>	9 488	6 479	15 968	254	357	350
<b>1987</b>	26 641	4 604	31 245	319	603	546
<b>1988</b>	31 734	5 718	37 452	404	734	677
<b>1988</b>						
<b>July</b>	3 765	353	4 117	453	806	747
<b>Aug.</b>	3 614	298	3 911	458	809	752
<b>Sept.</b>	2 149	270	2 419	432	763	704
<b>Oct.</b>	1 979	191	2 170	421	751	696
<b>Nov.</b>	2 271	205	2 475	445	787	731
<b>Dec.</b>	3 475	966	4 441	443	786	732
<b>1989</b>						
<b>Jan.</b>	2 622	314	2 936	439	792	736
<b>Feb.</b>	5 491	883	6 373	447	829	771
<b>March</b>	4 530	463	4 993	467	838	784
<b>April</b>	3 520	171	3 691	489	854	807
<b>May</b>	2 861	367	3 228	482	851	801
<b>June</b>	2 016	268	2 283	486	844	796
<b>July</b>	1 344	303	1 647	473	823	776

<sup>1</sup> Average of daily observations.

## 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>1984</b>	78 961	6 580	3 039	5 610	15 229	94 190	4 537	3 624	102 351	73 496	2 572	4 250	5 819
<b>1985</b>	82 475	6 216	3 258	6 224	15 698	98 173	5 847	3 791	107 811	80 764	2 545	5 031	6 554
<b>1986</b>	81 066	5 757	3 195	5 616	14 568	95 634	4 510	3 609	103 752	76 736	2 160	5 587	5 415
<b>1987</b>	83 826	6 370	3 736	6 099	16 204	100 030	5 075	3 231	108 336	81 867	2 610	6 811	6 488
<b>1988*</b>	91 299	7 146	4 257	6 333	17 736	109 035	7 752	3 396	120 183	91 234	3 576	7 913	7 500
<b>1987</b>													
<b>I</b>	20 038	1 474	660	1 253	3 387	23 425	1 127	876	25 427	19 528	572	1 467	1 473
<b>II</b>	21 302	1 644	929	1 382	3 955	25 257	1 175	797	27 229	20 508	673	1 688	1 529
<b>III</b>	20 849	1 698	1 339	1 573	4 610	25 459	1 115	781	27 355	20 258	670	1 915	1 467
<b>IV</b>	21 638	1 554	808	1 890	4 252	25 890	1 659	777	28 325	21 573	694	1 741	2 019
<b>1988*</b>													
<b>I</b>	20 513	1 663	777	1 511	3 951	24 464	1 804	818	27 086	19 684	715	1 830	2 041
<b>II</b>	22 565	1 828	1 041	1 456	4 325	26 890	1 781	864	29 535	23 185	831	1 917	1 760
<b>III</b>	21 617	1 913	1 486	1 518	4 916	26 533	1 944	883	29 361	23 769	1 013	2 210	1 813
<b>IV</b>	26 603	1 743	954	1 848	4 544	31 148	2 223	831	34 201	24 597	1 017	1 956	1 886
<b>1989*</b>													
<b>I</b>	24 904	1 884	865	1 678	4 427	29 331	2 248	866	32 444	24 320	753	2 081	2 147
<b>II</b>	23 340	2 009	1 100	1 606	4 716	28 056	2 582	942	31 580	24 804	905	2 230	1 912

During period	Services expenditure, total (11+12+13)	Imports of goods and services (10+14)	Investment expenditure (15+16)	Transfers and other expenditure (17)	Current account expenditure (15+16+17)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account and services income, net (20+21+22)	Goods and services account net (19+23)	Investment income, net (7-16)	Transfers and others, net (8-17)	Current account and account net (24+25+26) = (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
<b>1984</b>	12 641	86 137	11 298	5 010	102 445	5 465	4 008	-1 211	-209	2 588	8 053	-6 761	-1 385	-93
<b>1985</b>	14 130	94 893	12 134	5 300	112 327	1 711	3 671	-1 773	-330	1 568	3 279	-6 287	-1 509	-4 517
<b>1986</b>	13 162	89 898	11 719	5 964	107 580	4 329	3 597	-2 392	201	1 406	5 735	-7 209	-2 355	-3 828
<b>1987</b>	15 909	97 775	12 617	5 860	116 251	1 960	3 760	-3 075	-390	296	2 255	-7 542	-2 629	-7 915
<b>1988*</b>	18 989	110 223	15 769	6 771	132 763	64	3 570	-3 656	-1 167	-1 252	-1 188	-8 017	-3 375	-12 580
<b>1987</b>														
<b>I</b>	3 512	23 040	2 901	1 745	27 686	509	901	-806	-220	-125	385	-1 774	-869	-2 259
<b>II</b>	3 890	24 398	3 624	1 288	29 309	794	971	-759	-147	65	859	-2 450	-490	-2 081
<b>III</b>	4 052	24 310	2 660	1 303	28 274	591	1 028	-576	106	558	1 149	-1 545	-522	-919
<b>IV</b>	4 455	26 027	3 431	1 523	30 982	65	860	-933	-129	-203	-138	-1 773	-747	-2 657
<b>1988*</b>														
<b>I</b>	4 585	24 269	3 882	1 919	30 070	828	948	-1 053	-529	-634	194	-2 077	-1 100	-2 983
<b>II</b>	4 508	27 692	3 863	1 501	33 056	-619	997	-876	-304	-183	-802	-2 082	-637	-3 521
<b>III</b>	5 037	28 805	3 511	1 503	33 819	-2 151	900	-725	-296	-120	-2 272	-1 567	-620	-4 459
<b>IV</b>	4 859	29 456	4 514	1 848	35 818	2 007	725	-1 003	-38	-315	1 692	-2 291	-1 017	-1 617
<b>1989*</b>														
<b>I</b>	4 982	29 302	4 303	2 182	35 786	584	1 130	-1 216	-469	-555	29	-2 055	-1 316	-3 342
<b>II</b>	5 047	29 851	5 086	1 801	36 738	-1 464	1 104	-1 130	-306	-332	-1 795	-2 504	-859	-5 158



## 6.2 CAPITAL ACCOUNT, MILL. FIM

During period	Direct investment in Finland	Port-folio investment in Finland	Long-term credits				Imports of other long-term capital	Imports of long-term capital (1+2+6+7)	Direct investment abroad	Port-folio investment abroad	Long-term export credits	Exports of other long-term capital	Exports of long-term capital (9+10+11+12)	Long-term capital account (8-13)
			Central government	Author-ized banks	Others	Total (3+4+5)								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>1984</b>	324	1 492	2 598	2 861	1 090	6 549	68	8 433	2 479	408	1 682	-1 960	2 609	5 824
<b>1985</b>	392	4 264	1 556	1 489	442	3 487	140	8 283	2 073	1 329	-1 313	1 026	3 115	5 168
<b>1986</b>	1 627	646	-63	5 935	-482	5 390	87	7 750	3 641	2 347	-381	702	6 309	1 441
<b>1987</b>	424	179	2 284	5 700	2 526	10 510	91	11 204	3 741	3 294	158	3 103	10 296	908
<b>1988*</b>	835	-182	-1 690	9 796	9 076	17 182	85	17 920	7 845	1 307	675	1 899	11 726	6 194
<b>1987</b>														
<b>I</b>	134	69	1 638	1 755	874	4 267	79	4 549	779	1 076	261	2 486	4 602	-53
<b>II</b>	215	58	-443	1 529	1 260	2 346	-55	2 564	934	1 339	-144	55	2 184	381
<b>III</b>	24	82	-1 019	945	549	475	12	593	682	519	106	82	1 389	-796
<b>IV</b>	51	-30	2 108	1 471	-157	3 422	55	3 498	1 346	360	-65	482	2 123	1 376
<b>1988*</b>														
<b>I</b>	64	6	-857	361	3 230	2 734	89	2 893	997	245	6	572	1 820	1 073
<b>II</b>	301	-212	1 171	2 356	1 599	5 126	-42	5 173	2 996	344	180	431	3 951	1 222
<b>III</b>	88	-43	-1 571	3 011	885	2 325	-19	2 351	1 661	375	89	380	2 505	-154
<b>IV</b>	382	67	-433	4 068	3 362	6 997	57	7 503	2 191	343	400	515	3 449	4 054
<b>1989*</b>														
<b>I</b>	-168	694	-141	5 951	2 199	8 009	42	8 577	3 182	-360	1 395	1 057	5 274	3 303
<b>II</b>	176	-287	-1 197	1 491	3 020	3 314	-22	3 181	648	346	545	161	1 700	1 481

During period	Basic balance	Short-term capital imports of authorized banks	Import liabilities and prepayments related to exports	Imports of short-term capital (16+17)	Short-term capital exports of authorized banks	Export receivables and prepayments related to imports	Exports of short-term capital (19+20)	Other short-term capital incl. errors and omissions	Short-term capital account (18-21+22)	Overall balance excl. reserve movements (15+23)	Change in central bank's foreign exchange reserves (26+27)	Of which:	
												Convertible reserves	Tied reserves
	15	16	17	18	19	20	21	22	23	24	25	26	27
<b>1984</b>	5 730	16 080	944	17 024	13 614	-2 811	10 803	-2 676	3 545	9 275	-9 275	-10 142	867
<b>1985</b>	651	6 890	350	7 240	323	1 732	2 055	-2 092	3 093	3 744	-3 744	-3 729	-15
<b>1986</b>	-2 387	6 019	-3 796	2 222	9 933	-92	9 841	2 075	-5 544	-7 930	7 930	11 678	-3 748
<b>1987</b>	-7 007	19 324	-665	18 659	-7 343	-183	-7 526	-3 442	22 743	15 736	-15 736	-17 817	2 081
<b>1988*</b>	-6 386	10 695	-1 161	9 535	5 970	453	6 423	3 457	6 569	183	-183	-517	334
<b>1987</b>													
<b>I</b>	-2 311	3 682	1 076	4 757	-5 911	-118	-6 029	-2 239	8 547	6 236	-6 236	-7 020	785
<b>II</b>	-1 700	7 667	82	7 748	1 510	-118	1 392	1 580	7 937	6 237	-6 237	-5 569	-667
<b>III</b>	-1 714	8 738	-355	8 383	3 494	27	3 521	-2 512	2 351	637	-637	-2 407	1 771
<b>IV</b>	-1 281	-763	-1 468	-2 230	-6 436	27	-6 410	-271	3 908	2 627	-2 627	-2 820	193
<b>1988*</b>													
<b>I</b>	-1 911	6 501	-1 602	4 899	2 966	-802	2 164	1 516	4 251	2 341	-2 341	-1 295	-1 046
<b>II</b>	-2 300	11 731	539	12 270	4 363	-802	3 561	-1 692	7 018	4 718	-4 718	-4 662	-57
<b>III</b>	-4 613	-547	803	256	3 405	1 029	4 434	1 703	-2 475	-7 088	7 088	6 337	751
<b>IV</b>	2 438	-6 990	-901	-7 890	-4 764	1 029	-3 735	1 929	-2 226	212	-212	-897	685
<b>1989*</b>													
<b>I</b>	-39	6 707	-241	6 466	4 685	-140	4 545	-62	1 859	1 820	-1 820	-1 372	-449
<b>II</b>	-3 677	9 788	-394	9 394	4 847	-140	4 707	-2 185	2 502	-1 174	1 174	152	1 022

