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Recent Economic Developments
and Monetary Policy

Finland's Experience with
a Floating Exchange Rate

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RECENT ECONOMIC DEVELOPMENTS AND MONETARY POLICY

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In recent months, there have been some signs of an incipient recovery of the Finnish economy. Output growth in the exporting industries has been the fastest among the industrial countries. Furthermore, the contraction of output in industries serving the domestic market seems to have stopped. On the inflation front, the rise in consumer prices has come to a halt. With the improvement in the external balance, confidence in Finnish economic policy has increased and monetary policy has gained more room for manoeuvre. Thus in the absence of inflationary pressures, the Bank of Finland has allowed interest rates to come down. This, in turn, has brought welcome relief to many companies experiencing financial difficulties. Despite these positive developments, unemployment remains at a high level and the public sector continues to be burdened by a large deficit.

Confidence in the economy has begun to return and the capital outflow has been reversed. The Bank of Finland has allowed upward pressure on the markka to be reflected in both the exchange rate and interest rates, the aim being that large, abrupt fluctuations should be avoided. Hence, it has also intervened in the spot market and the foreign currency reserves have climbed to a record level.

INVESTMENT IS NEEDED TO QUICKEN THE RECOVERY

Total output contracted further last year even though economic activity recovered in the second half of the year. According to preliminary data published by Statistics Finland, GDP

decreased by 2.6 per cent from the previous year. The monthly indicator of total output has been rising since last summer. In November and December, the twelve-month change in the indicator pointed to increases of 0.8 and 1.4 per cent from the corresponding months of the previous year. This is the first time that the twelve-month change in indicator has shown an increase since August 1990. The main driving force behind growth continued to be the rapid expansion of manufacturing output, which benefited from booming exports, but energy supply, agriculture and transport also began to grow. Manufacturing output grew briskly throughout the year, and, in December, the twelve-month growth rate was just over 10 per cent. Even the sectors worst hit by the recession, ie construction and services, showed some signs of recovery. In particular, there was a pick-up in sales of cars and domestic appliances around the turn of the year.

The financial position of Finnish companies improved in the course of 1993. Companies concentrated on strengthening their balance sheets and investment declined by almost 20 per cent from the previous year. Companies seem to be cautious about undertaking new investment after the experiences of the recession. On the other hand, their improved profitability, higher capacity utilization rates and reduced debt levels suggest that investment activity may start to recover, though not to any significant extent until 1995.

Domestic consumption decreased by 5 per cent last year, and consumer demand remains weak. This is partly due to the

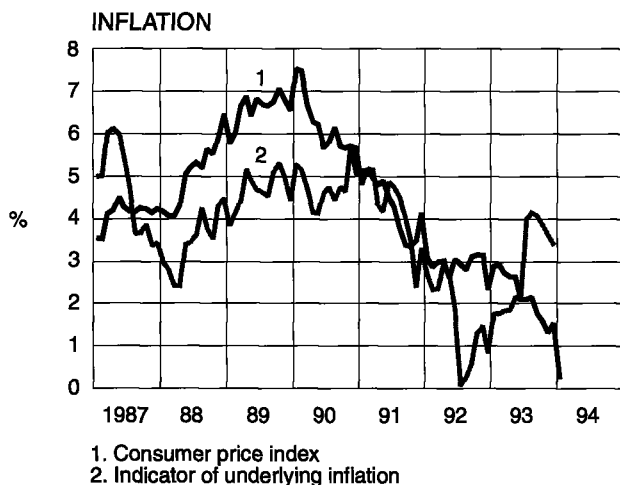
high household saving ratio, which reflects uncertainty caused by heavy unemployment, and attempts to reduce debt levels. According to a survey of consumer confidence carried out by Statistics Finland in November, there were some signs that consumers were more optimistic about the future.

The rate of increase in unemployment slowed down towards the end of the year, but the seasonally adjusted unemployment rate reached a new record level, 20 per cent, in January. The number of persons laid off had declined but the number of long-term unemployed (ie persons unemployed for longer than one year) continued to rise and amounted to almost 125 000 in January. This figure has risen by 125 per cent in just one year.

DEPRECIATION OF THE MARKKA HAD A MAJOR IMPACT ON THE GROWTH OF FOREIGN DEBT

In 1993, the volume of exports rose by 17 per cent from the previous year. The value of exports accounted for 34 per cent of GDP, compared with only about 21 per cent in 1991. The trade surplus amounted to over FIM 30 billion in 1993; in January, the twelve-month surplus grew further and amounted to FIM 32 billion. The current account deficit shrank from FIM 22 billion in 1992 to FIM 5.5 billion last year. In January, the current account posted a surplus of FIM 0.2 billion and the twelve-month deficit narrowed further to FIM 4.3 billion. Debt-servicing charges on foreign loans are one factor hampering the improvement of the current account.

CHART 1.



At the end of 1993, Finland's net foreign debt amounted to FIM 277 billion. Net debt grew by FIM 35 billion on the previous year. The ratio of net debt to GDP rose from 51 per cent to 60 per cent. If direct investment is excluded, the ratio of net debt to GDP increased from 60 per cent to 70 per cent. The depreciation of the markka in the course of the year was the main factor contributing to the increase in net debt; the current account deficit added only FIM 5.5 billion to net debt.

SLIGHT IMPROVEMENT IN THE CENTRAL GOVERNMENT'S FINANCIAL POSITION

The Government has begun preparing the 1995 budget proposal by negotiating on budgetary ceilings with the various ministries. The Government is seeking to reduce budgeted expenditure to the level of 1991 in real terms, ie to FIM 179 billion; this excludes the effects of Finland's possible entry into the EU. This will require new savings amounting to some FIM 10 billion. Central government spending on staff will be cut by less than originally planned, following the reaching of the pay settlement for public sector employees.

The supplementary budget bill presented to Parliament in February included a proposal for special tax reliefs designed to induce firms to bring forward their investment. The Government also proposed that certain public investment projects and procurements be brought forward.

The central government revenue deficit amounted to FIM 52 billion last year. Tax revenue decreased because of a decrease in the total level of wages and slack domestic demand. Central government expenditure increased because of high unemployment and a substantial increase in interest expenditure. Because of measures taken to reduce expenditure, central government consumption expenditure fell in real terms and public investment also contracted. Support provided to the banking sector amounted to FIM 9.5 billion in 1993, which was more than FIM 10 billion less than in 1992. The central government's net financing requirement for 1993 was FIM 67 billion, which is FIM 5 billion less than in 1992.

Central government borrowing decreased towards the end of the year. At the end of January, the central government's total debt stood at FIM 261 billion (some 55 per cent of GDP),

of which more than half was denominated in foreign currency. Outstanding debt decreased by FIM 5 billion from December, mainly because of the appreciation of the markka. The accumulation of central government debt is levelling off and the borrowing requirement is estimated to amount to FIM 68 billion in net terms in the current year.

RECORD LOW INFLATION

Continued subdued domestic demand, the rapid fall in interest rates and the appreciation of the markka have brought the rise in consumer prices to a halt. In January, the twelve-month change in consumer prices was at a record low, only 0.2 per cent (Chart 1). In December, it was still 1.5 per cent and the average rate of inflation for 1993 was 2.2 per cent. In the six months to January, consumer prices actually fell at an annual rate of 0.5 per cent and in the three months to January by as much as 1.9 per cent. The increases in public fees and charges in January were smaller than in previous years. The downward effect of lower interest rates on the consumer price index was equal to 1.4 percentage points in the twelve months to January 1994.

The twelve-month change in the indicator of underlying inflation (ie the consumer price index from which the effect of housing-related capital costs, subsidies and indirect taxes has been removed) was 3.3 per cent in December, as against 3.6 per cent in November (Chart 1). The changes in the indicator of underlying inflation reflect the subdued developments in import prices and domestic costs.

If there are no unexpected increases in prices over the next few months the rate of inflation, measured by the consumer price index, will remain close to zero. Similarly, the rate of inflation, measured by the indicator of underlying rate of inflation, is expected to continue slowing. The reform of value added tax

(VAT), which will take effect in June, will raise the consumer price index by about 1½ percentage points. Precisely how this will affect developments in the consumer price index very much depends on how soon the changes in VAT are passed through to consumer prices. Estimates on this vary widely. At one extreme is the view that the impact of the reform could be passed through to prices immediately. In the other extreme case, there would be no pass-through to prices during the next twelve months, particularly in the services sector, where there is simply no scope for price increases. What will actually happen probably lies somewhere in between these two extremes; the major part of VAT is likely to be added to prices in the course of this year and the rest of it later on.

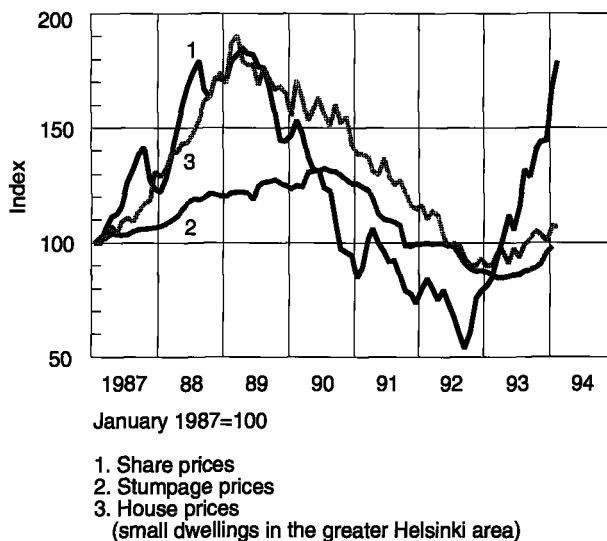
The impact of VAT will be removed from the indicator of underlying inflation, and this will have to be done before any data are available on the actual pass-through to prices. If an estimate made using the tax index deviates from the actual increase in prices, the rate of inflation as measured by the indicator of underlying inflation will also deviate from actual price developments.

According to a survey conducted by the Confederation of Finnish Industry and Employers among its member companies, sales prices and production costs in industry remained virtually unchanged in the final quarter of last year. Prices and costs are, however, expected to rise in almost all sectors of industry in the initial months of this year. According to a survey of consumer confidence based on interviews carried out by Statistics Finland in November, consumers expect inflation to remain low in the current year.

Although the rise in prices has remained very slow, there are also some signs of exceptions to the overall trend. As regards asset prices, stumpage prices (ie prices of standing timber) have turned up (Chart 2).

CHART 2.

ASSET PRICES



From December to January, the price of timber rose by 2.7 per cent on average and in the six months to January by as much as 14.4 per cent. The pressures for price increases arose from an acute raw-material shortage in the forest-based industries, which made companies willing to temporarily pay higher prices. In February, representatives of forest owners and the forest industries concluded an agreement on timber prices, which set the average price level for timber for the next twelve months. Under the agreement, stumpage prices will rise by an average of 8 per cent from their level in December-January.

House prices have been rising gently throughout the country since the second quarter of 1993. Prices of small flats in the greater Helsinki area have shown some variation. According to indicators, they rebounded again in January after dipping in November-December. During the last six months, the prices of small flats have risen by 14 per cent (Chart 2). In January, the number of sales of such flats was almost unchanged from the previous month despite a further fall in interest rates. In December, con-

struction costs were only about one percentage point higher than a year ago: the price of labour inputs was more or less unchanged whereas prices of construction materials were just over 3 per cent higher.

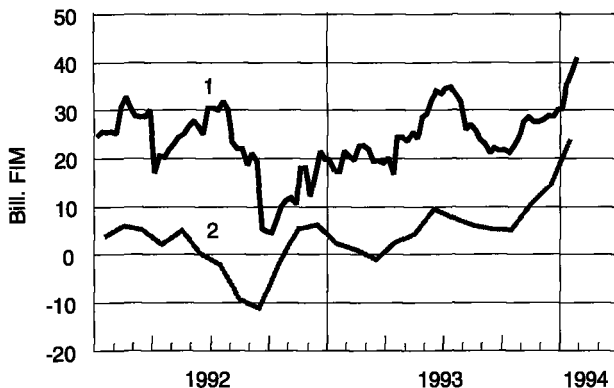
FALL IN INTEREST RATES BOOSTS ACTIVITY IN THE STOCK MARKET

Following the sharp rise in share prices in September and October, the stock market cooled down in the last months of 1993. But immediately after the turn of the year, prices resumed their strong upward trend (Chart 2). The rise was sustained by a surge in buying by both foreign and domestic investors. Listed share prices rose by 20 per cent in January, as measured by the HEX all-share index. Prices of manufacturing company shares rose by slightly less than the all-share index and bank share prices by 23 per cent. In January, turnover on the Helsinki Stock Exchange exceeded turnover for the whole of 1991.

By the beginning of February, share prices had almost reached their peak levels of 1989, before they fell back in 5

CHART 3.

THE BANK OF FINLAND'S FOREIGN EXCHANGE RESERVES (INCL. FORWARD POSITION) AND COMPANIES' FORWARD POSITION VIS-À-VIS FINNISH BANKS



1. Bank of Finland's foreign exchange reserves (incl. forward position)
2. Companies' forward position

response to the interest rate increase in the United States. The prices of manufacturing company shares had actually climbed above their peaks of 1989. The rise in share prices was fuelled by a lack of new issues and the rapid growth of unit trusts (mutual funds) in the final months of last year and the first months of this year, as well as by declining interest rates. The release of companies' and banks' annual financial statements in February caused share prices to fluctuate. The all-share index declined by 1 per cent in February, led by a decline of more than 6 per cent in bank share prices.

In 1993, foreign investors bought large amounts of Finnish shares, especially shares of exporting firms. The market value of Finnish shares held by foreigners at the end of 1993, some FIM 30 billion, accounted for one-fifth of the market value of all listed shares in Finland.

