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Competition Policy

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Why Does It Fluctuate?

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RECENT DEVELOPMENTS IN FINNISH COMPETITION POLICY

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INTRODUCTION

Questions concerning competition policy occupy a prominent position in the context of European economic integration. This is evident, for example, in the EEA agreement, one of the aims of which is to create uniform supervision of competition throughout the area covered by the agreement. The EEA and EC processes are causing changes in Finnish legislation, entailing shifts in policy content and focus. Among other things, competition policy and existing legislation are being modified to comply more closely with the EC's supervision of competition. In particular, the new Act on Restrictions on Competition, which came into force at the beginning of September, brings Finnish legislation more in line with EC competition law.

This article begins with a discussion of the general objectives of competition policy in Finland and in the EC. It then goes on to examine the EC competition rules in more detail. Finally, a comparison is made between the EC rules and the Finnish Act on Restrictions on Competition.

GENERAL OBJECTIVES OF COMPETITION POLICY

During the period of regulation, the main focus of economic policy in Finland was on macroeconomic issues, which are obviously still important today. Once the regulatory structure had been dismantled and market-oriented considerations gained a central position in the way we view the functioning of the economy, microeconomic issues became increasingly important in the hierarchy of economic policy objectives. There was increasingly wid-

er agreement that competition is the prime factor maintaining the economy's efficiency and performance. If competition is lacking the overall efficiency and performance of the economy diminish.

The aim of competition policy is to promote sound and effective economic competition in order to keep the economy's level of static and dynamic efficiency as high as possible. Static efficiency is good if a particular collection of commodities is produced in the greatest quantities at the lowest costs and lowest relative prices possible, given the needs of consumers, technical capacity and the relative availability of factors of production.

The economy's dynamic efficiency is good if competition acts as a spur to innovation which leads to the creation of new and better products and the development of new processes for producing those products. The dynamic perspective of competition thus focuses on qualitative changes over time, whereas the static perspective lays emphasis on making the most efficient use of currently known production methods.

Actual competition policy seeks to strike a balance between these two perspectives. Extreme emphasis on the promotion of static efficiency does not necessarily create the best incentives for improving dynamic efficiency. Dynamic efficiency requires the search for new knowledge, for which the profit incentive is needed. Evaluation of the harmfulness of restricting competition should take both dimensions of a firm's efficiency into consideration.

Indirectly, competition policy is of major significance for the success of anti-inflationary economic policy. Restrictions on

competition raise the level of prices, at least in the long run. If there are numerous restrictions, a country's price level is high and its welfare correspondingly low. If, however, demand or costs increase, upward pressure on prices builds up until it is eventually released in the form of rising consumer prices.

An economy that permits restrictions on competition is marked by the scourges of imperfect competition: low output, under-utilization of resources and a high price level. If, on the other hand, competition is effective, increases in demand and costs are transformed more slowly into upward pressure on prices because supply is more abundant and hence conditions are less conducive to price rises. In these circumstances, firms' attempts to improve profitability focus more on cost minimization and more efficient operating procedures.

For markets to be guided by Adam Smith's "invisible hand", it is essential that competitive alternatives can always be offered without hindrance. If this is not the case, economic activity suffers in at least two ways. First, the supply of commodities is not subject to competitive forces, which results in commodity prices that are relatively too high and hence in a distortion of the structure of output in the economy. Second, incentives for the development of new and better products, production methods and applications thereof could diminish, thereby slowing the needed change in the structure of output. Analysis of the structure of the Finnish economy over the past two decades reveals some signs of such phenomena.

OBJECTIVES OF EC COMPETITION POLICY

The Treaty of Rome, which established the EC, set out in its second article the objective of continuous and balanced economic development that would enable the member states to rapidly raise their standards of living. Various competition norms have arisen from these broad guidelines, their primary aim being to ensure the achievement of this general objective.

A large part of the Treaty's provisions deal with the removal of barriers to trade between member states. The beneficial effects of these provisions, however, may not be realized if firms are, through their own actions, able to maintain trade barriers. Another prime objective of the provisions dealing with competition is to ensure the creation of the single market at microeconomic level.

It is important to bear in mind that the starting point for EC competition policy is not the principle of free competition – as it is in Finland – but rather the free flow of goods between the member states. On the other hand, one could say that as the integration process has moved ahead, objectives connected with harmonious development and the achievement of integration have become self-evident and the spotlight has shifted to enhancing economic efficiency and maintaining competition.

According to the European Commission, the purpose of competition policy is to ensure the dynamic growth of supply. This requires an improvement in the allocation of factors of production, greater profitability for firms, the encouragement of innovation and an overall improvement in competitiveness.

In addition to the efficiency and integration objectives, the provisions on competition have certain secondary objectives including, for example, fair and open access to markets. This is promoted by emphasizing that all enterprises operating in the EC area should have the same opportunities. On the other hand, as

competition provisions, it is required that special attention be paid to small and medium-sized firms, which lack market power. Furthermore, it is laid down that the consumer should receive a fair share of the benefits arising from improvements in firms' efficiency.

OBJECTIVES OF FINNISH COMPETITION POLICY

In Finland, the surveillance of matters concerning competition is the responsibility of the Office of Free Competition, which is subordinate to the Ministry of Trade and Industry. In addition, there is a legal authority, the Competition Council, which imposes fines.

The aim of Finnish legislation governing restrictive business practices is to safeguard sound and effective economic competition against harmful restrictions. By setting out from a positive view of competition, the legislation seeks to support the operation of the invisible hand. Competition policy can be seen as a means of motivating firms to operate as efficiently as possible on the basis of price information, the benefits of which are thought to be passed on to the consumer. Effective competition thus allows pressures for changes in the economy to come to light and ensures that individual firms operate as efficiently as possible.

The application of competition policy in Finland is also being extended so as to have a greater impact on the prevention, restriction and distortion of competition as practiced by the public sector itself. From the point of view of the functioning of markets, this course of action is justified, as the Finnish economy has a long tradition of regulation.

The restriction of competition through government regulation can be either structural or operational. Structural regulation refers to the control of entry into specific professions or industries and the closing of markets. Entry into an activity can be prevented by licensing, requirements relating to professional skills, etc.

Structural regulation of competition is especially harmful when it involves the opportunity to take needs and expediency into consideration. Such regulation can create a market environment which promotes the development of monopolies or firms with a dominant market position. Doing away with needs considerations is necessary as it would give more room for market-oriented activity. This objective would also promote the easing of rules and regulations affecting entry into and exit from markets as well as the choice of competitive modes.

By operational regulation is meant government regulation of the ways in which firms can compete with each other. These regulations include price control, production quotas, advertising restrictions, standards etc. The elimination or easing of these is part of the process of integrating Finland into the world economy. In this respect, government subsidies also need to be re-evaluated, as there is the danger that regulation could in effect determine firms' profitability by means of government subsidies or indirect taxation.

EC COMPETITION LAW

EC regulations forbid inter-firm arrangements which either aim at or result in the prevention, restriction or distortion of competition. The goal is to remove barriers to trade that exist in the single market. The realization of the EC's four freedoms is an unconditional principle, which can be departed from only if matters falling unconditionally within the realm of national legislative sovereignty, such as, for example, health, so require.

In the EC, the extent of competition law is viewed at two different levels. In the narrower sense, it consists only of articles 85 and 86 of the Treaty of Rome as well as the supplementary articles, 87–89. In the broader sense, EC competition law is considered to also include the rules governing state-owned companies set out in article 90 as well as the rules in articles 91–94 concerning dumping and state support measures

in the context of trade between member states.

Article 85 of the Treaty forbids cartels that are detrimental to the single market. The article covers both cartels of companies that operate at the same production or distribution level (horizontal cartels) and restrictive practices involving firms operating at different levels (vertical restrictions on competition). Specifically prohibited are practices which:

- directly or indirectly fix purchase or selling prices or any other trade conditions,
- limit or control production, markets, technical development or investments,
- divide up markets or sources of supply,
- apply dissimilar conditions to equivalent transactions with other parties, thereby placing them at a competitive disadvantage,
- make entry into a contract dependent on the trading party's commitment to undertake other activities unrelated to the subject of the contract.

In order to solve certain practical administrative problems and to allow certain forms of cooperation between public utilities, the ban principle has been relaxed with respect to cartels. Agreements restricting competition can be granted individual exemption or they may be granted a block exemption. The Commission may grant a negative clearance, which excludes a particular arrangement from the scope of article 85, or a "comfort letter", which is a temporary decision to refrain from taking further action on the matter in question.

Article 86 of the Treaty deals with the abuse of a dominant position. A dominant position means that a single firm is able to decisively affect the price or other terms and conditions attached to a traded commodity. Specifically prohibited forms of abuse are the following:

- the direct or indirect setting of unfair purchase or selling prices or other unfair trading conditions,
- restriction of production, markets or technical develop-

ment to the prejudice of consumers,

- applying dissimilar terms and conditions to equivalent transactions with other trading partners, thereby placing them at a competitive disadvantage,
- making the entry into a contract dependent on whether the parties commit themselves to supplementary obligations which, by their nature or on the basis of business practice, have no connection with the subject of such contracts.

ACT ON RESTRICTIONS ON COMPETITION

The new Act on Restrictions on Competition came into force on 1 September 1992. According to the Act, the norms to be applied in the regulation of competition in Finland largely correspond to those of the EC rules. The aim of the new law is to create a system that is administratively simpler than that applied by the EC in supervising competition but which corresponds in content to the EC rules. It thus allows firms to operate according to the same principles in Finland as in the EC markets.

The new law entails a major shift of principle in line with EC regulation of competition. The old law of 1988 is based on the "abuse" principle, according to which restrictive business practices are – with the exception of collusive bidding and resale price maintenance – treated neutrally until they are observed to be harmful. The new law is tighter in this respect, as it is based on the "prohibition" principle. Restrictive business practices which are prohibited are: resale price maintenance (section 4), collusive bidding (section 5), horizontal price, market-sharing and other cartels (section 6) and abuse of a dominant position (section 7). The prohibitions are enforced through a system of sanctions under which a violating company can be fined as much as several million markkaa.

In setting the amount of the fine, the type and extent as well as

the duration of the restriction are taken into consideration. The size of the fine can range between FIM 5 000 and FIM 4 million, or even more, but not more than 10 per cent of the company's turnover in the previous year.

Other restrictive business practices and their acceptability are judged by reference to the general provision of the law (section 9). Here, the abuse principle is applied. The authorities intervene when a particular restriction has harmful effects, as specified in the law. According to the abuse principle, rulings are required, inter alia, in regard to restrictive vertical agreements between economic agents operating at the production or distribution level as well as unilateral performance bans and discrimination. Firms may be forced under threat of fine to desist from such restrictive behaviour.

In making an evaluation of the harmfulness of a restrictive business practice, it is determined whether the restriction is part of an arrangement which improves overall economic efficiency. If this is the case, the restriction is not necessarily considered detrimental and it may be allowed. Examples of this nature can be found among vertical distribution arrangements. On the other hand, restrictive business practices aimed at increasing the profits of firms or excluding competitors from the market but which do not improve efficiency are instances of "naked restrictions", which are always considered to be detrimental. Examples of this are horizontal price cartels, which are prohibited under Finnish law and for which temporary exemption has rarely been granted in the EC. In considering exemption, the competition authorities assess, on a case-by-case basis, whether such short-term supply campaigns or local joint offers are beneficial to the consumer and promotive of competition and therefore permissible.

According to Act on Restrictions on Competition, the granting of an exemption is treated generally as it is in EC legal provisions. Evidence of technical or

economic development is the first and primary requirement for granting exemption. The burden of proof lies with the company involved in a restrictive business practice, but the granting of exemption requires that some of the benefit accruing from an improvement in efficiency must go to customers and consumers.

According to the Act on Restrictions on Competition, the criteria for abuse of a dominant position are essentially the same as those laid out in article 86 of the Treaty of Rome. The problem is that there is no unambiguous way to determine the existence of a dominant market position. First of all it is difficult to define what is the relevant market. Furthermore a firm's dominance of a market cannot be determined from the structure of the market alone because the probability of new competitors entering the market should also be considered. Without precise case-by-case assessment it is impossible to determine definitely whether a company has been guilty of abusing a dominant position. The ban is most useful if it focuses on those

restrictive practices which have detrimental effects, according to the law. In the EC, fines for abuse of a dominant position have very seldom been levied. Finnish companies can estimate their liability to punishment by referring to the guidelines published by the Office of Free Competition.

With respect to mergers and acquisitions, EC and Finnish supervision of competition differ from each other. In the EC, provisions on mergers and acquisitions are considered an important part of competition policy, and the Commission is empowered to prohibit mergers or acquisitions if they would create a company with a turnover of over ECU 5 billion (approx. FIM 27 billion).

Finnish law does not contain any provisions on merger control in the sense that the competition authorities could prevent their taking place beforehand. However, the law does require that companies inform the competition authorities of any agreements on mergers or acquisitions that can be presumed to have an effect on competitive conditions. The obligation to notify also applies to a

company that is not in a dominant position if it operates in a commodity market where competition is prevented, restricted or distorted as a result of the activity of public authorities.

Because Finland has small domestic markets and it is an open economy, concentration of enterprises is viewed as a natural part of the internationalization of markets and the authorities interfere only in exceptional circumstances. Other provisions of the Act on Restrictions on Competition allow authorities to intervene in mergers and acquisitions that take place in the sheltered sector and in those arrangements that will result in the creation, strengthening or abuse of a dominant position.

7 September 1992

HOUSEHOLD SAVING IN FINLAND: WHY DOES IT FLUCTUATE?

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INTRODUCTION

Saving has recently been a matter of concern in the OECD countries. This concern has been augmented by the possible implications of low saving rates in the 1980s for the rate of capital accumulation and, in some countries, for the size of current account deficits. In the context of the alleged "savings shortage", the appropriate concept of saving to study is net national saving, which is defined as the sum of government, corporate and household net saving. There are considerable differences in national saving rates across OECD countries, but their broad movements have been fairly similar in all OECD countries. Most countries experienced lower saving rates, on average, in the 1980s than in the 1960s or the 1970s. Table 1 shows the trend over three decades in the net national saving rate in Finland, in certain other countries and for the OECD area as a whole. The fall in net national saving rates in the 1980s is striking.

As for the changes in the composition of national saving rates, the following "stylized facts" can be discerned (see Shafer *et al.*, 1992). First, changes in government saving have accounted for much of the variation in national saving over time, with little tendency for private saving (the sum of corporate and household saving) to offset these changes. This also applies to Finland (see eg Kostiainen, 1989). Second, household saving generally increased sharply in the 1970s before falling during the 1980s. This fall in household saving has re-

TABLE 1. NET NATIONAL SAVINGS RATES IN SELECTED OECD COUNTRIES, AS PER CENT OF NET NATIONAL PRODUCT

	1961-70	1971-80	1981-90
USA	10.6	8.9	3.6
Japan	25.8	24.6	21.2
Sweden	15.6	11.0	6.2
Austria	18.3	18.0	13.5
Finland	15.5	14.2	10.4
OECD average	14.7	13.4	8.8

Source: OECD National Accounts, various issues.

ceived considerable attention in Finland and elsewhere.

The present article focuses on household saving behaviour in Finland. More specifically, two issues are dealt with: what is the explanation for the fact that Finland's household saving rate has been relatively low by international standards in the long run? What causes fluctuations in the household saving rate over time?

The premise that national saving can be analyzed fruitfully as the sum of independent components has been challenged by proponents of the Ricardian equivalence proposition, which holds that the timing of government tax payments has no impact on an economy's level of national saving. If the government runs a budget deficit, consumers will anticipate the subsequent rise in taxes that will be necessary to repay the debt, and so increase their saving accordingly. Household saving rises so as to offset the decline in government saving, leaving national saving unaffected. An analogous argument has been developed for the relationships between household and corporate saving; households as owners of corporations see through the "corporate veil" and adjust their saving behaviour one-to-one to changes in corporate saving.

Are these arguments valid? Empirical evaluation has been difficult partly because, until recently, there has been relatively little variation in government deficits and corporate savings that has been independent of cyclical fluctuations and inflation, each of which might be expected to have a systematic impact on national saving. My own reading of the evidence, which is widely shared by others, is that while there might be some substitutability between household saving and other components of national saving, the substitutability is far less than perfect. So, it is useful from the point of view of national saving to look at household saving separately.²

FINLAND'S HOUSEHOLD SAVING RATE IN AN INTERNATIONAL PERSPECTIVE

In the period 1970-1990, the household net saving rate - household net saving as a percentage of disposable household income - in Finland fluctuated

² Finland's national saving rate, its composition and measurement have recently been discussed in Kostiainen (1989). Kostiainen and Starck (1991) have presented evidence against substitutability between household saving and other components of national saving in the Finnish case.

¹ I am indebted to Seppo Kostiainen and Kari Takala for useful comments.

tuated in a comparatively stable manner in the neighbourhood of 4 per cent, with larger fluctuations taking place in the early 1970s and in the late 1980s. International evidence from other OECD countries suggests that this is a relatively low rate.

Some aggregate data over the period 1985–1989 for the four Nordic countries and the rest of the OECD are presented in Table 2.

According to the life-cycle hypothesis of saving, growth is a major source of cross-country differences in the saving rate. In a growing economy the accumulation of the active population is only partially offset by the dissaving of the retired. Table 2 suggests that the "growth rate effect", Δy , provides some, but not very much help in explaining the low household saving rates in the Nordic countries. For many of the variables, there is a fairly clear difference between the Nordic countries and the rest of the OECD. This is true for the size of the public sector and for social security expenditure and current transfers as a share of GDP. The Nordic countries are characterized by high levels of social security expenditure and transfers. These should have a negative effect on the household saving ratio. If social security contributions are high the saving rate is reduced. The higher are transfers, the more redistributive is government policy; an increase in the equality of income distribution tends to decrease saving. While these facts partly help to explain the low saving rate in most Nordic countries, the evidence for Finland appears to be rather weak; the Finnish values for these variable are fairly close to the OECD averages, although saving rates in Finland and the rest of OECD differ dramatically.

Finally, and importantly, the size of consumer credit markets in the Nordic countries seems to exceed the OECD average. This conforms with the view that Nordic capital markets are in this sense more developed than those of other OECD countries. If

TABLE 2. HOUSEHOLD SAVING, THE PUBLIC SECTOR AND CONSUMER CREDIT IN THE NORDIC COUNTRIES, 1985–1989

	s	Δy	SOS	v	G	b
Denmark	0.7	2.5	27.7	18.7	57.2	37
Finland	1.2	3.7	21.9	12.9	40.3	39
Norway	-3.8	0.7	29.9	17.4	54.4	48
Sweden	-3.5	3.7	39.5	20.7	60.6	39
Rest of the OECD	11.8	3.2	19.2	13.5	36.5	14

Notes: The figures are percentage sample averages for the period 1985–1989 (except for SOS and G, which are derived from the period 1984–1988); s = households' net saving rate, Δy = rate of growth in households' real disposable income, SOS = social security expenditure as a percentage of GDP, v = general government current transfers (excl. subsidies)/GDP and G = total government receipts as a percentage of GDP. Rest of the OECD denotes the unweighted average for 14 OECD countries, excluding the Nordic countries. In the case of Δy and G, however, it denotes total OECD. b = consumer credit as a percentage of consumer spending in 1988. Source: Koskela and Virén (1992).

desired amount, aggregate saving will be higher than in the presence of perfect credit markets. This suggests that "narrow" capital markets tend to be associated with high saving. The importance of the functioning of the capital markets has been recently stressed in Guiso *et al.* (1992). More specifically, they present evidence that markets for household credit (and insurance) are much less developed in high-saving countries than in the low-saving Nordic countries.³

To sum up, government risk allocation and income redistributive policies – as reflected in high levels of social security expenditure and transfers – and the extent of consumer credit markets are largely responsible for the relatively low saving rates in Nordic countries, including Finland. The evidence for Finland is, however, somewhat weaker than for other Nordic countries.

WHY DOES THE HOUSEHOLD SAVING RATE FLUCTUATE?

As noted above, the household saving rate has occasionally fluctuated quite widely in Finland, which can be seen from Chart 1.

³ This country evidence is validated by Jappelli and Pagano (1992), who find that indicators of capital market imperfections, such as minimum down-payment ratios and the volume of consumer credit, are important determinants of inter-country differences in OECD saving rates.

The declines in the saving rate have coincided with a low level of monetary tightness, first in the early 1970s and later in the late 1980s when financial markets were liberalized. Therefore, it seems natural to connect the change in the saving rate with the changes in the tightness of monetary conditions, and more specifically with financial market liberalization.

This conclusion may, however, be premature. Other variables, such as the inflation rate, the real income growth rate and interest rates, changed as well and may be able to account for changes in the saving rate.

During the 1970s and early 1980s a considerable amount of effort was devoted to analyzing the relationship between inflation and household consumption and saving behaviour. It was rather generally observed that high rates of inflation tended to be associated with high rates of personal savings in OECD countries. Numerous hypotheses were put forward to explain this phenomenon. According to the misperception hypothesis, households may not have sufficient information to be able to distinguish between relative and general price movements, when both are changing simultaneously. If this is the case, unanticipated inflation is misinterpreted as the rise in the relative prices of the goods households are currently buying, so that real

CHART 1.