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

End of period	Long-term liabilities							Long-term assets					Long-term debt, net (8-13)	
	Direct investment in Finland	Portfolio investment in Finland	Long-term credits			Other long-term capital	Total (1+2+6+7)	Direct investment abroad	Portfolio investment abroad	Long-term export credits	Other long-term capital	Total (9+10+11+12)		
			Central government	Authorized banks	Others									Total (3+4+5)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>1984</b>	2 905	2 013	24 928	5 960	37 227	68 116	512	73 546	8 689	1 021	8 920	2 097	20 727	52 819
<b>1985</b>	3 274	6 313	25 678	6 410	34 276	66 364	652	76 603	10 524	2 350	6 539	3 053	22 466	54 137
<b>1986</b>	4 892	7 420	26 292	11 992	32 044	70 330	739	83 381	13 727	4 697	5 649	3 685	27 758	55 623
<b>1987*</b>	5 285	7 099	27 861	17 365	33 088	78 314	830	91 527	16 651	7 991	5 240	6 618	36 500	55 027
<b>1988*</b>	6 424	7 251	26 011	27 427	41 787	95 227	915	109 817	24 511	9 298	6 686	8 555	49 050	60 767
<b>1987*</b>														
<b>I</b>	5 018	7 777	27 391	13 472	32 074	72 939	818	86 552	14 191	5 773	5 648	6 105	31 717	54 835
<b>II</b>	5 229	8 134	26 862	14 991	33 280	75 132	763	89 258	15 098	7 112	5 513	6 164	33 887	55 371
<b>III</b>	5 243	8 491	25 627	15 825	33 511	74 963	775	89 472	15 633	7 631	5 571	6 229	35 064	54 408
<b>IV</b>	5 285	7 099	27 861	17 365	33 088	78 314	830	91 527	16 651	7 991	5 240	6 618	36 500	55 027
<b>1988*</b>														
<b>I</b>	5 308	7 105	26 637	17 594	35 884	80 114	919	93 446	17 538	8 236	5 250	7 183	38 207	55 239
<b>II</b>	5 410	6 893	28 390	20 464	38 230	87 083	877	100 263	20 928	8 580	5 629	7 712	42 849	57 414
<b>III</b>	5 521	6 850	27 007	23 707	39 278	89 993	858	103 222	22 521	8 955	5 752	8 122	45 350	57 872
<b>IV</b>	6 424	7 251	26 011	27 427	41 787	95 227	915	109 817	24 511	9 298	6 686	8 555	49 050	60 767
<b>1989*</b>														
<b>I</b>	6 233	7 945	25 357	32 799	43 289	101 448	957	116 583	25 355	8 938	8 025	9 590	51 908	64 675
<b>II</b>	6 421	7 658	24 178	34 097	46 669	104 943	935	119 957	28 044	9 284	8 674	9 793	55 795	64 162

End of period	Short-term liabilities				Short-term assets				Short-term liabilities, net (18-22)	Debt, net (14+23)	Debt service payments	Of which: repayments	Debt service ratio
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits and other liabilities	Total (15+16+17)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits and other assets	Total (19+20+21)					
	15	16	17	18	19	20	21	22	23	24	25	26	27
<b>1984</b>	4 562	55 695	17 988	78 245	22 912	42 068	13 083	78 063	182	53 001	11 586	4 613	11.3
<b>1985</b>	4 070	51 374	17 474	72 918	25 183	36 208	18 450	79 841	-6 922	47 215	11 287	4 808	10.5
<b>1986</b>	3 455	56 881	14 483	74 819	16 613	46 141	19 279	82 034	-7 215	48 408	13 462	6 018	13.0
<b>1987*</b>	3 362	73 132	16 898	93 392	31 134	38 798	18 060	87 993	5 400	60 427	14 203	6 516	13.1
<b>1988*</b>	3 341	83 828	15 157	102 327	32 037	44 768	20 342	97 147	5 180	65 947	14 573	6 479	12.1
<b>1987*</b>													
<b>I</b>	3 521	59 536	17 323	80 380	22 482	40 231	17 996	80 709	-329	54 506	3 203	1 411	12.6
<b>II</b>	3 490	67 208	17 719	88 417	28 680	41 741	18 110	88 531	-114	55 257	3 994	1 496	14.7
<b>III</b>	3 607	75 547	18 654	97 808	29 291	45 235	18 009	92 535	5 273	59 681	2 771	1 217	10.1
<b>IV</b>	3 362	73 132	16 898	93 392	31 134	38 798	18 060	87 993	5 400	60 427	4 236	2 392	15.0
<b>1988*</b>													
<b>I</b>	3 467	79 633	14 083	97 183	33 515	41 764	18 164	93 443	3 740	58 979	3 870	1 773	14.3
<b>II</b>	3 177	91 364	14 662	109 203	39 025	46 127	16 986	102 138	7 065	64 479	3 390	1 289	11.5
<b>III</b>	3 539	90 817	16 773	111 129	32 750	49 532	19 678	101 960	9 169	67 041	3 816	2 230	13.0
<b>IV</b>	3 341	83 828	15 157	102 327	32 037	44 768	20 342	97 147	5 180	65 947	3 497	1 187	10.2
<b>1989*</b>													
<b>I</b>	3 278	90 535	16 016	109 829	33 376	49 453	20 434	103 263	6 566	71 241	3 328	1 249	10.3
<b>II</b>	3 136	100 323	15 848	119 306	32 142	54 300	20 437	106 879	12 427	76 589	4 323	1 795	13.7

## 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 (5-10)
	Corporate sector	Financial institutions	Central government	Local government	Total (1+2+3+4)	Corporate sector	Financial institutions	Central government	Other	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
<b>1984</b>	34 012	13 366	25 440	728	73 546	17 624	1 243	1 678	182	20 727	52 819
<b>1985</b>	35 709	13 980	26 330	585	76 603	17 102	3 131	1 955	279	22 466	54 137
<b>1986</b>	35 671	20 169	27 031	509	83 381	19 209	5 721	2 309	520	27 758	55 623
<b>1987*</b>	35 593	26 734	28 691	511	91 527	23 377	9 740	2 653	730	36 500	55 027
<b>1988*</b>	41 263	41 128	26 926	499	109 817	31 117	12 977	3 101	1 855	49 050	60 767
<b>1987*</b>											
<b>I</b>	36 001	21 860	28 209	481	86 552	19 729	8 958	2 458	572	31 717	54 835
<b>II</b>	37 201	23 960	27 625	474	89 258	21 371	9 431	2 465	621	33 887	55 371
<b>III</b>	37 293	25 240	26 402	538	89 472	22 571	9 297	2 519	677	35 064	54 408
<b>IV</b>	35 593	26 734	28 691	511	91 527	23 377	9 740	2 653	730	36 500	55 027
<b>1988*</b>											
<b>I</b>	37 289	28 097	27 556	506	93 446	23 616	10 717	2 851	1 023	38 207	55 239
<b>II</b>	39 035	31 460	29 267	503	100 263	27 172	11 469	2 887	1 322	42 849	57 414
<b>III</b>	39 381	35 469	27 865	506	103 222	28 974	11 845	2 938	1 594	45 350	57 872
<b>IV</b>	41 263	41 128	26 926	499	109 817	31 117	12 977	3 101	1 855	49 050	60 767
<b>1989*</b>											
<b>I</b>	41 774	47 978	26 314	515	116 583	32 212	14 288	3 299	2 109	51 908	64 675
<b>II</b>	42 898	51 447	25 113	501	119 957	35 337	14 889	3 331	2 238	55 795	64 162

## 7. FOREIGN TRADE<sup>1</sup>

### 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>1984</b>	80 904	74 682	6 222
<b>1985</b>	84 028	81 520	2 508
<b>1986</b>	82 579	77 601	4 978
<b>1987</b>	85 516	82 807	2 709
<b>1988</b>	92 902	92 118	784
<b>1988</b>			
July	6 404	7 014	-610
Aug.	7 198	8 332	-1 134
Sept.	8 406	8 645	-239
Oct.	8 587	8 351	236
Nov.	9 904	8 113	1 791
Dec.	8 514	8 354	160
<b>1989*</b>			
Jan.	8 261	8 248	13
Feb.	8 251	7 598	653
March	8 803	8 699	104
April	8 931	8 344	587
May	7 678	8 647	-969
June	7 147	8 037	-890
July	7 490	7 390	100

### 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>1984</b>	114	98	134	131	102
<b>1985</b>	115	104	138	135	102
<b>1986</b>	116	110	135	121	111
<b>1987</b>	118	119	138	119	116
<b>1988</b>	121	130	145	122	119
<b>1988</b>					
I	114	113	136	120	113
II	120	120	137	119	115
III	116	116	140	121	115
IV	121	128	140	119	117
<b>1988</b>					
I	114	116	140	120	117
II	123	133	141	121	117
III	113	134	147	123	119
IV	136	137	150	124	121
<b>1989*</b>					
I	123	132	156	128	122
II	116	136	155	126	123

### 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>1984</b>	7 145	23 573	10 176	22 998	17 012	35 162	16 900	10 993	11 454	173
<b>1985</b>	6 728	25 030	9 803	24 412	18 055	38 676	17 770	11 675	12 967	432
<b>1986</b>	6 947	24 600	7 858	26 115	17 059	39 292	10 070	12 898	15 069	272
<b>1987</b>	7 470	27 058	7 770	26 230	16 988	41 191	9 389	14 138	17 478	611
<b>1988</b>	7 567	30 474	8 450	29 225	17 186	45 791	7 533	17 274	20 828	692
<b>1988</b>										
July	537	2 340	628	1 758	1 141	3 385	643	1 334	1 576	76
Aug.	545	2 649	647	1 920	1 437	4 120	732	1 457	1 954	69
Sept.	611	2 865	781	2 503	1 646	3 990	852	1 939	1 853	11
Oct.	690	2 751	800	2 749	1 597	4 168	632	1 577	1 922	52
Nov.	686	2 851	730	3 972	1 665	4 227	492	1 369	1 858	167
Dec.	751	2 788	799	2 673	1 503	4 154	586	1 704	1 701	209
<b>1989*</b>										
Jan.	600	2 578	810	2 645	1 628	4 348	408	1 519	1 893	80
Feb.	604	2 621	832	2 704	1 490	3 830	515	1 315	1 912	26
March	624	2 953	760	2 775	1 691	4 363	569	1 496	2 248	23
April	661	2 728	673	3 309	1 560	4 095	532	1 624	1 962	131
May	669	2 714	634	2 198	1 463	4 162	689	1 829	1 840	127
June	598	2 519	587	1 992	1 451	3 931	602	1 784	1 706	14
July	552	2 511	740	2 475	1 217	3 512	921	1 437	1 512	8