THE MARKKA HAS APPRECIATED

In the last months of 1993 and the first months of this year, there were fairly strong expectations that the markka would

be based on favourable developments in both the real economy and in the current account. The positive expectations were already clearly evident in the forward exchange market before the end of the year in the form of increased forward currency sales. In December, Finnish firms purchased markkaa forward through domestic banks to the net value of some FIM 20 billion. At the end of January, their net forward markka purchases position vis-à-vis domestic banks amounted to FIM 24 billion, which was FIM 22 billion more than a year ago (Chart 3). Finnish companies have also sold large amounts of forward exchange directly to foreign banks. At the end of January, foreigners had a net forward markka sales position of FIM 10 billion.

The markka appreciated by 3.7 per cent against the ECU between the beginning of December and 11 March (Chart 4). As measured by the trade-weighted index, the appreciation was slightly less (3.0 per cent) because the deutschmark has a smaller weight in the index than in the ECU basket and because the markka depreciated somewhat against the Swedish

krona during the period. Between October 1991 and February 1994, the markka depreciated by 26 per cent against the dollar from its pre-devaluation level and by 24 per cent against the deutschmark. At its low point against these currencies, in March 1993, the markka had depreciated by 31 per cent and 33 per cent, respectively.

The Bank of Finland purchased foreign currency, especially in January, in order to prevent the markka from appreciating too rapidly. The markka appreciated steadily up until the end of the first week in February, when the decision of the US Federal Reserve to raise the federal funds rate strengthened the dollar against other currencies, including the markka. Finland's foreign exchange reserves increased from FIM 33 billion at the end of December to FIM 45 billion at the beginning of March. Moreover, the Bank of Finland's net forward exchange position, which has declined substantially in recent years, had fallen to FIM 0.4 billion by the end of January (Chart 3). The foreign exchange reserves are now at a record high level.

MONEY MARKET INTEREST RATES AT RECORD LOW LEVELS

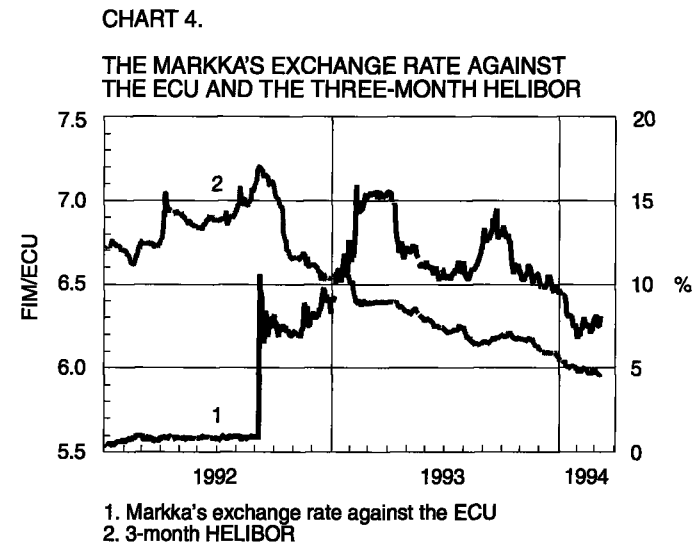
In late November, short-term interest rates turned down sharply as a result of upward pressure on the markka. In early November, the three-month HELIBOR was about 6.7 per cent; in December, it was a full percentage point lower. In early January, interest rates declined even faster than in November, and by late January the three-month HELIBOR had dropped to about 5 per cent (Chart 4). As rates declined, the slope of the yield curve also decreased. The decision of the Bundesbank to lower the discount rate by half a percentage point from mid-February also helped push Finnish short-term interest rates lower. Despite some unrest in the market in late February, caused, among other things, by the final stages of Finland's negotiations

on EU membership, short-term interest rates stayed below 5 per cent.

Long-term interest rates have declined much more slowly than short-term rates. The yield on taxable five-year government bonds was about 6.5 per cent at the beginning of November, 6 per cent at the end of year and 5.6 per cent at its lowest point in early February. After that, long-term rates reversed their prolonged downward trend and started to rise, largely in response to the worldwide increase. At the beginning of March, five-year government bond yields were volatile, reflecting developments in international markets.

The three- and five-year reference rates published by the Bank of Finland and based on bonds issued or guaranteed by banks declined by 0.4 percentage point in January from their December levels, to 6.1 and 6.6 per cent, respectively, and remained unchanged in February. The Bank of Finland's base rate was lowered to 5.5 per cent at the beginning of December and again to 5.25 per cent at the beginning of February. The base rate is now lower than it has been in many decades, and the above-mentioned reference rates are at historical lows.

The decline in Finnish interest rates since the latter part of 1993 has been faster than in the other European countries. This can be seen, for example, in the reversal of the differential between Finnish and German short-term rates in Finland's favour as well as in the narrowing of the differential in the case of long-term rates. At the beginning of the year, short-term rates were lower in Finland than in all other European countries, except Switzerland. At the beginning of March, German short-term interest rates were almost 1.5 percentage points higher than corresponding Finnish rates. In contrast, long-term rates were still almost one percentage point higher in Finland than in Germany, although the differential has narrowed substan-



tially in the past year. Though the decline in interest rates has been substantial relative to that in other countries, real interest rates are still high in Finland, by international standards.

On 14 January, the Bank of Finland signed an agreement with the primary dealers in benchmark government bonds concerning the establishment of a market in bond forwards. The purpose of this market is to provide Finnish investors with the opportunity to hedge against long-term interest rate risk and thus to improve the functioning of the bond market. At the moment, the only underlying bond is the 1997 government bond. Trading has been carried out in March-June contracts, and the prices quoted have not pointed to any significant change in interest rate expectations.

DEMAND FOR CREDIT STILL WEAK

Lack of adequate collateral has for some time now been a problem for firms seeking new bank financing, since banks have tightened their collateral requirements. Even firms that export only to a minor extent have now overcome their worst difficulties and are able to service their debts, but firms that

are totally dependent on the domestic market are still in trouble.

Particularly hard-hit are those domestic-oriented companies that raised five-year bullet loans denominated in foreign currency in 1989 and 1990, which fall due this and next year. The redemption of these loans requires a large amount of funds, and in many cases their renewal would evidently require more collateral. The recent appreciation of the markka has helped to ease the situation somewhat, however. At the moment, very few small and medium-sized firms are prepared to risk taking out foreign currency loans. Rather, most of them are considering the possibility of raising markka financing. Outstanding foreign currency loans raised through domestic banks still amounted to some FIM 67 billion at the end of January. According to redemption schedules, more than FIM 20 billion worth of foreign currency loans will fall due this year.

Firms' outstanding markka credit grew by 5 per cent in the twelve months to January this year, while the total outstanding amount of markka credit declined by 2 per cent. Moreover, increased activity in the capital market improved the financing outlook for large firms, in par-

ticular. Markka lending rates have fallen in line with the general decline in interest rates, but banks have widened their interest rate margins in an effort to improve their profitability. At the end of January the average interest rate on markka loans was 8.6 per cent.

COMPETITION FOR DEPOSIT MONEY

As interest rates on bank deposits have declined, the demand for small dwellings and shares has increased. Unit trusts gained increasing popularity in late 1993 and this trend has continued in the current year. At the end of January, the combined assets of unit trusts amounted to some FIM 5 billion, which reflected growth of nearly FIM 2 billion from the end of last year. This growth has resulted from both new investments and from a sharp increase in share prices. However, judged by international standards, unit trusts still play a very insignificant role in the Finnish financial markets.

Under the tax relief law still in effect at the time, December was the last month in which tax-exempt 36-month bank deposits could still be made. Investors made extensive use of this opportunity, as an additional FIM 6 billion flowed into these accounts in December. It is estimated that half of these funds originated from taxable fixed-term deposits, which became less attractive with the fall in market interest rates. Tax-exempt 36-month deposits earn interest at a rate of one percentage point less than the Bank of Finland's base rate. As the base rate is now at a relatively higher level than before in relation to market rates, households preferring safe bank accounts have opted for deposits tied to the base rate. The total amount of deposits outstanding at the end of January was 1 per cent higher than a year ago.

CAPITAL IMPORTS INCREASED THE MONEY STOCK

The money stock grew rapidly in January as a result of firms' capital imports and the upturn in total output. The growth in the money stock has, however, been consistent with the Bank of Finland's inflation target. Narrow money (M1) grew by 5.1 per cent last year and by 2.4 per cent from December to January. By the end of December, the amount of currency (notes and coin) held by the public had returned to its normal level, after the threat of a bank strike had been averted. The growth of M1 was due to increases in deposits in corporate cheque accounts and personal transaction accounts as a result of payments of tax refunds in December, a shift of funds into transaction accounts from other accounts (prompted by the prevailing low interest rates) and the flow into cheque accounts of funds raised by companies abroad. The growth of broad money (M2) was more subdued than that of M1 both last year and again in January.

M3, the broadest and most volatile of the monetary aggregates, is composed of M2 plus bank CDs held by the public. These CD holdings can fluctuate widely from month to month. In January, M3 grew by some 2 per cent from its level in December. The Bank of Finland sterilized the expansionary effects of capital inflows on liquidity through money market operations, as a result of which the amount of Bank of Finland CDs in circulation increased.

BANKS' FINANCIAL RESULTS IMPROVED SLIGHTLY FROM THE PREVIOUS YEAR

According to preliminary data, banks' operating losses for 1993 declined substantially from the previous year. Contributing to the better performance was a decrease in loan losses to almost FIM 19 billion, from FIM 22 billion in the previous year, and to an improvement in net income from financing operations, due to lower interest rates. Several banks also increased their general loan loss provisions in anticipation of future write-offs. In this way, they prepared themselves for loan losses that could arise from the ongoing restructuring of a number of large companies. Banks' non-performing assets (repayment of principal or payment of interest in arrears by more than three months) and other zero-interest assets amounted to about FIM 52 billion at the end of the year, almost as much as a year ago. However, the growth in this item prior to write-offs on loans and guarantees slowed towards the end of the year.

The process has begun of transferring balance sheet items from the Savings Bank of Finland (SBF) to the banks to which it was sold by the government last October¹. The transferred items were included on an imputed basis in the purchasing banks' financial statements for 1993. SBF's non-performing loans and real estate totalling some FIM 30 billion will be transferred to the bank's asset management company, Arsenal Ltd, in the first phase of the transfer process. Arsenal will also assume responsibility for guarantees granted by the SBF.

11 March 1994

¹ See also the article by Peter Nyberg in the January 1994 issue of the Bulletin.

FINLAND'S EXPERIENCE WITH A FLOATING EXCHANGE RATE

by Johnny Åkerholm, Head of Department
Economics Department
Bank of Finland

The Finnish markka has been floating for some eighteen months now. This is too short a time to allow any firm conclusions to be drawn on how the new exchange rate system is suited to the Finnish economy and how it works overall. Though our experiences cover such a brief period, during which the economy has been grappling with exceptionally serious problems, we can nonetheless make certain observations on the functioning of the system.

In Finland – as too in the other Nordic countries – a system of fixed exchange rates has for long been considered to be better suited to the economy than one based on floating rates. This view stems from various preconceived ideas concerning how markets operate. Thus it has been felt that:

- the foreign exchange market in a small country is inevitably thin, a fact that reduces stability and generates great exchange rate variability;
- this, in turn, hampers imports and exports, with adverse consequences for an economy dependent on foreign trade;
- great exchange rate variability adds to inflation problems – typically, a weakening of the exchange rate is reflected in full in domestic prices sooner or later, and if a subsequent strengthening of the exchange rate does not lead to a corresponding fall in prices, there is a danger of the economy becoming caught up in a cycle of inflation and currency depreciation.

A floating exchange rate regime has not been opposed on monetary policy grounds. This

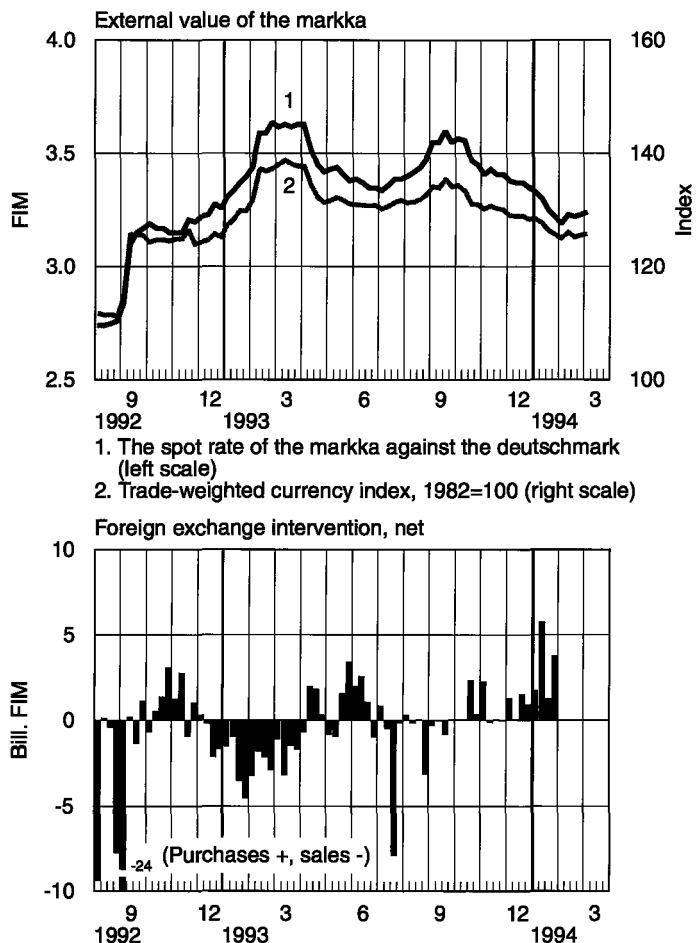
was easy to understand, as long as financial markets were extensively regulated. With deregulation of financial markets, however, the importance of monetary policy aspects has grown, and it has recently been argued that a floating exchange rate does not provide a sufficiently firm 'anchor' for the determination of in-

terest rates and wages; if inflationary expectations are excessive in relation to actual developments, real interest rates rise to high levels and monetary conditions become unnecessarily tight.