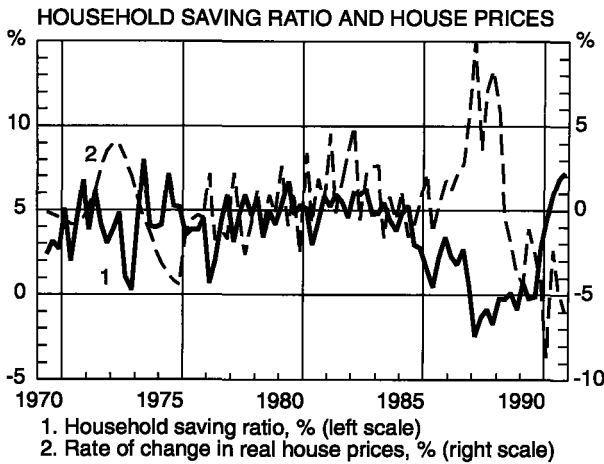
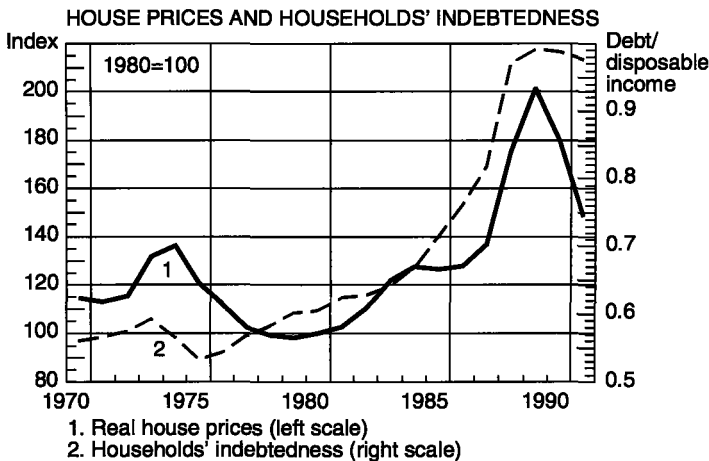


CHART 2.



saving increases. This hypothesis suggests that the saving rate increases if the rate of inflation accelerates. The observed relationship between the saving rate and inflation may largely be a statistical illusion, however (see Kostianen, 1989). This is basically because income, as measured in the national accounts, includes interest payments on financial assets, which is not really income at all during inflation. Measured in this way, savings, which is the difference between measured income and consumption, tends to rise with inflation. According to empirical evidence, the fall in saving across countries in the 1980s can be partly explained by a falling inflation rate (see Koskela and Virén, 1992a).

According to the life-cycle theory referred to above, a rise in real income will increase the saving rate. The empirical evidence from various countries tends to support this; *ceteris paribus*, the household saving rate is positively associated with the growth of real income.

Financial market liberalization was associated with rising housing prices, housing wealth and rising prices of other assets. Since housing wealth is widely distributed among the population and is the most important form of wealth for the vast majority of households, it is important to analyze interactions between saving behaviour and housing in Finland (Chart 1). More generally, one could argue that windfall

gains (losses) in housing prices cause declines (upsurges) in household saving via positive (negative) wealth effects. One objection to this explanation is that a shift in the relative price of housing need not affect aggregate saving. Any relative price increase implies that some gain (those selling the good), while others lose (those buying the good).

As is evident from Chart 1, there is a clear negative relationship between the saving rate and the rate of change in real house prices. A decrease in the level of monetary tightness – due to financial market liberalization, for example – relaxes restrictions on borrowing via a lowering in the down-payment ratio. When housing loans can be obtained at the lower down-payment ratios, households' indebtedness (the ratio of household debt to disposable income) and housing demand increase and house prices rise (see Chart 2). Hence, the household saving rate falls as a result of the wealth effect after financial market liberalization. This happened in Finland in the late 1980s as well as in some other countries, like Norway and United Kingdom.

The link between housing markets and saving behaviour suggests that taxation may affect not only housing demand but also the saving rate by changing the willingness to incur debt. The real value of interest expense deductions in income taxation fell during the 1980s both because the nominal limits were either fixed or decreased slightly and, more recently, because only part of interest payments were accepted as deductions. These subsidies via taxation, together with low administratively controlled lending rates, resulted among other things in very low – in many cases even negative – after-tax real interest rates during the 1970s. But credit rationing prior to the onset of financial market liberalization did not allow the full utilization of the tax advantages associated with borrowing and checked the build-up of household debt. After 1986, 9

when interest rate regulation was abolished, housing demand and house prices increased despite the fact that the after-tax real rate of interest did not fall (see Chart 3 and Koskela-Loikkanen-Virén, 1992).⁴

Theoretical considerations suggest that the real after-tax interest rate will affect saving, but that nominal interest rates should not. The evidence, however, indicates that precisely the opposite is more likely to be true. The Finnish data consistently point to significant nominal interest rate effects and to insignificant real interest rate effects after house prices and inflation have been included as explanatory variables (see Chart 4).⁵

Why the real interest rate does not seem to matter is something that cannot be resolved on the basis of aggregated time series data. Several possible reasons can be put forward: First, there is no theoretical presumption about its sign. Changes in the real interest rate have both income and substitution effects and can increase or decrease savings depending on the balance between the two. Second, the effect of interest rate changes on saving depends on the age distribution of the population as well as on the distribution of financial assets by age group. An increase in the rate of return affects not just the return on current saving, but also the return on the entire stock of existing financial wealth. If a large share of this financial wealth is in the hands of older individuals, then the change in the real rate of return will increase the income of those very people who are likely to spend more.⁶ The response of

⁴ Here we assume that nominal limits on interest expense deductions in the aggregate data are not binding.

⁵ Why the nominal interest rate matters may have to do with its association with the aggregate amount of liquidity. To the extent that lenders follow a practice of restricting consumer borrowing so as to keep payment-to-income ratios below some ceiling level, changes in the nominal interest rate will cause liquidity to vary. If the aggregate amount of liquidity matters, then a rise in the nominal interest rate will decrease consumption and increase saving.

CHART 3.

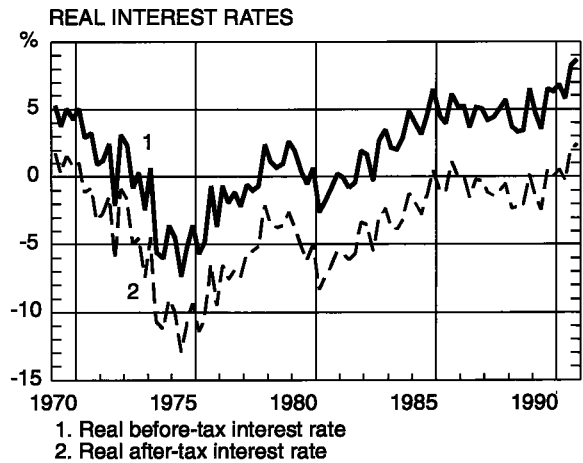
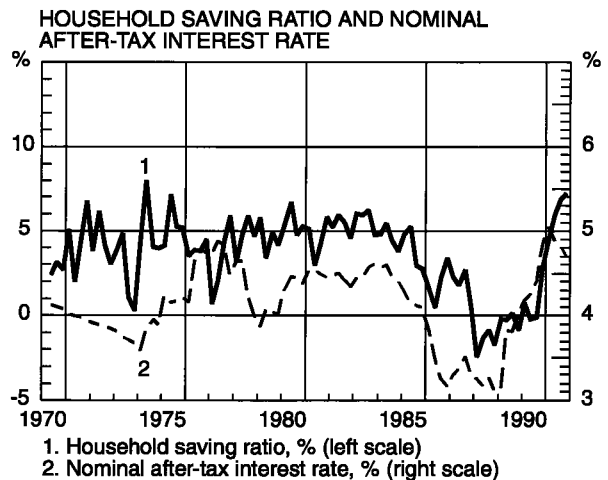


CHART 4.



the aggregate household saving rate to the real interest rate via this mechanism might even be negative.⁷ Finally, an important channel for the real interest rate may be the wealth effect; a rise in the real interest rate decreases the present values of houses and other assets and as a result the saving rate tends to increase (see Chart 5). Anyway, this finding concerning the unimportance of the real interest rate for the deter-

mination of the saving rate is in line with a large body of international research which has failed to show any clear empirical relationship between real interest rates and the saving rate in the aggregate data.

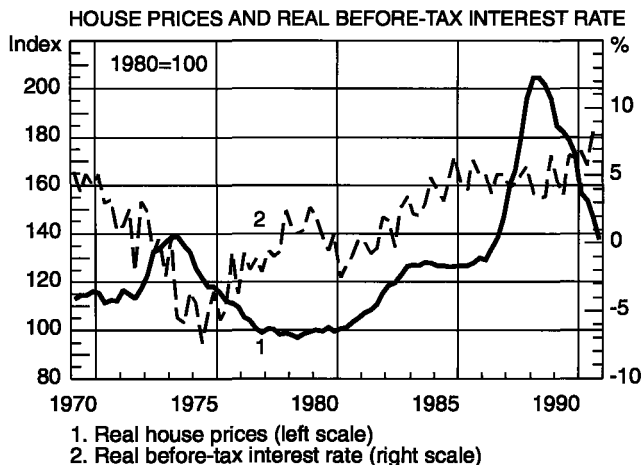
CONCLUDING REMARKS

This article has tackled two issues associated with the household saving rate in Finland during

⁶ According to the life-cycle hypothesis the marginal propensity to spend should increase with age.

⁷ In the case of Finland, it turns out that there are striking differences among the age groups both in terms of their saving, on the one hand, and their assets and liabilities, on the other. In particular, younger households seem to have had negative and the elderly positive saving in 1988. To be more precise, the following age profile of saving rates was derived from Finnish cross-section data for households (the years refer to the age of the "head of household"): 15-24 years, -4 per cent; 25-34 years, -2 per cent; 35-44 years, -4 per cent; 45-54 years, -1 per cent; 55-64 years, 12 per cent; and 65 years and over, 6 per cent (see Vilminen and Virén, 1991, for further details).

CHART 5.



the last two decades. First, why has it been low internationally and, second, what factors have been responsible for its, sometimes large, fluctuations?

As for the first question, government risk allocation and redistributive policies (measured in terms of social security expenditure and current transfers as a fraction of GDP) and the extent of credit markets go a long way towards providing an explanation.

As for business cycle variation, the saving rate tends to rise if the inflation rate, real income growth and/or the after-tax nominal interest rate rise and fall if the rate of change in house prices increases. In contrast, the real interest rate effect cannot be determined on the basis of aggregated time series data. This implies

that the falling inflation rate, rising real house prices (and housing wealth) – associated with financial market liberalization – and falling after-tax nominal interest rates contributed to the decline in the household saving rate up to the end of 1980s. Recently, the saving rate has started to rise again (see Chart 1). This phenomenon reflects the net result of offsetting forces; falling real income growth and inflation lower the household saving rate, but these effects seem to be dominated by rising after-tax nominal interest rates and falling house prices, both of which increase the household saving rate.

10 September 1992

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FLOATING OF THE FINNISH MARKKA

On 8 September, the Bank of Finland decided to temporarily float the markka because of continuing pressure against the currency in the foreign exchange market. The decision was taken with the consent of the Government in accordance with the Currency Act.

Despite the economic policy measures taken since the last November's devaluation and favourable developments in exports, uncertainty has persisted in the money and foreign exchange markets. The recent disturbances in the international currency markets have further increased nervousness.

In spite of the high level of interest rates, the Bank of Finland has continually had to support the markka by selling foreign currency. In early September, the foreign exchange reserves had to be supplemented by means of international swap arrangements. In these circumstances, it was no longer possible to maintain a fixed exchange rate, and it was therefore decided to let the markka float.

In connection with the decision, the Bank noted that a strengthening of the present economic strategy was a prerequisite for stable economic development and the maintenance of employment. Reducing the borrowing requirement of the public sector was more important than ever, it added. The Bank reiterated that the main task of monetary policy would continue to be monetary stability.

As hitherto, the Bank will continue to implement monetary policy through open market operations. The Bank may also
12 intervene in the foreign exchange

market to smooth movements in the external value of the markka.

Finnish participation in European integration requires that Finland restore fixed exchange rates with other European currencies when the economic situation so permits.

A LARGE NUMBER OF BANKS ACCEPT GOVERNMENT OFFER OF CAPITAL

Fifty-three savings banks and four commercial banks (Kansallis-Osake-Pankki, Postipankki, Skopbank and STS-Bank) accepted, by 14 August, the offer of capital made by the Government. The total amount of capital raised was FIM 4.6 billion. The banks that did not take up their share of the FIM 8 billion offer of capital in August will have the opportunity to do so in December.

FINLAND'S BALANCE OF PAYMENTS IN JANUARY-JUNE 1992 Current account

The current account showed a deficit of FIM 12.7 billion for the first six months of this year, as against a deficit of FIM 16.6 billion for the corresponding period last year. The decrease in the deficit was due primarily to favourable developments in merchandise trade.

After combining Finnish and foreign firms' losses related to direct investment with the current account figures for 1991, the current account deficit increased by FIM 2.8 billion to FIM 26.6 billion.¹

¹ Finnish companies operating abroad showed a total loss of FIM 3.8 billion in 1991, after payment of dividends. The corresponding result for foreign companies operating in Finland was a loss of FIM 1.0 billion.

Goods. Compiled on a balance-of-payments basis, the trade account posted a surplus of FIM 4.1 billion, as against a surplus of FIM 0.2 billion in the first half of last year. The volume of exports increased by 12 per cent. Exports grew in all main industrial sectors. Imports of investment and consumer goods decreased, whereas imports of raw materials increased as a result of export growth. Overall, the volume of merchandise imports was the same as in the first six months of last year. Export prices rose by 6 per cent and import prices by 3 per cent.

Services. The deficit on the services account grew more slowly than before. The transport account recorded a surplus of FIM 1.8 billion. The deficit on the travel account narrowed; receipts rose by 20 per cent and expenditure by only 6 per cent. The deficit on the other services account increased again as a result of a rapid increase in expenditure.

Investment income. The largest item on this account is interest payments on foreign debt, which are rising rapidly with the accumulation of foreign debt. Interest payments abroad totalled FIM 16.3 billion, while interest income from abroad amounted to FIM 6.6 billion.

Capital account

Net imports of long-term capital amounted to FIM 13.0 billion, while net exports of short-term capital totalled FIM 2.9 billion. As the inflow of capital did not cover the current account deficit, the Bank of Finland's foreign exchange reserves decreased by FIM 2.7 billion.

Loans. Net repayments of long-term loans totalled FIM 0.4 billion. The repayments were attributable to the private sector. Net

MAJOR BALANCE OF PAYMENTS ITEMS
IN JANUARY-JUNE 1992, MILLION FIM¹

	Receipts	Expenditure	Net
Trade (exports fob, imports cif)	52 057	47 745	4 312
Adjustment items	- 891	- 638	- 253
Trade account	51 166	47 107	4 059
Transport	4 050	2 218	1 832
Travel	2 594	5 474	- 2 879
Other services	2 987	6 352	- 3 366
Services account	9 631	14 044	- 4 413
GOODS AND SERVICES ACCOUNT	60 797	61 151	- 354
Investment income	6 561	16 276	- 9 715
Unrequited transfers	686	2 913	- 2 227
Other	1 945	2 396	- 451
A.CURRENT ACCOUNT	69 989	82 736	- 12 747
	Change in assets	Change in liabilities	Net
Loans	162	- 405	- 243
Direct investment	- 4 503	819	- 3 684
Portfolio investment	- 1 330	17 588	16 259
Other long-term capital	- 164	820	656
B.LONG-TERM CAPITAL ACCOUNT	- 5 835	18 822	12 987
BASIC BALANCE (A+B)			240
Trade credits	- 2 207	4 411	2 204
Short-term capital of banks	5 148	- 11 581	- 6 433
Other short-term capital	1 273	3 713	4 986
Errors and omissions			- 3 687
C.SHORT-TERM CAPITAL ACCOUNT			- 2 930
OVERALL BALANCE (A+B+C)			- 2 690
Change in the foreign exchange reserves of the Bank of Finland			2 690

Assets: increase - , decrease +
Liabilities: increase + , decrease -

¹ Preliminary figures.

drawings of long-term export credits granted to foreign customers amounted to FIM 1.1 billion.

Direct investment. Finnish direct investment abroad totalled FIM 4.5 billion. Foreign direct investment in Finland amounted to FIM 0.8 billion.

Portfolio investment. Net sales of Finnish securities abroad amounted to FIM 17.6 billion. Sales of bonds totalled FIM 17.3 billion. Government bonds were sold to the value of FIM 21.6 billion, whereas companies and fi-

ancial institutions redeemed outstanding bonds. Sales of Finnish shares abroad were insignificant. Finnish investment in foreign bonds and shares amounted to FIM 1.3 billion.

Short-term capital. Net short-term trade-related liabilities grew by FIM 2.3 billion; prepayments and receivables related to exports increased by FIM 0.1 billion. Net short-term imports of capital by banks amounted to FIM 6.4 billion.

Foreign exchange reserves. The Bank of Finland's convertible foreign exchange reserves fell by FIM 2 672 million and tied currency reserves by FIM 18 million. At the end of June, the convertible foreign exchange reserves stood at FIM 31 111 million and the tied currency reserves at FIM 14 million.

Net foreign debt

At the end of June, Finland's net foreign debt totalled FIM 191 904 million. Net long-term debt amounted to FIM 154 663 million and net short-term debt to FIM 37 241 million. The central government's share of net foreign debt was FIM 75 837 million.

**PUBLICATION OF
THE BANK OF FINLAND**

The following publication has appeared in series B:47: Markku Pulli, Overnight Market Interest Rates and Banks' Demand for Reserves in Finland, doctoral dissertation presented to the Faculty of Social Sciences of the University of Helsinki, Helsinki 1992, 145 pp. ISBN 951-686-324-8, ISSN 0357-4776.

The study deals with the determination of the overnight market rate of interest and of the use of the central bank's call money facility by banks in their liquidity management. Special attention is paid to the effects of different types of borrowing terms set by the central bank and to the effects of the liquidity uncertainty encountered by banks. In the theoretical model that is analyzed, the degree of uncertainty affects the response of market interest rates to liquidity shocks. An empirical application with Finnish data from 1987-1989 is also carried out.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM OCTOBER 1991 TO SEPTEMBER 1992

1991

OCTOBER

Cash reserve requirement.

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

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

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

NOVEMBER

Cash reserve requirement.

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

Call money credit rate. On 8 November 1991, the Bank of Finland reinstates the 30 per cent penalty rate on call money credit. On 14 November 1991, the Parliamentary Supervisory Board of the Bank of Finland extends the powers of the Bank of Finland to set interest rates. The maximum call money credit rate is raised from 30 per cent to 50 per cent. The Bank of Finland raises the interest rate on call money credit from 15 per cent to 20 per cent, implying a penalty rate of 40 per cent.

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

Devaluation of the markka.

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

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

1992

JANUARY

Cash reserve requirement.

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

APRIL

Interest on cash reserve deposits.

As part of the financial support package for the banking sector, the Parliamentary Supervisory

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

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

The Government Guarantee Fund.

The law establishing the Government Guarantee Fund is approved by Parliament on 30 April. The purpose of the fund is to help ensure the stability of deposit banking and secure depositors' claims. The fund is authorized to use up to FIM 20 billion for these purposes. Decisions on possible support measures by the fund are taken by the representatives of the Ministry of Finance, the Banking Supervision Office and the Bank of Finland on the board of the fund.

MAY

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

of deposits and bonds, the base-rate rise does not apply to interest rates on tax-exempt deposits.

JUNE

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

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

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

JULY

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

Central banks of Finland and EC countries strengthen cooperation. The central banks of the European Communities and the Bank of

Finland decide on 15 July to strengthen their monetary cooperation. The primary means of achieving this is a network of credits available whenever necessary to support the foreign exchange reserves.

AUGUST

Government offer of capital. Fifty-three savings banks and four commercial banks (Kansallis-Osake-Pankki, Postipankki, Skopbank and STS-Bank) accept, by 14 August, the offer of capital made by the Government. The total amount of capital raised is FIM 4.6 billion.

SEPTEMBER

Floating of the markka. On 8 September 1992, the Bank of Finland decides to temporarily float the markka because of continuing pressure against the currency in the foreign exchange market. The decision is taken with the consent of the Government in accordance with the Currency Act.

LAND, CLIMATE AND POPULATION

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

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

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

FORM OF GOVERNMENT

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

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

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

Centre Party 55; Social Democratic Party 48; National Coalition Party 40; Left-Wing Alliance 19; Swedish 16 People's Party 12; The Greens 10;

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

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

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

INTERNATIONAL RELATIONS

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

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

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

THE ECONOMY

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

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

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

Average annual (compounded) growth of real GDP was 4.7 % in the period 1950-59, 5.0 % in 1960-69, 3.7 % in 1970-79, 3.7 % in 1980-89 and 4.0 % in 1990-91. Finland's GDP per capita in 1991 was USD 24 800.

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

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

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

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

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

44 %, heating for 22 %, transportation for 14 % and other purposes for 20 %. The sources of primary energy in 1991 were as follows: oil 29 %, coal 12 %, nuclear power 15 %, hydro-electric power, peat and other indigenous sources 30 %, others 14 %. Compared internationally (1990), Finland's consumption of 5.8 toe (OECD definition) per capita was 1.8 times higher than the average in European OECD countries. The self-sufficiency rate (including nuclear power) in Finland was 39 %, as compared with 60 % in western Europe on average.