## 7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, f.o.b.				Imports, c.i.f.			
	1988*		1989*		1988*		1989*	
	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>	69 368	74.7	37 031	13.2	71 210	77.3	39 002	15.2
<b>OECD Europe</b>	60 049	64.6	31 831	11.5	57 523	62.4	31 432	14.7
Of which:								
Austria	936	1.0	532	24.8	1 140	1.2	576	11.9
Belgium and Luxembourg	1 818	2.0	1 005	8.0	2 318	2.5	1 401	27.9
Denmark	3 272	3.5	1 634	1.1	2 674	2.9	1 464	13.8
France	4 902	5.3	2 692	9.2	3 724	4.0	1 953	7.7
Federal Republic of Germany	10 027	10.8	5 225	10.2	15 483	16.8	8 600	15.5
Italy	2 511	2.7	1 538	23.4	4 077	4.4	2 316	18.3
Netherlands	3 348	3.6	1 947	21.2	2 976	3.2	1 592	10.8
Norway	3 211	3.5	1 381	-13.2	2 180	2.4	1 156	10.7
Spain	1 433	1.5	893	33.3	1 034	1.1	550	8.5
Sweden	13 135	14.1	6 924	14.8	12 215	13.3	6 790	20.4
Switzerland	1 600	1.7	813	0.7	1 716	1.9	862	11.4
United Kingdom	11 995	12.9	6 252	13.9	6 371	6.9	3 270	5.1
<b>Other OECD</b>	9 320	10.0	5 200	24.5	13 687	14.9	7 570	17.1
Of which:								
Canada	1 136	1.2	677	41.3	656	0.7	417	53.2
Japan	1 689	1.8	1 004	25.8	6 784	7.4	3 793	13.8
United States	5 355	5.8	2 854	17.7	5 821	6.3	3 157	16.7
<b>CMEA countries</b>	15 527	16.7	8 338	9.4	13 523	14.7	6 670	8.2
Of which:								
Soviet Union	13 958	15.0	7 466	7.8	11 116	12.1	5 349	4.2
<b>Developing countries</b>	7 081	7.6	3 290	4.3	6 182	6.7	3 204	12.1
<b>OPEC countries</b>	1 494	1.6	682	1.6	710	0.8	226	-39.2
<b>Other</b>	5 588	6.0	2 608	5.1	5 471	5.9	2 978	19.8
<b>Other countries</b>	926	1.0	412	5.2	1 204	1.3	697	65.3
<b>TOTAL</b>	92 902	100.0	49 071	11.8	92 118	100.0	49 573	14.5
Of which:								
<b>EEC countries</b>	40 765	43.9	21 995	13.0	40 095	43.5	21 910	13.3
<b>EFTA countries</b>	19 022	20.5	9 707	8.6	17 340	18.8	9 463	17.9

Starting with the March 1988 issue of the Bulletin, the Bank of Finland has adjusted some of the foreign trade figures to facilitate comparability with earlier figures following the introduction of the new international harmonized commodity description and coding system on January 1, 1988. The National Board of Customs has now revised the official statistics on foreign trade between December 1987 and January 1988 in order to improve comparability with the previous compilation system. From now on all the figures refer to official statistics.

## 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>1984</b>	176 038	64 872	67 584	10 202	-2 647	316 049	96 993	88 857	324 185
<b>1985</b>	181 664	68 218	69 599	10 453	1 772	331 706	98 173	94 893	334 986
<b>1986</b>	189 113	70 325	69 328	10 738	810	340 314	99 498	97 795	342 017
<b>1987*</b>	199 981	73 458	72 761	11 654	2 246	360 100	102 127	106 568	355 659
<b>1988*</b>	210 071	75 453	79 850	12 049	9 301	386 724	106 124	118 772	374 076
<b>1986</b>									
<b>IV</b>	47 709	17 902	17 540	2 764	-1 338	84 577	27 060	24 740	86 897
<b>1987*</b>									
<b>I</b>	48 801	18 078	17 794	2 860	618	88 151	25 249	26 313	87 087
<b>II</b>	49 839	18 284	18 343	2 765	671	89 902	25 452	25 943	89 411
<b>III</b>	50 046	18 484	17 989	3 072	-216	89 376	26 130	26 755	88 751
<b>IV</b>	51 295	18 612	18 635	2 957	1 173	92 671	25 296	27 557	90 410
<b>1988*</b>									
<b>I</b>	51 773	18 618	19 099	2 924	1 040	93 453	25 948	27 697	91 705
<b>II</b>	51 982	18 784	19 578	2 917	2 942	96 204	25 974	29 363	92 815
<b>III</b>	52 988	18 960	20 560	3 145	3 090	98 743	25 835	31 171	93 407
<b>IV</b>	53 328	19 090	20 613	3 063	2 228	98 323	28 367	30 542	96 149
<b>1989*</b>									
<b>I</b>	53 277	19 173	20 604	2 933	2 941	98 928	28 648	31 617	95 959

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

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manu- facturing	Wood and paper industries	Metal and engineering industries	Other manu- facturing	Energy and water supply
	(100.0)	(1.6)	(87.9)	(16.5)	(30.0)	(41.4)	(10.5)
	1	2	3	4	5	6	7
<b>1984</b>	96.1	118.7	96.6	101.7	92.5	97.5	111.2
<b>1985</b>	100.4	99.8	100.4	100.1	100.6	100.3	100.2
<b>1986</b>	101.9	102.8	102.0	102.3	103.0	101.2	100.4
<b>1987</b>	107.2	99.9	107.2	106.5	110.2	105.4	107.8
<b>1988*</b>	111.1	110.6	111.2	114.5	114.8	107.3	110.3
<b>1988*</b>							
<b>June</b>	112.0	127.8	111.2	113.9	115.2	107.4	110.8
<b>July</b>	109.0	108.7	110.7	111.4	119.3	105.2	98.3
<b>Aug.</b>	110.1	99.4	109.9	113.3	113.5	106.1	114.0
<b>Sept.</b>	112.9	108.5	113.1	117.0	118.3	107.9	111.1
<b>Oct.</b>	113.4	106.2	113.5	118.1	118.5	108.0	113.0
<b>Nov.</b>	114.6	117.0	114.1	120.6	119.7	107.1	116.9
<b>Dec.</b>	113.1	123.1	112.2	119.5	116.7	105.5	116.6
<b>1989*</b>							
<b>Jan.</b>	113.1	117.1	114.2	120.1	121.0	106.8	107.5
<b>Feb.</b>	114.3	118.0	115.5	119.0	121.0	110.0	104.7
<b>March</b>	115.5	121.4	116.4	119.8	122.7	108.6	108.2
<b>April</b>	113.7	117.2	113.8	121.2	120.4	106.2	111.4
<b>May</b>	116.1	122.9	116.2	123.9	121.0	109.7	113.7
<b>June</b>	115.4	124.4	115.4	119.5	121.6	109.2	118.2

### 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>1984</b>	97.2	96.8	101.8	104.1	112.8	96.2	98.6	96.9
<b>1985</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>1986</b>	104.7	102.5	94.0	88.4	99.9	99.5	105.2	101.8
<b>1987*</b>	111.3	107.7	95.6	89.0	101.0	102.6	114.3	106.7
<b>1988*</b>	116.7	113.0	108.6	106.0	113.4	110.6	135.0	110.4
<b>1988*</b>								
<b>May</b>	111.8	114.7	..	..	..	..	..	109.4
<b>June</b>	116.7	111.1	..	..	..	..	..	110.4
<b>July</b>	117.2	110.5	..	..	..	..	..	109.8
<b>Aug.</b>	117.4	116.6	..	..	..	..	..	111.1
<b>Sept.</b>	121.5	111.2	..	..	..	..	..	111.9
<b>Oct.</b>	119.1	115.3	..	..	..	..	..	111.5
<b>Nov.</b>	118.5	117.6	..	..	..	..	..	113.0
<b>Dec.</b>	120.0	114.0	..	..	..	..	..	112.5
<b>I</b>	113.7	111.9	105.7	92.6	115.3	116.2	111.4	108.8
<b>II</b>	115.2	111.8	105.2	102.2	106.8	112.6	140.4	109.5
<b>III</b>	118.7	112.8	108.7	110.3	107.4	103.3	142.2	110.9
<b>IV</b>	119.2	115.6	114.9	118.9	123.8	110.5	146.0	112.3
<b>1989*</b>								
<b>Jan.</b>	116.7	121.6	..	..	..	..	..	113.6
<b>Feb.</b>	124.1	118.4	..	..	..	..	..	113.3
<b>March</b>	124.6	121.8	..	..	..	..	..	113.9
<b>April</b>	118.1	117.5	..	..	..	..	..	114.6
<b>May</b>	125.2	119.2	..	..	..	..	..	114.9
<b>I</b>	121.8	120.6	121.0	120.8	134.7	106.0	133.9	113.6

## 8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which: Manufacturing (SIC 3)	Central government	Local government	Non-profit institutions			Domestic goods	Imported goods		Exported goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>1984</b>	92.4	92.0	92.9	92.7	93.0	92.0	95.1	95.3	94.8	97.1	96.0	98.1	95.1	94.6
<b>1985</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>1986</b>	106.9	106.6	106.2	106.6	107.8	107.2	102.9	97.0	98.6	91.0	96.5	96.7	96.4	104.3
<b>1987<sup>1</sup></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<sup>1</sup></b>	124.7	124.5	122.7	128.8	122.5	127.8	112.6	101.5	104.9	89.1	101.7	103.8	100.7	116.3
<b>1988<sup>1</sup></b>														
<b>July</b>	..	..	..	..	..	..	112.9	102.0	105.4	89.6	102.1	104.3	101.1	117.0
<b>Aug.</b>	..	..	..	..	..	..	113.1	102.4	105.8	90.3	102.7	105.5	101.4	117.5
<b>Sept.</b>	..	..	..	..	..	..	114.2	102.4	105.7	90.0	102.9	105.7	101.5	118.7
<b>Oct.</b>	..	..	..	..	..	..	114.3	103.2	106.9	89.7	103.8	107.0	102.3	119.2
<b>Nov.</b>	..	..	..	..	..	..	114.5	103.5	107.2	89.8	103.9	106.9	102.5	119.8
<b>Dec.</b>	..	..	..	..	..	..	115.4	104.0	107.7	90.5	104.3	107.4	102.8	119.9
<b>I</b>	118.8	118.4	116.9	122.7	117.1	121.8	110.1	99.5	102.7	87.7	99.5	100.4	99.1	112.0
<b>II</b>	125.3	125.1	123.4	130.1	122.7	129.1	112.2	100.7	104.0	88.9	100.7	102.4	99.9	115.9
<b>III</b>	126.2	126.1	124.0	130.2	124.0	129.2	113.4	102.3	105.6	90.0	102.6	105.2	101.3	117.7
<b>IV</b>	128.4	128.4	126.5	132.0	126.0	131.1	114.7	103.6	107.3	90.0	104.0	107.1	102.5	119.6
<b>1989<sup>1</sup></b>														
<b>Jan</b>	..	..	..	..	..	..	116.0	104.8	108.4	91.7	105.2	108.4	103.6	121.6
<b>Feb.</b>	..	..	..	..	..	..	116.6	105.5	109.0	92.4	105.8	109.6	103.9	121.9
<b>March</b>	..	..	..	..	..	..	117.9	105.9	109.3	93.4	106.3	110.2	104.4	123.4
<b>April</b>	..	..	..	..	..	..	119.1	107.0	110.6	93.6	107.1	109.9	105.8	124.3
<b>May</b>	..	..	..	..	..	..	119.5	107.4	111.3	93.2	107.8	110.1	106.6	124.9
<b>June</b>	..	..	..	..	..	..	120.6	107.4	111.4	92.6	107.9	110.4	106.8	124.6
<b>July</b>	..	..	..	..	..	..	120.4	107.4	111.4	92.6	108.2	110.5	107.1	124.8
<b>I</b>	131.3	131.0	130.1	134.8	130.0	133.9	116.8	105.4	108.9	92.5	105.8	109.4	104.0	122.3