On the other hand, financial market deregulation has also prompted the view that a float-

CHART 1.

EXTERNAL VALUE OF THE MARKKA AND THE BANK OF FINLAND'S FOREIGN EXCHANGE INTERVENTION



ing exchange rate regime is the best option for an economy like Finland's, which suffers from large fluctuations in the terms of trade. A floating exchange rate, it is argued, allows monetary policy to be used as a counter-cyclical instrument. Seen from this angle, the exchange rate variability associated with monetary policy – ie the fact that the exchange rate tends to strengthen as monetary policy is tightened and to weaken as monetary policy is relaxed – is not viewed as a problem. Quite the contrary: exchange rate variability offers the best way of dampening economic disturbances deriving from foreign trade.

Finland's experience with a floating exchange rate so far can perhaps best be evaluated by studying it in relation to the ideas outlined above.

EXCHANGE RATE VARIABILITY

The exchange rate has certainly fluctuated widely in the past eighteen months or so (Chart 1). As soon as the markka was floated, the exchange rate fell by more than 10 per cent in relation to the currencies of Finland's main trade partners. It then remained more or less

stable for the next two months, but from the end of 1992 onwards started weakening again, reaching its lowest point in March 1993, when it had depreciated by 24 per cent. In contrast, it has strengthened by 8 per cent since October 1993, making the overall depreciation between September 1992 and the end of February 1994 something over 11 per cent.

By Finnish standards, these are major fluctuations, but they do not seem particularly unusual viewed internationally. Even the major currencies display quite substantial variability from time to time, even though their exchange rates are determined in deep and well-functioning markets (Chart 2).

True, the authorities in the major countries intervene rather seldom in their currency markets, and on a small scale compared with the size of the markets. Finland has experienced exchange rate fluctuations even though the Bank of Finland has, on occasions, intervened on a massive scale in attempts to curb a sharp weakening or strengthening of the exchange rate. Between mid-December 1992 and the end of March 1993, for instance, the Bank of Finland sold foreign currency worth FIM 31 billion. In December 1993 and

January 1994, the Bank bought foreign currency to the value of FIM 16 billion (Chart 1).

Fears that exchange rate variability increases when the currency is allowed to float thus seem to be borne out by recent developments. It is certainly obvious that there has been a lot of 'unnecessary' variability in the exchange rate viewed against economic fundamentals ('overshooting') and at one point Finland's price competitiveness improved by over 60 per cent relative to her most important trade partners.

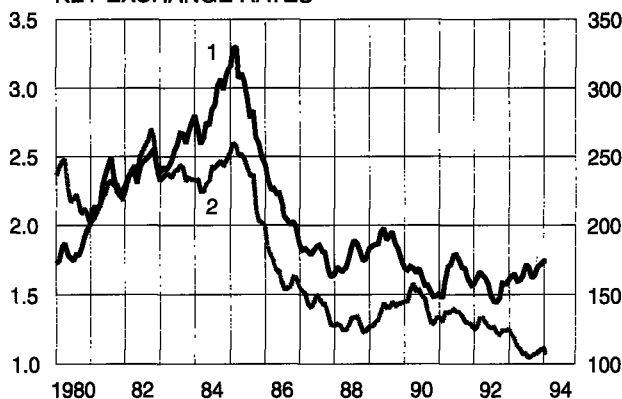
However, exchange rate variability cannot be viewed in isolation from other economic developments, and it is hard to judge how the exchange rate would have behaved under a fixed exchange rate system. There is no doubt that severe economic problems and instability in international markets have also contributed to exchange rate developments.

From the experiences of Finland and many other European countries in the last few years, it is clear that maintaining fixed exchange rates in the presence of free capital movements is not easy. Thus many countries have seen their currencies come under strong pressure, which has not been dispelled despite several exchange rate adjustments (eg in Spain and Portugal). Rather, currencies that have already weakened have been expected to depreciate further in connection with international crises, and have been subject to pressures which are difficult to control. There has been turbulence and pressure on exchange rates even in countries which did not seem to offer any economic grounds for such turmoil (such as Norway).

Against this background one can argue that there is a great danger the markka would have been subject to constant pressure in the tumult in the international currency markets in autumn 1992 even if its external value had been fixed at a new, albeit lower level in September. The market would have expect-

CHART 2.

KEY EXCHANGE RATES



1. DEM/USD (left scale)
2. YEN/USD (right scale)

ed the markka to decline because of the problems facing first the ERM, then Sweden and finally Norway.

On the other hand, it is also clear that uncertainty about future exchange rate developments hampered the workings of the currency market in winter 1992/93, when there was a particularly heavy fall in the markka.

FOREIGN TRADE

Exports do not seem to have suffered any difficulties because of the floating markka (Chart 3). In volume terms, exports have grown at an annual rate of 17 per cent during the time the markka has been floating. This is a particularly good performance considering the poor demand in world markets. Of course, export performance has been supported by the substantial improvement in price competitiveness and slack domestic demand, which has forced companies to seek new markets.

During the early days after the markka was floated there was some criticism from export companies, who felt that exchange rate uncertainty had increased. However, these voices fell silent after only a few weeks. Actually, the market offers plenty of ways of eliminating exchange rate risks. Short-term risks can be hedged in the forward market. With long-term agreements, the risks can be covered by borrowing abroad. However, requests for tender do pose something of a problem. The associated risks can certainly be covered with currency options, but the costs (ie premiums) are still so high as to make this form of hedging expensive.

It is also possible that many exporters associate a floating markka with a weaker currency and exceptionally good competitiveness, and thus do not feel this is anything of a problem. If this is the case, criticism is likely to grow as the markka appreciates.

INFLATION

During the time the markka has been floating, consumer price inflation has slowed from $\frac{1}{2}$ per cent in September 1992 to -2 per cent in January 1994¹. Though the markka has weakened, wages have hardly risen at all, and as productivity has increased rapidly, unit labour costs have fallen by 7 per cent over the last eighteen months.

Import and export prices have not risen as much as might have been expected in view of the weaker exchange rate (Chart 4). From September 1992 to January 1994, import prices rose by 9 per cent and export prices by just over 5 per cent. This is partly the result of low inflation internationally and the fall in world commodity prices. Foreign suppliers have also responded to the depressed state of demand in Finland by trimming their margins, which some observers argue had swelled during the previous boom.

An interesting question, albeit rather speculative at this point, is whether pricing has changed since the markka was allowed to float. Earlier experi-

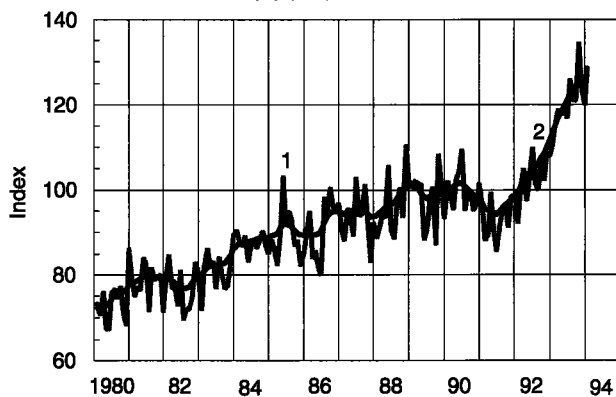
ence would suggest that a fall in the external value of the markka is passed through in full to domestic prices, the length of the pass-through period depending on the demand situation. Under the fixed rate system, it was only natural that pricing in both the product and labour markets was based on the new exchange rate adopted after any exchange rate changes. The official policy was that every change in the exchange rate was the last, and the new rate was proclaimed to last 'for ever'.

When the currency is floating, this matter is no longer so simple, and if economic agents expect that the markka may either strengthen or weaken, it makes better sense for pricing to be based on the expected average exchange rate rather than on the rate effective at any given time. If an importer or employee prices his product or labour input at too low an exchange rate, he will find he has priced himself out of the market. If, therefore, the markka is falling, it must be taken into account in pricing that the weakening may prove merely temporary, and that the currency may well go up in value.

¹ Three-month change expressed at an annual rate.

CHART 3.

EXPORTS OF GOODS

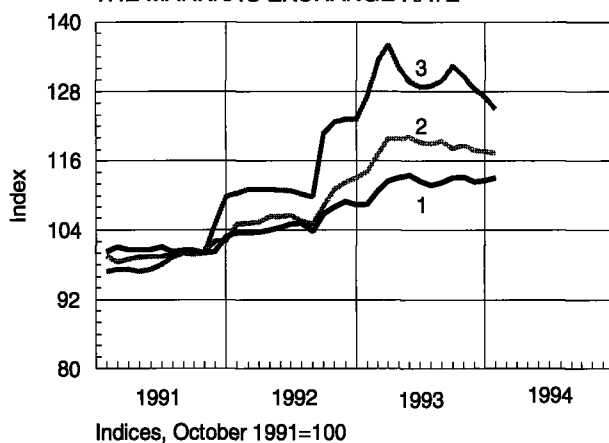


Volume index, 1990=100

1. Seasonally adjusted
2. Trend

CHART 4.

FOREIGN TRADE PRICES AND
THE MARKKA'S EXCHANGE RATE



1. Export prices
2. Import prices
3. Trade-weighted currency index

Uncertainty about future exchange rate developments may be one reason why the large exchange rate changes of the last few years have not sparked off greater inflationary pressures. After all, it is widely argued that the markka is undervalued and that it will probably strengthen at some stage.

AN ANCHOR FOR EXPECTATIONS

When the markka was allowed to float, the Bank of Finland announced that low inflation would continue to be the key objective of monetary policy. The Bank also stated that it would not, for the time being at least, adopt a new intermediate target in monetary policy to replace the fixed exchange rate. On the other hand, it stated that it would continue using several indicators as the basis for formulating monetary policy.

It soon became obvious that this was not enough for the markets, and there was great uncertainty in the money market about the underlying strategy of monetary policy. The lack of a good instrument for signalling the policy stance is one of the major

problems afflicting a floating exchange rate regime. The less confidence is felt by the general public towards economic policy in general and monetary policy in particular, the more serious this problem is. This has proved to be the case in several countries that have shifted to a floating currency (eg Canada, Australia and New Zealand), and was also a distinct difficulty in Finland.

Announcing intermediate monetary targets, eg in the form of growth rates for monetary aggregates, presupposes not only that the public understands their significance but also that the central bank can be reasonably confident about the links between the intermediate target and the ultimate target. In Finland, it was possible to identify fairly stable links for monetary aggregates in the 1980s, especially for the 'narrow' aggregates (M1).

These links may well change in the future, as has happened in most other countries. Floating the currency may in itself affect these relationships in a way that is difficult to predict. It is also clear that the banking crisis and the increasing importance

of the securities market in financial intermediation will alter the old relationships.

The Bank of Finland attempted to solve this problem in February 1993 by announcing an explicit inflation target from 1995 onwards. At the same time it started to analyze economic developments more systematically in a new quarterly publication that has appeared since June 1993 as well as in the Bulletin.

In this way the Bank sought to create a firm anchor for expectations and to provide a concrete picture of the principles guiding the formulation of monetary policy. As the real value of the exchange rate had fallen by over 50 per cent by that point – that is, price competitiveness had improved to the same degree – there was every reason to believe that achieving this inflation target would presuppose a strengthening of the markka at some stage in the future. Given such expectations, interest rates could have been cut even below the international level.

The February announcement alone did not convince the market, however. As the Bank of Finland, in the same connection, cut the base rate by one percentage point and allowed short-term market rates to fall, the markka began to plunge. Finnish companies paid back their foreign currency loans to the value of some tens of billions of markkaa over the next few weeks in the fear that the markka would weaken still further. The situation was not made any easier by the fact that Finnish companies had exceptionally large debts in foreign currencies, which made them susceptible to any weakening in the exchange rate. This put both the exchange rate and interest rates under immense pressure, and it was only through heavy foreign borrowing by the government that a rise in interest rates and a collapse in the external value of the markka could be averted (Chart 5).

Last winter's experiences showed that the independence in monetary policy promised by

the floating exchange rate system was nowhere in sight, that is, it was impossible to relax monetary policy to the extent that the economic situation and prospects for inflation would have required and allowed. Indeed, it is clear that the scope for stimulating the economy provided by monetary policy is dependent on the exchange rate system only in a technical sense. The opportunities for using monetary policy to boost demand in depressed economic conditions ultimately depend on overall confidence in the stability of the currency.

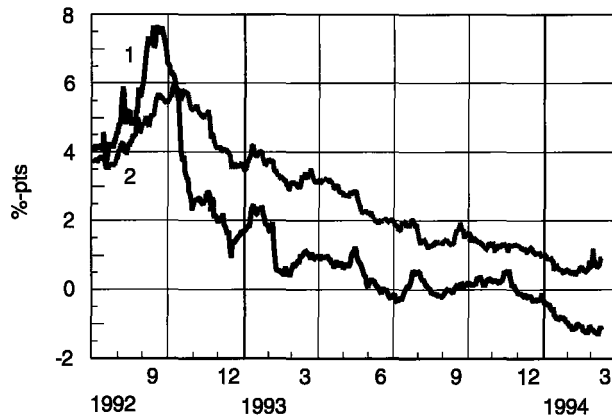
In countries where there is firm confidence in the stability of the currency – such as Switzerland, Germany and Japan – it has been possible on occasions to use monetary policy to provide a major stimulus to the economy. Though the value of the currency may fall with lower interest rates, the exchange rate does not go into an uncontrollable decline. Inflation can even be allowed to rise for a while, as was the case after German reunification, without any serious disturbances in interest rates or exchange rates.

This credibility was lacking in Finland, and many feared – and perhaps even more hoped – that inflation would start rising. Some even proposed that the central bank should finance the government budget deficit. In these circumstances, announcing an inflation target was not enough to strengthen credibility and to pave the way for cuts in interest rates, though the labour market organizations and also the Government later announced their support for the low-inflation goal.