FINANCE AND BANKING

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

International payments. Though the use of the markka in foreign trade and as a eurocurrency has increased, most international payments are

effected in other currencies. Finland adopted Article VIII status at the International Monetary Fund in 1979.

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

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

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

The Central Bank. The Bank of Finland (Suomen Pankki - Finland's Bank), founded in 1811, operates under the supervision of the Parliamentary Supervisory Board, the nine members of which are entrusted with overall supervision of the Bank and certain specific decisions such as fixing the Bank's base rate and the limits for other rates. The Governor and a maximum of five other Members of the Board of Management are appointed by the President of the Republic. The Board manages all affairs not expressly entrusted to the Parliamentary Supervisory Board, including the terms of banks' central bank finance, open market operations, intervention in the foreign exchange market and determination of the external value of the currency within the fluctuation limits. The powers vested in the Bank and its independence of the Government make the Bank of Finland one of the world's stronger central banks. In practice, the Bank liaises closely with the Government, so as to coordinate economic policy. The Bank of Finland has a head office in Helsinki and 8 branch offices in other towns.

Other banks (31 December 1991). Finland has three major groups of

deposit banks with a total of more than 3 000 offices. There are three big commercial banks with national branch networks and ten smaller ones, two of which are foreign-owned. The commercial banks have a total of 32 foreign branches, subsidiaries and associate banks and 27 representative offices abroad. There are 86 savings banks and 328 cooperative banks with their own extensive branch networks. In addition, foreign banks have three branches and eight representative offices in Finland.

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

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

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



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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

	1991		1992		
	31 Dec.	7 Aug.	14 Aug.	21 Aug.	31 Aug.
ASSETS					
Gold and foreign currency claims	33 662	26 658	26 611	26 489	23 121
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	932	865	875	873	861
IMF reserve tranche	1 136	1 277	1 214	1 212	1 195
Convertible currencies	29 381	22 329	22 338	22 222	18 885
Tied currencies	34	6	4	2	0
Other foreign claims	2 690	2 524	2 575	2 574	2 565
Markka subscription to Finland's IMF quota	2 260	2 212	2 266	2 266	2 266
Term credit	430	312	309	307	299
Claims on financial institutions	17 413	20 678	19 111	20 491	21 244
Liquidity credits	—	1	—	—	1
Certificates of deposit	9 157	13 498	13 648	15 035	15 914
Securities with repurchase commitments	2 725	1 713	—	—	—
Till-money credits	3 528	3 654	3 654	3 654	3 534
Bonds	1 765	1 574	1 571	1 564	1 557
Other claims on financial institutions	238	238	238	238	238
Claims on the public sector	1 375	2 904	2 905	2 905	4 404
Bonds	3	3	3	3	3
Loans to the Government Guarantee Fund	—	1 500	1 500	1 500	3 000
Total coinage	1 372	1 401	1 402	1 402	1 401
Claims on corporations	1 288	1 591	1 585	1 578	1 572
Financing of domestic deliveries (KTR)	879	700	694	689	683
Bonds: KTR credits	207	178	178	178	178
Bonds: Other	2	501	501	500	500
Other claims on corporations	201	211	211	211	211
Other assets	2 916	9 799	9 799	9 799	9 804
Loans for stabilizing the money market	1 730	9 654	9 654	9 654	9 654
Accrued items	1 034	—	—	—	—
Other assets	153	145	145	145	150
Total	59 346	64 155	62 586	63 837	62 710
LIABILITIES					
Foreign currency liabilities	46	46	52	37	55
Convertible currencies	45	46	52	37	55
Tied currencies	1	—	—	—	—
Other foreign liabilities	3 102	3 049	3 097	3 096	5 014
IMF markka accounts	2 260	2 212	2 266	2 266	2 266
Allocations of special drawing rights	843	837	831	829	818
Other foreign liabilities	—	—	—	—	1 930
Notes and coin in circulation	14 528	13 726	13 675	13 500	13 562
Notes	13 306	12 499	12 451	12 276	12 341
Coin	1 222	1 227	1 225	1 223	1 221
Certificates of deposit	8 880	16 990	15 690	11 580	6 930
Liabilities to financial institutions	12 567	15 764	15 945	21 887	23 179
Call money deposits	2 206	5 950	6 132	12 072	13 406
Cash reserve deposits	10 361	9 812	9 812	9 812	9 772
Other liabilities to financial institutions	0	2	0	2	1
Liabilities to the public sector	3	4	4	4	4
Cheque accounts	—	—	—	—	—
Other liabilities to the public sector	3	4	4	4	4
Liabilities to corporations	7 057	4 543	4 524	4 263	4 238
Deposits for investment and ship purchase	7 057	4 543	4 524	4 263	4 238
Other liabilities to corporations	—	—	—	—	—
Other liabilities	1 682	242	241	241	242
Accrued items	1 584	—	—	—	—
Other liabilities	98	242	241	241	242
Valuation account and reserves	5 715	4 026	3 594	3 466	3 723
Capital accounts	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Profit/loss for the accounting year	—	—	—	—	—
Total	59 346	64 155	62 586	63 837	62 710

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

MILL. FIM

End of period	Foreign sector									Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies, net	Convertible reserves, total (1+2+3+4)	Tied currencies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabilities	Net liabilities (11-10)
	1	2	3	4	5	6	7	8	9	10	11	12
1987	2 128	899	793	23 571	27 391	1 212	28 604	1 131	29 735	977	901	- 76
1988	2 128	1 120	940	24 373	28 561	945	29 506	1 117	30 623	1 128	1 903	775
1989	2 179	966	950	18 780	22 875	- 564	22 312	440	22 752	1 137	5 325	4 188
1990	2 180	791	783	33 451	37 205	- 882	36 324	- 364	35 960	1 314	1 321	7
1991	2 180	932	1 136	29 336	33 584	33	33 616	- 412	33 204	1 375		3 - 1 372
1991												
Aug.	2 180	875	1 086	25 966	30 107	55	30 161	- 401	29 760	1 382		3 - 1 379
Sept.	2 180	863	1 142	22 743	26 928	49	26 976	- 400	26 576	1 398		3 - 1 395
Oct.	2 180	868	1 145	12 242	16 435	42	16 478	- 404	16 074	1 375		3 - 1 372
Nov.	2 180	954	1 193	19 868	24 195	38	24 231	- 419	23 812	1 388		3 - 1 385
Dec.	2 180	932	1 136	29 336	33 584	33	33 616	- 412	33 204	1 375		3 - 1 372
1992												
Jan.	2 180	946	1 234	29 512	33 872	30	33 901	- 482	33 419	1 379		4 - 1 375
Feb.	2 180	1 070	1 232	29 834	34 316	27	34 343	- 490	33 853	1 382		4 - 1 378
March	2 180	1 198	1 201	28 522	33 101	24	33 124	- 532	32 592	1 383		4 - 1 379
April	2 180	1 199	1 242	22 981	27 602	21	27 622	- 540	27 082	1 387		4 - 1 383
May	2 180	1 045	1 235	27 547	32 007	17	32 025	- 545	31 480	1 397		4 - 1 393
June	2 180	1 007	1 200	26 724	31 111	14	31 125	- 538	30 587	2 920		4 - 2 916
July	2 180	942	1 280	27 033	31 435	8	31 443	- 526	30 917	2 904		4 - 2 900
Aug.	2 180	861	1 195	18 830	23 066	0	23 066	- 2 449	20 617	4 404		4 - 4 400

End of period	Domestic financial sector						Corporate sector					
	Term claims on deposit banks	Liquidity position of deposit banks, net ¹	Cash reserve deposits of deposit banks	Till-money credits to deposit banks	Other liabilities to financial institutions, net	Net claims (13+14-15+16-17)	Claims in the form of special financing	Special deposits and other items, net	Net claims (19-20)	Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland	
	13	14	15	16	17	18	19	20	21	22	23	
1987	-	- 757	10 941	2 730	- 2 350	- 6 618	3 449	4 782	- 1 333	9 990	4 970	
1988	7 187	335	19 039	2 920	- 3 733	- 4 864	2 823	6 579	- 3 756	11 550	1 130	
1989	33 230	- 531	25 506	3 310	- 2 248	12 751	2 000	10 604	- 8 604	13 129	-	
1990	9 411	- 418	17 401	3 427	- 2 317	- 2 664	1 477	9 724	- 8 247	14 555	-	
1991	11 882	- 2 206	10 361	3 528	- 2 003	4 846	1 086	6 854	- 5 768	14 528	8 880	
1991												
Aug.	12 159	- 1 078	12 707	3 631	- 2 133	4 138	1 212	7 993	- 6 781	13 614	370	
Sept.	13 289	285	11 842	3 542	- 2 105	7 379	1 172	7 973	- 6 801	13 621	610	
Oct.	13 587	13 383	11 047	3 471	- 2 066	21 460	1 143	7 896	- 6 753	13 500	4 090	
Nov.	20 743	- 1 580	10 276	3 519	- 2 064	14 470	1 120	7 457	- 6 337	13 490	6 650	
Dec.	11 882	- 2 206	10 361	3 528	- 2 003	4 846	1 086	6 854	- 5 768	14 528	8 880	
1992												
Jan.	7 136	- 651	9 928	3 806	- 1 947	2 310	1 053	5 974	- 4 921	13 323	10 640	
Feb.	2 982	468	9 891	3 869	- 1 935	- 637	1 030	5 535	- 4 505	13 271	11 110	
March	3 508	- 219	9 783	3 521	- 1 925	- 1 048	995	5 287	- 4 292	14 243	13 030	
April	11 306	- 1 997	9 856	3 917	- 1 899	5 269	967	4 513	- 3 546	13 822	16 450	
May	8 562	- 750	9 851	3 709	- 1 923	3 593	946	3 775	- 2 829	13 787	20 600	
June	10 380	- 152	9 773	3 483	- 1 882	5 820	904	4 022	- 3 118	13 896	21 790	
July	14 304	- 7 507	9 812	3 654	- 1 818	2 457	882	3 851	- 2 969	13 790	19 350	
Aug.	15 914	- 13 405	9 772	3 534	- 1 794	- 1 935	861	3 527	- 2 666	13 562	6 930	

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

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

2.1 BANKS' LIQUIDITY POSITION AT THE BANK OF FINLAND, MILL. FIM

During period	Call money deposits	Liquidity credits ¹	Liquidity position, net ¹
	1	2	3
1987	703	481	222
1988	621	127	494
1989	416	369	47
1990	806	132	674
1991	881	985	- 103
1991			
Aug.	834	28	806
Sept.	388	252	136
Oct.	367	5 357	- 4 990
Nov.	400	4 457	- 4 057
Dec.	815	31	784
1992			
Jan.	822	63	759
Feb.	572	42	530
March	327	102	225
April	1 008	1 323	- 315
May	486	141	345
June	715	45	669
July	3 540	26	3 514
Aug.	8 895	0	8 894

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

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1-2-3)
	1	2	3	4
1987	1 263	23 658	- 17 520	- 4 875
1988	13 840	19 190	- 16 850	11 500
1989	131 110	3 855	99 245	28 010
1990	163 326	26 379	160 797	- 23 850
1991	109 568	30 380	81 969	- 2 781
1991				
Aug.	11 430	280	7 380	3 770
Sept.	11 670	680	10 360	630
Oct.	15 350	6 710	8 990	- 350
Nov.	9 850	6 340	7 020	- 3 510
Dec.	2 430	6 660	2 260	- 6 490
1992				
Jan.	2 000	7 790	- 80	- 5 710
Feb.	1 710	8 460	1 170	- 7 920
March	2 000	9 420	- 5 290	- 2 130
April	11 310	17 310	- 9 200	3 200
May	6 630	15 240	1 930	- 10 540
June	8 200	14 860	- 6 600	- 60
July	11 700	13 300	- 9 798	8 198
Aug.	6 520	7 650	- 14 659	13 529

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

During period	Intervention in the foreign exchange market			Spot transactions related to forward contracts, net	Central government's foreign exchange transactions, net
	Spot purchases	Spot sales	Forward exchange intervention = change in forward exchange position		
	1	2	3	4	5
1991	35 120	- 69 940	- 14 820	12 820	12 260
1991					
July	2 480	- 4 160	- 60	130	560
Aug.	-	- 6 280	50	- 70	- 70
Sept.	-	- 3 370	- 510	690	3 420
Oct.	730	- 19 910	- 5 470	5 300	2 210
Nov.	14 330	- 6 880	- 520	- 100	2 120
Dec.	6 840	- 170	1 020	- 430	1 110
1992					
Jan.	710	-	190	- 730	- 740
Feb.	-	- 4 000	4 280	- 4 240	7 150
March	50	- 250	1 200	- 1 200	1 250
April	2 960	- 16 650	- 2 790	1 650	6 040
May	3 870	-	500	- 320	930
June	1 480	- 2 380	2 530	3 390	5 370
July	470	- 5 790	1 450	- 1 590	3 760

2.4 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
1987	21 671	1 158	20 513	- 233	- 1 287	18 994
1988	16 488	1 543	14 946	9 086	- 377	23 654
1989	10 531	3 563	6 967	8 031	205	15 204
1990	11 609	4 979	6 631	10 100	- 6 098	10 633
1991	33 004	36 352	- 3 348	2 550	8 953	8 155
1991						
July	16 228	20 422	- 4 194	5 350	3 257	4 413
Aug.	16 961	30 053	- 13 092	7 757	3 187	- 2 148
Sept.	17 020	38 496	- 21 477	13 454	3 947	- 4 076
Oct.	22 174	53 395	- 31 222	9 433	9 034	- 12 755
Nov.	37 546	51 191	- 13 645	1 551	9 601	- 2 493
Dec.	33 004	36 352	- 3 348	2 550	8 953	8 155
1992						
Jan.	31 732	27 973	3 759	4 673	8 276	16 708
Feb.	31 502	25 516	5 987	2 441	3 774	12 202
March	27 850	22 720	5 130	5 216	2 937	13 283
April	29 812	27 586	2 227	- 423	5 815	7 619
May	29 457	24 458	4 999	408	5 531	10 938
June	28 942	28 750	192	4 412	807	5 411
July	27 567	29 494	- 1 927	4 013	1 328	3 414

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	Liquidity credit rate ¹	Call money deposit rate	Base rate	Ordinary	Additional (average)
	1	2	3	4	5	6	7	8	9	10
1987	9.16	9.90	10.02	10.14	10.40	11.71	7.78	7.00	4.8	.
1988	8.47	9.77	9.97	10.16	10.50	11.50	7.04	7.63	6.5	.
1989	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67	8.0	0.5
1990	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50	7.9	.
1991	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50	5.3	.
1991										
Aug.	10.20	10.62	11.09	11.28	11.50	15.00	4.00	8.50	4.9	.
Sept.	19.84	14.80	13.20	12.45	12.07	15.00	4.00	8.50	4.6	.
Oct.	15.72	15.95	14.38	13.01	12.46	15.00	4.00	8.50	4.3	.
Nov.	20.94	16.75	14.66	13.25	12.77	16.23	4.00	8.50	4.0	.
Dec.	10.89	12.55	12.78	12.71	12.63	15.00	4.00	8.50	4.0	.
1992										
Jan.	11.41	12.09	12.25	12.33	12.39	15.00	4.00	8.50	3.7	.
Feb.	10.74	11.78	11.74	11.74	11.75	15.00	4.00	8.50	3.7	.
March	14.27	12.95	12.38	12.08	11.99	15.00	4.00	8.50	3.7	.
April	17.24	15.94	14.21	13.38	13.04	15.00	4.00	8.50	3.7	.
May	14.39	14.05	13.73	13.28	13.10	15.00	4.00	9.50	3.7	.
June	13.58	13.58	13.70	13.83	13.76	15.00	4.00	9.50	3.7	.
July	13.47	13.45	13.96	14.19	14.07	14.37	12.13	9.50	3.7	.
Aug.	15.02	15.25	15.09	14.97	14.69	16.84	14.65	9.50	3.7	.

¹ Call money credit rate until 2 July 1992.

3.2 THE BANK OF FINLAND'S LIQUIDITY FACILITY

Effective	The Bank of Finland's tender rate	Effective	Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	Call money deposits: interest rate margin, %-points
	1		2	3	4
1992					
July	13.37		+1.00	7	-1.00
Aug.	15.84		+1.00	14	-2.00
3 July	13.42	03.07.	+1.00	7	-1.00
9 July	13.34				
15 July	13.50				
16 July	13.38				
17 July	13.28				
23 July	13.29				
24 July	13.45				
28 July	13.40				
4 Aug.	14.62	10.08.	+1.00	14	-1.00
6 Aug.	16.00	26.08.	+1.00	14	-2.00
20 Aug.	15.50				
26 Aug.	17.00				

3.3 WEIGHTED EURORATES AND COMMERCIAL ECU INTEREST RATE, PER CENT

Average of daily observations	ECU	3 currencies	14 currencies	Commercial ECU
	3 months			
	1	2	3	4
1987	7.0	5.6	8.0	7.1
1988	6.9	6.0	8.0	6.9
1989	9.3	8.4	9.9	9.3
1990	10.5	9.1	10.9	10.4
1991	10.1	8.5	9.9	9.9
1991				
Aug.	10.0	8.4	9.6	9.9
Sept.	9.8	8.3	9.4	9.8
Oct.	9.9	8.3	9.5	9.9
Nov.	10.0	8.2	9.5	10.0
Dec.	10.4	8.2	10.1	10.6
1992				
Jan.	10.2	8.0	9.8	10.4
Feb.	10.2	8.1	9.7	10.3
March	10.3	8.2	9.7	10.2
April	10.3	8.2	9.7	10.2
May	10.2	8.1	9.6	10.2
June	10.4	8.0	9.7	10.5
July	10.7	7.9	9.8	10.8
Aug.	10.9	8.0	10.2	11.1

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

Average for period	Lending						Markka deposits and other markka funding				
	New credits				Average lending rate	Of which: Commercial banks	24-month tax-exempt deposits ¹	Other tax-exempt deposits, on max. rate of interest ¹	Average rate of interest on deposits	Average rate of interest on other funding	Average rate of interest on markka funding
	Cheque account and postal giro credits	Bills of exchange	Loans	New lending, total							
	1	2	3	4	5	6	7	8	9	10	11
1987	10.50	12.31	10.01	10.62	8.99	8.91	7.00	2.75	4.47	10.13	5.29
1988	10.22	12.27	10.50	10.72	9.88	9.74	8.00	3.75	5.24	9.80	6.20
1989	12.97	13.47	11.58	12.07	10.56	10.40	7.50	4.50	5.67	11.92	7.37
1990	13.24	15.62	13.33	13.85	11.84	11.61	7.50	4.50	6.43	13.55	8.41
1991	13.63	15.88	13.40	13.84	12.08	11.80	7.50	4.50	7.10	13.22	8.97
1991											
July	12.00	15.54	12.80	13.19	11.67	11.28	7.50	4.50	6.79	11.69	8.21
Aug.	12.54	15.35	12.70	13.09	11.70	11.38	7.50	4.50	6.82	11.73	8.29
Sept.	12.81	15.74	13.78	13.96	11.96	11.76	7.50	4.50	6.95	12.95	8.87
Oct.	12.48	16.07	13.83	14.01	12.19	11.96	7.50	4.50	7.18	13.63	9.36
Nov.	14.19	16.29	13.71	14.16	12.21	11.87	7.50	4.50	7.24	13.63	9.41
Dec.	10.15	15.25	12.35	12.51	12.15	11.79	7.50	4.50	7.08	12.63	8.71
1992											
Jan.	12.52	15.42	13.14	13.41	12.06	11.76	7.50	4.50	7.19	12.29	8.66
Feb.	13.79	15.58	12.96	13.47	12.00	11.76	7.50	4.50	7.21	12.15	8.67
March	14.21	15.73	13.36	13.81	11.97	11.70	7.50	4.50	7.23	12.32	8.77
April	12.31	16.24	13.75	14.06	12.08	11.76	7.50	4.50	7.33	13.09	9.16
May	15.34	15.59	13.82	14.22	12.50	12.21	7.50	4.50	7.42	12.95	9.12
June	15.17	15.47	14.04	14.39	12.61	12.29	7.50	4.50	7.42	12.94	9.15
July*	15.96	16.19	14.05	14.56	12.63	12.29	7.50	4.50	7.55	12.95	9.25

¹ End of period.