<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	Agriculture and forestry	Industry	Construction			Service industries
		1000 persons									
		%									%
	1	2	3	4	5	6	7	8	9	10	11
<b>1984</b>	68.8	2 546	2 414	378	2 035	294	600	183	1 337	132	5.2
<b>1985</b>	69.2	2 566	2 437	361	2 076	280	597	178	1 380	129	5.0
<b>1986</b>	69.1	2 569	2 431	359	2 071	266	589	185	1 391	138	5.4
<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	4.5
<b>1988</b>											
<b>June</b>	68.8	2 561	2 443	369	2 074	236	551	193	1 463	118	4.6
<b>July</b>	68.5	2 546	2 430	366	2 064	229	552	199	1 450	116	4.6
<b>Aug.</b>	68.1	2 532	2 417	360	2 057	245	562	179	1 431	115	4.5
<b>Sept.</b>	68.5	2 546	2 439	366	2 073	231	539	199	1 470	108	4.2
<b>Oct.</b>	68.7	2 555	2 448	373	2 076	226	543	200	1 479	107	4.2
<b>Nov.</b>	68.7	2 555	2 438	356	2 082	232	560	164	1 483	117	4.6
<b>Dec.</b>	68.3	2 540	2 436	366	2 070	233	551	197	1 455	104	4.1
<b>1989</b>											
<b>Jan.</b>	68.8	2 561	2 470	368	2 101	226	550	201	1 492	91	3.6
<b>Feb.</b>	69.0	2 567	2 476	367	2 109	231	552	191	1 502	91	3.5
<b>March</b>	68.3	2 544	2 456	365	2 091	232	554	209	1 461	88	3.4
<b>April</b>	69.2	2 576	2 486	372	2 114	232	550	202	1 502	91	3.5
<b>May</b>	69.4	2 585	2 499	360	2 139	223	577	194	1 506	86	3.3
<b>June</b>	68.9	2 566	2 478	359	2 119	219	566	197	1 495	88	3.4

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

During period	Revenue							Expenditure			
	Direct taxes	Indirect taxes	Other taxes and similar revenue	Other revenue	Revenue before financial transactions (1+2+3+4)	Redemptions of loans granted by the state	Revenue before borrowing (5+6)	Consumption	Transfers and subsidies	Of which:	
										Local government	Other domestic sectors
	1	2	3	4	5	6	7	8	9	10	11
<b>1984</b>	22 526	42 737	598	9 711	75 572	1 894	77 466	22 155	44 333	18 444	24 836
<b>1985</b>	25 750	47 578	546	10 415	84 290	2 071	86 361	24 835	49 269	21 183	26 866
<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>1988</b>											
<b>April</b>	3 203	4 517	44	1 122	8 886	85	8 971	2 341	4 958	2 682	2 141
<b>May</b>	2 659	5 470	21	1 787	9 936	302	10 238	2 760	6 409	2 640	3 405
<b>June</b>	2 994	5 733	46	1 012	9 785	132	9 917	2 842	5 368	2 755	2 376
<b>July</b>	3 488	5 896	35	871	10 290	70	10 360	3 191	4 617	2 370	2 090
<b>Aug.</b>	3 333	6 295	62	1 022	10 712	488	11 200	2 607	5 279	2 361	2 801
<b>Sept.</b>	2 811	5 242	23	896	8 972	145	9 117	2 665	4 689	2 359	2 211
<b>Oct.</b>	3 052	5 247	41	1 294	9 634	234	9 868	2 759	5 088	2 487	2 451
<b>Nov.</b>	2 900	6 315	45	1 277	10 536	394	10 931	2 753	6 717	2 711	3 846
<b>Dec.</b>	3 116	7 486	57	1 555	12 214	537	12 751	3 012	5 193	2 542	2 142
<b>1989</b>											
<b>Jan.</b>	3 090	5 482	1	1 180	9 754	6	9 760	2 764	5 635	2 433	3 066
<b>Feb.</b>	2 792	6 185	86	824	9 887	67	9 953	2 708	6 177	2 464	3 446
<b>March</b>	3 375	5 613	37	1 014	10 040	1 713	11 754	2 736	5 297	2 589	2 413
<b>April</b>	3 881	6 221	36	1 266	11 405	63	11 468	2 911	6 055	3 337	2 532
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
	12	13	14	15	16	17	18	19	20		
<b>1984</b>	5 455	4 220	76 162	4 717	80 878	-590	-3 412	5 200	1 788		
<b>1985</b>	5 700	4 936	84 739	4 982	89 722	-449	-3 361	3 506	145		
<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	1 853	2 723		
<b>1988</b>											
<b>April</b>	492	617	8 407	341	8 747	479	224	1 415	1 639		
<b>May</b>	690	760	10 619	623	11 242	-684	-1 004	-210	-1 214		
<b>June</b>	660	317	9 186	603	9 789	598	128	672	800		
<b>July</b>	568	112	8 487	467	8 954	1 803	1 406	-678	728		
<b>Aug.</b>	609	478	8 972	450	9 422	1 740	1 778	-588	1 190		
<b>Sept.</b>	772	445	8 570	1 623	10 193	402	-1 076	801	-275		
<b>Oct.</b>	642	558	9 047	483	9 531	587	337	-15	322		
<b>Nov.</b>	645	199	10 313	428	10 741	223	190	-1 239	-1 049		
<b>Dec.</b>	811	208	9 224	316	9 540	2 990	3 211	323	3 533		
<b>1989</b>											
<b>Jan.</b>	580	743	9 722	681	10 403	32	-643	-881	-1 524		
<b>Feb.</b>	501	288	9 675	557	10 232	212	-278	-634	-912		
<b>March</b>	620	645	9 299	1 845	11 143	742	610	137	748		
<b>April</b>	544	941	10 451	379	10 830	954	638	-1 512	-875		

# 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 2.3** 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 Euromarket.

**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): the rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts, whereas annual rates are arithmetic averages of monthly observations. As from January 1989, Postipankki Oy has been included in the calculation of the average rate on the commercial banks' outstanding stock of loans. *Deposits.* The rates of interest applied to deposit accounts (Columns 7-9) are the rates of interest applied to standard tax-exempt deposit accounts as agreed upon between banks. The average rate of interest on the stock of regulated deposits (Column 10) is the average rate of interest weighted by the deposit amounts at the end of period, where the stock of deposits comprises cheque accounts, postal giro accounts, deposit accounts with a cheque facility, savings and ordinary deposit accounts, other time deposit accounts and taxable investment accounts. The average rate of interest on unregulated deposits (Column 11) is the average rate of interest weighted by the amounts in the period. Unregulated deposits include, inter alia, sales of certificates of deposit, promissory notes and bonds as well as corporate deposits at market rates.

**Table 3.5** *Secondary market rates.* The long-term unregulated market rate (Columns 1 and 2) is calculated by the Bank of Finland as the monthly average of the offered rates for taxable, fixed-rate bonds quoted by the five largest banks. The rate of interest for taxable government bonds (Column 3) is the effective annual yield, calculated as the arithmetic mean, on fixed-rate government bonds with a remain-

ing maturity of between 4 and 5 years. The rate of interest for taxable public issues (Column 4) is the effective annual yield, calculated as the arithmetic mean, on fixed-rate ordinary bonds, debentures or 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 rate of interest for taxfree public issues (Column 7) is the yield 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. *Rates at issue* on bonds and debentures (Columns 8 and 9) are the average rates of interest weighted by issue amounts - in the case of government bonds by sales amounts - on 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** The weights of the Bank of Finland currency index (Column 1) are moving averages of the shares of countries in Finland's merchandise export and import trade. The index comprises 14 convertible currencies. The index values are based on the Bank of Finland's daily quotations at noon. The weights of the payments currency index (Column 2) are moving averages of the shares of payments currencies in Finland's trade. The index comprises 14 convertible currencies. The weights of the MERM index (Column 3) 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: The Central Statistical Office of Finland. The public comprises households and non-profit institutions, enterprises (excl. financial institutions) and local government. Domestic foreign-currency deposits are included in the figures. Time deposits

(Column 2) consist of tax-exempt time deposits held by the public. Investment accounts (Column 3) are taxable time deposits held by the public. For the definition of unregulated deposits (Column 6), see the explanation under Table 3.4. Since the beginning of 1987, the figures for banks' holdings of certificates of deposit issued by other banks have been netted out. Netting out is done by the Bank of Finland.

**Table 5.2** Source: The Central Statistical Office of 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. claims on banks' foreign branches) - the Bank of Finland's foreign liabilities - banks' foreign liabilities (incl. liabilities to 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 intermediated by banks from state funds. 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 + capital accounts of deposit banks + unclassified assets and liabilities of deposit banks, net (bank debentures, bank CD's held by the public and other unregulated wholesale deposits).  $M_1$  (Column 6) = notes and coin in circulation - till money held by banks + cheque and postal giro account deposits held by the public.  $M_2$  (Column 7) =  $M_1$  + quasi-money (time deposits held by the public, incl. deposits with the Bank of Finland).

**Table 5.4** Source: State Treasury Office. *Foreign debt.* 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 central 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 5.6** *Turnover.* Source: The Helsinki Stock Exchange. *Share prices.* Source: Union Bank of Finland Ltd.

## 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 1-8: Net change in long-term liabilities. Columns 9-13: Net change in long-term assets. Portfolio investment in Finland (Column 2) and abroad (Column 10): Secondary market transactions in securities and share issues. As from the June-July 1989 issue of the Bulletin, portfolio investment abroad (Column 10) also includes investments in long-term bonds and shares by Finnish authorized banks. These were previously included in short-term capital exports of authorized banks. Long-term credits (Columns 3-6): Financial loans, import credits and leasing credits. Others (Column 5): Long-term credits of enterprises, financial institutions other than authorized banks and local government. Imports of other long-term capital (Column 7): Finland's subscriptions to international financial institutions paid in the form of promissory notes. Exports of other long-term capital (Column 12) = financial loans abroad + development credits + purchases of real estate and other acquisitions by private persons + Finland's subscriptions to international financial institutions.

**Table 6.3** Net foreign debt (Columns 1-24) 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. Debt service payments (Column 25): the total of net payments of interest, dividends and remunerations relating to long- and short-term foreign liabilities and assets plus net repayments relating to long-term foreign liabilities and assets. Repayments do not include early repayments of loans, repatriations of equity capital included under direct investment, repurchases of shares included under portfolio investment (since 1986), repayments of the Bank of Finland's reserve tranche and oil facility credits, or repayments of rouble-denominated assets included under loan assets. The debt-service ratio (Column 27) = service charges on net foreign debt as a percentage of current account earnings.

**Table 6.4** All direct investments have been placed under the corporate

sector (Columns 1 and 6). Other (Column 9) consists mainly of long-term assets of private persons.

The sectoral figures for short-term foreign liabilities and assets correspond to the figures shown in Columns 15-23 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: Central Statistical Office of Finland. Seasonal adjustment is carried out by the Bank of Finland.