In this respect, however, the situation will be different when the time for tightening monetary policy arrives. Then there will be more room for manoeuvre in monetary policy, even if it means cutting exporters' price competitiveness.

CHART 5.

DIFFERENTIAL BETWEEN FINNISH AND GERMAN INTEREST RATES



1. 3-month HELIBOR less 3-month euro-DEM rate
2. 5-year Finnish government bond yield less 5-year German government bond yield

CONCLUDING REMARKS

All in all, Finland's experience with a floating exchange rate can be said to have been both positive and negative. From the central bank's point of view, the positive aspects are that the money market has not reacted as sensitively to external disturbances as has sometimes been the case in the past. The best example of this came in autumn 1992. The extra flexibility provided by the floating exchange rate has also reduced fluctuations in liquidity and interest rates when disturbances have occurred.

Continuing moderate inflation despite a substantial weakening in the exchange rate is another important positive feature. However, it is still too early to assess how far this is due to the changes in pricing policy brought about by floating the markka and how far merely to slack demand. The fluctuations in the markka have certainly proved no obstacle to fast export growth.

On the other hand, floating has not resulted in the kind of independence in monetary policy that might have been expected. Thus, it did not permit any major

decline in interest rates, and the falls that occurred in the initial stages were attributable to exceptionally heavy imports of capital by the government.

As the economy recovers, the floating exchange rate will permit the effective use of monetary policy in combating inflationary pressures, for the first time in Finland's postwar history. A floating exchange rate regime also permits interest rates to be raised if necessary; the resulting threat of greater capital imports can be cushioned by allowing the exchange rate to strengthen. Only when we have gained experiences of how the floating exchange regime works in an economic upturn will we be in a position to determine how well it is suited to Finland.

11 March 1994

**SUPPLEMENTARY
BUDGET**

The first supplementary budget for 1994 was approved by Parliament in March. It provides for an increase in central government expenditure of FIM 1.7 billion, consisting mainly of measures designed to alleviate the difficult unemployment situation through the promotion of private and public investment. These measures were decided by the Government last December. The December package also included other measures designed to alleviate the slump in domestic demand, which were incorporated in the original 1994 budget.

A key component of the investment package is a 7 per cent subsidy for manufacturing investments in 1994, which will be granted in the form of corporate income tax relief. The Government estimates that these measures will boost private investment by FIM 2 billion. In addition, an extra reduction in value-added tax is to be allowed for business sector investment in buildings whose construction commenced after 1 January 1994.

An additional FIM 1.2 billion has been earmarked for public investment this year, implying corresponding cuts in later years. The focus of the project is on construction of public roads

and railways. Subsidies for investment in energy production and for building repairs will be increased by about FIM 0.2 billion. Other outlays include various subsidies to local authorities for investments promoting employment.

FIM 1 billion of the supplementary budget will be financed by higher-than-projected interest payments and repayments of principal on outstanding loans granted by the central government. The remaining FIM 0.7 billion will be financed by extra borrowing. Budgeted central government outlays are now set at FIM 195.2 billion and net borrowing at FIM 68.8 billion.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM MARCH 1993 TO FEBRUARY 1994

1993

MARCH

Organization of the Government Guarantee Fund.

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

APRIL

Support to the Savings Bank of Finland.

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

MAY

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

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

Cash reserve requirement.

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

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

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

JUNE

Cash reserve requirement.

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

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

Market in government securities.

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

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

JULY

Introduction of minimum reserve system.

In June, an amendment to the Regulations for the Bank of Finland enters into force providing for a mandatory minimum reserve system. On 30 June, the Bank decides to terminate the existing cash reserve agreement with the banks and replace it by the minimum reserve system.

Deposit banks and branches of foreign credit institutions are required to hold 2.0 per cent of their liquid deposits, 1.5 per cent of their other deposits and 1.0 per cent of their other domestic liabilities as non-interest-bearing minimum reserves at the Bank of Finland. The system is applied for the first time to the reserve base for June and the corresponding deposits are to be made by the end of July.

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

AUGUST

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

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

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

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

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

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

OCTOBER

Establishment of asset management companies becomes possible. The Act on the Government Guarantee

Fund is amended on 15 October so as to enable the Fund to own and administer shares in an asset management company, ie a company set up for the purpose of purchasing and administering the assets or liabilities of a bank subject to support measures taken by the Fund or the government.

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

NOVEMBER

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

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

on loans raised by the fund, the latter will start repaying interest in 1997.

DECEMBER

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 6.0 per cent to 5.5 per cent with effect from 1 December.

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

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

1994

FEBRUARY

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

Visiting Scholars Programme

BANK OF FINLAND

The Bank of Finland welcomes applications from foreign scholars for a post within the Bank's Visiting Scholars Programme at the Research Department during 1994. The department is willing to consider both short and longer-term (up to one year) visits.

A visiting scholar would be expected to conduct research on a subject mainly in the field of monetary / financial economics and policy. The research report could be published in the Bank's publication series. The scholar would also normally be expected to give comments and advice on other research work conducted at the Bank.

Remuneration for visiting scholars will be commensurate with the research experience of the selected applicant.

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

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

FINLAND IN BRIEF

LAND, CLIMATE AND POPULATION

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

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

There are two official languages: 93.4 % of the population speaks Finnish as its mother tongue and 5.9 % Swedish. There is a small Lapp population in the north. Finnish is a member of the small Finno-Ugrian group of languages, which also includes Estonian and Hungarian.

FORM OF GOVERNMENT

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

The legislative power of the country is exercised by Parliament and the President of the Republic. The supreme executive power is vested in the President, who is elected for a period of six years. The President for the current term, 1 March 1994 to 1 March 2000, is Mr Martti Ahtisaari.

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

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

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

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

Having abolished most quantitative restrictions on foreign trade in 1957, Finland first took part in European free trade arrangements under the auspices of EFTA in 1961. Imports from the USSR were also progressively freed from customs duties. Finland's free trade agreement with the EEC entered into force in 1974 and agreements for the removal of trade barriers were concluded with several eastern European countries as well. 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. Of the gross domestic product of FIM 414 billion in basic values in 1992, 3 % was generated in agriculture and fishing, 2 % in forestry, 22 % in industry, 6 % in construction, 12 % in trade, restaurants and hotels, 9 % in transport and communications, 3 % in finance and insurance, 18 % in other private services and 22 % by producers of government services. Of total employment of 2.0

million persons in 1993, 8 % were engaged in primary production, 27 % in industry and construction and 65 % in services.

In 1992, expenditure on the gross domestic product in purchasers' values amounted to FIM 476 billion and was distributed as follows: net exports 1.2 % (exports 26.8 %, imports -25.6 %), gross fixed capital formation 18 %, private consumption 57 % and government consumption 25 %. Finland's tax ratio (gross taxes including compulsory employment pension contributions relative to GDP) was 47 per cent, which is somewhat below the average for the Nordic countries.

Average annual (compounded) growth of real GDP was 4.7 % in the period 1950-59, 5.0 % in 1960-69, 3.7 % in 1970-79, 3.7 % in 1980-89 and 3.7 % in 1990-92. Finland's GDP per capita in 1992 was USD 21 000.

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

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

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

The annual growth increment totals 79 million cubic metres and the total drain calculated on the basis of commercial fellings was 38 million cubic metres in 1992.

Energy. In 1992, gross consumption of primary energy amounted to 30 Mtoe, of which industry accounted for 45 %, heating for 22 %, transportation for 14 % and other purposes for 19 %. The sources of primary energy in 1992 were as follows: oil 29 %, coal 9 %, nuclear power 15 %, hydro-electric power, peat and other indigenous sources 31 %, others 16 %. Compared

internationally (1990), Finland's consumption of 5.8 toe (OECD definition) per capita was 1.8 times higher than the average in European OECD countries. The self-sufficiency rate (including nuclear power) in Finland was 39 %, as compared with 60 % in western Europe on average.

FINANCE AND BANKING

Currency. Finland has had its own monetary system since 1865. The currency unit is the markka (plural: markkaa), abbreviation FIM, which is divided into 100 penniä (singular: penni). From 1 November 1977 to 7 June 1991 the external value of the markka was officially expressed in terms of a trade-weighted currency index, which was permitted to fluctuate within a prescribed range (from 30 November 1988 the range was 6 percentage points). From 7 June 1991 to 7 September 1992, the markka was pegged to the European Currency Unit, the ECU. The fluctuation margins and the midpoint were set so as to correspond to the fluctuation margins and midpoint of the old currency index. The midpoint was first 4.87580 (FIM/ECU). Owing to the devaluation of the markka on 15 November 1991, the midpoint was increased to 5.55841 and the fluctuation limits to 5.39166 and 5.72516. On 8 September 1992, the Bank of Finland decided to temporarily abandon the limits of the fluctuation range and allow the markka to float. On 13 November 1992, the Government, on the basis of the amended Currency Act, authorized the Bank of Finland to float the markka for an indefinite period.

The Central Bank. The Bank of Finland (Suomen Pankki – Finlands

Bank), founded in 1811, operates under the supervision of the Parliamentary Supervisory Board, the nine members of which are entrusted with overall supervision of the Bank and certain specific decisions such as fixing the Bank's base rate and the limits for other rates. The Governor and a maximum of five other Members of the Board are appointed by the President of the Republic. The Board manages all affairs not expressly entrusted to the Parliamentary Supervisory Board, including the terms of banks' central bank finance, 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 6 branch offices in other towns.

Other banks (31 December 1992)
. Finland has three major groups of deposit banks with a total of about 2 700 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 29 foreign branches, subsidiaries and associate banks and 31 representative offices abroad. There are 41 savings banks and 310 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 758 billion in outstanding

domestic credit at the end of 1992, 58 % was provided by deposit banks 3 % by private mortgage banks, 19 % by insurance companies, 3 % by other private credit institutions, 6 % by public financial institutions and 10 % 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, 75 % of the instruments, which totalled approximately FIM 158 billion at end-1992, 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 63 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 64 billion (at end-1992). Two foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1992 totalled FIM 162 billion; government bonds made up 27 % of the total. Turnover on the Stock Exchange in 1992 amounted to FIM 26 billion; the share of shares and subscription rights in the total was approximately 40 %.



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NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

S25 S1

1. THE BALANCE SHEET OF THE BANK OF FINLAND

1.1 THE BALANCE SHEET OF THE BANK OF FINLAND,

MILL. FIM

	1993		1994		
	31 Dec.	8 Feb.	15 Feb.	23 Feb.	28 Feb.
ASSETS					
Gold and foreign currency claims	33 472	42 211	46 753	46 478	46 580
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	664	650	656	652	657
IMF reserve tranche	1 747	1 710	1 727	1 699	1 676
Convertible currencies	28 882	37 672	42 191	41 947	42 067
Other foreign claims	5 058	5 058	5 058	5 058	5 092
Markka subscription to Finland's IMF quota	5 058	5 058	5 058	5 058	5 092
Term credit	—	—	—	—	—
Claims on financial institutions	8 677	5 493	2 959	3 725	3 053
Liquidity credits	1	1	—	—	—
Certificates of deposit	1 844	40	667	608	569
Securities with repurchase commitments	5 493	4 181	1 041	1 867	1 233
Term credits	—	—	—	—	—
Bonds	1 101	1 033	1 013	1 013	1 013
Other claims on financial institutions	238	238	238	238	238
Claims on the public sector	1 788	1 739	1 766	1 762	1 768
Treasury bills	—	—	—	—	—
Loans to the Government Guarantee Fund	—	—	—	—	—
Total coinage	1 788	1 739	1 766	1 762	1 768
Claims on corporations	3 303	3 288	3 279	3 273	3 273
Financing of domestic deliveries (KTR)	496	481	472	466	466
Other claims on corporations	2 807	2 807	2 807	2 807	2 807
Other assets	6 826	5 716	5 726	5 207	5 210
Loans for stabilizing the money market	5 752	5 552	5 552	5 032	5 032
Accrued items	907	—	—	—	—
Other assets	166	164	174	175	178
Capitalized expenditures and losses due to safeguarding the stability of the money market	1 400	1 400	1 400	1 400	1 400
Total	60 524	64 905	66 941	66 903	66 376
LIABILITIES					
Foreign currency liabilities	193	232	204	205	191
Convertible currencies	193	232	204	205	191
Other foreign liabilities	6 189	6 165	6 176	6 158	6 199
IMF markka accounts	5 058	5 058	5 058	5 058	5 092
Allocations of special drawing rights	1 131	1 107	1 118	1 100	1 107
Other foreign liabilities	—	—	—	—	—
Notes and coin in circulation	14 994	13 902	13 823	13 814	13 855
Notes	13 442	12 372	12 295	12 280	12 324
Coin	1 552	1 530	1 528	1 534	1 532
Certificates of deposit	14 837	24 210	26 753	27 183	26 290
Liabilities to financial institutions	8 201	7 483	7 190	6 945	6 773
Call money deposits	1 803	1 090	796	552	426
Term deposits	—	—	—	—	—
Minimum reserve deposits	6 398	6 393	6 393	6 393	6 346
Other liabilities to financial institutions	—	—	1	0	1
Liabilities to the public sector	784	307	300	300	300
Cheque accounts	8	3	2	2	1
Deposits of the Government Guarantee Fund	776	304	299	299	299
Other liabilities to the public sector	—	—	—	—	—
Liabilities to corporations	2 087	1 876	1 866	1 861	1 857
Deposits for investment and ship purchase	2 087	1 876	1 866	1 861	1 857
Other liabilities	627	101	93	96	96
Accrued items	536	—	—	—	—
Other liabilities	92	101	93	96	96
Valuation account and reserves	6 847	4 865	4 771	4 577	5 051
Capital accounts	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Profit/loss for the accounting year	—	—	—	—	—
Total	60 524	64 905	66 941	66 903	66 376