3.5 YIELDS ON BONDS AND DEBENTURES, PER CENT

Period	Secondary market yields						Offer yield on taxable public issues	
	Reference rates calculated by the Bank of Finland		Taxable government bonds	Taxable public issues	Issued by:			Taxfree public issues
	3 years	5 years			Financial institutions	Corporations		
	1	2	3	4	5	6	7	8
1987	..	..	.	11.2	11.1	11.2	8.1	10.7
1988	10.7	10.8	10.6	10.6	10.6	10.6	7.8	10.4
1989	12.2	12.0	12.1	11.9	12.0	12.0	8.1	11.7
1990	13.7	13.5	13.2	13.3	13.3	13.2	9.2	13.0
1991	12.3	12.2	11.9	12.6	12.5	13.0	10.0	11.7
1991								
July	11.8	11.7	11.2	12.4	12.2	12.6	10.0	10.8
Aug.	11.7	11.7	11.2	11.9	11.9	12.3	9.8	11.2
Sept.	11.7	11.7	11.3	12.2	12.0	12.7	9.6	11.3
Oct.	11.8	11.7	11.4	12.2	12.2	12.7	9.6	11.1
Nov.	12.4	12.3	12.1	12.5	12.5	12.5	9.6	11.2
Dec.	12.7	12.7	12.4	13.6	13.6	13.1	9.9	12.2
1992								
Jan.	12.5	12.5	12.3	13.0	12.9	13.1	10.0	11.9
Feb.	12.1	12.0	11.2	12.7	12.4	12.9	9.8	11.3
March	12.1	12.1	11.3	12.4	12.4	12.6	9.8	11.4
April	12.8	12.7	11.9	12.8	12.7	14.0	9.8	12.0
May	13.0	12.9	11.8	13.0	12.6	13.9	9.8	11.9
June	13.3	13.2	12.2	14.2	14.2	..	10.2	12.3
July	13.6	13.3	12.1	14.1	14.3	13.9	10.5	12.0

4. RATES OF EXCHANGE

4.1 AVERAGE SPOT SELLING RATES, FIM

Average New York of daily quotations	New York	Montreal	London	Dublin	Stockholm	Oslo	Copen- hagen	Frankfurt aM	Amster- dam	Brussels	Zurich
	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEF	1 CHF
	1	2	3	4	5	6	7	8	9	10	11
1987	4.404	3.325	7.213	6.556	0.6952	0.6547	0.6444	2.4514	2.1755	0.11806	2.9563
1988	4.191	3.412	7.466	6.397	0.6848	0.6444	0.6235	2.3895	2.1233	0.11421	2.8700
1989	4.295	3.632	7.051	6.104	0.6673	0.6234	0.5886	2.2879	2.0281	0.10925	2.6306
1990	3.831	3.287	6.827	6.347	0.6479	0.6130	0.6197	2.3721	2.1053	0.11480	2.7635
1991	4.053	3.543	7.159	6.540	0.6713	0.6264	0.6345	2.4464	2.1709	0.11887	2.8300
1991											
Aug.	4.245	3.710	7.148	6.509	0.6705	0.6232	0.6292	2.4323	2.1582	0.11820	2.7906
Sept.	4.143	3.646	7.148	6.530	0.6711	0.6244	0.6323	2.4405	2.1656	0.11853	2.7910
Oct.	4.127	3.661	7.113	6.534	0.6706	0.6243	0.6323	2.4413	2.1667	0.11863	2.7910
Nov.	4.202	3.722	7.475	6.920	0.7091	0.6600	0.6670	2.5893	2.2979	0.12575	2.9249
Dec.	4.266	3.732	7.774	7.249	0.7440	0.6912	0.6989	2.7192	2.4131	0.13206	3.0708
1992											
Jan.	4.305	3.725	7.796	7.266	0.7496	0.6946	0.7031	2.7270	2.4215	0.13248	3.0696
Feb.	4.431	3.751	7.877	7.309	0.7543	0.6986	0.7061	2.7354	2.4312	0.13289	3.0435
March	4.541	3.812	7.835	7.298	0.7542	0.6974	0.7047	2.7329	2.4281	0.13286	3.0111
April	4.503	3.793	7.916	7.290	0.7558	0.6982	0.7054	2.7330	2.4278	0.13288	2.9715
May	4.410	3.682	7.996	7.276	0.7560	0.6982	0.7048	2.7212	2.4174	0.13226	2.9589
June	4.298	3.597	7.966	7.289	0.7564	0.6987	0.7084	2.7288	2.4223	0.13265	3.0111
July	4.085	3.430	7.845	7.312	0.7565	0.6986	0.7122	2.7406	2.4306	0.13309	3.0636
Aug.	3.993	3.360	7.755	7.309	0.7560	0.6982	0.7135	2.7512	2.4403	0.13358	3.0719

Average of daily quo- tations	Paris	Rome	Vienna	Lisbon	Reykjavik	Madrid	Athens	Tokyo	Mel- bourne	ECU Commer- cial	SDR
	1 FRF	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 GRD	1 JPY	1 AUD	1 XEU	1 XDR
	12	13	14	15	16	17	18	19	20	21	22
1987	0.7345	0.00341	0.3488	0.0315	0.1163	0.0358	..	0.03050	3.106	5.075	5.68010
1988	0.7060	0.00324	0.3401	0.0294	0.1006	0.0361	..	0.03273	3.309	4.954	5.61826
1989	0.6757	0.00315	0.3254	0.0276	0.0782	0.0364	..	0.03122	3.423	4.731	5.49375
1990	0.7054	0.00321	0.3374	0.0271	0.0681	0.0377	..	0.02654	3.011	4.875	5.18345
1991	0.7208	0.00328	0.3479	0.0283	0.0710	0.0392	0.0234	0.03016	3.176	5.019	5.53082
1991											
Aug.	0.7172	0.00327	0.3459	0.0286	0.0715	0.0391	0.0230	0.03103	3.338	4.992	5.65829
Sept.	0.7186	0.00328	0.3471	0.0287	0.0713	0.0390	0.0230	0.03080	3.304	5.002	5.59644
Oct.	0.7177	0.00328	0.3472	0.0286	0.0713	0.0388	0.0230	0.03158	3.291	5.000	5.61024
Nov.	0.7593	0.00345	0.3681	0.0299	0.0743	0.0410	0.0241	0.03243	3.324	5.285	5.80952
Dec.	0.7973	0.00361	0.3865	0.0309	0.0771	0.0427	0.0250	0.03329	3.317	5.530	5.98926
1992											
Jan.	0.8011	0.00363	0.3877	0.0317	0.0777	0.0432	0.0250	0.03439	3.237	5.560	6.04989
Feb.	0.8051	0.00366	0.3893	0.0320	0.0783	0.0437	0.0250	0.03474	3.350	5.594	6.14937
March	0.8066	0.00365	0.3887	0.0320	0.0785	0.0434	0.0249	0.03419	3.464	5.590	6.19184
April	0.8096	0.00364	0.3885	0.0323	0.0784	0.0435	0.0241	0.03375	3.453	5.596	6.16396
May	0.8109	0.00363	0.3870	0.0329	0.0780	0.0436	0.0240	0.03376	3.353	5.591	6.11371
June	0.8121	0.00362	0.3879	0.0331	0.0777	0.0435	0.0234	0.03388	3.271	5.593	6.05642
July	0.8136	0.00363	0.3898	0.0326	0.0769	0.0432	0.0230	0.03252	3.064	5.595	5.88609
Aug.	0.8126	0.00364	0.3911	0.0321	0.0764	0.0430	0.0230	0.03162	2.915	5.592	5.80390

4.2 MARKKA VALUE OF THE ECU AND CURRENCY INDICES

Average of daily observations	Markka value of the ECU		Currency indices, 1982 = 100		
	FIM/ECU	Deviation from the midpoint, %	Bank of Finland's trade-weighted currency index	Payments currency index	MERM index
	1	2	3	4	5
1987	5.08273	.	103.3	103.9	106.1
1988	4.96108	.	102.0	101.7	104.7
1989	4.73670	.	98.4	99.0	102.8
1990	4.85697	.	97.3	96.7	97.3
1991	5.00580	.	101.4	101.3	102.8
1991					
Aug.	4.98131	2.2	101.6	102.6	104.7
Sept.	4.99324	2.4	101.5	102.0	103.9
Oct.	4.98879	2.3	101.5	101.8	104.2
Nov.	5.27668	0.9	106.8	106.4	108.3
Dec.	5.52866	-0.5	111.5	110.3	111.9
1992					
Jan.	5.55238	-0.1	112.1	111.1	113.0
Feb.	5.58207	0.4	112.9	112.5	114.4
March	5.57515	0.3	112.9	113.1	115.0
April	5.58563	0.5	112.9	112.9	114.5
May	5.58167	0.4	112.7	112.2	113.6
June	5.58600	0.5	112.6	111.4	112.8
July	5.58744	0.5	111.9	109.6	110.3
Aug.	5.58723	0.5	111.5	108.8	109.1

5. OTHER DOMESTIC FINANCING

5.1 BANK FUNDING FROM THE PUBLIC, MILL. FIM

End of period	Cheque and giro deposits	Transaction deposits	Time deposits	Other deposits	Markka deposits, total (1+2+3+4)	Foreign currency deposits	Total deposits (5+6)	Other funding	Total funding (7+8)
	1	2	3	4	5	6	7	8	9
1987	21 327	76 160	83 248		180 735	3 923	184 658	17 892	202 550
1988	25 473	76 958	121 670		224 102	4 643	228 745	28 844	257 589
1989	28 942	85 396	125 748		240 085	7 358	247 444	35 298	282 742
1990	30 953	96 176	124 930		252 058	6 818	258 876	38 835	297 711
1991	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
1991									
June	29 916	86 765	118 644	19 341	254 667	10 448	265 114	47 550	312 665
July	29 535	86 235	118 362	19 368	253 500	9 746	263 245	49 001	312 246
Aug.	27 517	86 732	118 573	18 569	251 391	11 633	263 024	53 386	316 410
Sept.	28 607	84 769	119 427	18 087	250 890	12 476	263 366	58 761	322 127
Oct.	28 160	83 526	120 091	17 992	249 769	15 774	265 543	58 038	323 582
Nov.	28 911	83 328	121 547	18 277	252 063	16 779	268 841	58 774	327 615
Dec.	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
1992									
Jan.	32 780	84 701	123 513	19 094	260 087	12 274	272 361	54 706	327 068
Feb.	29 417	86 031	123 652	18 666	257 767	12 350	270 117	56 202	326 319
March	30 899	87 563	123 296	18 185	259 943	11 805	271 748	54 436	326 184
April	30 762	86 090	124 087	18 119	259 058	12 665	271 722	59 353	331 076
May	30 791	84 805	123 555	17 922	257 073	11 441	268 514	60 635	329 148
June	33 328	84 552	122 504	17 717	258 101	10 418	268 519	62 836	331 355

5.2 BANK LENDING TO THE PUBLIC, MILL. FIM

End of period	Cheque account and postal giro credits	Bills of exchange	Loans	Markka lending, total (1+2+3)	Foreign currency credits	Total lending (4+5)
	1	2	3	4	5	6
1987	8 507	5 177	180 360	194 044	36 954	230 998
1988	11 358	5 920	234 268	251 545	50 235	301 780
1989	15 270	5 650	257 768	278 688	73 176	351 864
1990	19 152	5 777	260 790	285 720	103 134	388 853
1991	18 037	4 712	262 859	285 609	107 714	393 323
1991						
June	17 947	5 190	259 851	282 988	106 895	389 884
July	17 787	5 021	259 880	282 687	107 005	389 693
Aug.	18 679	4 925	260 927	284 531	106 764	391 295
Sept.	18 677	4 823	262 019	285 519	105 186	390 704
Oct.	18 419	4 714	263 042	286 175	105 113	391 288
Nov.	17 978	4 576	262 685	285 239	113 156	398 395
Dec.	18 037	4 712	262 859	285 609	107 714	393 323
1992						
Jan.	17 450	4 167	262 309	283 926	107 075	391 001
Feb.	17 650	4 099	262 813	284 563	105 703	390 266
March	17 215	3 996	260 983	282 194	102 701	384 895
April	17 407	3 927	259 782	281 116	101 104	382 220
May	17 403	3 916	259 295	280 613	99 035	379 649
June	17 344	3 899	257 990	279 234	96 635	375 869

5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL.FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M ₁	M ₂ (1+4+5)	M ₃
		Claims on the central government	Claims on the public	Total (2+3)				
	1	2	3	4	5	6	7	8
1987	- 25 484	- 14 977	277 068	262 090	- 45 769	105 829	190 837	206 175
1988	- 40 670	- 15 356	353 681	338 325	- 63 387	111 259	234 268	256 947
1989	- 59 049	- 18 691	408 344	389 653	- 79 084	124 295	251 519	272 603
1990	- 82 881	- 19 072	453 720	434 648	- 85 385	141 524	266 383	291 045
1991*	- 86 555	- 6 516	470 852	464 336	- 103 415	129 769	274 365	310 048
1991*								
May	- 81 899	- 9 348	456 850	447 502	- 99 199	124 190	266 403	297 849
June	- 79 812	- 9 513	458 943	449 430	- 101 091	127 454	268 528	298 899
July	- 84 565	- 9 819	465 252	455 432	- 103 538	126 403	267 329	296 597
Aug.	- 79 060	- 9 139	467 590	458 451	- 114 167	124 941	265 224	296 956
Sept.	- 75 824	- 9 420	467 933	458 514	- 118 380	123 637	264 310	299 216
Oct.	- 76 079	- 8 627	469 184	460 557	- 121 185	122 012	263 293	304 260
Nov.	- 85 011	- 7 109	482 382	475 274	- 125 671	121 627	264 592	301 299
Dec.	- 86 555	- 6 516	470 852	464 336	- 103 415	129 769	274 365	310 048
1992*								
Jan.	- 92 949	- 5 295	471 797	466 502	- 99 925	127 440	273 629	311 649
Feb.	- 86 492	- 4 895	470 980	466 085	- 108 895	125 001	270 698	305 822
March	- 87 007	- 5 201	467 987	462 785	- 102 956	127 838	272 822	310 875
April	- 83 331	- 4 726	465 590	460 864	- 105 286	126 684	272 247	315 113
May	- 83 053	- 4 327	463 477	459 151	- 105 760	125 599	270 338	310 823

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

End of period	Foreign currency-denominated debt				Markka-denominated debt				Total central government debt (4+8)	Out-standing lending	Cash funds
	Bonds	Other bonds and debentures	Long-term promissory notes	Total (1+2+3)	Public bonds	Other long-term liabilities	Treasury notes and bills	Total (5+6+7)			
	1	2	3	4	5	6	7	8	9	10	11
1987	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	38 436	11 553
1988	20 202	1 804	4 273	26 279	24 243	5 272	2 290	31 805	58 084	41 011	15 858
1989	18 505	852	3 429	22 786	24 126	5 750	250	30 126	52 912	43 499	21 248
1990	20 917	732	3 144	24 793	23 982	8 263	-	32 245	57 038	48 121	23 114
1991	38 703	2 437	2 506	43 646	31 018	12 208	5 180	48 406	92 052	55 319	15 956
1991											
July	25 760	1 813	2 689	30 262	27 122	9 008	2 330	38 460	68 722	52 706	17 215
Aug.	26 028	1 837	2 633	30 498	28 315	9 008	2 330	39 653	70 151	53 330	15 108
Sept.	28 417	1 817	2 350	32 584	29 058	9 008	2 530	40 595	73 179	53 998	16 859
Oct.	32 338	1 848	2 362	36 548	30 070	9 008	2 670	41 748	78 296	54 858	17 991
Nov.	37 875	2 014	2 601	42 490	30 825	10 408	4 180	45 413	87 903	55 105	16 909
Dec.	38 703	2 437	2 506	43 646	31 018	12 208	5 180	48 406	92 052	55 320	15 956
1992											
Jan.	38 613	2 525	2 500	43 638	31 064	12 205	6 881	50 150	93 788	55 994	11 536
Feb.	45 885	2 904	2 466	51 255	32 232	12 205	6 430	50 867	102 122	56 721	17 967
March	47 575	2 843	2 401	52 819	32 629	12 199	7 201	52 029	104 848	57 725	18 423
April	53 972	2 837	2 383	59 192	32 814	11 614	7 257	51 685	110 877	58 257	17 029
May	55 006	2 861	2 376	60 243	33 881	11 460	8 257	53 598	113 841	58 803	21 068
June	60 146	3 099	2 166	65 411	34 316	11 460	10 384	56 160	121 571	59 398	20 284
July	63 957	3 063	1 641	68 661	35 193	11 460	10 658	57 311	125 972	..	..

5.5 MARKKA BOND MARKET

A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1987	4 477	9 510	8 119	206	69	9 409	8 830	4 142	22 380
1988	3 027	8 418	6 889	268	61	7 861	6 522	4 280	18 663
1989	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
1990	4 640	17 891	4 420	490	1 007	17 234	607	10 607	28 447
1991*	7 277	25 745	11 073	1 320	-	30 168	-	15 247	45 415
1991*									
July	1 592	2 097	-	-	-	1 505	-	2 184	3 689
Aug.	275	817	4 693	50	-	5 680	-	155	5 835
Sept.	449	1 411	300	250	-	2 261	-	149	2 410
Oct.	327	1 300	205	403	-	623	-	1 612	2 234
Nov.	1 142	2 646	100	223	-	1 613	-	2 497	4 111
Dec.	244	6 343	-	-	-	4 100	-	2 486	6 586
1992*									
Jan.	662	846	4 465	70	-	5 360	-	683	6 043
Feb.	770	1 943	-	450	-	1 893	-	1 270	3 163
March	442	1 051	235	310	-	1 544	-	494	2 038
April	53	1 521	-	570	4	347	-	1 801	2 148
May	1 169	1 063	2 220	171	-	3 632	-	991	4 623
June	1 242	966	215	42	-	1 311	-	1 154	2 465
July	399	10	-	86	-	50	-	445	495

B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1987	17 509	36 773	26 518	1 200	232	24 831	28 229	29 172	82 232
1988	19 195	42 892	28 953	1 413	292	32 028	30 054	30 663	92 745
1989	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
1990	23 522	59 756	28 812	1 756	1 298	52 273	22 970	39 902	115 145
1991*	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
1991*									
II	23 269	67 588	30 932	1 760	4 395	63 588	19 971	44 384	127 943
III	25 034	69 492	33 235	2 037	3 744	70 002	18 614	44 926	133 542
IV	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
1992*									
I	26 650	77 864	36 796	3 555	3 724	80 892	15 977	51 720	148 589
II	26 383	80 295	37 744	4 306	3 721	83 427	15 314	53 707	152 449

5.6 HELSINKI STOCK EXCHANGE

Average of daily observations	Share prices									Turnover ¹ , mill. FIM		
	HEX index (28 Dec., 1990=1000)									Shares and subscription rights	Bonds and debentures	Total
	All-share index	By ownership		By industry								
		Re-stricted	Non-re-stricted	Banks and finance	Insurance and investment	Manu-facturing	Of which:					
						Forest indus-tries	Metal and engi-neering	Con-glom-erates				
	1	2	3	4	5	6	7	8	9	10	11	12
1987	1 284	1 264	1 385	1 449	1 054	1 285	1 421	1 342	1 369	26 641	4 604	31 245
1988	1 692	1 727	1 473	1 825	1 371	1 705	1 591	1 629	2 013	31 734	5 718	37 452
1989	1 827	1 850	1 689	1 958	1 528	1 818	1 728	1 748	2 061	33 160	7 375	40 536
1990	1 330	1 322	1 393	1 260	1 182	1 374	1 435	1 281	1 472	15 521	4 550	20 071
1991	962	949	1 062	901	898	1 003	1 075	1 076	1 020	6 339	1 315	7 655
1991												
Aug.	986	971	1 095	915	950	1 025	1 049	1 098	1 073	324	58	382
Sept.	914	897	1 032	829	904	948	1 007	1 037	974	373	61	433
Oct.	846	833	945	755	807	891	988	994	889	447	40	487
Nov.	831	819	927	727	745	884	1 038	978	856	406	36	442
Dec.	787	779	853	664	618	857	1 060	955	807	487	125	612
1992												
Jan.	852	837	961	681	646	950	1 187	1 056	909	790	69	859
Feb.	904	889	1 011	649	653	1 040	1 252	1 244	990	648	65	712
March	858	845	959	595	612	991	1 159	1 204	941	581	41	622
April	805	791	907	530	552	941	1 124	1 171	878	418	23	441
May	849	838	929	542	538	1 014	1 202	1 317	950	674	104	778
June	788	776	877	411	474	972	1 182	1 298	904	606	511	1 118
July	722	710	811	345	425	901	1 082	1 210	835	406	902	1 308
Aug.	639	628	719	286	343	803	969	1 120	728	313	898	1 211

¹ During period.