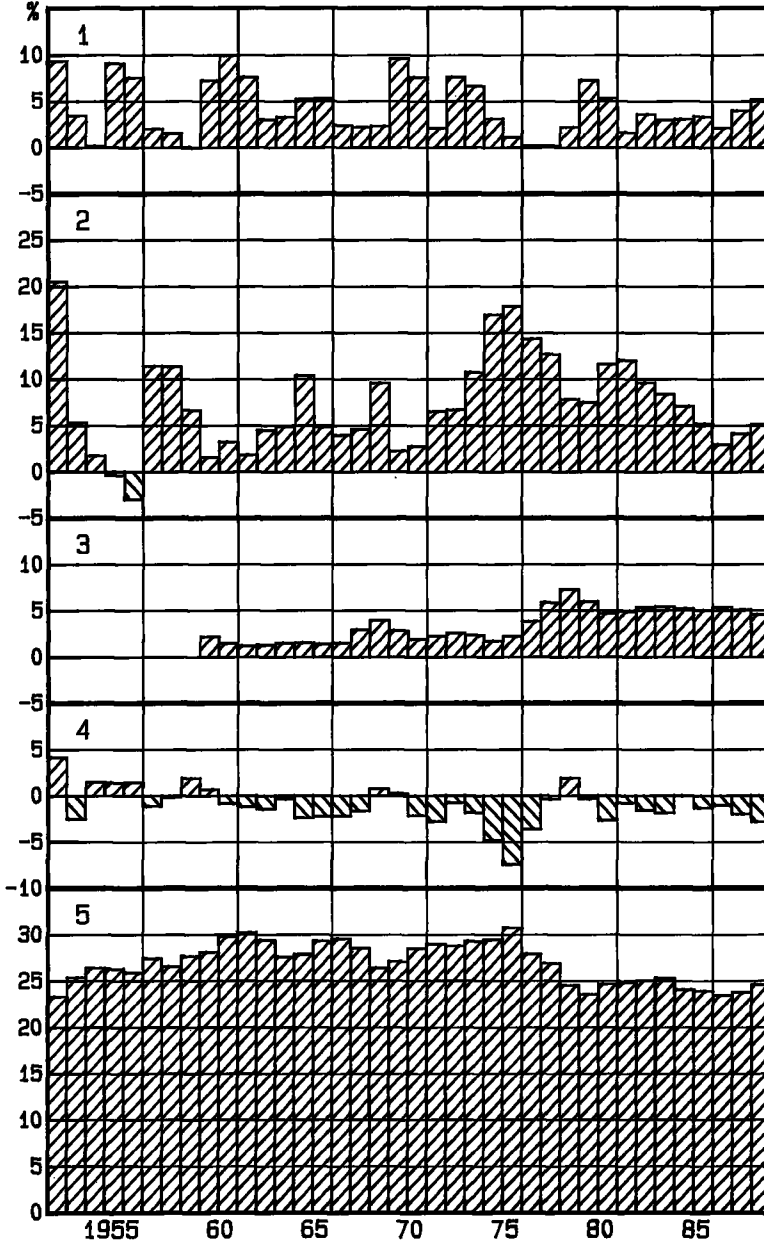
**Table 8.3** The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

**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.

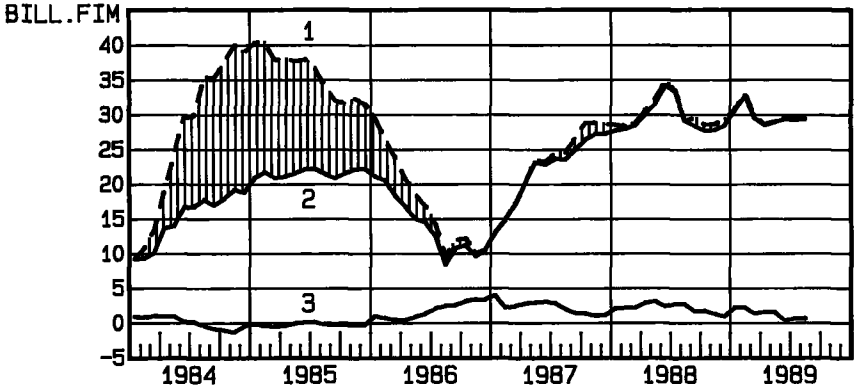
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Banks' central bank position	S29
5. Overnight rates	S30
6. HELIBOR rates of interest	S30
7. Rates of interest applied by the Bank of Finland	S30
8. 3-month covered Eurodollar rate and 3-month currency basket rates	S31
9. Rates on new issues of bonds and debentures	S31
10. Secondary market rates on bonds and debentures	S31
11. Bank of Finland currency index (monthly)	S32
12. Bank of Finland currency index (daily)	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 deposits 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. Debt service ratio	S36
24. Foreign trade	S37
25. Western trade	S37
26. Bilateral trade	S37
27. Foreign trade: prices and terms of trade	S38
28. Western trade: prices and terms of trade	S38
29. Bilateral trade: prices and terms of trade	S38
30. Production	S39
31. Fixed investment	S39
32. Employment and unemployment rate	S40
33. Prices and wages	S40
34. Central government finances	S41

### 1. LONG-TERM INDICATORS



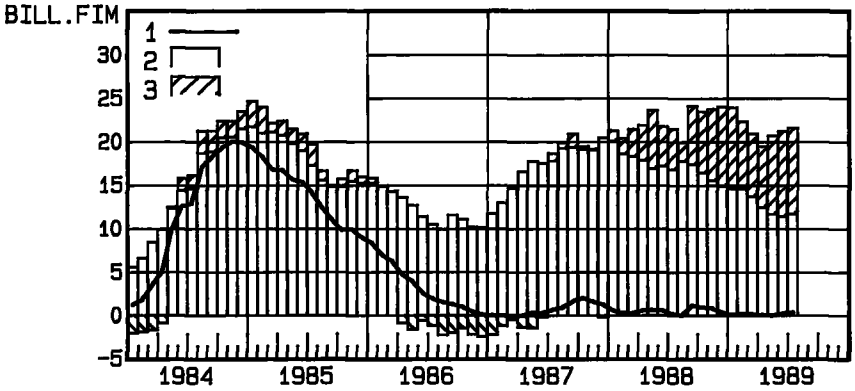
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



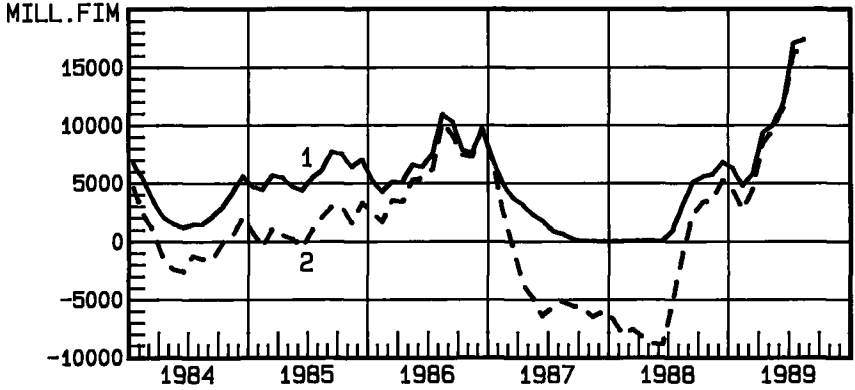
- 1. Convertible foreign exchange reserves plus forward position
- 2. Convertible foreign exchange reserves
- 3. Tied currencies

**3. FORWARD MARKET**



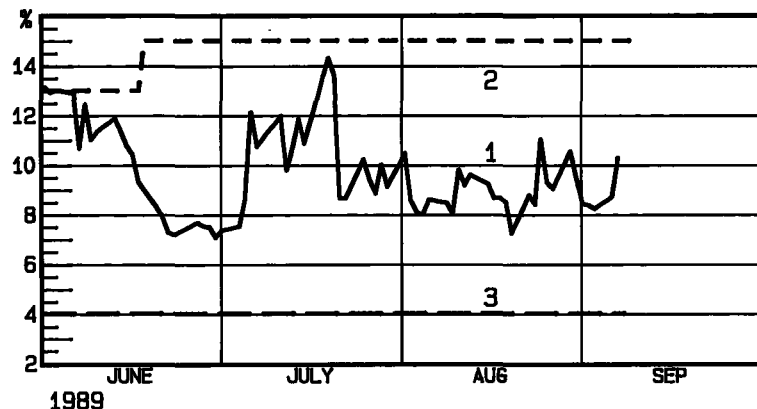
- 1. Forward exchange purchased by the Bank of Finland from banks
- 2. Forward exchange sold by companies to banks
- 3. Forward exchange sold by foreign banks to banks

**4. BANKS' CENTRAL BANK POSITION**



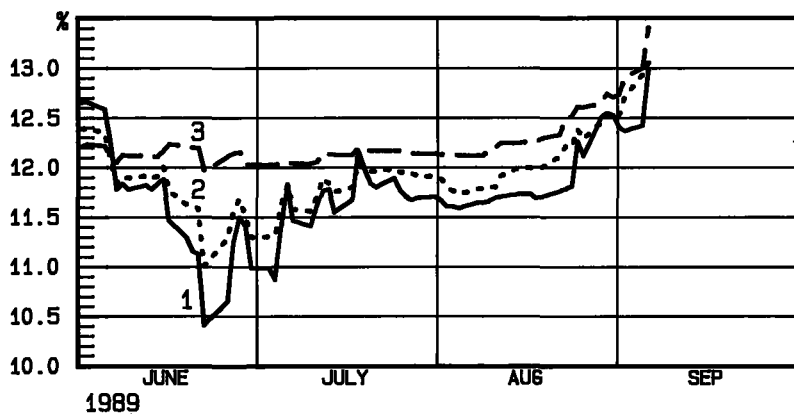
- 1. Gross debt to the Bank of Finland
- 2. Net debt to the Bank of Finland (excl. cash reserve deposits)

### 5. OVERNIGHT RATES



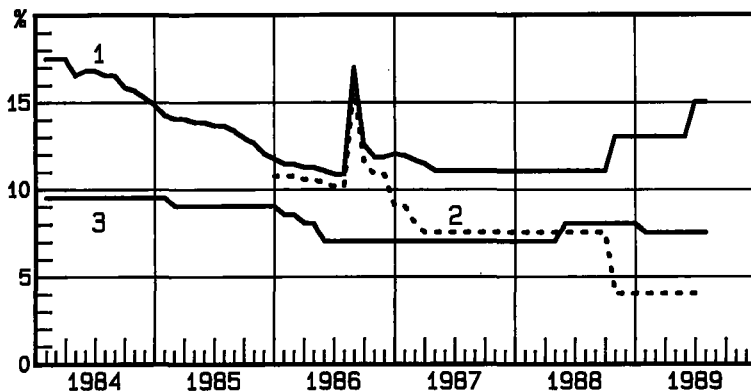
- 1. Inter-bank overnight rate
  - 2. Call money credit rate
  - 3. Call money deposit rate
- Daily observations

### 6. HELIBOR RATES OF INTEREST



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

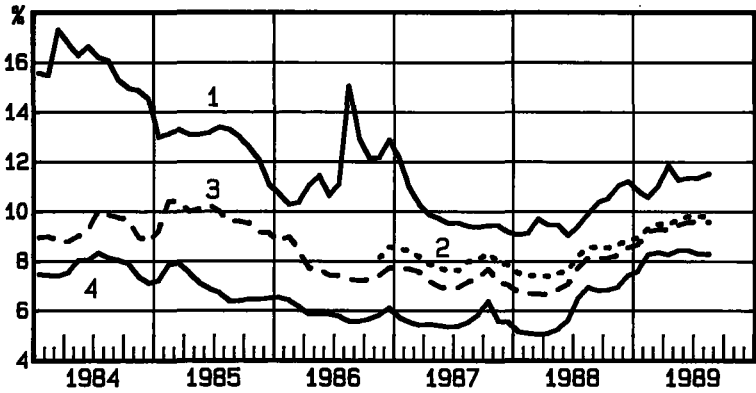
### 7. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



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

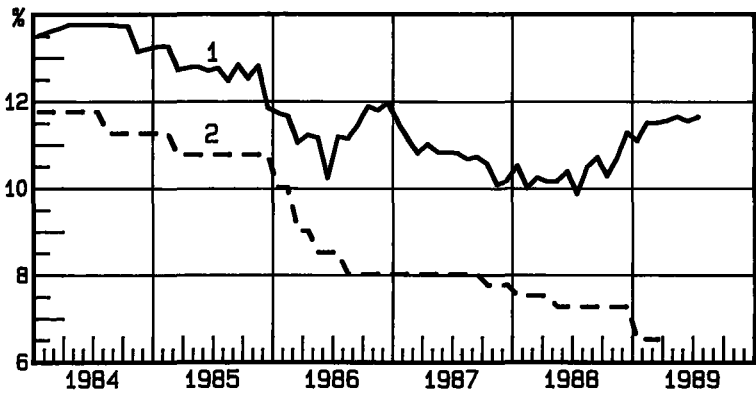


**8. 3-MONTH COVERED EURODOLLAR RATE AND 3-MONTH CURRENCY BASKET RATES**



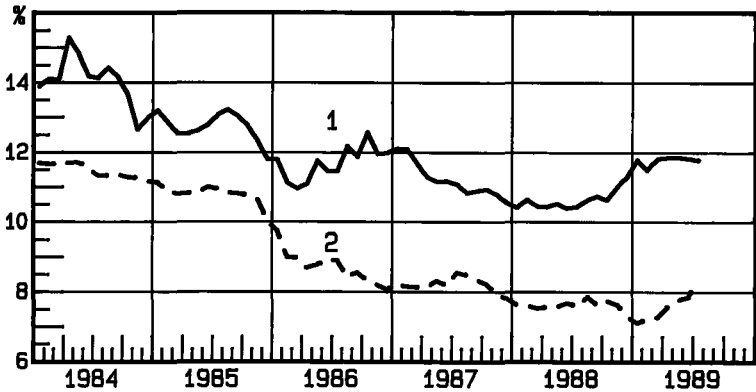
- 1. Covered Eurodollar rate
- 2. 12-currency basket rate
- 3. 8-currency basket rate
- 4. 3-currency basket rate