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 claims (10-11)
	1	2	3	4	5	6	7	8	9	10	11	12
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
1992	2 180	564	1 732	24 940	29 416	-	29 416	- 2 897	26 519	2 446	90	2 356
1993	2 180	664	1 747	28 689	33 280	-	33 279	- 1 131	32 148	1 788	784	1 004
1993												
Feb.	2 180	655	1 972	23 778	28 585	-	28 585	- 710	27 875	2 121	90	2 031
March	2 180	655	1 974	22 521	27 330	-	27 330	- 716	26 614	1 954	102	1 852
April	2 180	615	1 842	29 986	34 623	-	34 624	- 678	33 946	2 639	59	2 580
May	2 180	634	1 819	29 778	34 411	-	34 410	- 692	33 718	2 416	64	2 352
June	2 180	650	1 866	32 156	36 852	-	36 851	- 699	36 152	1 396	591	805
July	2 180	661	1 899	30 157	34 897	-	34 898	- 681	34 217	1 396	150	1 246
Aug.	2 180	680	1 927	26 834	31 621	-	31 621	- 707	30 914	1 412	149	1 263
Sept.	2 180	675	1 869	22 134	26 858	-	26 858	- 704	26 154	1 444	149	1 295
Oct.	2 180	668	1 850	24 552	29 250	-	29 251	- 693	28 558	1 652	149	1 503
Nov.	2 180	678	1 854	26 159	30 871	-	30 871	- 689	30 182	1 801	649	1 152
Dec.	2 180	664	1 747	28 689	33 280	-	33 279	- 1 131	32 148	1 788	784	1 004
1994												
Jan.	2 180	645	1 697	36 404	40 926	-	40 926	- 1 099	39 827	1 739	904	835
Feb.	2 180	657	1 676	41 876	46 389	-	46 389	- 1 107	45 282	1 768	300	1 468

End of period	Domestic financial sector						Corporate sector				
	Term claims on deposit banks	Liquidity position of deposit banks, net ¹	Minimum reserve deposits of deposit banks ²	Till-money credits to deposit banks	Other claims on 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
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
1992	3 738	- 550	- 13 165	2 872	1 700	- 5 405	747	- 2 651	- 1 904	14 508	4 880
1993	7 337	- 1 802	- 6 398	-	1 339	476	496	720	1 216	14 994	14 837
1993											
Feb.	7 448	- 690	- 14 806	3 511	1 639	- 2 898	710	- 1 915	- 1 205	13 840	7 220
March	8 069	142	- 14 698	2 994	1 626	- 1 867	686	- 1 808	- 1 122	13 720	10 270
April	2 688	- 815	- 14 599	2 747	1 608	- 8 371	662	- 1 744	- 1 082	13 834	13 490
May	5 359	- 3 395	- 11 790	2 750	1 591	- 5 485	643	392	1 035	13 870	16 190
June	4 275	945	-	-	1 556	6 776	608	428	1 036	13 864	28 367
July	4 763	75	- 6 262	-	1 488	64	592	475	1 067	13 553	18 956
Aug.	6 953	408	- 6 310	-	1 459	2 510	575	524	1 099	13 297	18 259
Sept.	6 474	1 764	- 6 338	-	1 470	3 370	555	597	1 152	13 317	13 615
Oct.	6 759	- 386	- 6 320	-	1 429	1 482	535	614	1 149	13 653	14 480
Nov.	6 951	- 1 373	- 6 476	-	1 405	507	517	642	1 159	15 836	12 259
Dec.	7 337	- 1 802	- 6 398	-	1 339	476	496	720	1 216	14 994	14 837
1994											
Jan.	4 198	- 889	- 6 393	-	1 283	- 1 801	482	860	1 342	14 084	22 440
Feb.	1 802	- 426	- 6 346	-	1 250	- 3 720	466	950	1 416	13 855	26 290

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

² Cash reserve deposits prior to 1 July 1993.

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

2.1 BANKS' LIQUIDITY POSITION AT THE BANK OF FINLAND,

MILL. FIM

Average of daily observations	Call money deposits	Liquidity credits ¹	Liquidity position, net ¹ (1-2)
	1	2	3
1989	416	369	47
1990	806	132	674
1991	881	985	- 103
1992	2 103	437	1 666
1993	831	425	407
1993			
Feb.	1 305	23	1 282
March	416	1 008	- 592
April	629	390	239
May	763	186	577
June	1 032	387	645
July	981	518	462
Aug.	581	311	270
Sept.	482	480	2
Oct.	605	759	- 154
Nov.	714	336	378
Dec.	955	103	852
1994			
Jan.	933	105	828
Feb.	767	0	767

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

2.2 THE BANK OF FINLAND'S MINIMUM RESERVE SYSTEM²

End of period	Reserve requirement			Cash reserve requirement, %	Deposits, mill. FIM Total
	On liquid deposits, %	On other deposits, %	On domestic debt capital, %		
	1	2	3	4	5
1989	.	.	.	9.1	25 506
1990	.	.	.	7.0	17 401
1991	.	.	.	4.0	10 361
1992	.	.	.	5.0	13 165
1993	2.0	1.5	1.0	.	6 398
1993					
Feb.	.	.	.	5.5	14 806
March	.	.	.	5.5	14 698
April	.	.	.	5.5	14 599
May	.	.	.	4.5	11 790
June	.	.	.	-	-
July	2.0	1.5	1.0	.	6 262
Aug.	2.0	1.5	1.0	.	6 310
Sept.	2.0	1.5	1.0	.	6 338
Oct.	2.0	1.5	1.0	.	6 320
Nov.	2.0	1.5	1.0	.	6 476
Dec.	2.0	1.5	1.0	.	6 398
1994					
Jan.	2.0	1.5	1.0	.	6 393
Feb.	2.0	1.5	1.0	.	6 346

² Cash reserve system prior to 1 July 1993

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1-2-3)
	1	2	3	4
1989	131 110	3 855	99 245	28 010
1990	163 326	26 379	160 797	- 23 850
1991	109 568	30 380	81 969	- 2 781
1992	76 230	137 940	- 60 417	- 1 293
1993	86 521	146 899	- 50 486	- 9 892
1993				
Feb.	6 500	8 340	- 260	- 1 580
March	10 470	12 750	660	- 2 940
April	5 870	11 310	1 450	- 6 890
May	4 250	21 140	- 775	- 16 115
June	4 041	22 169	- 19 911	1 783
July	7 070	12 260	- 18 300	13 110
Aug.	7 240	14 950	- 10 660	2 950
Sept.	7 920	7 720	- 6 920	7 120
Oct.	10 110	11 970	1 180	- 3 040
Nov.	8 310	9 200	- 2 090	1 200
Dec.	9 250	9 690	1 250	- 1 690
1994				
Jan.	5 720	17 000	- 3 130	- 8 150
Feb.	3 940	19 430	- 10 230	- 5 260

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

During period	Intervention in the foreign exchange market			Spot transactions related to forward contracts, net	Central government's foreign exchange transactions, net
	Spot purchases	Spot sales	Forward exchange intervention - change in forward exchange position		
	1	2	3		
1991	35 120	- 69 940	- 14 820	12 820	12 260
1992	20 050	- 70 640	- 1 650	390	45 060
1993	25 120	- 45 080	7 460	- 6 910	33 240
1993					
Jan.	-	- 9 390	- 440	- 580	12 660
Feb.	-	- 8 830	3 600	- 4 720	7 870
March	-	- 7 470	- 3 920	4 030	2 690
April	3 610	- 3 010	4 510	- 1 650	10 820
May	5 220	- 2 090	2 410	- 2 300	660
June	6 040	- 1 010	1 220	- 1 600	- 1 690
July	960	- 8 360	- 4 800	4 520	- 820
Aug.	510	- 3 580	960	- 810	- 420
Sept.	-	- 1 170	2 050	- 1 950	- 1 770
Oct.	2 790	- 100	1 540	- 1 510	2 980
Nov.	2 270	- 70	- 40	-	- 1 170
Dec.	3 720	-	370	- 340	1 430
1994					
Jan.	12 550	-	2 720	- 2 680	- 1 490

2.5 FORWARD EXCHANGE CONTRACTS, MILL. FIM

Stock at end of period	Finnish banks' forward contracts							Non-residents' forward contracts with Finnish customers (excl. Finnish banks)				
	With Finnish customers (excl. Finnish banks)			With foreign customers			With the Bank of Finland	Total				
	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net	Currency purchases from foreign customers	Currency sales to foreign customers	Net	Net forward purchases from the Bank of Finland	Net	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net	
	1	2	3	4	5	6	7	8	9	10	11	
1989	10 531	3 563	6 967	44 885	36 854	8 031	205	15 204	..	..	..
1990	11 609	4 979	6 631	21 179	11 079	10 100	- 6 098	10 633	237	55	183	
1991	33 004	36 352	- 3 348	40 056	37 505	2 550	8 953	8 155	1 404	645	759	
1992	39 195	32 939	6 256	21 142	32 339	- 11 197	7 133	2 192	1 614	1 929	- 315	
1993	38 373	23 721	14 652	14 346	21 895	- 7 548	1 939	9 043	11 632	2 173	9 459	
1993												
Jan.	35 125	32 711	2 414	17 695	26 751	- 9 056	6 433	- 209	2 000	2 195	- 195	
Feb.	33 968	32 896	1 072	17 145	25 453	- 8 308	2 585	- 4 651	4 191	1 683	2 508	
March	33 115	34 059	- 944	16 445	26 632	- 10 187	9 815	- 1 316	4 096	1 586	2 510	
April	36 298	33 616	2 682	15 031	26 189	- 11 158	7 460	- 1 016	4 305	1 763	2 542	
May	36 027	31 763	4 264	16 521	23 513	- 6 992	4 144	1 416	3 882	1 214	2 668	
June	36 401	26 908	9 493	16 072	21 858	- 5 785	2 204	5 912	5 237	1 275	3 962	
July	34 287	26 687	7 600	15 428	29 360	- 13 932	6 718	386	6 882	854	6 029	
Aug.	32 677	26 607	6 070	15 791	26 631	- 10 840	5 912	1 142	7 013	1 063	5 950	
Sept.	34 391	29 105	5 287	14 931	25 519	- 10 588	4 221	- 1 080	7 072	1 625	5 447	
Oct.	36 251	31 071	5 179	14 928	25 313	- 10 384	2 293	- 2 912	9 942	2 313	7 629	
Nov.	36 988	26 544	10 444	14 010	26 027	- 12 018	2 527	953	8 755	1 840	6 915	
Dec.	38 373	23 721	14 652	14 346	21 895	- 7 548	1 939	9 043	11 632	2 173	9 459	
1994												
Jan.	43 162	19 298	23 864	13 803	23 618	- 9 815	439	14 488	13 494	2 622	10 872	S5

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		
		1 month	3 months	6 months	12 months	Liquidity credit rate ¹	Call money deposit rate	Base rate
		1	2	3	4	5	6	7	8
1989	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67
1990	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50
1991	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50
1992	13.32	13.49	13.27	13.08	12.96	14.90	7.41	9.17
1993	7.71	7.85	7.73	7.59	7.47	8.95	4.95	6.85
1993								
Feb.	8.47	9.16'	9.19	9.22	9.30	10.34	6.34	8.00
March	9.13	8.99	8.90	8.69	8.62	9.96	5.96	7.50
April	8.93	8.85	8.73	8.57	8.44	9.85	5.85	7.50
May	8.48	8.41	8.25	8.14	7.97	9.42	5.42	7.26
June	7.77	7.70	7.62	7.57	7.55	8.72	4.72	7.00
July	7.45	7.31	7.27	7.22	7.12	8.31	4.31	6.73
Aug.	6.18	6.70	6.65	6.56	6.52	7.74	3.74	6.24
Sept.	6.35	6.81	6.68	6.49	6.29	7.76	3.76	6.00
Oct.	6.97	7.13	6.87	6.60	6.29	8.08	4.08	6.00
Nov.	6.76	6.95	6.58	6.23	5.93	7.97	3.97	6.00
Dec.	6.22	6.16	5.90	5.68	5.52	8.21	4.21	5.50
1994								
Jan.	5.63	5.38	5.19	5.05	5.01	7.44	3.44	5.50
Feb.	4.52	4.82	4.82	4.88	5.05	6.84	2.84	5.25

¹ Call money credit rate until 2 July 1992.