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, f.o.b.	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
1987	83 826	6 387	3 736	6 099	16 222	100 048	6 162	3 231	109 441	81 867	2 610	6 811	6 488
1988	91 313	7 026	4 280	6 132	17 438	108 750	9 377	4 415	122 543	91 232	3 338	7 907	7 390
1989	98 265	7 662	4 497	6 277	18 436	116 701	10 212	3 652	130 565	104 400	3 869	8 969	8 759
1990	99 750	8 347	4 650	6 081	19 077	118 827	12 739	4 461	136 027	101 967	4 363	10 766	9 503
1991*	91 263	8 200	5 041	5 338	18 579	109 842	10 104	5 112	125 058	86 696	4 399	11 089	10 939
1990													
I	24 356	1 984	794	1 621	4 399	28 755	3 190	1 084	33 028	24 733	928	2 514	2 250
II	26 482	2 096	1 070	1 546	4 712	31 194	3 299	1 142	35 635	27 406	1 104	2 581	2 190
III	22 902	2 189	1 598	1 186	4 973	27 875	2 607	1 104	31 587	23 063	1 054	2 912	2 089
IV	26 010	2 078	1 188	1 728	4 994	31 004	3 642	1 130	35 776	26 765	1 277	2 760	2 974
1991*													
I	21 988	1 872	914	1 340	4 126	26 115	2 602	1 239	29 956	22 093	1 042	2 592	2 830
II	21 245	2 007	1 256	1 140	4 403	25 648	2 636	1 323	29 608	20 972	1 101	2 583	2 597
III	22 790	2 223	1 628	1 124	4 975	27 765	2 512	1 232	31 508	20 602	1 104	2 899	2 447
IV	25 240	2 099	1 242	1 733	5 074	30 315	2 354	1 318	33 986	23 029	1 152	3 014	3 066
1992*													
I	24 751	1 948	1 135	1 592	4 675	29 425	3 594	1 304	34 323	22 800	1 083	2 690	3 437
II	26 415	2 102	1 459	1 395	4 956	31 371	2 967	1 328	35 666	24 307	1 136	2 784	2 915

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 (20+21+22)	Goods and services account (19+23)	Investment income, and others, net (7-16)	Transfers and others, net (8-17)	Current account (24+25+26) = (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1987	15 909	97 775	13 356	5 860	116 990	1 960	3 778	-3 075	-390	313	2 273	-7 194	-2 629	-7 550
1988	18 634	109 866	17 033	6 975	133 874	80	3 689	-3 627	-1 258	-1 196	-1 116	-7 656	-2 560	-11 331
1989	21 596	125 996	21 882	7 561	155 439	-6 134	3 793	-4 471	-2 482	-3 160	-9 294	-11 670	-3 910	-24 874
1990	24 632	126 599	26 973	8 967	162 540	-2 218	3 984	-6 117	-3 422	-5 555	-7 772	-14 234	-4 506	-26 513
1991*	26 427	113 123	28 383	10 172	151 678	4 567	3 802	-6 048	-5 601	-7 848	-3 281	-18 279	-5 060	-26 620
1990														
I	5 693	30 426	6 218	2 167	38 811	-378	1 056	-1 720	-629	-1 293	-1 671	-3 028	-1 084	-5 783
II	5 874	33 281	7 198	2 378	42 857	-924	992	-1 511	-644	-1 163	-2 087	-3 899	-1 236	-7 222
III	6 054	29 117	6 415	2 132	37 665	-161	1 136	-1 314	-903	-1 082	-1 243	-3 808	-1 028	-6 078
IV	7 011	33 776	7 141	2 289	43 206	-755	801	-1 572	-1 246	-2 017	-2 772	-3 499	-1 159	-7 430
1991*														
I	6 464	28 556	7 918	2 973	39 447	-104	830	-1 678	-1 489	-2 337	-2 442	-5 316	-1 734	-9 492
II	6 281	27 254	7 305	2 161	36 720	273	906	-1 327	-1 457	-1 878	-1 605	-4 669	-838	-7 112
III	6 450	27 052	6 671	2 169	35 892	2 188	1 119	-1 271	-1 323	-1 475	713	-4 160	-937	-4 384
IV	7 232	30 261	6 488	2 869	39 619	2 211	947	-1 772	-1 332	-2 158	53	-4 135	-1 551	-5 632
1992*														
I	7 210	30 010	8 693	3 022	41 725	1 950	865	-1 555	-1 846	-2 535	-585	-5 099	-1 719	-7 402
II	6 834	31 141	7 583	2 287	41 011	2 109	966	-1 325	-1 520	-1 878	231	-4 616	-959	-5 345

6.2 CAPITAL ACCOUNT¹, MILL. FIM

During period	Imports of long-term capital					Exports of long-term capital					Long-term capital account (5-10)	Basic balance
	Direct investment in Finland	Portfolio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Portfolio investment abroad	Loans	Other long-term capital	Total (6+7+8+9)		
	1	2	3	4	5	6	7	8	9	10	11	12
1987	1 165	9 828	861	91	11 945	5 015	2 285	1 669	272	9 241	2 704	- 4 846
1988	2 218	14 355	3 062	85	19 720	10 919	1 248	3 931	292	16 390	3 331	- 8 001
1989	2 095	14 756	8 608	79	25 538	13 327	180	5 323	273	19 103	6 435	- 18 439
1990	3 010	22 656	19 674	169	45 509	12 471	577	- 499	294	12 843	32 666	6 153
1991*	- 869	36 373	12 745	561	48 810	4 701	- 373	901	101	5 330	43 480	16 860
1990												
I	575	6 788	12 238	126	19 727	2 038	302	1 438	156	3 934	15 793	10 010
II	326	2 836	1 657	- 34	4 785	2 739	- 425	2 374	0	4 688	97	- 7 125
III	85	6 702	2 518	- 26	9 279	2 640	284	- 2 963	10	- 29	9 308	3 230
IV	2 024	6 330	3 261	103	11 718	5 054	416	- 1 348	128	4 250	7 468	38
1991*												
I	299	7 778	3 402	- 267	11 213	1 140	- 16	18	165	1 307	9 906	415
II	108	15 064	3 779	484	19 434	747	- 434	643	- 19	937	18 498	11 385
III	- 519	10 039	2 775	- 61	12 234	1 016	434	- 520	- 2	928	11 306	6 923
IV	- 757	3 492	2 788	404	5 928	1 798	- 356	760	- 44	2 158	3 770	- 1 863
1992*												
I	663	4 314	- 872	900	5 005	3 061	185	178	273	3 697	1 307	- 6 095
II	156	13 275	467	- 80	13 817	1 442	1 145	- 340	- 109	2 138	11 680	6 335

During period	Imports of short-term capital				Exports of short-term capital				Errors and omissions	Short-term capital account (16-20+21)	Overall balance excl. reserve movements (12+22)	Change in central bank's foreign exchange reserves
	Short-term capital imports of authorized banks	Trade credits	Other short-term capital	Total (13+14+15)	Short-term capital exports of authorized banks	Trade credits	Other short-term capital	Total (17+18+19)				
	13	14	15	16	17	18	19	20	21	22	23	24
1987	19 324	- 665	3 835	22 494	- 6 088	- 183	1 268	- 5 003	- 6 915	20 581	15 736	- 15 736
1988	10 950	- 399	- 811	9 740	2 331	644	1 995	4 971	3 415	8 183	183	- 183
1989	4 285	1 627	3 679	9 592	1 462	475	710	2 647	5 533	12 478	- 5 961	5 961
1990	16 258	1 119	- 1 357	16 020	- 2 290	- 1 254	1 244	- 2 300	- 9 381	8 939	15 092	- 15 092
1991*	- 13 133	817	- 1 301	- 13 617	6 049	957	3 303	10 309	662	- 23 264	- 6 404	6 404
1990												
I	19 514	731	956	21 201	8 907	- 593	1 575	9 889	- 10 475	836	10 847	- 10 847
II	9 095	594	- 1 742	7 947	2 936	- 593	- 103	2 240	2 192	7 899	774	- 774
III	- 1 155	- 201	517	- 838	- 729	- 34	238	- 525	- 857	- 1 170	2 059	- 2 059
IV	- 11 196	- 6	- 1 088	- 12 290	- 13 404	- 34	- 467	- 13 905	- 241	1 374	1 412	- 1 412
1991*												
I	18 038	- 1 035	2 367	19 370	22 472	- 602	3 978	25 847	2 960	- 3 517	- 3 102	3 102
II	- 10 815	3	- 605	- 11 416	515	- 516	1 972	1 971	- 219	- 13 606	- 2 221	2 221
III	- 16 261	392	- 583	- 16 453	- 3 091	1 048	1 869	- 174	2 450	- 13 828	- 6 905	6 905
IV	- 4 094	1 456	- 2 481	- 5 118	- 13 847	1 027	- 4 515	- 17 334	- 4 529	7 687	5 824	- 5 824
1992*												
I	- 2 010	339	3 559	1 887	- 4 134	987	1 752	- 1 394	1 173	4 454	- 1 641	1 641
II	- 9 571	4 072	155	- 5 344	- 1 014	1 220	- 3 025	- 2 820	- 4 859	- 7 384	- 1 049	1 049

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

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

End of period	Long-term liabilities					Long-term assets					Long-term debt, net (5-10)
	Direct investment in Finland	Portfolio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Portfolio investment abroad	Loans	Other long-term capital	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
1987	10 339	54 317	30 379	830	95 865	17 892	6 975	15 371	2 192	42 430	53 435
1988	12 673	68 957	33 117	915	115 662	24 199	8 223	19 417	2 484	54 323	61 339
1989	16 093	82 313	40 110	994	139 510	33 234	7 680	24 572	2 757	68 243	71 267
1990	18 651	98 399	51 744	4 630	173 424	43 931	7 184	25 595	5 487	82 196	91 228
1991*	17 500	142 942	69 422	5 427	235 291	51 009	7 559	27 909	6 161	92 638	142 653
1990											
I	16 556	85 070	50 790	1 120	153 536	34 829	7 898	25 771	2 913	71 411	82 125
II	16 769	86 559	52 247	1 086	156 661	37 124	7 457	28 102	2 913	75 596	81 065
III	16 741	90 866	54 362	1 060	163 029	39 321	7 330	24 996	2 923	74 570	88 459
IV	18 651	98 399	51 744	4 630	173 424	43 931	7 184	25 595	5 487	82 196	91 228
1991*											
I	18 880	111 399	56 270	4 234	190 783	45 071	7 307	25 982	5 914	84 274	106 509
II	18 917	125 468	61 363	4 741	210 489	45 818	6 917	27 086	6 061	85 882	124 607
III	18 328	130 701	63 708	4 718	217 455	46 834	7 385	26 013	5 934	86 165	131 289
IV	17 500	142 942	69 422	5 427	235 291	51 009	7 559	27 909	6 161	92 638	142 653
1992*											
I	18 163	150 783	70 333	6 513	245 791	54 070	8 051	29 074	6 738	97 932	147 859
II	18 319	160 128	68 797	6 373	253 618	55 512	9 241	27 836	6 366	98 955	154 663

End of period	Short-term liabilities					Short-term assets					Short-term liabilities, net (16-21)	Debt, net (11+22)	Net interest and dividend expenditure (24-25)	Net interest and dividend expenditure in relation to current account receipts
	Bank of Finland's short-term liabilities	Short-term liabilities of other banks	Trade credits	Other short-term liabilities	Total (12+13+14+15)	Bank of Finland's short-term assets	Short-term assets of other banks	Trade credits	Other short-term assets	Total (17+18+19+20)				
	12	13	14	15	16	17	18	19	20	21	22	23	24	25
1987	3 362	73 132	11 470	9 691	97 654	31 134	32 310	15 397	2 663	81 505	16 150	69 585	7 542	6.9
1988	3 341	83 828	11 070	9 039	107 278	32 037	32 108	16 041	4 789	84 975	22 303	83 642	7 933	6.5
1989	3 558	88 751	12 697	12 883	117 889	25 113	33 569	16 516	5 666	80 864	37 024	108 291	10 453	8.0
1990	3 922	106 548	13 466	13 864	137 801	39 506	27 190	14 372	6 608	87 676	50 125	141 353	13 130	9.7
1991*	3 149	100 837	14 233	14 703	132 921	35 922	36 515	15 845	10 634	98 916	34 005	176 658	15 479	12.5
1990														
I	4 036	108 663	13 428	13 808	139 936	35 895	42 476	15 924	7 218	101 513	38 423	120 548	2 752	8.3
II	4 195	118 120	14 023	12 066	148 404	36 764	45 412	15 331	7 126	104 634	43 770	124 835	3 623	10.2
III	4 071	117 679	13 468	12 544	147 763	38 454	44 683	15 297	7 325	105 759	42 004	130 463	3 532	11.2
IV	3 922	106 548	13 466	13 864	137 801	39 506	27 190	14 372	6 608	87 676	50 125	141 353	3 223	9.0
1991*														
I	3 399	127 305	12 323	17 232	160 259	37 748	48 792	13 766	11 366	111 672	48 587	155 096	4 616	15.4
II	2 889	117 997	12 318	17 498	150 702	36 023	50 406	13 271	13 753	113 453	37 249	161 856	3 969	13.4
III	2 826	100 908	12 710	16 703	133 147	29 006	47 064	14 326	15 153	105 549	27 599	158 888	3 460	11.0
IV	3 149	100 837	14 233	14 703	132 921	35 922	36 515	15 845	10 634	98 916	34 005	176 658	3 435	10.1
1992*														
I	3 185	102 919	14 549	18 471	139 124	35 429	32 746	17 002	12 920	98 097	41 027	188 885	5 099	14.9
II	3 242	91 655	18 647	17 966	131 510	33 516	33 168	18 172	9 412	94 269	37 241	191 904	4 616	12.9

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

End of period	Long-term liabilities						Long-term assets						Long-term liabilities, net (6-12)
	Corporate sector	Banks	Other financial institutions	Central government	Other	Total (1+2+3+4+5)	Corporate sector	Banks	Other financial institutions	Central government	Other	Total (7+8+9+10+11)	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1987	39 522	17 365	9 777	28 691	509	95 865	19 493	16 242	3 403	2 653	639	42 430	53 435
1988	46 471	27 427	14 339	26 926	499	115 662	25 093	21 607	3 573	3 101	949	54 323	61 339
1989	58 009	40 199	17 665	23 063	574	139 510	34 828	26 048	2 313	3 517	1 537	68 243	71 267
1990	65 553	56 394	21 694	29 174	610	173 424	45 372	28 423	2 075	4 279	2 047	82 196	91 228
1991*	77 615	68 764	31 821	56 377	713	235 291	53 300	29 897	2 092	4 752	2 597	92 638	142 653
1990													
I	63 564	47 288	19 317	22 763	604	153 536	35 903	27 707	2 388	3 699	1 714	71 411	82 125
II	63 097	49 935	20 635	22 359	636	156 661	37 981	29 908	2 118	3 734	1 855	75 596	81 065
III	62 837	54 562	21 377	23 580	673	163 029	39 882	27 193	1 763	3 772	1 960	74 570	88 459
IV	65 553	56 394	21 694	29 174	610	173 424	45 372	28 423	2 075	4 279	2 047	82 196	91 228
1991*													
I	70 107	58 048	25 781	36 123	724	190 783	47 040	28 217	2 114	4 651	2 252	84 274	106 509
II	75 309	65 685	29 985	38 814	696	210 489	48 327	28 059	2 093	5 040	2 362	85 882	124 607
III	75 300	66 742	30 358	44 332	723	217 455	49 229	27 639	2 109	4 655	2 534	86 165	131 289
IV	77 615	68 764	31 821	56 377	713	235 291	53 300	29 897	2 092	4 752	2 597	92 638	142 653
1992*													
I	79 233	67 182	32 389	65 370	1 617	245 791	56 576	31 025	2 271	5 367	2 693	97 932	147 859
II	77 220	61 658	34 419	78 534	1 787	253 618	58 127	30 666	2 261	5 147	2 754	98 955	154 663

7. FOREIGN TRADE

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

During period	Exports, feb	Imports, cif	Balance (1-2)
	1	2	3
1987	85 516	82 807	2 709
1988	92 902	92 118	784
1989	99 784	105 516	- 5 732
1990	101 327	103 027	- 1 700
1991*	92 842	87 741	5 101
1991*			
July	8 026	7 070	956
Aug.	7 057	6 706	351
Sept.	8 156	7 139	1 017
Oct.	8 494	7 885	609
Nov.	8 950	7 272	1 678
Dec.	8 207	8 130	77
1992*			
Jan.	7 585	7 222	363
Feb.	8 282	7 760	522
March	9 329	8 155	1 174
April	8 743	8 429	314
May	9 099	8 089	1 010
June	9 022	8 088	934
July	7 965	6 766	1 199

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

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1987	118	119	138	119	116
1988	121	130	145	122	119
1989	121	144	156	126	123
1990	125	138	154	128	120
1991*	114	115	154	131	118
1989					
IV	134	163	157	126	125
1990					
I	122	134	153	128	120
II	132	151	154	126	122
III	114	124	155	129	120
IV	130	139	154	133	116
1991*					
I	110	117	154	131	118
II	107	112	153	130	118
III	113	109	156	132	119
IV	124	118	156	135	116
1992*					
I	118	112	162	142	114

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, feb					Imports by use of goods, cif				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
1987	7 470	27 058	7 770	26 230	16 988	41 175	9 406	14 138	17 478	610
1988	7 567	30 474	8 450	29 225	17 186	45 791	7 533	17 274	20 828	692
1989	7 416	32 513	8 844	32 682	18 329	51 786	8 310	20 606	24 055	759
1990	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
1991*	6 984	29 695	10 539	29 188	16 436	42 505	9 399	13 973	21 195	669
1991*										
July	704	3 277	693	2 135	1 217	3 453	670	1 111	1 833	3
Aug.	571	2 587	733	1 854	1 312	3 225	806	992	1 648	35
Sept.	642	2 442	955	2 578	1 539	3 537	854	1 015	1 727	6
Oct.	654	2 681	965	2 628	1 566	3 607	1 215	1 130	1 803	130
Nov.	661	2 835	1 062	2 880	1 512	3 550	962	1 006	1 732	22
Dec.	576	2 429	976	2 793	1 433	3 576	952	1 658	1 649	295
1992*										
Jan.	528	2 444	987	2 197	1 429	3 574	690	1 092	1 747	119
Feb.	643	2 589	1 087	2 302	1 661	3 907	608	1 283	1 895	67
March	654	2 761	1 180	3 092	1 642	4 258	665	1 047	2 079	106
April	748	2 799	1 066	2 574	1 556	4 301	707	1 384	1 915	122
May	712	2 569	1 073	3 189	1 556	4 105	894	1 429	1 624	37
June	680	2 643	967	3 157	1 575	4 553	731	1 159	1 538	107
July	504	2 391	763	3 125	1 182	3 360	889	900	1 541	76

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, fob				Imports, cif			
	1991*		1992* January-June		1991*		1992* January-June	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	75 795	81.6	43 519	18.3	70 023	79.8	38 044	9.1
OECD Europe	67 025	72.2	39 385	21.9	57 776	65.8	31 793	10.7
Of which:								
Austria	1 227	1.3	683	19.1	1 054	1.2	551	3.8
Belgium and Luxembourg	2 403	2.6	1 401	17.4	2 252	2.6	1 359	30.3
Denmark	3 445	3.7	1 913	14.2	2 993	3.4	1 604	4.5
France	5 492	5.9	4 211	59.2	3 673	4.2	2 034	11.5
Germany	14 331	15.4	8 519	24.4	14 834	16.9	8 122	12.7
Italy	3 303	3.6	2 116	32.0	3 661	4.2	1 795	-5.0
Netherlands	4 653	5.0	2 756	26.6	2 974	3.4	1 687	12.8
Norway	3 079	3.3	1 757	17.0	3 978	4.5	1 741	-10.4
Spain	2 534	2.7	1 450	28.0	1 008	1.1	664	28.7
Sweden	12 884	13.9	6 886	5.0	10 806	12.3	5 714	0.5
Switzerland	1 813	2.0	933	5.6	1 573	1.8	939	18.6
United Kingdom	9 613	10.4	5 401	21.3	6 739	7.7	4 286	37.2
Other OECD	8 770	9.4	4 134	-7.7	12 247	14.0	6 251	1.8
Of which:								
Canada	720	0.8	357	5.1	547	0.6	296	13.3
Japan	1 393	1.5	715	1.3	5 287	6.0	2 627	-7.6
United States	5 648	6.1	2 504	-17.6	6 032	6.9	3 053	5.7
Non-OECD European countries	6 531	7.0	3 577	16.7	9 577	10.9	4 334	-4.4
Of which:								
Russia	4 521	4.9	1 467	..	7 455	8.5	2 967	..
Other countries	10 516	11.3	4 964	21.0	8 141	9.3	5 365	30.1
Of which:								
OPEC countries	1 977	2.1	808	-1.0	1 306	1.5	622	-14.3
TOTAL	92 842	100.0	52 060	18.4	87 741	100.0	47 743	9.7
Of which:								
EC countries	47 567	51.2	28 850	27.7	40 224	45.8	22 746	15.4
EFTA countries	19 113	20.6	10 318	7.9	17 447	19.9	8 993	0.2

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

8. DOMESTIC ECONOMIC DEVELOPMENTS

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

(seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4	5	6	7	8	9
1987	199 981	73 458	72 761	11 654	2 246	360 100	102 127	106 568	355 659
1988	209 956	75 190	81 839	11 446	9 062	387 493	105 897	118 405	374 985
1989	218 775	77 117	95 178	11 234	14 056	416 360	107 552	128 834	395 078
1990	219 293	80 525	88 429	12 720	13 992	414 959	109 236	127 735	396 460
1991*	210 939	83 032	68 597	13 303	5 152	381 023	102 372	112 731	370 664
1989									
IV	55 038	19 467	24 972	3 053	4 775	107 306	27 524	34 390	100 439
1990									
I	54 988	19 895	23 797	3 091	2 832	104 603	27 171	32 265	99 509
II	55 328	20 049	22 384	3 253	4 572	105 586	29 146	34 272	100 460
III	54 767	20 209	21 381	3 066	3 382	102 805	26 629	30 338	99 096
IV	54 210	20 372	20 867	3 310	3 206	101 965	26 291	30 861	97 395
1991*									
I	53 400	20 494	20 027	3 052	2 536	99 509	25 172	29 665	95 016
II	52 771	20 686	18 141	3 447	773	95 819	24 326	27 248	92 897
III	52 712	20 859	16 656	3 402	0	93 628	26 940	28 311	92 257
IV	52 055	20 993	13 773	3 402	1 843	92 067	25 934	27 507	90 493
1992*									
I	51 536	20 417	16 867	2 807	1 409	93 035	26 913	28 657	91 291