**9. RATES ON NEW ISSUES OF BONDS AND DEBENTURES**



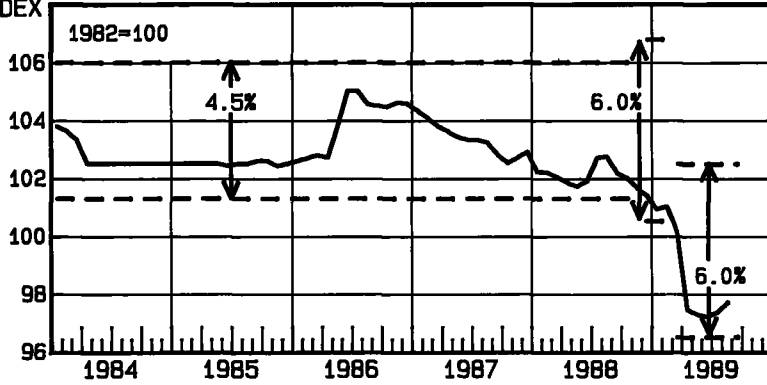
- 1. Rates on new fixed-rate debentures
- 2. Rates on new 10-year tax-free government bonds

**10. SECONDARY MARKET RATES ON BONDS AND DEBENTURES**



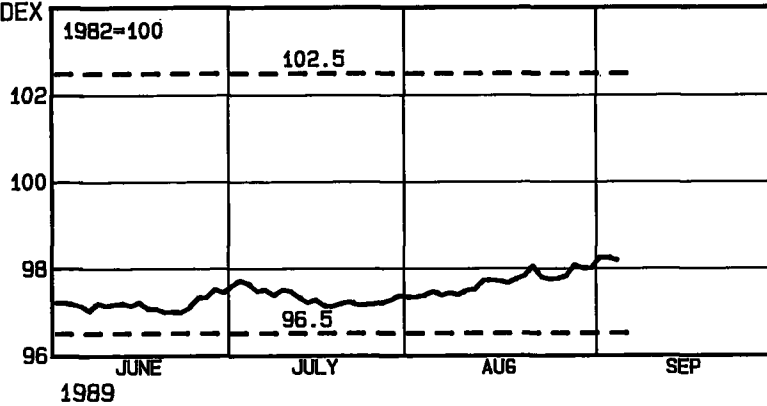
- 1. Secondary market rate on (3-6 year) fixed-rate debentures
- 2. Secondary market rate on (9-10 year) taxfree government bonds

11. BANK OF FINLAND CURRENCY INDEX



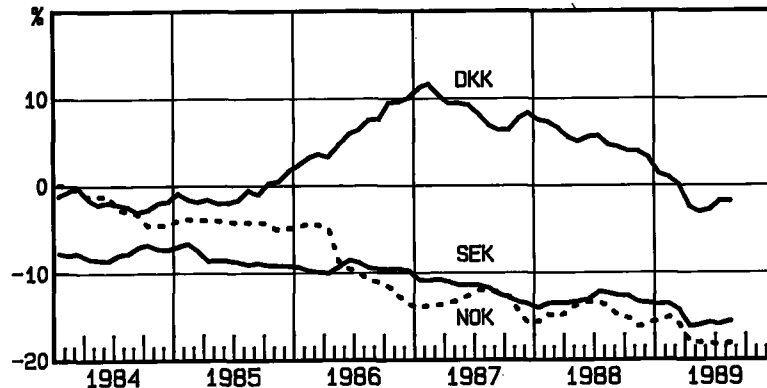
4.5 % and 6.0 % = fluctuation range of the index  
Monthly averages

12. BANK OF FINLAND CURRENCY INDEX



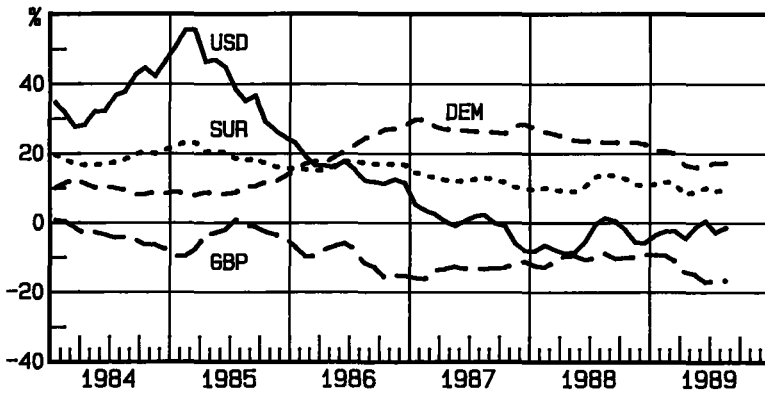
Daily observations

13. CHANGES IN THE EXCHANGE RATES OF SELECTED NORDIC CURRENCIES



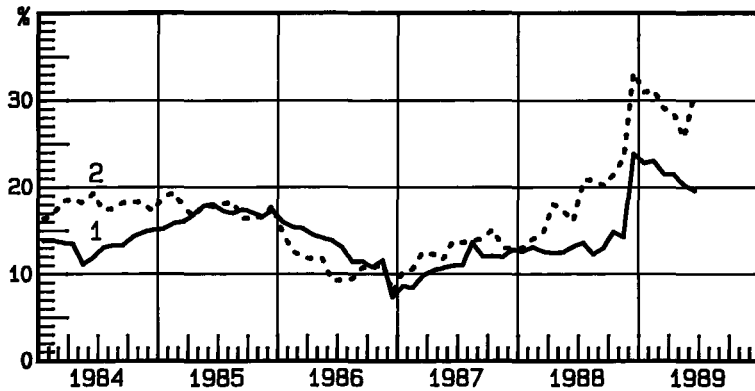
Monthly changes in markka selling rates calculated from the average rates for January 1982

14. CHANGES IN THE EXCHANGE RATES OF SELECTED MAJOR CURRENCIES



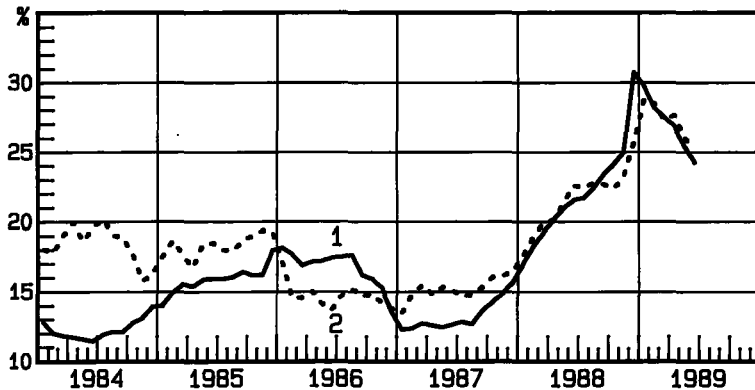
Monthly changes in markka selling rates calculated from the average rates for January 1982

15. BANK DEPOSITS FROM THE PUBLIC



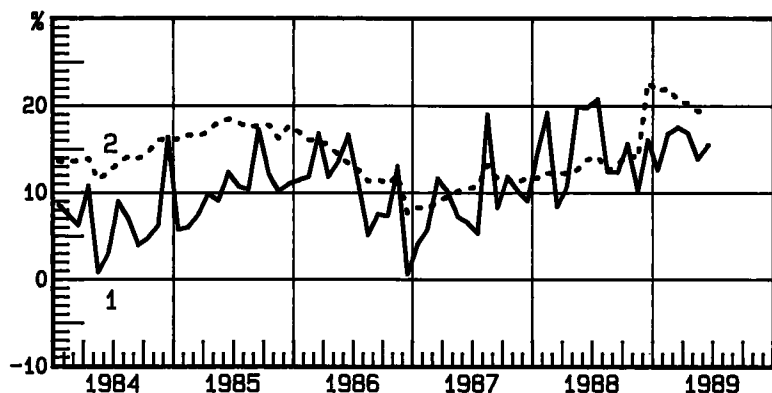
1. Regulated deposits  
2. Total deposits  
Change from the corresponding month of the previous year, per cent

16. BANK LENDING TO THE PUBLIC



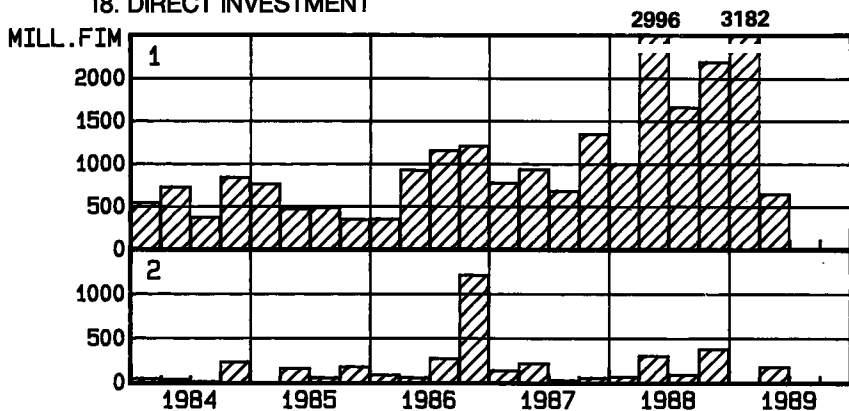
1. Markka lending  
2. Total lending  
Change from the corresponding month of the previous year, per cent

### 17. MONEY SUPPLY



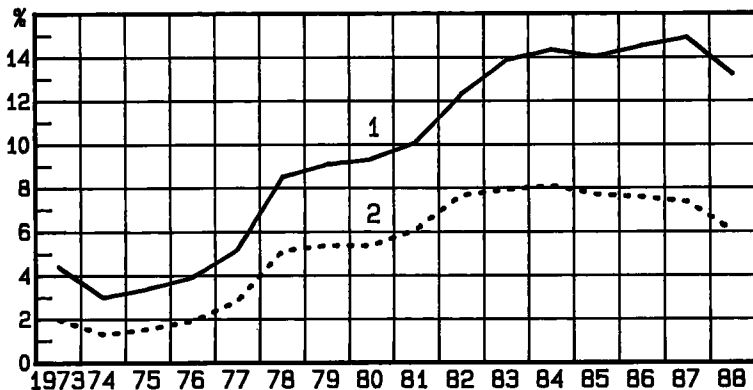
1. Narrow money supply (M1)
  2. Broad money supply (M2)
- Change from the corresponding month of the previous year, per cent