3.2 THE BANK OF FINLAND'S LIQUIDITY FACILITY

	The Bank of Finland's tender rate, %		Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	Call money deposits: interest rate margin, %-points
1992'	13.85	1992	+1.00	7	-3.00
1993	7.85	1993	+2.00	7	-2.00
1993		1993			
Feb.	9.34	Feb.	+1.00	7	-3.00
March	8.96	March	+1.00	7	-3.00
April	8.85	April	+1.00	7	-3.00
May	8.42	May	+1.00	7	-3.00
June	7.72	June	+1.00	7	-3.00
July	7.31	July	+1.00	7	-3.00
Aug.	6.74	Aug.	+1.00	7	-3.00
Sept.	6.76	Sept.	+1.00	7	-3.00
Oct.	7.08	Oct.	+1.00	7	-3.00
Nov.	6.97	Nov.	+1.00	7	-3.00
Dec.	6.21	Dec.	+2.00	7	-2.00
1994		1994			
Jan.	5.44	Jan.	+2.00	7	-2.00
Feb.	4.84	Feb.	+2.00	7	-2.00
01.02.1994	5.25				
02.02.1994	4.78				
03.02.1994	4.80				
07.02.1994	4.85				
08.02.1994	4.80				
09.02.1994	4.84				
15.02.1994	4.95				
18.02.1994	4.75				

¹ July - December

3.3 WEIGHTED EURORATES AND COMMERCIAL ECU INTEREST RATE, PER CENT

Average of daily observations	ECU	3 currencies		Commercial ECU
		3 months		
		1	2		3
1989	9.3	8.4	9.3	
1990	10.5	9.1	10.4	
1991	10.1	8.5	9.9	
1992	10.4	7.8	10.6	
1993	8.0	6.0	8.1	
1993				
Feb.	9.9	6.6	9.6	
March	9.3	6.4	9.2	
April	8.6	6.3	8.9	
May	7.9	6.1	7.9	
June	7.6	6.1	7.5	
July	7.7	5.9	7.8	
Aug.	7.5	5.5	7.7	
Sept.	7.4	5.5	7.7	
Oct.	7.2	5.6	7.5	
Nov.	6.8	5.4	7.0	
Dec.	6.5	5.2	6.5	
1994				
Jan.	6.3	5.1	6.4	
Feb.	6.3	5.1	6.4	

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

Average for period	Lending						Markka deposits and other markka funding					
	New credits				Average lending rate	Of which: Commercial banks	24-month tax-exempt deposits ¹	36-month tax-exempt deposits ¹	Other tax-exempt deposits, max. rate of interest ¹	Average rate of interest on deposits	Average rate of interest on other funding	Average rate of interest on markka funding
	Cheque account and postal giro credits	Bills of exchange	Loans	New lending, total								
	1	2	3	4	5	6	7	8	9	10	11	12
1989	12.97	13.47	11.58	12.07	10.56	10.40	7.50	.	4.50	5.67	11.92	7.37
1990	13.24	15.62	13.33	13.85	11.84	11.61	7.50	.	4.50	6.43	13.55	8.41
1991	13.63	15.88	13.40	13.84	12.08	11.80	7.50	.	4.50	7.10	13.22	8.97
1992	14.04	15.86	13.32	13.75	12.46	12.13	7.50	8.50	4.50	7.41	12.84	9.14
1993	9.69	13.55	9.40	9.75	10.20	9.92	3.50	4.50	2.00	4.78	8.86	6.15
1993												
Jan.	11.87	15.36	12.32	12.53	11.89	11.68	6.50	7.50	4.50	6.56	11.18	8.04
Feb.	12.07	14.78	11.34	11.68	11.33	11.15	5.50	6.50	4.50	6.05	10.51	7.53
March	11.35	14.50	10.93	11.29	11.07	10.84	5.50	6.50	4.50	5.87	10.04	7.30
April	10.82	14.23	10.29	10.60	10.89	10.62	5.50	6.50	4.50	5.74	9.72	7.11
May	9.78	14.23	10.13	10.40	10.56	10.27	5.00	6.00	2.50	4.90	9.42	6.43
June	5.59	13.88	9.51	9.44	10.35	10.06	5.00	6.00	2.50	4.75	9.08	6.18
July	10.45	13.04	8.99	9.47	10.01	9.73	4.50	5.50	2.50	4.50	8.64	5.88
Aug.	10.67	13.20	8.79	9.25	9.58	9.26	4.00	5.00	2.50	4.10	8.09	5.44
Sept.	7.66	12.97	8.39	8.68	9.38	9.09	4.00	5.00	2.50	3.96	7.88	5.31
Oct.	9.92	12.39	8.66	9.04	9.28	8.97	4.00	5.00	2.50	3.89	7.77	5.24
Nov.	9.51	12.77	8.29	8.64	9.21	8.90	4.00	5.00	2.00	3.71	7.44	5.04
Dec.	8.83	11.55	7.32	7.62	8.85	8.48	3.50	4.50	2.00	3.33	6.94	4.55
1994												
Jan.	8.09	11.25	7.35	7.62	8.58	8.22	3.50	4.50	2.00	3.11	6.41	4.19

¹ End of period.

3.5 YIELDS ON BONDS AND DEBENTURES, PER CENT

Period	Reference rates calculated by the Bank of Finland		Taxable government bonds		Taxable public issues	Taxfree public issues
	3 years	5 years	5 years	10 years		
	1	2	3	4	5	6
1989	12.2	12.0	12.1	.	11.9	8.1
1990	13.7	13.5	13.2	.	13.3	9.2
1991	12.3	12.2	11.9	.	12.6	10.0
1992	13.1	13.0	12.1	11.5 ¹	13.8	9.9
1993	8.5	8.9	8.2	8.8	10.3	6.6
1993						
Jan.	11.4	11.6	10.7	10.9	12.2	8.6
Feb.	10.5	10.7	9.9	10.3	12.1	8.0
March	9.7	10.0	9.4	9.9	11.4	7.6
April	9.6	10.0	9.3	9.8	11.0	7.8
May	9.2	9.6	8.9	9.5	11.0	6.7
June	8.8	9.2	8.4	9.0	9.3	6.7
July	8.2	8.7	8.0	8.5	11.1	6.3
Aug.	7.4	7.9	7.2	7.7	9.2	5.9
Sept.	7.2	7.8	7.3	7.9	8.3	5.8
Oct.	7.1	7.6	6.9	7.6	9.8	5.5
Nov.	6.8	7.2	6.5	7.2	9.0	5.3
Dec.	6.5	7.0	6.2	6.9	9.2	4.9
1994						
Jan.	6.1	6.6	5.8	6.4	7.8	4.7

¹ November and December only.

4. RATES OF EXCHANGE

4.1 MIDDLE RATES, FIM

Average of daily quotations	New York 1 USD	Montreal 1 CAD	London 1 GBP	Dublin 1 IEP	Stockholm 1 SEK	Oslo 1 NOK	Copen- hagen 1 DKK	Frankfurt aM 1 DEM	Amster- dam 1 NLG	Brussels 1 BEF	Zurich 1 CHF	Paris 1 FRF
	1	2	3	4	5	6	7	8	9	10	11	12
1989	4.2897	3.624	7.032	6.082	0.6654	0.6213	0.5869	2.2818	2.0226	0.1089	2.6243	0.6725
1990	3.8233	3.277	6.808	6.325	0.6459	0.6110	0.6181	2.3664	2.1002	0.1145	2.7576	0.7024
1991	4.0457	3.533	7.131	6.511	0.6684	0.6236	0.6322	2.4380	2.1634	0.1184	2.8208	0.7169
1992	4.4835	3.706	7.875	7.636	0.7714	0.7222	0.7444	2.8769	2.5552	0.1397	3.2000	0.8486
1993	5.7189	4.434	8.582	8.371	0.7350	0.8059	0.8822	3.4584	3.0787	0.1655	3.8706	1.0096
1993												
Feb.	5.8297	4.622	8.387	8.641	0.7747	0.8352	0.9247	3.5526	3.1565	0.1723	3.8416	1.0488
March	5.9718	4.790	8.716	8.810	0.7720	0.8527	0.9441	3.6258	3.2254	0.1760	3.9274	1.0673
April	5.5967	4.435	8.646	8.551	0.7519	0.8268	0.9131	3.5076	3.1212	0.1704	3.8346	1.0371
May	5.4792	4.317	8.493	8.321	0.7484	0.8067	0.8888	3.4137	3.0432	0.1660	3.7865	1.0126
June	5.5487	4.339	8.394	8.212	0.7489	0.7961	0.8793	3.3664	3.0017	0.1638	3.7713	1.0001
July	5.7775	4.506	8.638	8.150	0.7262	0.7906	0.8698	3.3682	2.9954	0.1631	3.8123	0.9897
Aug.	5.8307	4.462	8.699	8.110	0.7237	0.7915	0.8429	3.4363	3.0540	0.1618	3.8905	0.9818
Sept.	5.7832	4.379	8.813	8.295	0.7219	0.8168	0.8707	3.5637	3.1734	0.1660	4.0737	1.0188
Oct.	5.7495	4.335	8.647	8.250	0.7172	0.8030	0.8682	3.5126	3.1255	0.1614	3.9946	1.0012
Nov.	5.8053	4.411	8.598	8.147	0.7026	0.7856	0.8578	3.4148	3.0428	0.1602	3.8777	0.9825
Dec.	5.7548	4.320	8.578	8.159	0.6887	0.7753	0.8585	3.3645	3.0038	0.1611	3.9282	0.9840
1994												
Jan.	5.6920	4.324	8.496	8.138	0.7001	0.7580	0.8407	3.2662	2.9173	0.1571	3.8683	0.9612
Feb.	5.5838	4.165	8.257	7.930	0.6992	0.7451	0.8245	3.2147	2.8669	0.1560	3.8297	0.9462

Average of daily quotations	Rome 1 ITL	Vienna 1 ATS	Lisbon 1 PTE	Reykjavik 1 ISK	Madrid 1 ESP	Athens 1 GRD	Tullinn 1 EEK	Tokyo 1 JPY	Mel- bourne 1 AUD	ECU Commer- cial 1 XEU	SDR 1 XDR
	13	14	15	16	17	18	19	20	21	22	23
1989	0.00313	0.3242	0.0273	0.0758	0.0362	..	0.03116	3.398	4.719	5.49536	
1990	0.00319	0.3363	0.0268	0.0656	0.0375	..	0.02647	2.988	4.864	5.18322	
1991	0.00326	0.3464	0.0280	0.0684	0.0389	0.022	0.03008	3.152	5.003	5.52733	
1992	0.00364	0.4088	0.0332	0.0778	0.0438	0.024	0.4060	0.03546	3.289	5.798	6.31546
1993	0.00364	0.4916	0.0356	0.0846	0.0451	0.025	0.4323	0.05168	3.885	6.685	7.98641
1993											
Feb.	0.00377	0.5049	0.0390	0.0898	0.0497	0.027	0.4441	0.04824	3.970	6.904	7.99191
March	0.00375	0.5153	0.0392	0.0918	0.0507	0.027	0.4532	0.05103	4.225	7.034	8.24353
April	0.00364	0.4985	0.0378	0.0886	0.0484	0.026	0.4384	0.04982	3.985	6.830	7.90687
May	0.00371	0.4851	0.0362	0.0868	0.0453	0.025	0.4267	0.04970	3.826	6.672	7.76351
June	0.00370	0.4784	0.0354	0.0858	0.0438	0.025	0.4208	0.05172	3.747	6.582	7.82674
July	0.00365	0.4786	0.0345	0.0806	0.0430	0.025	0.4210	0.05365	3.913	6.564	8.03185
Aug.	0.00363	0.4884	0.0336	0.0813	0.0420	0.025	0.4295	0.05621	3.957	6.555	8.17177
Sept.	0.00369	0.5064	0.0348	0.0833	0.0442	0.025	0.4455	0.05485	3.772	6.771	8.20308
Oct.	0.00359	0.4994	0.0340	0.0823	0.0435	0.024	0.4391	0.05378	3.797	6.671	8.09230
Nov.	0.00348	0.4856	0.0334	0.0811	0.0423	0.024	0.4268	0.05383	3.861	6.550	8.06368
Dec.	0.00341	0.4785	0.0330	0.0800	0.0410	0.023	0.4206	0.05237	3.874	6.494	7.96460
1994											
Jan.	0.00335	0.4647	0.0323	0.0779	0.0398	0.023	0.4083	0.05109	3.962	6.339	7.81835
Feb.	0.00331	0.4573	0.0318	0.0764	0.0395	0.022	0.4018	0.05251	4.000	6.236	7.74733

4.2 MARKKA VALUE OF THE ECU AND CURRENCY INDICES

Average of daily observations	Markka value of the ECU FIM/ECU	Currency indices, 1982=100		
		Trade-weighted currency index	Payments currency index	MIRM index
	1	2	3	4
1989	4.73670	98.4	99.1	102.8
1990	4.85697	97.3	96.8	97.3
1991	5.00580	101.4	101.4	102.8
1992	5.80140	116.4	115.7	117.3
1993	6.69420	132.4	136.1	141.8
1993				
Feb.	6.89952	135.6	139.2	143.9
March	7.03656	138.2	142.1	147.4
April	6.83031	134.0	136.4	141.6
May	6.67350	131.7	133.7	139.3
June	6.58470	130.9	133.6	140.1
July	6.57241	131.0	135.3	142.2
Aug.	6.60127	131.9	136.6	143.9
Sept.	6.81414	134.5	138.4	144.7
Oct.	6.69596	132.6	136.8	142.8
Nov.	6.55386	130.4	135.3	141.7
Dec.	6.49606	128.9	133.9	139.8
1994				
Jan.	6.34072	126.9	131.8	137.7
Feb.	6.23914	125.4	129.8	136.4

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
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
1992	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
1992									
Nov.	34 675	82 763	118 536	19 613	255 587	14 807	270 394	61 800	332 194
Dec.	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
1993									
Jan.	36 386	90 643	112 861	21 500	261 390	15 643	277 033	62 732	339 766
Feb.	34 514	90 871	111 873	21 643	258 901	16 995	275 896	67 225	343 122
March	36 713	88 594	110 246	21 576	257 130	16 498	273 627	67 271	340 898
April	34 626	88 277	109 522	21 839	254 264	15 708	269 972	64 776	334 747
May	36 856	86 814	108 988	22 119	254 776	14 521	269 297	67 714	337 011
June	36 554	87 629	108 571	22 615	255 368	13 402	268 770	67 806	336 576
July	35 787	87 997	107 557	23 582	254 924	15 616	270 540	63 737	334 277
Aug.	36 548	88 515	105 708	23 870	254 640	14 861	269 502	65 157	334 659
Sept.	35 312	88 067	105 958	23 259	252 596	16 642	269 239	66 050	335 289
Oct.	35 746	89 439	109 350	22 387	256 922	16 192	273 114	67 315	340 429
Nov.	36 098	87 692	109 769	21 451	255 010	15 799	270 809	64 098	334 907

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
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
1992	16 045	3 335	252 163	271 544	95 168	366 712
1992						
Nov.	16 545	3 449	254 411	274 405	101 162	375 567
Dec.	16 045	3 335	252 163	271 544	95 168	366 712
1993						
Jan.	15 948	3 017	251 227	270 192	96 543	366 735
Feb.	16 086	2 944	251 618	270 647	97 973	368 621
March	15 718	2 894	251 528	270 140	95 576	365 717
April	15 326	2 891	251 556	269 774	88 604	358 378
May	15 198	2 848	251 553	269 599	85 075	354 675
June	15 221	2 812	251 305	269 339	83 482	352 821
July	15 192	2 858	251 610	269 660	82 922	352 582
Aug.	15 427	2 670	251 295	269 392	81 558	350 950
Sept.	15 425	2 656	251 667	269 748	79 676	349 424
Oct.	15 094	2 780	251 342	269 216	75 184	344 401
Nov.	14 872	2 664	250 554	268 090	73 810	341 899