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1985=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	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
1987	107.2	99.9	107.2	106.5	110.2	105.4	107.8
1988	110.9	108.8	111.0	113.1	114.5	107.6	110.1
1989	114.6	117.9	115.0	116.6	121.5	109.6	110.5
1990	114.3	115.7	114.4	114.6	122.1	108.7	112.9
1991*	104.1	106.4	102.4	104.8	105.0	99.7	117.6
1991*							
June	99.5	74.0	98.8	95.8	100.3	98.6	116.3
July	106.6	114.7	104.5	105.1	106.7	102.7	119.5
Aug.	102.2	123.0	100.0	102.7	100.1	98.8	118.0
Sept.	101.7	110.8	99.2	104.2	99.2	97.2	122.5
Oct.	100.7	105.1	98.2	104.0	99.0	95.4	120.6
Nov.	100.4	97.1	98.7	104.5	98.7	96.2	113.4
Dec.	102.4	104.0	101.0	105.5	102.4	98.7	111.2
1992*							
Jan.	103.6	106.6	101.7	105.5	106.1	97.2	115.9
Feb.	105.4	111.7	104.0	111.6	110.8	96.0	114.6
March	107.6	120.1	106.2	109.9	116.5	97.4	116.4
April	108.8	116.1	107.4	108.3	119.0	99.1	118.9
May	109.6	138.3	108.4	111.2	119.4	99.3	112.9
June	114.5	217.1	112.1	109.8	126.6	101.2	111.9

8.3 INDICATORS OF DOMESTIC SUPPLY AND DEMAND, 1985=100

(seasonally adjusted figures)

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
1987	111.3	107.7	95.6	89.0	101.0	102.6	114.3	106.9
1988	116.7	113.0	108.6	106.0	113.4	110.6	135.0	110.7
1989	124.2	117.0	130.3	132.9	137.6	125.2	161.4	115.4
1990	119.9	111.7	127.3	124.8	161.7	122.1	144.6	116.7
1991*	101.2	103.9	103.9	94.4	127.7	109.9	102.1	111.0
1991*								
May	101.8	105.1	..	..	..	..	..	111.6
June	97.8	103.7	..	..	..	..	..	109.0
July	107.3	107.2	..	..	..	..	..	112.7
Aug.	99.3	104.3	..	..	..	..	..	109.9
Sept.	99.5	103.4	..	..	..	..	..	110.1
Oct.	94.8	102.5	..	..	..	..	..	109.4
Nov.	94.9	102.3	..	..	..	..	..	109.6
Dec.	94.5	100.1	..	..	..	..	..	110.1
I	105.2	104.1	116.4	112.2	168.8	111.0	112.7	113.2
II	102.8	105.1	111.9	100.0	153.4	120.5	100.9	111.0
III	102.0	105.0	98.9	88.4	91.4	111.1	86.6	110.9
IV	94.7	101.6	89.6	76.8	99.6	97.2	111.3	109.7
1992*								
Jan.	99.4	107.2	..	..	..	..	..	109.1
Feb.	86.8	99.3	..	..	..	..	..	109.9
March	92.6	94.0	..	..	..	..	..	111.3
April	90.1	97.0	..	..	..	..	..	110.1
May	79.3	92.4	..	..	..	..	..	109.7
I	92.9	100.2	89.6	85.4	110.7	90.3	87.8	110.1

8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which: Manufacturing (SIC3)	Central government	Local government	Non-profit institutions			Domes-tic goods	Imported goods		Exported goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1987	114.4	114.5	113.4	115.7	113.3	115.2	107.2	97.9	100.2	89.3	97.3	98.1	96.8	109.1
1988	124.7	124.6	122.7	128.8	122.0	128.0	112.6	101.5	104.9	89.1	101.7	103.8	100.7	116.3
1989	135.7	136.5	133.8	137.4	132.1	137.1	120.0	107.3	111.3	92.6	107.8	110.5	106.4	125.5
1990	148.2	148.9	146.9	149.8	144.8	150.1	127.3	110.9	115.7	93.6	110.0	110.4	109.8	134.5
1991¹	157.6	158.3	156.3	158.0	154.8	159.0	132.6	111.2	115.8	94.2	109.9	108.7	110.4	137.3
1991¹														
July	..	..	..	..	..	..	132.7	111.0	115.6	94.0	109.6	108.3	110.2	137.8
Aug.	..	..	..	..	..	..	132.8	110.8	115.2	94.5	109.4	108.2	110.1	137.5
Sept.	..	..	..	..	..	..	133.0	110.8	115.3	94.4	109.7	108.5	110.3	137.8
Oct.	..	..	..	..	..	..	133.3	111.0	115.6	94.4	109.8	108.0	110.7	137.5
Nov.	..	..	..	..	..	..	133.4	111.2	115.3	96.1	110.1	108.4	110.9	137.4
Dec.	..	..	..	..	..	..	134.0	111.3	115.4	96.3	110.8	110.7	110.9	137.1
II	157.6	158.5	156.5	157.9	154.5	159.0	132.6	111.1	116.0	93.5	109.6	108.7	110.0	137.3
III	158.6	158.9	156.5	159.5	156.6	161.1	132.8	110.8	115.4	94.3	109.6	108.3	110.2	137.7
IV	159.6	160.2	158.3	159.9	157.3	161.4	133.6	111.1	115.4	95.6	110.3	109.0	110.8	137.3
1992¹														
Jan.	..	..	..	..	..	..	134.7	111.8	115.4	98.4	111.1	111.4	111.0	136.5
Feb.	..	..	..	..	..	..	135.0	112.0	115.6	99.0	111.4	111.6	111.3	136.5
March	..	..	..	..	..	..	135.4	112.1	115.6	99.2	111.5	111.7	111.4	136.5
April	..	..	..	..	..	..	135.9	112.3	115.8	99.8	112.0	112.0	112.0	135.5
May	..	..	..	..	..	..	136.0	112.3	115.7	99.9	112.5	112.6	112.4	134.8
June	..	..	..	..	..	..	136.3	112.3	115.7	100.0	112.8	113.2	112.6	133.7
July	..	..	..	..	..	..	136.1	112.2	115.9	99.0	112.9	113.2	112.8	134.0
I	160.2	160.8	159.2	160.5	158.0	161.9	135.0	111.9	115.5	98.9	111.3	111.6	111.2	136.5
II	160.8	161.4	160.3	161.1	158.6	162.4	136.1	112.3	115.7	99.9	112.4	112.6	112.3	134.7

¹ Preliminary figures for columns 1—6.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status		By industry			Unemployed	Unemployment rate		
				Self-employed	Wage and salary earners	Agriculture and forestry	Industry	Construction			Service industries	
		1000 persons										
		1	2	3	4	5	6	7	8	9	10	11
1987	68.6	2 554	2 423	372	2 051	251	569	184	1 419	130	5.1	
1988	68.4	2 546	2 431	368	2 062	238	553	188	1 452	116	4.6	
1989	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5	
1990	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4	
1991	67.4	2 533	2 340	340	2 000	197	502	179	1 461	193	7.6	
1991												
July	67.3	2 530	2 336	334	2 002	198	499	182	1 456	194	7.7	
Aug.	67.2	2 529	2 328	341	1 987	205	495	181	1 447	202	8.0	
Sept.	67.0	2 523	2 299	327	1 972	189	486	165	1 459	224	8.9	
Oct.	67.0	2 526	2 282	329	1 953	197	481	159	1 444	244	9.6	
Nov.	66.9	2 523	2 273	336	1 937	195	474	166	1 438	250	9.9	
Dec.	66.9	2 525	2 257	330	1 927	197	472	159	1 428	269	10.6	
1992												
Jan.	66.5	2 512	2 234	330	1 903	195	466	153	1 421	278	11.1	
Feb.	66.7	2 519	2 223	325	1 898	188	462	162	1 412	296	11.8	
March	66.5	2 515	2 217	327	1 890	196	460	153	1 409	297	11.8	
April	65.8	2 486	2 188	326	1 863	184	455	150	1 399	298	12.0	
May	66.1	2 499	2 187	332	1 855	188	450	154	1 395	312	12.5	
June	66.3	2 506	2 185	332	1 853	191	451	156	1 387	320	12.8	
July	65.8	2 489	2 166	330	1 836	186	452	147	1 381	323	13.0	

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

During period	Revenue							Expenditure			
	Direct taxes	Indirect taxes	Other taxes and similar revenue	Other revenue	Revenue before financial transactions (1+2+3+4)	Redemptions of loans granted by the state	Revenue before borrowing (5+6)	Consumption	Transfers and subsidies	Of which:	
										Local government	Other domestic sectors
	1	2	3	4	5	6	7	8	9	10	11
1987	29 454	57 312	491	12 391	99 648	2 482	102 129	29 419	59 498	26 456	30 964
1988	35 339	66 348	473	13 629	115 789	2 557	118 346	32 266	65 502	29 757	33 108
1989	39 397	76 458	471	15 990	132 316	3 926	136 241	35 082	72 008	33 244	35 715
1990	42 611	77 364	953	18 423	139 351	4 260	143 611	41 535	81 190	37 646	40 313
1991	41 054	73 251	1 136	19 182	134 624	4 442	139 069	45 085	101 220	42 297	55 160
1991											
June	5 619	6 144	- 81	1 615	13 297	499	13 797	3 789	8 622	4 041	4 109
July	5 450	6 176	97	1 794	13 517	144	13 661	4 778	7 889	3 360	4 290
Aug.	3 120	6 425	77	1 020	10 642	157	10 799	3 247	7 817	3 387	4 205
Sept.	3 336	6 164	69	1 303	10 872	124	10 996	3 610	7 895	3 458	4 271
Oct.	3 080	5 759	99	1 150	10 088	85	10 174	3 763	9 259	3 433	5 574
Nov.	3 296	6 173	229	1 763	11 461	711	12 172	3 728	10 423	4 263	5 979
Dec.	3 876	6 691	66	2 636	13 270	418	13 688	3 927	10 463	3 857	5 844
1992											
Jan.	2 963	5 805	98	867	9 733	10	9 743	4 311	8 447	3 360	4 963
Feb.	2 854	6 461	84	1 098	10 497	7	10 504	4 000	8 004	3 387	4 449
March	- 420	5 048	227	2 355	7 210	2 041	9 251	3 889	9 055	3 808	4 542
April	4 629	5 583	119	2 373	12 704	83	12 787	4 022	9 590	3 818	5 394
May	3 068	5 722	131	2 012	10 933	32	10 965	3 782	9 010	3 658	5 183
June	4 310	5 615	135	2 397	12 457	339	12 796	4 390	8 760	4 005	4 514

During period	Expenditure					Financial balance			
	Fixed investment	Other expenditure	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)
1987	7 089	4 732	100 738	5 672	106 410	- 1 090	- 4 280	7 604	3 324
1988	7 565	5 614	110 946	6 529	117 476	4 842	870	2 417 ^r	3 287
1989	8 393	5 343	120 826	7 566	128 390	11 490	7 851	- 4 009	3 842
1990	5 962	4 927	133 614	9 319	142 934	5 737	678	1 201	1 879
1991	5 370	6 368	158 044	13 328	171 372	- 23 420	- 32 304	25 659	- 6 645
1991									
June	450	311	13 172	1 429	14 601	125	- 804	492	- 312
July	460	187	13 314	847	14 162	203	- 501	2 382	1 881
Aug.	416	- 67	11 413	826	12 240	- 771	- 1 441	1 180	- 261
Sept.	498	523	12 526	829	13 355	- 1 654	- 2 359	3 242	883
Oct.	567	713	14 302	993	15 295	- 4 214	- 5 121	4 991	- 130
Nov.	458	327	14 936	1 012	15 947	- 3 475	- 3 775	5 865	2 089
Dec.	526	892	15 809	798	16 607	- 2 539	- 2 920	- 211	- 3 131
1992									
Jan.	340	846	13 944	792	14 737	- 4 211	- 4 994	1 161	- 3 833
Feb.	314	168	12 486	839	13 324	- 1 989	- 2 820	7 885	5 065
March	378	1 355	14 677	3 305 ^r	17 981 ^r	- 7 467	- 8 730 ^r	3 545	- 5 185 ^r
April	394	684	14 690	683	15 374	- 1 986	- 2 587	5 474	2 887
May	400	366	13 558	826	14 385	- 2 625	- 3 420	3 216	- 203
June	476	1 006	14 632	1 074	15 705	- 2 175	- 2 909	8 162	5 253

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 OPERATIONS IN THE MONEY AND FOREIGN EXCHANGE MARKETS AND THE BANKS' FORWARD EXCHANGE POSITION

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

Table 2.2 Money market instruments are the instruments used by the Bank of Finland in its money market operations. Matured money market instruments, net, comprise both instruments purchased and sold. Money market transactions are recorded according to trade dates.

Table 2.3 Foreign exchange transactions are recorded according to trade dates. In addition to spot transactions (Columns 1-2, 4 and 5) the Bank of Finland's foreign exchange reserves are affected by interest payments and by changes in both the prices of securities and exchange rates. Spot transactions related to forward contracts (Column 4) refer to the combined effects on the foreign ex-

change reserves of forward transactions in the form of swaps and maturing forward transactions. The central government's foreign exchange transactions (Column 5) comprise transactions related to drawings and redemptions of government loans and associated interest payments.

Table 2.4 As from the beginning of 1990, the statistics on the forward exchange market are based on data on individual contracts against the Finnish markka as reported by banks (excluding Columns 5 and 6). The new statistical system covers all authorized banks and contracts. The rates of exchange used in the statistics are the forward rates on the contract date.

3 RATES OF INTEREST

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

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

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

Table 3.3 The rates shown are based on the lending rates quoted for the respective currencies in the Euro-market. ECU (Column 1): the weights of the ECU basket. 3 currencies (Column 2): DEM 60, USD 30 and GBP 10 per cent. 14 currencies (Column 3): weighted according to the relative shares of the respective countries in Finland's foreign trade (= weights of the Bank of Finland's trade-weighted currency index = the old Bank of Finland currency index). Until March 1989, the index consisted of 12 currencies.

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

loan amounts. Annual rates are arithmetic averages of monthly observations until 1987 after which they are weighted by loan amounts. Average lending rates (Columns 5 and 6) are all weighted by loan amounts. As from January 1989, the loans of Postipankki Ltd have been included in the commercial banks' outstanding stock of loans. *Deposits.* 24-month tax-exempt deposits (Column 7): 24-month deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less 2 percentage points (since May 1992). Other tax-exempt deposits (Column 8): Deposits other than 24-month deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less 4 percentage points (since January 1989). Up till December 1988, the figures for tax-exempt deposits (Columns 7 and 8) are the rates of interest applied to standard tax-exempt deposit accounts as agreed upon between banks. All markka deposits (Column 9): the stock of deposits comprises all markka deposits by the public. The monthly and annual average rates of interest are weighted by deposit amounts. Other funding (Column 10): CDs outstanding + promissory notes + bonds. The average rate of interest is weighted by amounts. Total markka funding (Column 11); markka deposits by the public + banks' other markka funding. The rate of interest is weighted by amounts.

Table 3.5 Secondary market yields. Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered rates for taxable, fixed-rate bonds quoted daily by the five largest banks. From June 1990 onwards, the yield on taxable government bonds (Column 3) is calculated by the Bank of Finland as the monthly average of the offered rates quoted daily by the five largest banks. Until January 1992, the yield was calculated on a bullet bond due on 15 March 1994 with a coupon rate of 13 per cent. From February 1992 onwards the yield is calculated on a bullet bond due on 15 January 1999 with a coupon rate of 11 per cent. The annual figure for 1990 is calculated as the arithmetic mean of yields on fixed-rate government bonds with a remaining maturity of between 4 and 5 years. The yield on taxable public issues (Column 4) is calculated as the arithmetic mean of yields on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued by all issuers except the central government with a remaining maturity of between 3 and 6 years. Financial institutions (Column 5): as in Column 4 for issues by financial institutions incl. banks. Corporations (Column 6): as in Column 4 for issues by non-financial corporations. The yield on taxfree public issues (Column 7) is calculated as the arithmetic mean of yields on fixed-rate public bonds with a remaining maturity of between 4 and 5 years. The Bank of Finland calculates the yields for columns 3-7 once a week

on the basis of the trading quotations of the Helsinki Stock Exchange. Monthly observations are the averages of weekly observations and annual observations are the averages of monthly observations. *The offer yield* on fixed-rate taxable public bonds and debentures (Column 8) is the average yield weighted by issue amounts – in the case of government bonds by amounts sold – on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued during the period.

4 RATES OF EXCHANGE

Table 4.2 FIM/ECU (Column 1): The markka value of the ECU is calculated as the sum of the dollar amounts of the currencies in the ECU valued at current market rates, for which daily quotations at noon Finnish time are used. The midpoint (Column 2) was FIM 4.87580 from 7 June to 14 November 1991, and FIM 5.55841 from 15 November 1991 to 7 September 1992, and the fluctuation limits were ± 3 per cent around the midpoint. Since 8 September 1992 the markka has been floating. The Bank of Finland's trade-weighted currency index (Column 3): The weights are moving averages of the shares of (currently) 14 countries in Finland's foreign merchandise trade (only convertible currencies are included). The payments currency index (Column 4): The weights are moving averages of shares of payments currencies (14 convertible currencies) in Finland's foreign trade. The MERM index (Column 5): The weights are fixed 1977 weights computed on the basis of the IMF's world trade model; fourteen currencies are included in this index.

5 OTHER DOMESTIC FINANCING

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

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

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

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

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

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

Table 5.6 Source: The Helsinki Stock Exchange.

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

Table 6.1 The figures for the trade and goods and services accounts are compiled in accordance with the System of National Accounts. The figures for investment income and expenditure (Columns 7 and 16) include reinvested earnings on direct investment. Preliminary data on reinvested earnings in the

previous year have been included in the current account figures annually from the September issue of the Bulletin. (The annual figure is divided evenly between quarterly figures.)

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

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

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

7 FOREIGN TRADE

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

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

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

8 DOMESTIC ECONOMIC DEVELOPMENTS

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

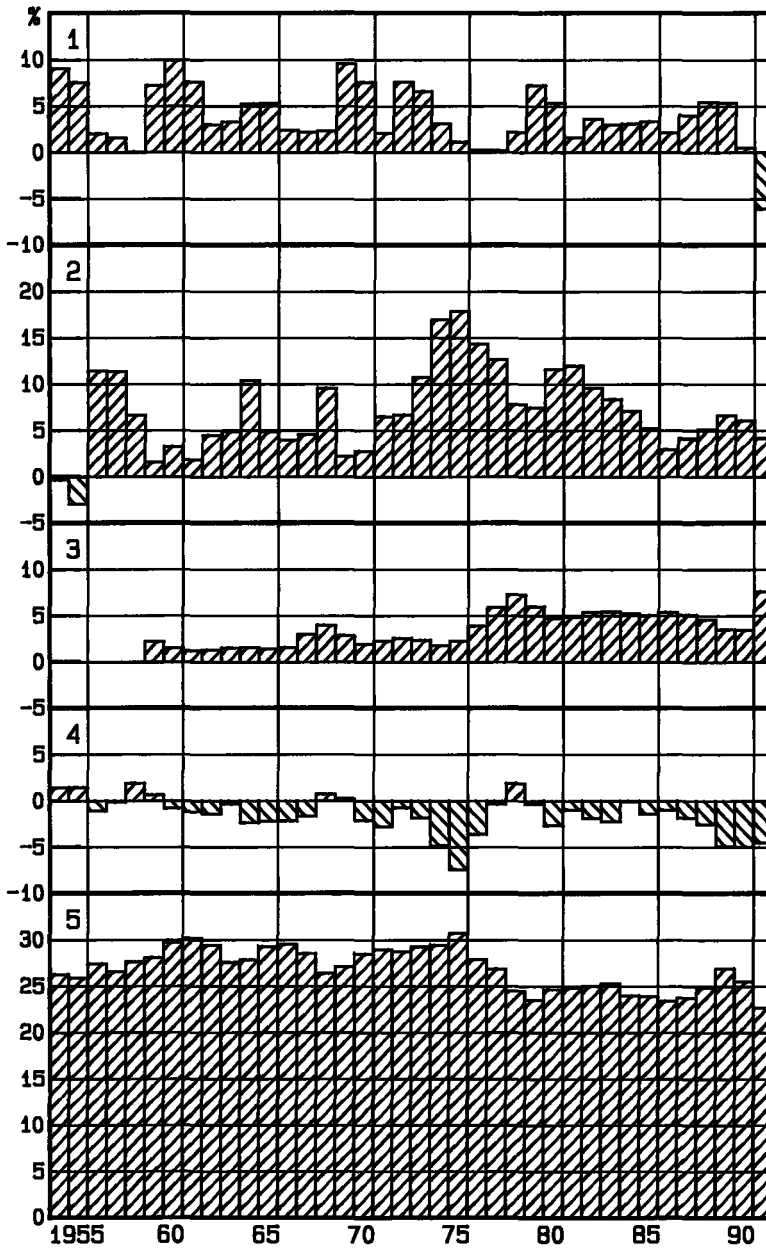
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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

Table 8.6 Source: Ministry of Finance.