### 18. DIRECT INVESTMENT



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

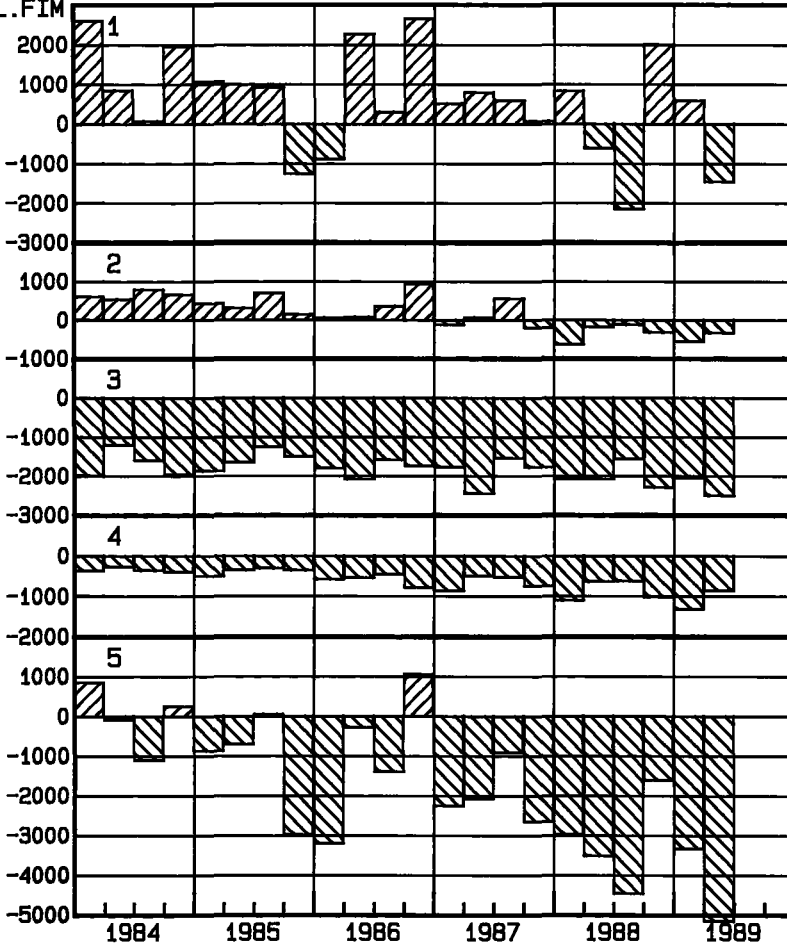
### 19. CENTRAL GOVERNMENT DEBT



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

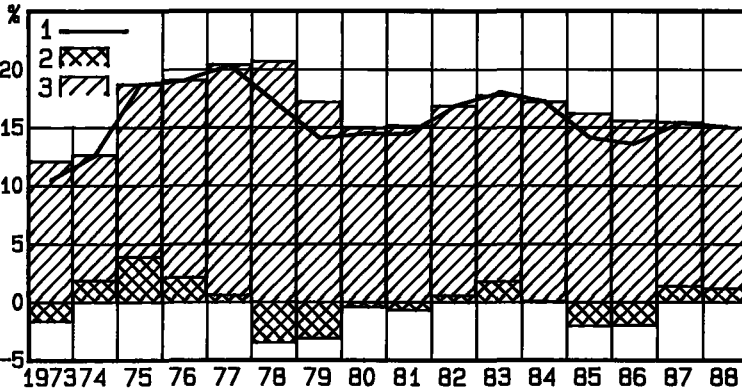
20. CURRENT ACCOUNT

MILL. FIM



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

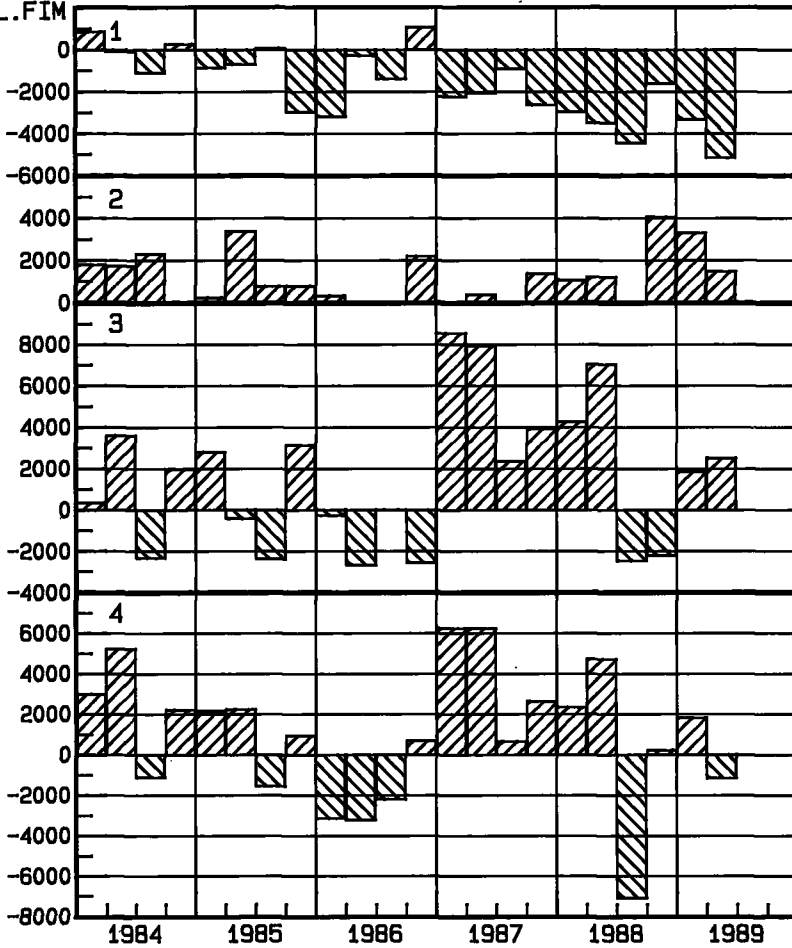
21. FOREIGN DEBT



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

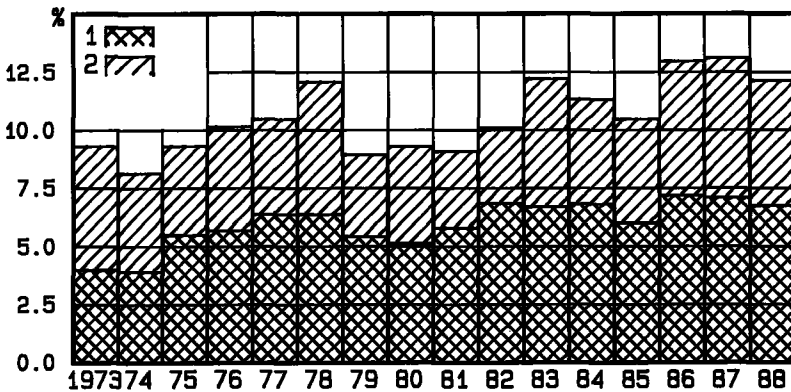
22. BALANCE OF PAYMENTS

MILL. FIM



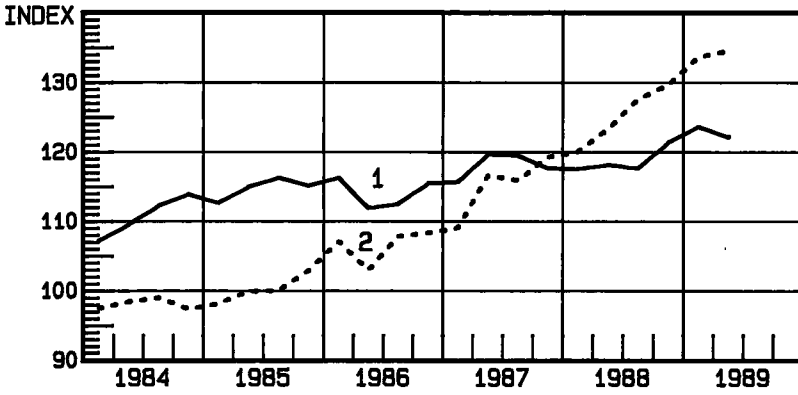
- 1. Current account
- 2. Long-term capital account
- 3. Short-term capital account
- 4. Overall balance = change in the foreign exchange reserves of the Bank of Finland

23. DEBT SERVICE RATIO



- 1. Interest payments
  - 2. Redemptions
- As a percentage of current account earnings

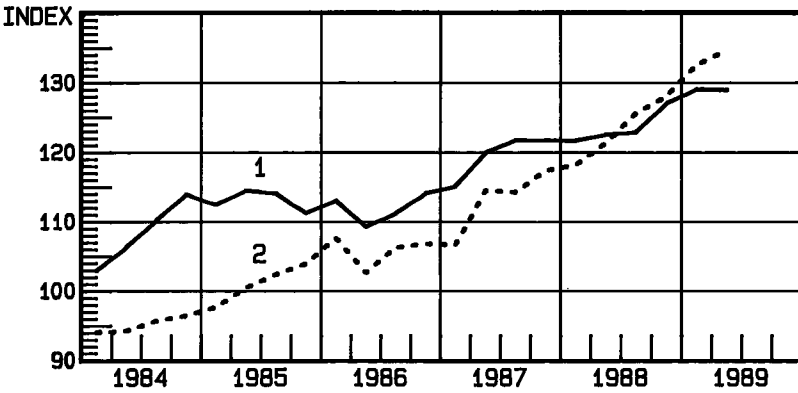
## 24. FOREIGN TRADE



1. Total exports
2. Total imports

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

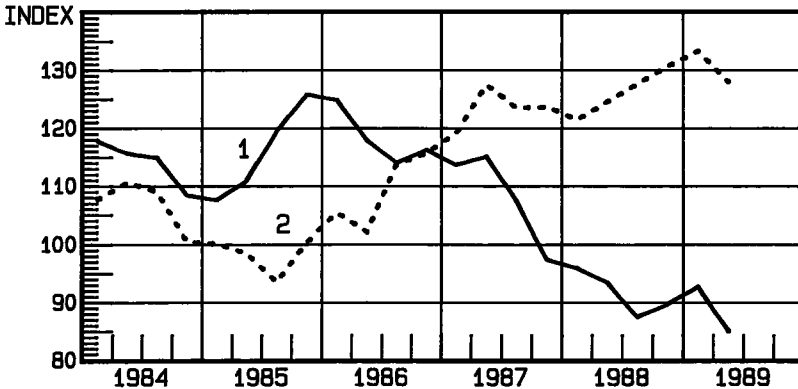
## 25. WESTERN TRADE



1. Western exports
2. Western imports

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

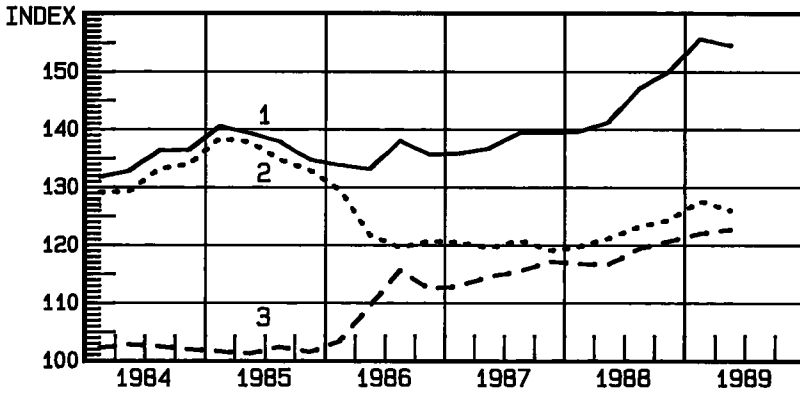
## 26. BILATERAL TRADE



1. Bilateral exports
2. Bilateral imports

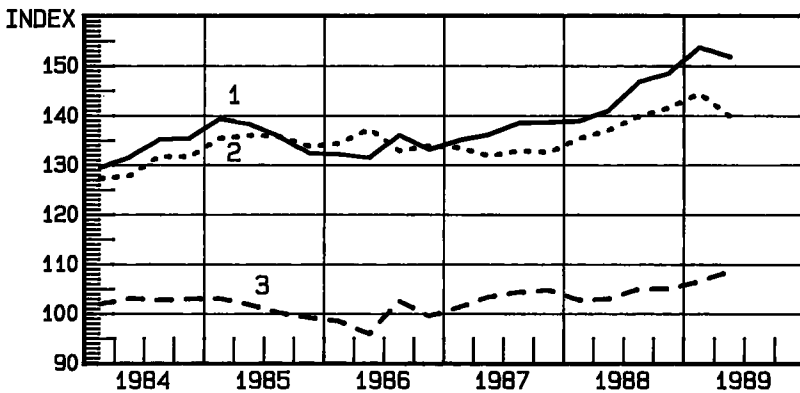
Volume index, 1980 = 100, four-quarter moving average shown as at the last quarter