5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL.FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M ₁	M ₂ (1+4+5)	M ₃
		Claims on the central government	Claims on the public	Total (2+3)				
	1	2	3	4	5	6	7	8
1989	- 59 049	- 18 691	408 344	389 653	- 79 084	124 295	251 519	272 603
1990	- 82 881	- 19 072	453 720	434 648	- 85 385	141 524	266 383	291 045
1991	- 86 555	- 6 516	470 852	464 336	- 102 540	130 644	275 241	310 924
1992	- 68 099	81	439 937	440 018	- 97 909	134 829	274 011	310 733
1993*	- 25 989	1 848	403 742	405 589	- 100 001	141 733	279 599	322 413
1993*								
Jan.	- 58 784	- 103	441 263	441 160	- 106 350	138 722	276 026	315 321
Feb.	- 55 354	- 997	443 883	442 886	- 114 185	136 779	273 346	307 399
March	- 52 886	- 162	445 947	445 785	- 121 904	135 990	270 994	311 305
April	- 41 746	271	431 871	432 142	- 121 662	134 069	268 734	308 513
May	- 39 870	687	430 307	430 993	- 121 897	134 801	269 227	307 799
June	- 38 803	41	429 134	429 175	- 120 187	135 602	270 184	307 449
July	- 34 515	1 349	428 478	429 827	- 125 718	135 157	269 594	309 002
Aug.	- 33 338	2 158	426 871	429 028	- 126 590	136 005	269 101	312 036
Sept.	- 29 387	4 183	424 966	429 149	- 132 462	134 600	267 299	312 044
Oct.	- 20 713	3 530	419 951	423 482	- 130 352	136 989	272 417	319 050
Nov.	- 23 710	3 430	417 372	420 803	- 125 479	137 095	271 614	312 034
Dec.	- 25 989	1 848	403 742	405 589	- 100 001	141 733	279 599	322 413
1994*								
Jan.	..	..	..	..	..	145 184	280 010	328 253

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
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	55 165	15 956
1992	100 244	3 669	2 474	106 387	40 578	13 555	14 762	68 895	175 282	61 671	19 781
1993	142 824	8 737	4 016	155 577	71 082	16 060	22 824	109 966	265 543	..	..
1993											
Jan.	116 428	7 343	2 607	126 378	41 597	13 555	16 900	72 052	198 430	62 268	22 958
Feb.	130 937	8 155	4 440	143 532	44 537	13 598	20 397	78 532	222 064	62 742	16 444
March	135 192	8 185	4 422	147 799	47 824	13 593	22 315	83 732	231 531	63 632	39 402
April	139 909	7 834	4 221	151 964	49 146	12 897	22 570	84 613	236 577	64 197	45 211
May	139 488	8 701	4 209	152 398	51 126	12 771	22 014	85 911	238 309	64 292	43 522
June	139 102	9 018	4 263	152 383	57 718	12 770	22 126	92 614	244 997	64 436	43 203
July	142 159	9 510	4 409	156 078	59 997	12 769	21 459	94 225	250 303	64 796	40 718
Aug.	143 148	9 457	4 411	157 016	63 086	15 355	23 460	101 901	258 917	65 317	43 091
Sept.	145 375	9 350	4 409	159 134	64 904	15 354	24 615	104 873	264 007	65 879	42 793
Oct.	143 854	8 868	4 271	156 993	69 251	15 354	23 754	108 359	265 352	66 435	42 816
Nov.	144 122	8 930	4 090	157 142	71 833	15 313	22 647	109 793	266 935	64 381	47 493
Dec.	142 824	8 737	4 016	155 577	71 082	16 060	22 824	109 966	265 543	..	..
1994											
Jan.	140 312	7 544	3 021	150 877	72 215	18 260	19 629	110 104	260 981	..	.. S11

5.5 MARKKA BOND MARKET

A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1989	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
1990	4 640	17 891	4 420	490	1 007	17 234	607	10 607	28 447
1991	7 277	25 737	11 073	1 320	-	30 160	-	15 247	45 407
1992	6 984	15 043	12 965	2 674	4	23 858	-	13 812	37 671
1993*	11 591	12 107	38 101	2 235	63	52 641	-	11 456	64 097
1993*									
Jan.	624	592	1 766	276	-	2 318	-	940	3 258
Feb.	471	843	3 480	200	-	4 342	-	652	4 995
March	871	657	3 944	656	13	4 991	-	1 149	6 140
April	504	206	1 835	89	-	2 124	-	509	2 634
May	3 281	1 262	2 761	407	-	4 257	-	3 454	7 711
June	3 132	670	6 658	93	-	7 107	-	3 446	10 553
July	510	165	2 286	-	-	2 451	-	510	2 961
Aug.	372	632	4 829	60	-	5 879	-	15	5 894
Sept.	50	497	2 023	10	-	2 480	-	100	2 580
Oct.	410	697	5 126	222	-	6 223	-	232	6 455
Nov.	989	4 160	2 793	18	50	7 828	-	182	8 010
Dec.	377	1 726	600	205	-	2 642	-	266	2 908
1994*									
Jan.	-	2 000	2 216	45	-	4 261	-	-	4 261

B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1989	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
1990	23 522	59 756	28 812	1 756	1 298	52 273	22 970	39 902	115 145
1991	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
1992	26 617	82 319	44 005	5 237	3 358	89 534	13 917	58 085	161 536
1993*	32 946	74 497	73 682	6 894	2 009	120 707	10 391	58 930	190 028
1992									
IV	26 617	82 319	44 005	5 237	3 358	89 534	13 917	58 085	161 536
1993*									
I	27 751	81 343	51 244	6 092	3 030	97 679	12 097	59 684	169 460
II	33 614	79 950	60 316	6 618	2 369	107 775	11 558	63 534	182 867
III	33 334	77 791	67 504	6 517	2 018	113 846	10 727	62 591	187 164
IV	32 946	74 497	73 682	6 894	2 009	120 707	10 391	58 930	190 028

C) TURNOVER, MILL. FIM

During period	Intrabank	Between banks and customers	Primary dealers' transactions in benchmark government bonds		
			Purchases from other primary dealers	Purchases from others	Sales to others
	1	2	3	4	5
1989	6 500	9 660	.	.	.
1990	5 401	6 058	.	.	.
1991	3 343	29 134	.	.	.
1992	18 221	58 594	10 744	12 156	13 354
1993	45 966	241 273	42 945	95 647	117 489
1993					
Feb.	2 762	14 290	2 690	4 909	7 933
March	3 760	15 481	3 400	5 482	8 300
April	2 073	12 289	1 840	4 409	7 048
May	2 165	14 069	2 114	4 977	8 328
June	2 539	21 079	2 115	5 810	7 307
July	4 886	18 701	4 725	7 990	10 211
Aug.	4 426	20 776	4 387	9 812	10 579
Sept.	5 364	24 405	5 124	11 436	12 459
Oct.	4 958	33 749	4 717	13 465	15 832
Nov.	4 454	28 725	4 069	12 703	12 069
Dec.	6 012	26 948	5 414	10 765	12 500
1994					
Jan.	8 899	41 502	8 437	17 411	19 133
Feb.	14 265	40 081	12 427	16 883	18 485

5.6 HELSINKI STOCK EXCHANGE

Average of daily observations	Share prices									Turnover ¹ , mill. FIM		
	HEX index (28 Dec., 1990=1000)									Shares and sub- scrip- tion 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:					
	1	2	3	4	5	6	7	8	9	10	11	12
1989	1 827	1 850	1 689	1 958	1 528	1 818	1 728	1 748	2 061	33 160	7 375	40 536
1990	1 332	1 324	1 393	1 263	1 185	1 376	1 436	1 282	1 474	15 521	4 550	20 071
1991	962	949	1 062	901	898	1 003	1 075	1 076	1 020	6 339	1 315	7 655
1992	772	759	868	425	467	942	1 123	1 206	890	10 277	15 377	25 654
1993	1 240	.	.	608	644	1 601	1 695	1 749	1 751	46 337	59 977	106 314
1993												
Feb.	913	.	.	348	449	1 187	1 246	1 378	1 250	2 268	4 461	6 730
March	994	.	.	429	483	1 295	1 437	1 417	1 371	3 019	5 354	8 374
April	1 091	.	.	464	551	1 419	1 478	1 566	1 535	3 019	3 260	6 279
May	1 200	.	.	575	602	1 542	1 637	1 748	1 644	4 451	4 805	9 257
June	1 132	.	.	508	600	1 461	1 569	1 597	1 570	1 906	4 118	6 024
July	1 241	.	.	579	631	1 618	1 720	1 659	1 808	2 810	2 855	5 665
Aug.	1 410	.	.	830	813	1 782	1 954	1 893	1 944	6 081	4 509	10 589
Sept.	1 378	.	.	790	788	1 745	1 887	1 860	1 913	4 689	6 036	10 725
Oct.	1 502	.	.	820	781	1 943	1 958	2 095	2 212	6 638	6 936	13 574
Nov.	1 542	.	.	810	770	2 003	2 093	2 156	2 253	4 842	7 153	11 995
Dec.	1 549	.	.	773	801	2 003	2 114	2 240	2 209	4 810	6 375	11 185
1994												
Jan.	1 797	.	.	870	952	2 315	2 357	2 733	2 537	8 781	276	9 057
Feb.	1 917	.	.	942	1 008	2 462	2 410	2 982	2 704	6 395	558	6 953

¹ During period.

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL.FIM

During period	Exports of goods, feb	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, dif	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
1989	98 265	7 662	4 497	6 277	18 436	116 701	10 212	3 652	130 565	104 400	3 869	8 969	8 759
1990	99 750	8 347	4 650	6 081	19 077	118 827	12 739	4 461	136 027	101 967	4 363	10 766	9 503
1991	91 100	7 508	5 044	5 636	18 189	109 289	10 003	5 336	124 628	86 348	3 974	11 089	11 011
1992*	105 809	8 643	6 089	7 730	22 462	128 272	6 423	5 920	140 614	93 187	4 360	10 962	13 369
1993*	132 283	10 603	7 079	9 977	27 660	159 942	7 107	7 262	174 311	101 365	5 144	9 237	16 788
1991													
III	22 749	2 030	1 629	1 274	4 932	27 681	2 557	1 268	31 506	20 526	1 020	2 899	2 439
IV	25 199	1 869	1 244	1 618	4 731	29 931	2 047	1 359	33 337	22 912	967	3 014	3 139
1992*													
I	24 783	2 002	1 159	1 702	4 863	29 645	2 301	1 367	33 313	22 698	1 001	2 725	3 422
II	26 452	2 152	1 493	1 681	5 326	31 778	1 269	1 374	34 421	24 180	1 064	2 813	3 039
III	24 820	2 323	1 958	1 923	6 203	31 023	1 204	1 480	33 707	20 677	1 119	2 853	3 242
IV	29 754	2 167	1 480	2 424	6 071	35 825	1 649	1 699	39 173	25 632	1 176	2 572	3 666
1993*													
I	30 951	2 442	1 351	2 894	6 688	37 639	2 275	1 659	41 574	25 672	1 180	2 401	4 390
II	32 587	2 649	1 763	2 402	6 815	39 401	2 073	1 945	43 419	24 761	1 268	2 276	3 960
III	32 070	2 848	2 203	2 233	7 284	39 354	1 664	1 773	42 791	23 965	1 313	2 242	4 151
IV	36 675	2 664	1 761	2 448	6 873	43 548	1 095	1 884	46 527	26 967	1 382	2 319	4 286

During period	Services expenditure, total (11+12 +13)	Imports of goods and services (10+14)	Investment expenditure	Transfers and other expenditure	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, 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
1989	21 596	125 996	21 882	7 561	155 439	- 6 134	3 793	- 4 471	- 2 482	- 3 160	- 9 294	- 11 670	- 3 910	- 24 874
1990	24 632	126 599	26 973	8 967	162 540	- 2 218	3 984	- 6 117	- 3 422	- 5 555	- 7 772	- 14 234	- 4 506	- 26 513
1991	26 074	112 421	28 674	10 529	151 624	4 752	3 534	- 6 044	- 5 374	- 7 885	- 3 132	- 18 671	- 5 192	- 26 996
1992*	28 690	121 878	30 424	10 347	162 649	12 622	4 283	- 4 873	- 5 639	- 6 228	6 394	- 24 001	- 4 428	- 22 035
1993*	31 169	132 534	35 616	11 686	179 837	30 918	5 459	- 2 159	- 6 810	- 3 510	27 408	- 28 510	- 4 424	- 5 526
1991														
III	6 358	26 884	6 716	2 524	36 124	2 223	1 010	- 1 270	- 1 165	- 1 425	797	- 4 159	- 1 257	- 4 618
IV	7 121	30 033	6 510	2 725	39 268	2 288	902	- 1 770	- 1 521	- 2 389	- 102	- 4 463	- 1 367	- 5 931
1992*														
I	7 148	29 845	8 435	3 124	41 405	2 085	1 001	- 1 566	- 1 720	- 2 285	- 200	- 6 134	- 1 758	- 8 092
II	6 916	31 096	7 400	2 381	40 877	2 272	1 087	- 1 320	- 1 358	- 1 590	682	- 6 131	- 1 007	- 6 456
III	7 214	27 891	6 765	2 402	37 058	4 143	1 204	- 895	- 1 319	- 1 011	3 132	- 5 561	- 922	- 3 351
IV	7 413	33 045	7 824	2 440	43 309	4 122	991	- 1 092	- 1 241	- 1 342	2 780	- 6 174	- 741	- 4 136
1993*														
I	7 972	33 644	10 352	3 099	47 095	5 279	1 262	- 1 049	- 1 496	- 1 283	3 995	- 8 076	- 1 440	- 5 521
II	7 505	32 265	10 701	2 689	45 656	7 826	1 381	- 512	- 1 558	- 690	7 136	- 8 628	- 744	- 2 236
III	7 707	31 671	7 149	2 945	41 766	8 105	1 534	- 39	- 1 917	- 422	7 683	- 5 486	- 1 172	1 025
IV	7 987	34 954	7 414	2 953	45 321	9 708	1 282	- 558	- 1 839	- 1 114	8 594	- 6 320	- 1 068	1 206