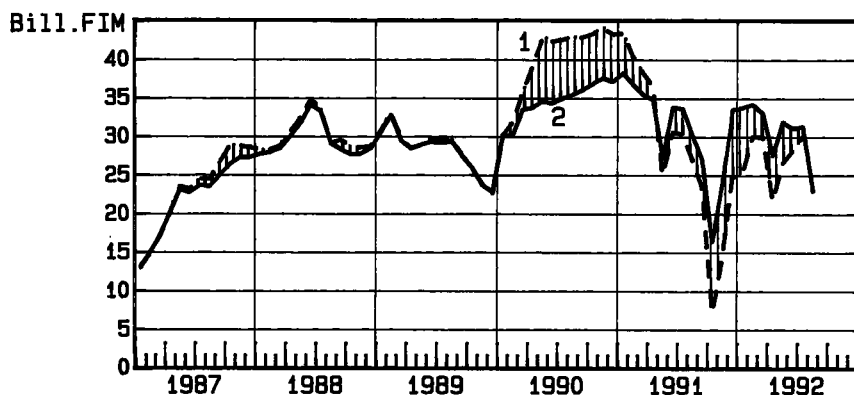
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Items affecting domestic liquidity	S29
5. Liquidity management interest rates	S30
6. HELIBOR rates of interest (daily)	S30
7. HELIBOR rates of interest (monthly)	S30
8. Rates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

1. LONG-TERM INDICATORS



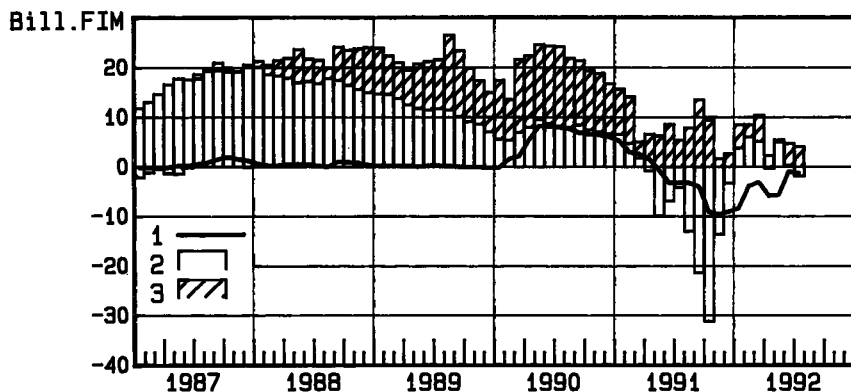
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



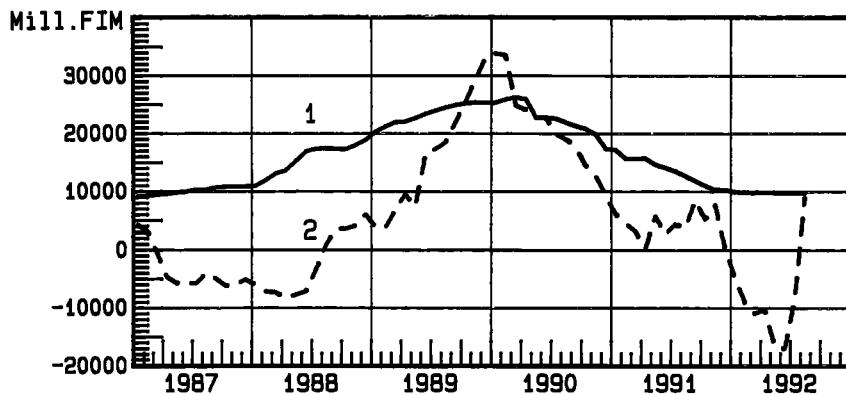
1. Convertible foreign exchange reserves plus forward position
2. Convertible foreign exchange reserves

3. FORWARD MARKET



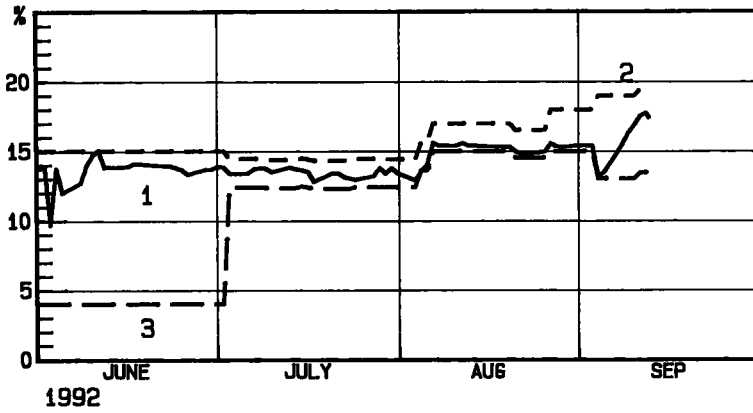
1. Forward exchange purchased by the Bank of Finland from banks
2. Forward exchange sold by companies to banks
3. Forward exchange sold by foreign banks to banks

4. ITEMS AFFECTING DOMESTIC LIQUIDITY



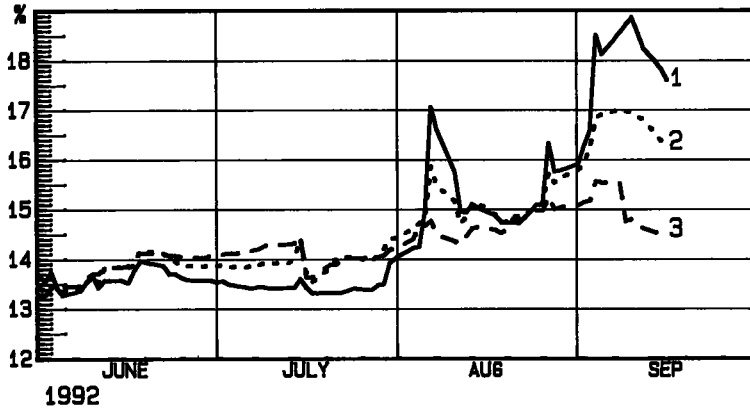
1. Cash reserve deposits
2. Bank of Finland's holdings of money market instruments, net

5. LIQUIDITY MANAGEMENT INTEREST RATES



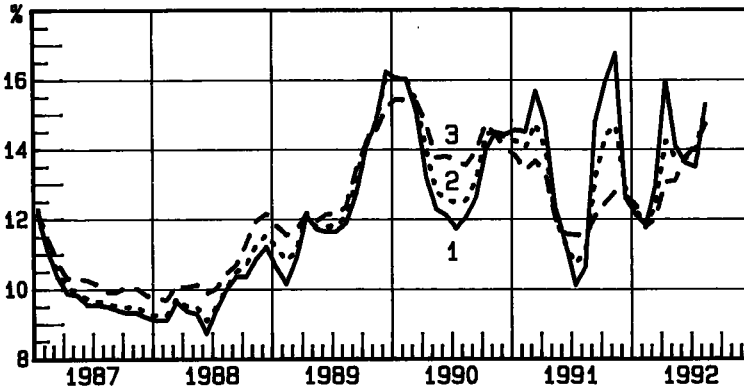
- 1. Inter-bank overnight rate
 - 2. Liquidity credit rate (up to 2 July call money credit rate)
 - 3. Call money deposit rate
- Daily observations

6. HELIBOR RATES OF INTEREST



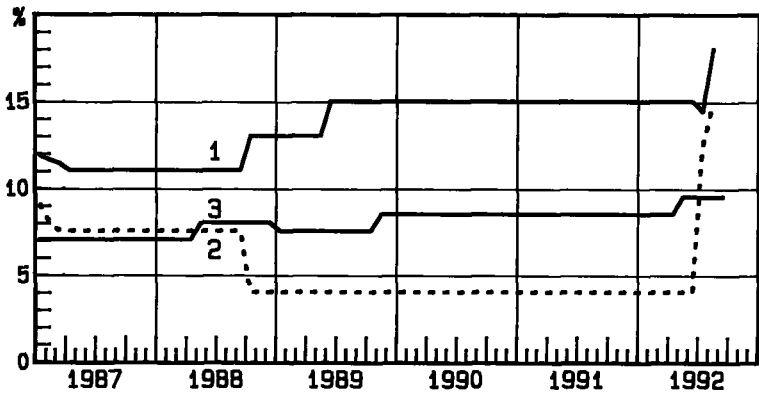
- 1. 1-month HELIBOR
 - 2. 3-month HELIBOR
 - 3. 12-month HELIBOR
- Daily observations

7. HELIBOR RATES OF INTEREST



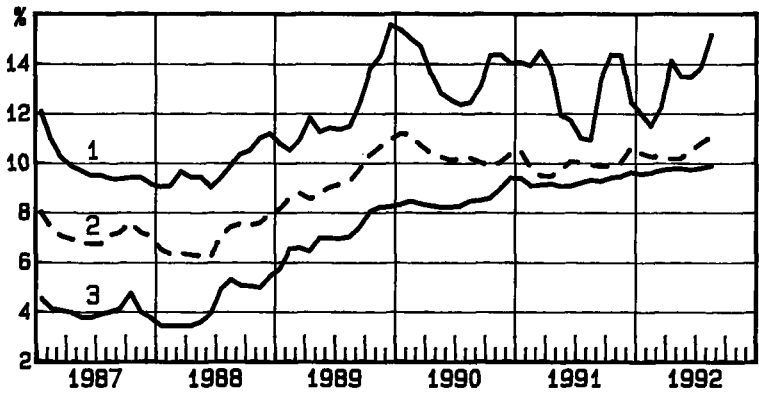
- 1. 1-month HELIBOR
 - 2. 3-month HELIBOR
 - 3. 12-month HELIBOR
- Monthly averages

8. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



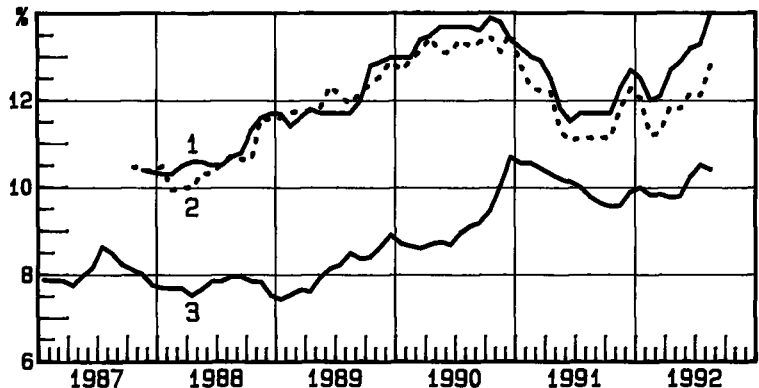
- 1. Liquidity credit rate (up to 2 July 1992 call money credit rate)
 - 2. Call money deposit rate
 - 3. Base rate
- End-of-month observations

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



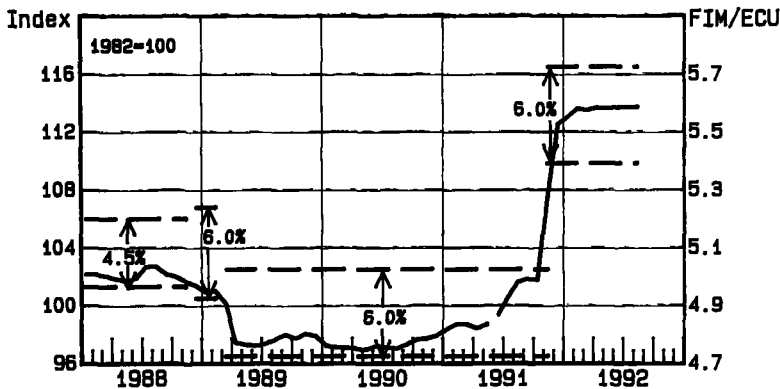
- 1. Covered Eurodollar rate
- 2. ECU rate
- 3. DEM Eurorate

10. YIELDS ON BONDS



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

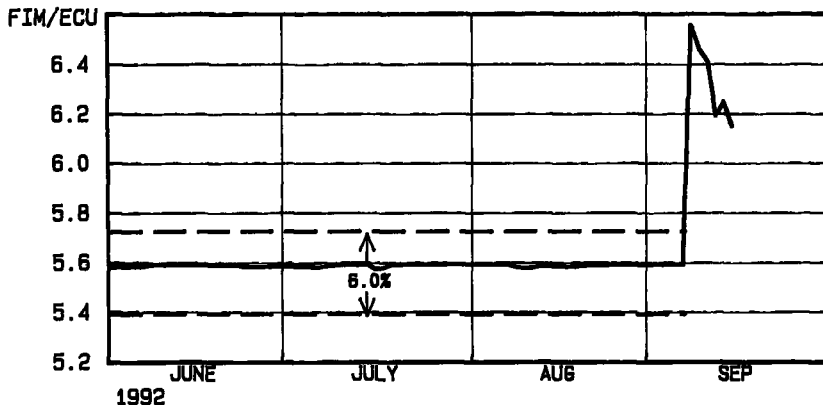
11. BANK OF FINLAND CURRENCY INDEX AND THE MARKKA VALUE OF THE ECU



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

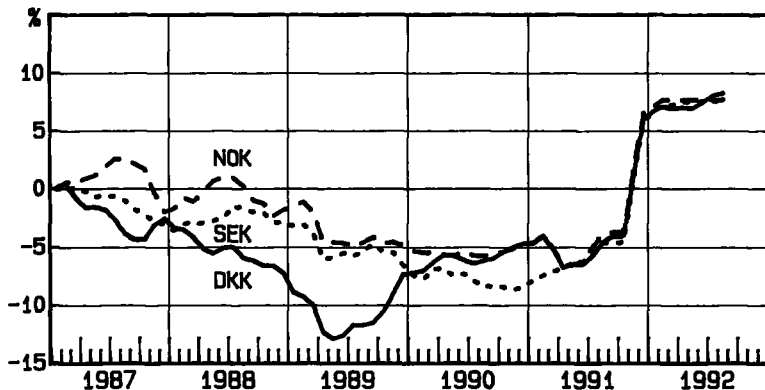
Monthly averages

12. MARKKA VALUE OF THE ECU



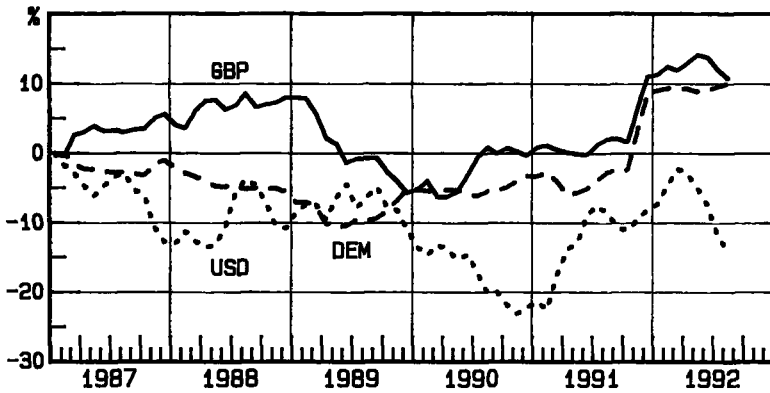
Daily observations

13. CHANGES IN THE EXCHANGE RATES OF SELECTED NORDIC CURRENCIES



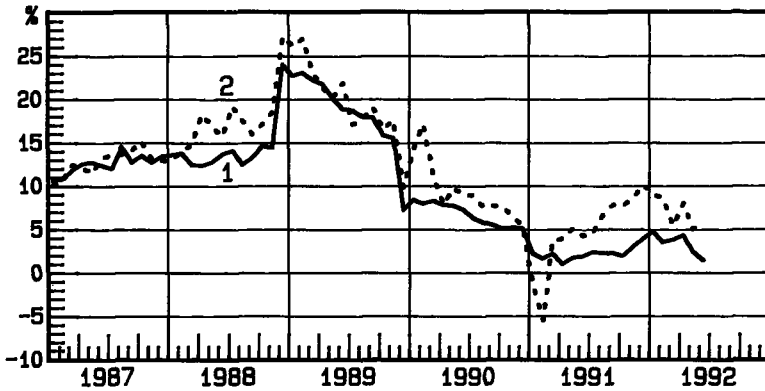
Monthly changes in markka selling rates calculated from the average rates for January 1987

14. CHANGES IN THE EXCHANGE RATES OF SELECTED MAJOR CURRENCIES



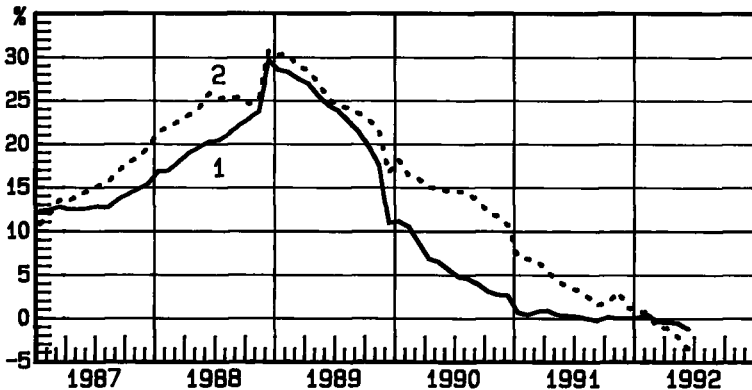
Monthly changes in markka selling rates calculated from the average rates for January 1987

15. BANK FUNDING FROM THE PUBLIC



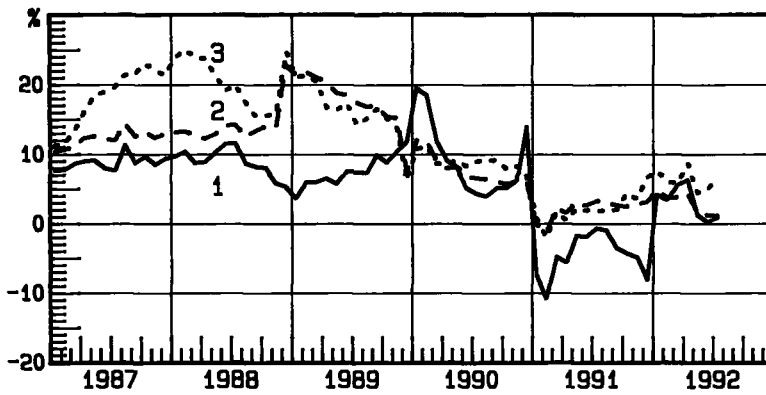
1. Markka deposits
2. Total funding
Change from the corresponding month of the previous year, per cent

16. BANK LENDING TO THE PUBLIC



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

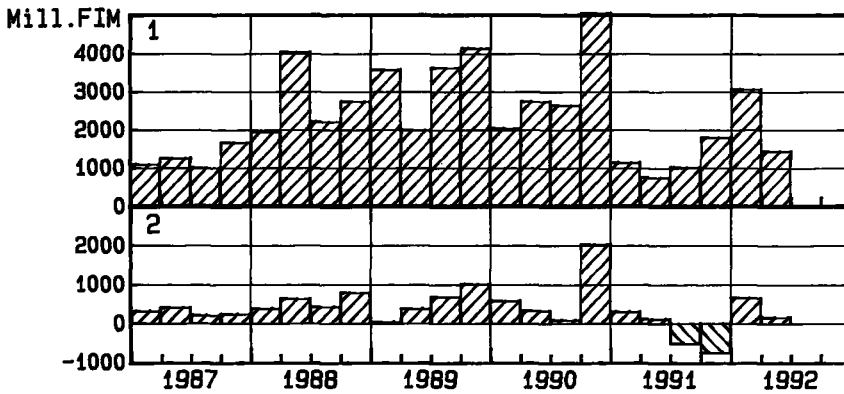
17. MONEY SUPPLY



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

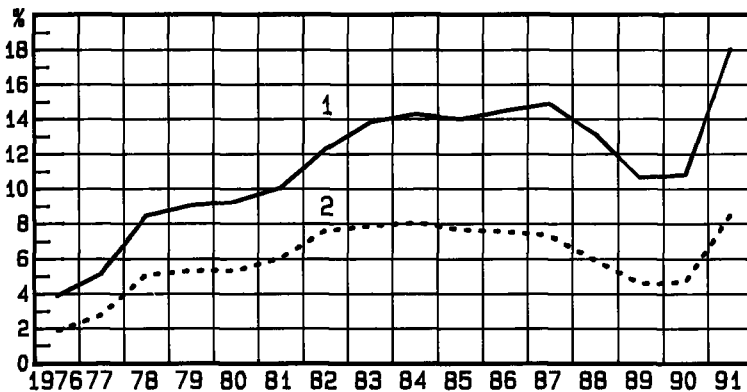
Change from the corresponding month of the previous year, per cent