27. FOREIGN TRADE: PRICES AND TERMS OF TRADE



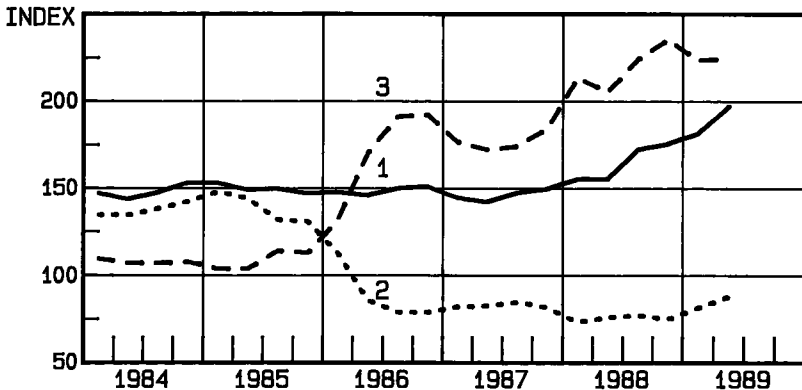
- 1. Unit value index of exports
  - 2. Unit value index of imports
  - 3. Terms of trade
- 1980 = 100

28. WESTERN TRADE: PRICES AND TERMS OF TRADE



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

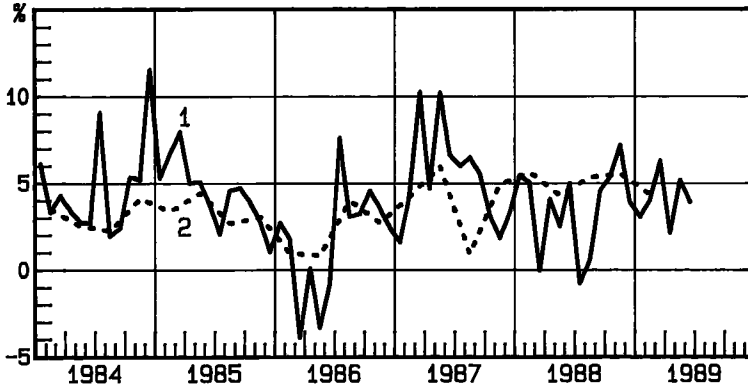
29. BILATERAL TRADE: PRICES AND TERMS OF TRADE



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



### 30. PRODUCTION



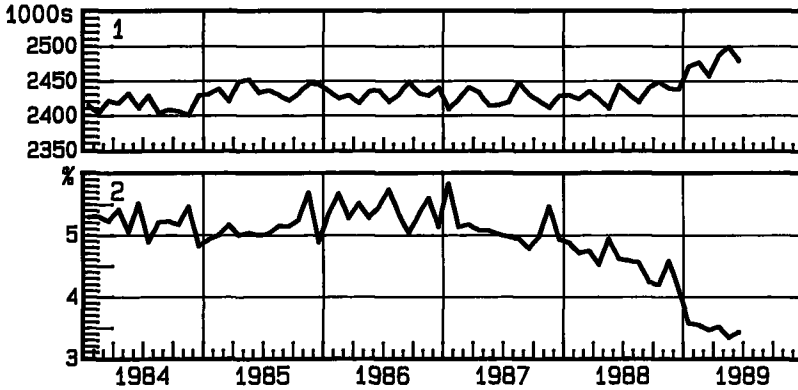
1. Industrial production, change in volume from the corresponding month of the previous year, per cent
2. GDP, change in volume from the corresponding quarter of the previous year, per cent

### 31. FIXED INVESTMENT



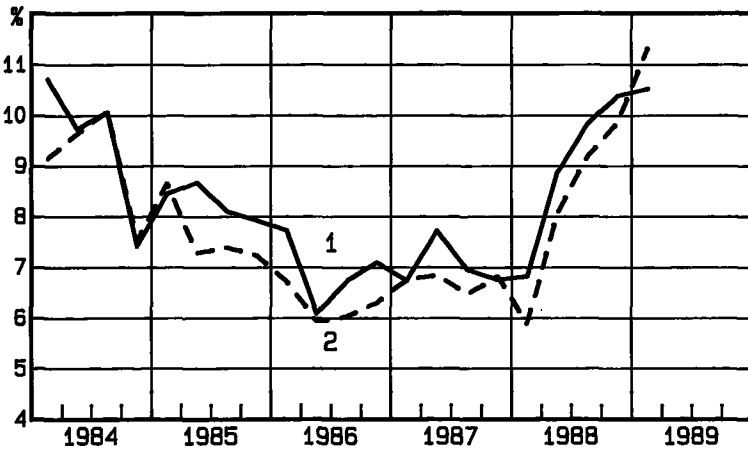
1. Total fixed investment
  2. Investment in machinery and equipment
  3. Building investment, excl. residential buildings
  4. Residential buildings
- Volume changes calculated from four-quarter moving totals and shown as at the last quarter, per cent

### 32. EMPLOYMENT AND THE UNEMPLOYMENT RATE

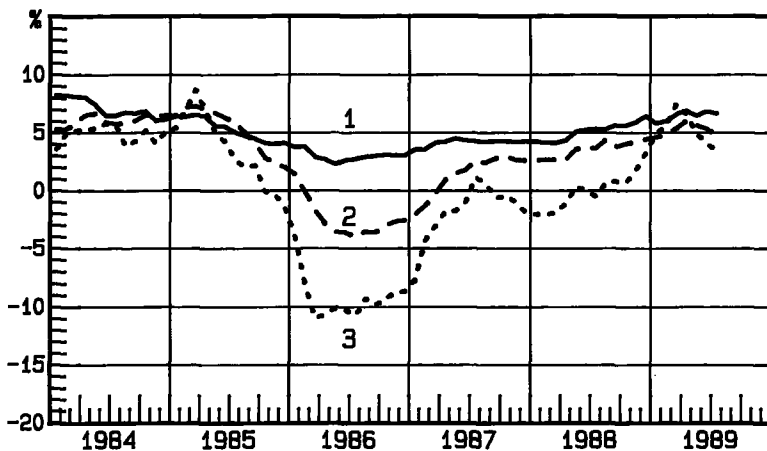


- 1. Employment, 1000 persons
- 2. Unemployment rate, per cent

### 33. PRICES AND WAGES

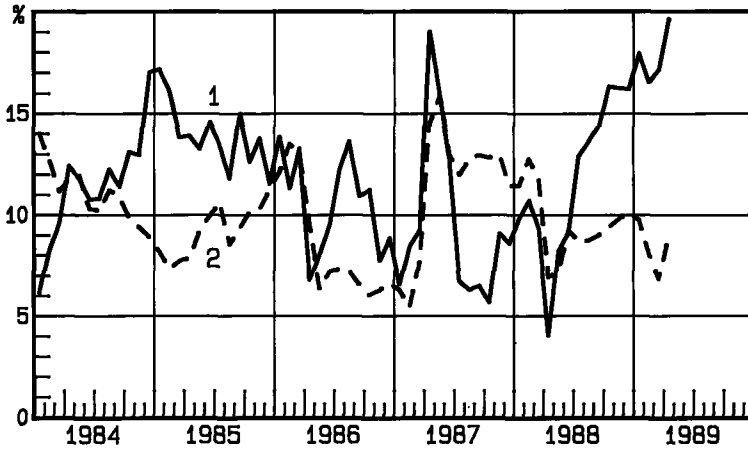


- 1. Index of wage and salary earnings, all wage and salary earners
  - 2. Index of wage and salary earnings, manufacturing workers
- Change from the corresponding quarter of the previous year, per cent



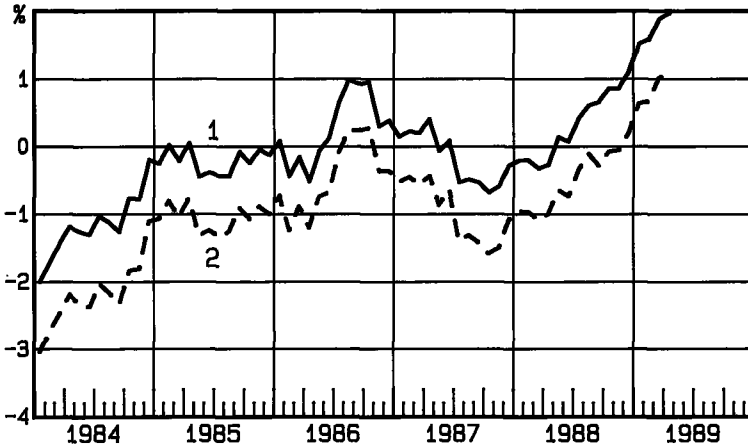
- 1. Consumer price index
  - 2. Wholesale price index
  - 3. Import price index
- Change from the corresponding month of the previous year

34. 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

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## THE PARLIAMENTARY SUPERVISORY BOARD

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MAURI MIETTINEN, Chairman  
PERTTI HIETALA, Vice Chairman  
MATTI MAIJALA

ANTTI KALLIOMÄKI  
HEIKKI PERHO

ERKKI PYSTYNEN  
JUSSI RANTA

HENRIK WESTERLUND  
PAAVO VÄYRYNEN

---

## THE BOARD OF MANAGEMENT

---

ROLF KULLBERG, Chairman

ESKO OLLILA

PENTTI UUSIVIRTA

KALEVI SORSA  
Speaker of Parliament, on leave of absence

ELE ALENIUS

MARKKU PUNTILA, Acting Member

HARRI HOLKERI  
Prime Minister, on leave of absence

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## DIRECTORS

## DEPARTMENTS

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PENTTI KOVIKKO

Accounting Department OSSI LEPPÄNEN  
Administration Department URPO LEVO  
Data Processing Department RIITTA JOKINEN

Payment Instruments Department  
REIJO MÄKINEN  
Personnel Department ANTON MÄKELÄ  
Branches

SIRKKA HÄMÄLÄINEN

Central Bank Policy Department  
JOHNNY ÅKERHÖLM  
Economics Department KARI PUUMANEN  
Financial Markets Department RALF PAULI

Information Department ANTTI HEINONEN  
Research Department HEIKKI KOSKENKYLÄ

MATTI VANHALA

Bilateral Trade Department  
KARI HOLOPAINEN  
Exchange Control Department ESA OJANEN  
Market Operations Department KARI PEKONEN

Payments and Settlement Department  
RAIMO HYVÄRINEN  
Risk Monitoring Department KAARLO JÄNNÄRI

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Internal Audit Department TIMO MÄNNISTÖ

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

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## BRANCH OFFICES

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12 branches: Joensuu, Jyväskylä, Kotka, Kuopio, Lahti, Mikkeli, Oulu, Pori, Rovaniemi, Tampere, Turku, Vaasa

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## SECURITY PRINTING HOUSE

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VELI TARVAINEN, Deputy Managing Director

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