18. DIRECT INVESTMENT



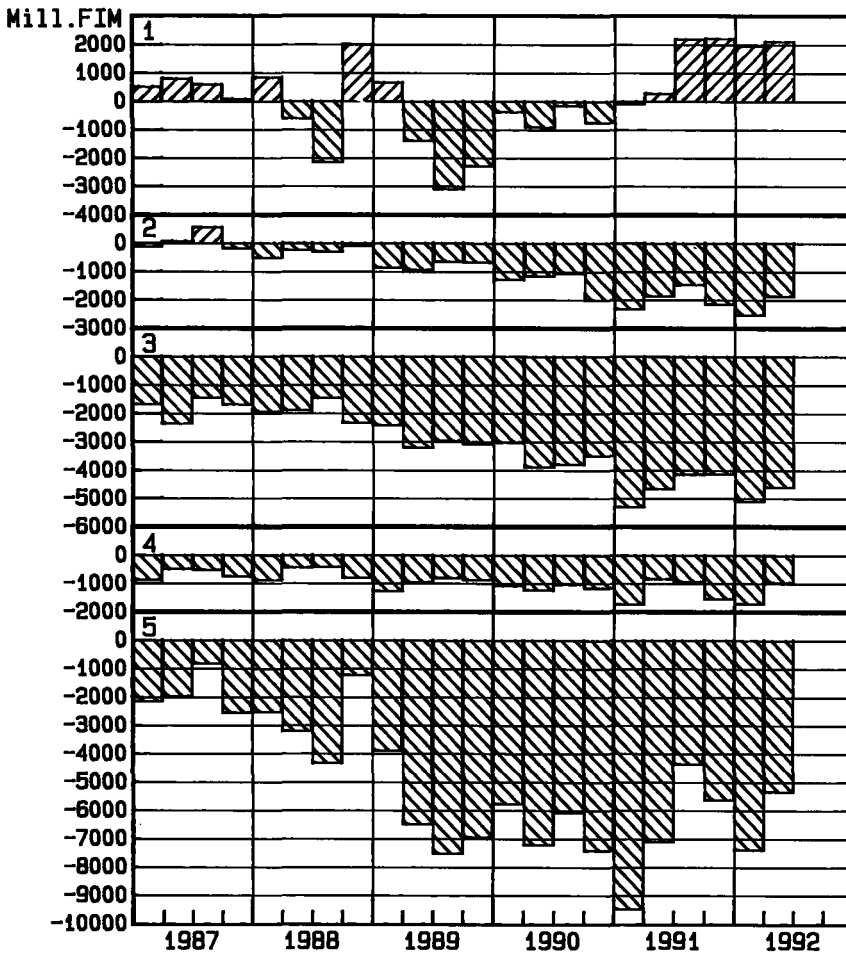
1. Finnish direct investment abroad, net
2. Foreign direct investment in Finland, net

19. CENTRAL GOVERNMENT DEBT



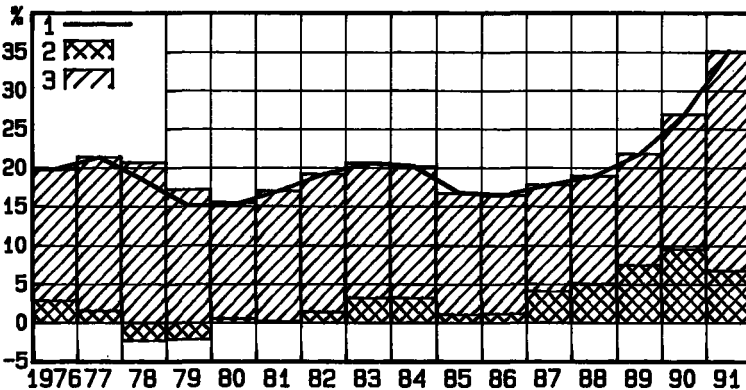
1. Total debt
 2. Of which: foreign currency-denominated debt
- As a percentage of GDP

20. CURRENT ACCOUNT



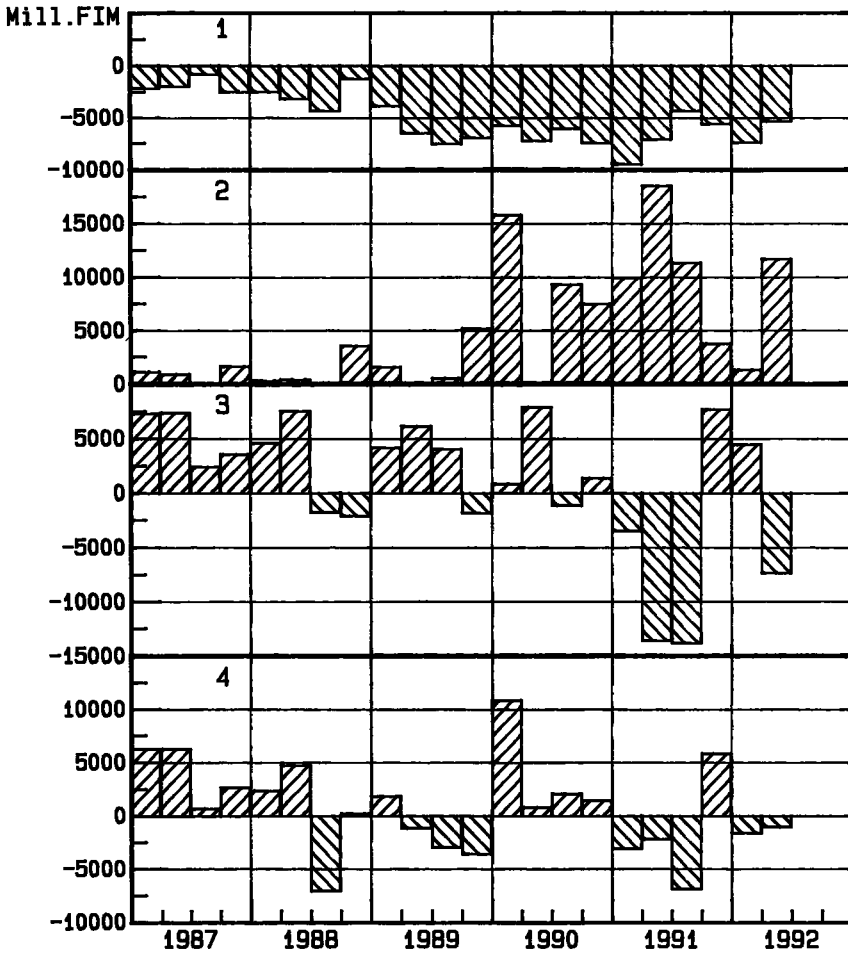
- 1. Trade account
- 2. Services account
- 3. Investment income account
- 4. Unrequited transfers account and other items, net
- 5. Current account

21. FOREIGN DEBT



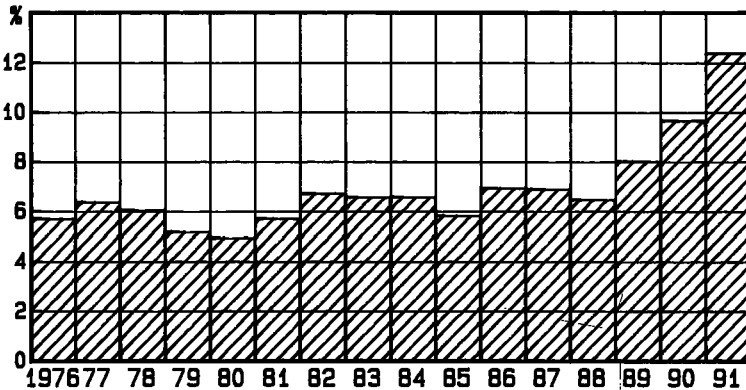
- 1. Total foreign net debt
 - 2. Short-term net debt
 - 3. Long-term net debt
- As a percentage of GDP

22. BALANCE OF PAYMENTS



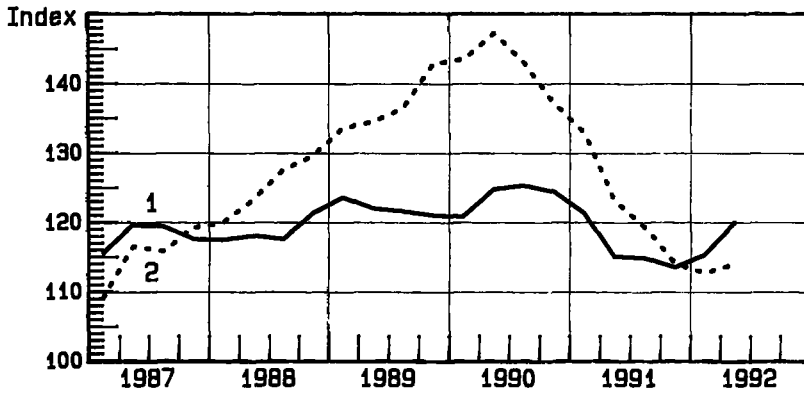
1. Current account
2. Long-term capital account
3. Short-term capital account
4. Overall balance = change in the foreign exchange reserves of the Bank of Finland

23. NET INTEREST AND DIVIDEND EXPENDITURE



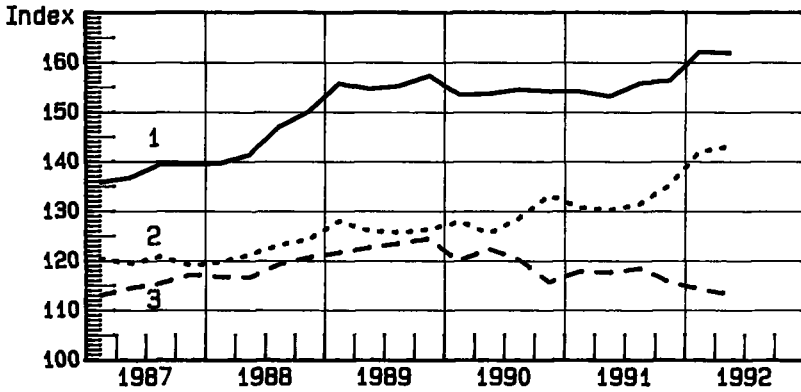
As a percentage of current account receipts

24. FOREIGN TRADE



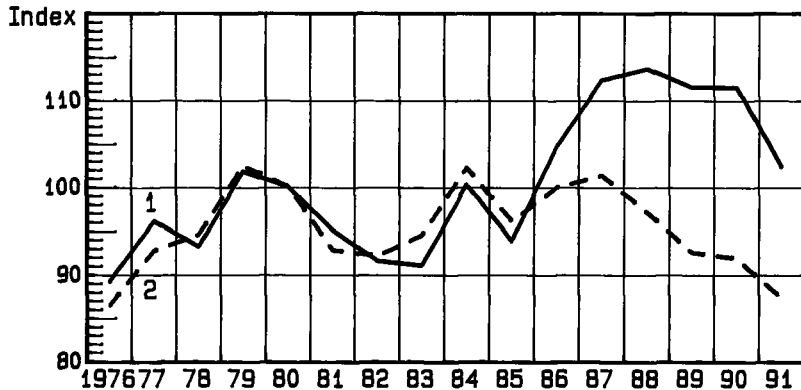
- 1. Total exports
 - 2. Total imports
- Volume index, 1980 = 100, four-quarter moving average shown as at the last quarter

25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



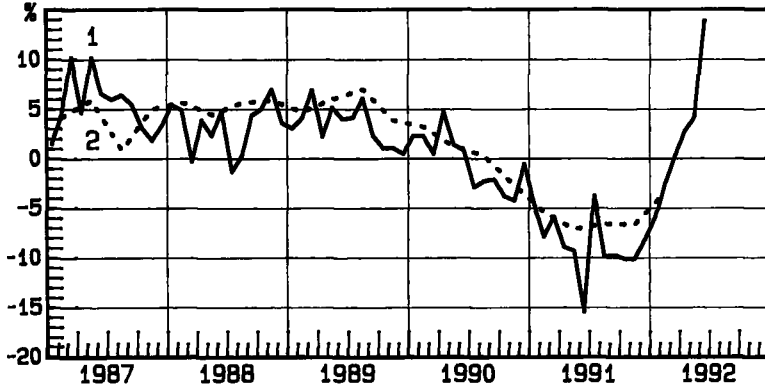
- 1. Unit value index of exports
 - 2. Unit value index of imports
 - 3. Terms of trade
- 1980 = 100

26. FINLAND'S EXPORT PERFORMANCE



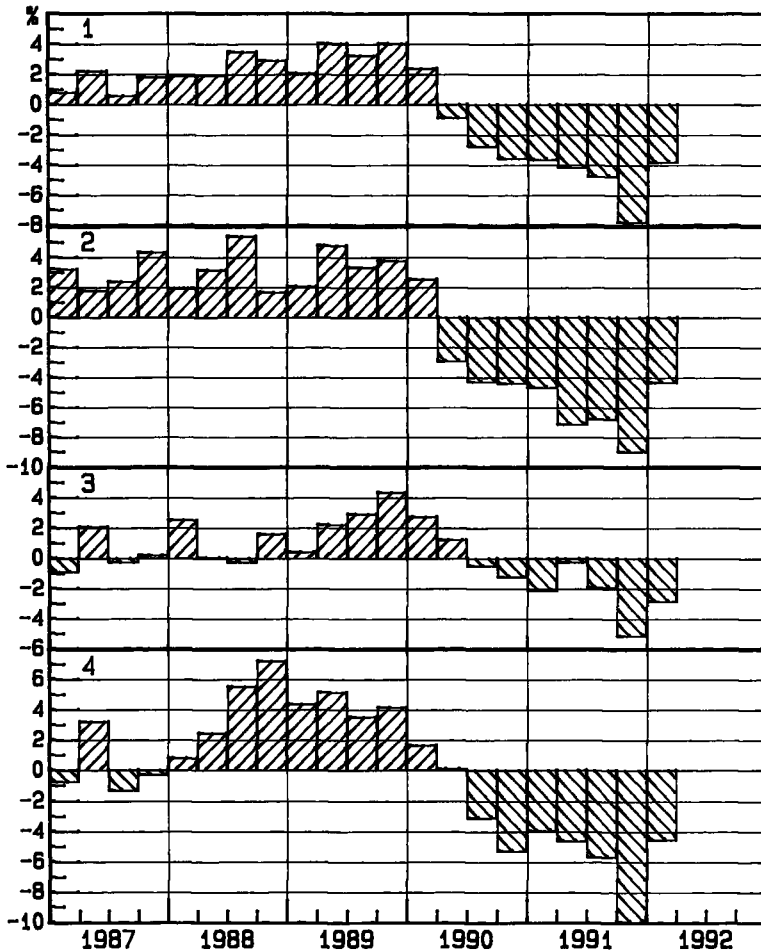
- 1. Value of exports to OECD countries in relation to imports of OECD countries
 - 2. Volume of exports to OECD countries in relation to imports of OECD countries
- 1980 = 100

27. PRODUCTION



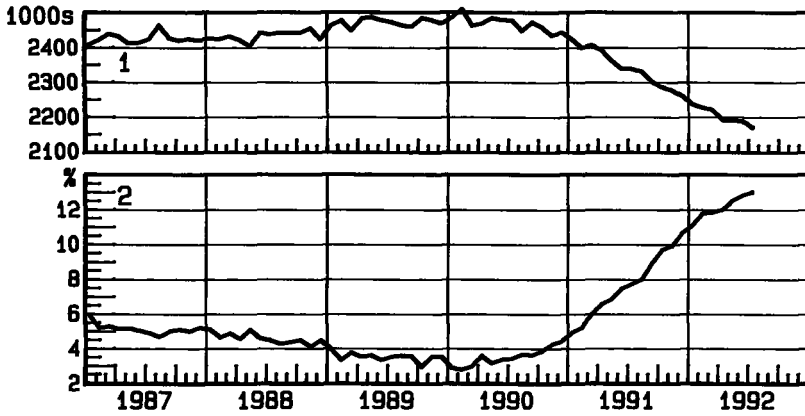
1. Industrial production, change in volume from the corresponding month of the previous year, per cent
2. GDP, change in volume from the corresponding quarter of the previous year, per cent

28. FIXED INVESTMENT



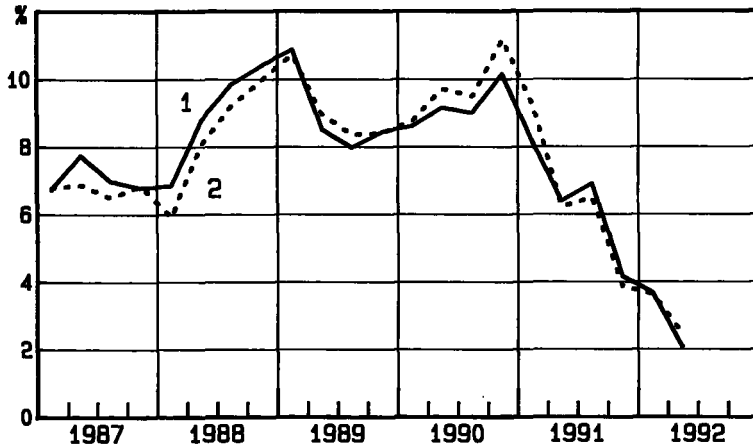
1. Total fixed investment
 2. Investment in machinery and equipment
 3. Building investment, excl. residential buildings
 4. Residential buildings
- Volume changes calculated from four-quarter moving totals and shown as at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE

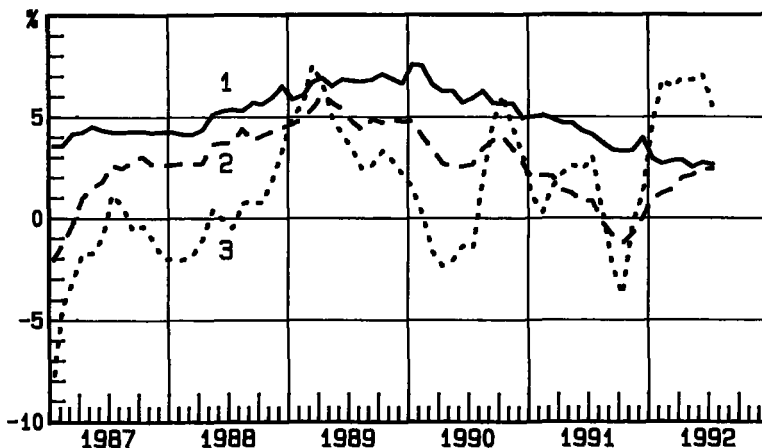


1. Employment, 1000 persons
2. Unemployment rate, per cent

30. PRICES AND WAGES

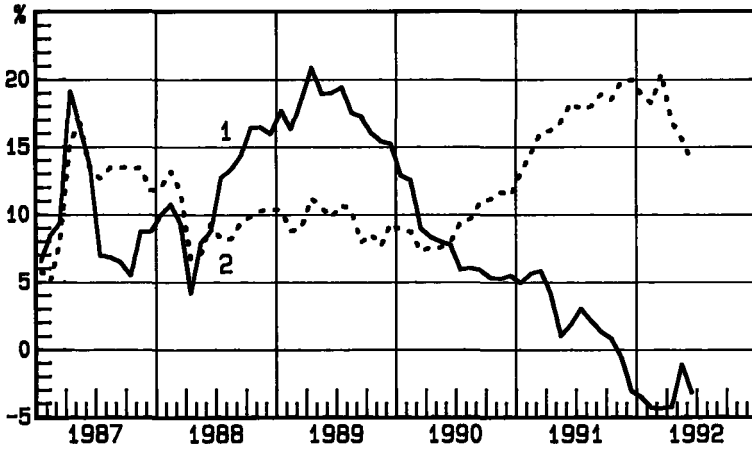


1. Index of wage and salary earnings, all wage and salary earners
 2. Index of wage and salary earnings, manufacturing workers
- Change from the corresponding quarter of the previous year, per cent



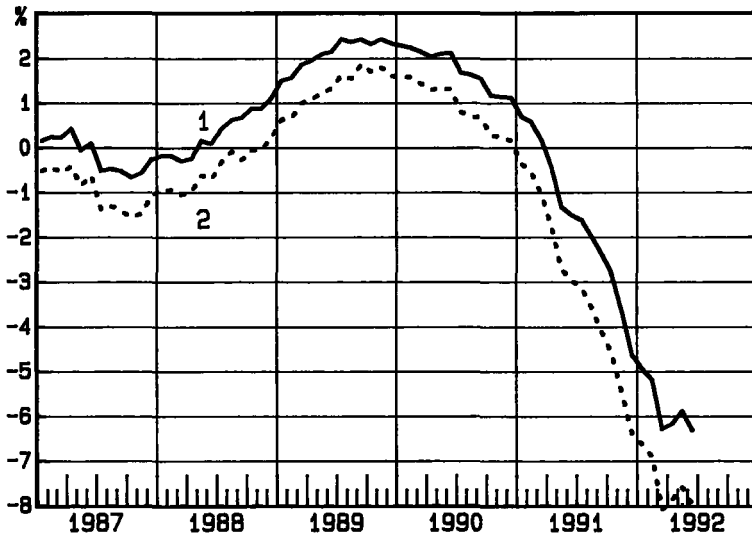
1. Consumer price index
 2. Wholesale price index
 3. Import price index
- Change from the corresponding month of the previous year, per cent

31. CENTRAL GOVERNMENT FINANCES



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

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



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

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

BANK OF FINLAND

1 September 1992

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JUSSI RANTA, Vice Chairman
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HANNU TENHIÄLÄ
ANNELI JÄÄTTEENMÄKI

TUULIKKI HÄMÄLÄINEN
ESKO SEPPÄNEN

MAURI MIETTINEN
JÖRN DONNER

THE BOARD OF MANAGEMENT

SIRKKA HÄMÄLÄINEN, Chairman

HARRI HOLKERI

KALEVI SORSA

ESKO OLLILA

MATTI VANHALA

DIRECTOR

PENTTI KOIVIKKO

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

Legal Affairs ARNO LINDGREN
Market Operations Department MARKUS FOGELHOLM
Payments and Settlement Department RAIMO HYVÄRINEN
Payment Instruments Department REIJO MÄKINEN
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Personnel Projects ANNELI SOINI
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Security JYRKI AHVONEN
Statistical Services Department ESA OJANEN
Unit for Eastern European Economies KARI PEKONEN

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

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8 branches: Jyväskylä, Kotka, Kuopio, Lahti, Oulu, Tampere, Turku, Vaasa

SETEC OY

VELI TARVAINEN, Managing Director