6.2 CAPITAL ACCOUNT¹, MILL. FM

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
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	- 997	37 284	14 840	825	51 952	4 240	- 372	1 052	101	5 022	46 931	19 935
1992*	1 777	36 772	5 505	479	44 532	1 821	367	3 461	304	5 953	38 580	16 545
1993*	3 390	34 548	15 452	- 1 397	51 993	10 475	1 661	- 1 012	410	11 534	40 459	34 933
1991												
III	- 435	10 416	2 747	114	12 843	1 315	434	- 522	- 2	1 225	11 617	6 999
IV	- 777	2 937	3 211	619	5 989	587	- 356	697	- 44	883	5 106	- 825
1992*												
I	564	4 173	- 400	795	5 132	624	182	621	273	1 699	3 433	- 4 659
II	74	12 934	372	- 261	13 119	- 208	1 142	121	187	1 242	11 877	5 421
III	340	5 302	725	259	6 626	775	- 882	1 117	182	1 192	5 434	2 083
IV	799	14 362	4 808	- 314	19 655	630	- 75	1 602	- 337	1 820	17 836	13 700
1993*												
I	206	15 781	8 994	- 384	24 597	1 355	2 981	- 688	- 105	3 543	21 054	15 534
II	803	14 991	4 440	- 477	19 756	1 505	- 1 094	478	148	1 037	18 720	16 483
III	415	4 763	3 274	- 456	7 996	- 150	- 764	- 795	722	- 987	8 983	10 008
IV	1 966	- 986	- 1 255	- 80	- 355	7 765	538	- 6	- 355	7 942	- 8 297	- 7 091

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
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	- 13 436	399	- 1 301	- 14 338	6 261	882	3 285	10 427	- 1 574	- 26 339	- 6 404	6 404
1992*	- 29 022	7 998	10 626	- 10 399	- 567	4 369	6 563	10 365	- 5 030	- 25 794	- 9 249	9 249
1993*	- 28 391	4 547	- 2 263	- 26 107	9 883	2 480	809	13 171	5 462	- 33 816	1 117	- 1 117
1991												
III	- 16 407	340	- 583	- 16 650	- 3 091	1 027	1 869	- 195	2 550	- 13 905	- 6 905	6 905
IV	- 4 383	1 232	- 2 481	- 5 632	- 13 635	977	- 4 531	- 17 189	- 4 908	6 649	5 824	- 5 824
1992*												
I	- 2 542	458	3 694	1 610	- 4 134	1 003	1 723	- 1 408	0	3 018	- 1 641	1 641
II	- 9 587	3 973	540	- 5 074	- 1 612	1 167	- 3 403	- 3 848	- 5 244	- 6 470	- 1 049	1 049
III	- 11 212	1 155	12 198	2 141	6 064	217	154	6 435	- 3 955	- 8 248	- 6 165	6 165
IV	- 5 681	2 411	- 5 805	- 9 076	- 885	1 983	8 089	9 187	4 169	- 14 094	- 394	394
1993*												
I	- 3 093	411	- 5 857	- 8 540	14 868	1 560	- 1 232	15 197	2 509	- 21 228	- 5 694	5 694
II	- 5 939	2 435	- 1 386	- 4 890	- 3 008	1 225	- 338	- 2 121	- 3 009	- 5 778	10 706	- 10 706
III	- 10 464	4 828	2 770	- 2 866	10 909	3 181	4 339	18 429	220	- 21 075	- 11 067	11 067
IV	- 8 895	- 3 127	2 210	- 9 812	- 12 887	- 3 486	- 1 960	- 18 333	5 742	14 264	7 173	- 7 173

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
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	17 443	143 685	75 772	5 827	242 728	53 560	7 430	27 907	6 161	95 057	147 671
1992*	19 260	211 214	96 081	7 919	334 473	61 659	9 165	34 108	7 670	112 602	221 871
1993*	22 650	275 118	119 084	6 870	423 722	72 818	11 409	32 655	8 941	125 823	297 899
1991											
III	18 273	132 499	68 747	4 877	224 395	48 601	7 392	26 056	5 934	87 983	136 412
IV	17 443	143 685	75 772	5 827	242 728	53 560	7 430	27 907	6 161	95 057	147 671
1992*											
I	18 017	152 414	78 844	6 768	256 043	53 857	7 900	29 179	6 738	97 674	158 369
II	18 101	161 861	77 058	6 441	263 460	53 322	9 089	28 025	6 648	97 084	166 376
III	18 451	185 346	86 042	7 290	297 129	61 356	8 618	31 039	7 397	108 410	188 719
IV	19 260	211 214	96 081	7 919	334 473	61 659	9 165	34 108	7 670	112 602	221 871
1993*											
I	19 466	254 366	115 633	8 233	397 698	69 231	12 628	35 652	8 324	125 835	271 863
II	20 269	256 862	116 641	7 363	401 135	66 943	11 472	33 601	8 287	120 304	280 832
III	20 684	274 240	123 272	7 255	425 451	67 711	10 834	33 805	9 376	121 726	303 725
IV	22 650	275 118	119 084	6 870	423 722	72 818	11 409	32 655	8 941	125 823	297 899

End of period	Short-term liabilities					Short-term assets					Short-term liabilities, net (16-21)	Debt, net (11+22)	Net interest and dividend expenditure in relation to current account receipts	
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits	Other short-term liabilities	Total (12+13+14+15)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits	Other short-term assets	Total (17+18+19+20)				
	12	13	14	15	16	17	18	19	20	21				22	23	24	25
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	99 502	13 798	14 703	131 152	35 922	36 727	15 840	10 545	99 034	32 118	179 788	15 671	12.7
1992*	7 849	84 253	21 891	21 603	135 597	33 966	43 534	21 323	16 505	115 328	20 268	242 139	19 007	13.6
1993*	6 382	60 380	26 376	21 659	114 797	38 530	55 872	24 238	17 114	135 755	-20 957	276 942	23 510	13.6
1991														
III	2 826	99 953	12 500	16 703	131 982	29 006	47 064	14 371	15 121	105 561	26 421	162 833	3 409	10.8
IV	3 149	99 502	13 798	14 703	131 152	35 922	36 727	15 840	10 545	99 034	32 118	179 788	3 713	11.1
1992*														
I	3 185	100 961	14 219	18 012	136 376	35 429	32 960	17 007	12 637	98 033	38 343	196 712	4 886	14.7
II	3 242	89 647	18 218	17 832	128 939	33 516	32 786	18 123	8 804	93 229	35 710	202 086	4 882	14.2
III	14 067	86 647	19 397	20 846	140 956	29 484	43 316	18 829	9 425	101 054	39 902	228 622	4 313	12.8
IV	7 849	84 253	21 891	21 603	135 597	33 966	43 534	21 323	16 505	115 328	20 268	242 139	4 925	12.6
1993*														
I	5 836	86 548	22 279	19 173	133 836	31 998	60 816	23 570	16 232	132 615	1 221	273 083	6 827	16.4
II	6 173	78 062	24 661	16 779	125 675	41 889	56 831	24 521	14 669	137 910	-12 235	268 597	7 378	17.0
III	6 293	69 318	29 519	19 669	124 800	31 987	68 640	27 853	19 178	147 659	-22 859	280 866	4 236	9.9
IV	6 382	60 380	26 376	21 659	114 797	38 530	55 872	24 238	17 114	135 755	-20 957	276 942	5 069	10.9

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
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	79 212	70 795	35 623	56 377	721	242 728	57 749	27 641	2 121	4 752	2 794	95 057	147 671
1992*	94 166	70 253	49 558	118 081	2 415	334 473	69 963	30 619	3 096	5 627	3 298	112 602	221 871
1993*	121 805	71 085	51 048	176 980	2 803	423 722	82 485	29 480	3 695	7 194	2 970	125 823	297 899
1991													
III	76 925	68 223	34 193	44 332	723	224 395	51 794	26 862	2 138	4 655	2 534	87 983	136 412
IV	79 212	70 795	35 623	56 377	721	242 728	57 749	27 641	2 121	4 752	2 794	95 057	147 671
1992*													
I	83 295	69 700	36 053	65 370	1 624	256 043	58 653	28 466	2 298	5 367	2 890	97 674	158 369
II	81 317	64 232	37 674	78 534	1 703	263 460	58 461	28 235	2 290	5 147	2 951	97 084	166 376
III	87 852	68 903	39 531	98 824	2 020	297 129	66 650	30 514	2 451	5 528	3 268	108 410	188 719
IV	94 166	70 253	49 558	118 081	2 415	334 473	69 963	30 619	3 096	5 627	3 298	112 602	221 871
1993*													
I	105 210	72 568	54 996	162 000	2 925	397 698	77 690	34 825	3 350	6 259	3 710	125 835	271 863
II	105 421	69 550	51 715	171 676	2 774	401 135	76 033	31 136	3 297	6 535	3 303	120 304	280 832
III	115 725	72 805	53 321	180 678	2 922	425 451	77 369	30 522	3 625	7 044	3 166	121 726	303 725
IV	121 805	71 085	51 048	176 980	2 803	423 722	82 485	29 480	3 695	7 194	2 970	125 823	297 899

7. FOREIGN TRADE

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

During period	Exports, fob	Imports, cif	Balance (1-2)
	1	2	3
1989	99 784	105 516	- 5 732
1990	101 327	103 027	- 1 700
1991	92 842	87 744	5 098
1992	107 463	94 947	12 516
1993*	133 927	103 078	30 849
1993*			
Jan.	9 275	6 622	2 653
Feb.	10 646	9 088	1 558
March	11 445	10 384	1 061
April	11 429	9 654	1 775
May	11 391	7 738	3 653
June	10 177	7 773	2 404
July	10 899	8 129	2 770
Aug.	10 127	8 210	1 917
Sept.	11 452	8 029	3 423
Oct.	13 906	8 405	5 501
Nov.	12 369	9 620	2 749
Dec.	10 812	9 443	1 369
1994*			
Jan.	11 819	8 223	3 596

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

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1989	121	144	156	126	123
1990	125	138	154	128	120
1991	114	115	154	131	118
1992	124	112	164	145	113
1993*	147	109	172	163	106
1993*					
III	113	109	156	132	119
IV	124	118	157	135	116
1992					
I	118	112	162	142	114
II	125	118	162	143	113
III	117	102	163	142	115
IV	133	116	171	154	111
1993*					
I	135	107	175	166	106
II	143	104	174	166	105
III	141	103	174	165	105
IV	165	116	170	161	105

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, fob					Imports by use of goods, cif				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
1989	7 416	32 513	8 844	32 682	18 329	51 786	8 310	20 606	24 055	759
1990	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
1991	6 984	29 695	10 539	29 188	16 436	42 505	9 399	13 973	21 195	672
1992	7 892	32 587	12 172	35 741	19 071	49 514	9 745	13 348	20 826	1 514
1993*	10 889	37 410	14 192	48 099	23 337	54 778	10 911	15 337	21 045	1 007
1993*										
Jan.	706	2 683	1 051	3 260	1 575	3 706	546	900	1 401	69
Feb.	780	3 083	1 135	3 645	2 003	4 370	1 120	1 672	1 855	71
March	899	3 441	1 213	3 911	1 981	4 663	887	2 848	1 923	63
April	968	3 414	1 320	3 755	1 972	5 445	697	1 352	2 062	98
May	1 020	3 100	1 082	4 262	1 927	4 537	488	1 050	1 606	57
June	927	2 931	965	3 698	1 656	4 286	1 040	906	1 482	59
July	774	2 753	1 162	4 385	1 825	4 358	973	983	1 645	170
Aug.	668	2 991	1 255	3 304	1 909	4 350	969	1 147	1 682	62
Sept.	988	3 255	1 328	3 767	2 114	4 360	951	873	1 713	132
Oct.	1 133	3 508	1 258	5 869	2 138	4 718	863	978	1 835	11
Nov.	1 061	3 294	1 354	4 479	2 181	4 969	1 377	1 282	1 946	46
Dec.	964	2 954	1 069	3 766	2 059	4 999	1 107	1 349	1 892	96
1994*										
Jan.	978	3 009	1 282	4 272	2 278	4 511	691	1 153	1 807	61

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, feb				Imports, cif			
	1993*		1994* January		1993*		1994* January	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	102 135	76.3	8 615	25.4	81 607	79.2	6 360	27.1
OECD Europe	86 513	64.6	7 475	24.1	66 956	65.0	5 067	28.4
Of which:								
Austria	1 427	1.1	106	7.7	1 179	1.1	86	72.8
Belgium and Luxembourg	2 955	2.2	293	36.7	3 008	2.9	275	61.5
Denmark	4 479	3.3	554	70.6	3 231	3.1	259	36.8
France	7 114	5.3	573	13.1	4 716	4.6	367	20.8
Germany	17 628	13.2	1 522	18.0	16 901	16.4	1 172	31.8
Italy	4 350	3.2	330	2.6	3 811	3.7	270	15.4
Netherlands	6 729	5.0	686	47.2	3 847	3.7	301	23.6
Norway	4 277	3.2	369	28.6	5 010	4.9	453	54.1
Spain	3 263	2.4	245	16.8	1 245	1.2	148	56.6
Sweden	14 855	11.1	1 205	14.8	10 531	10.2	817	20.9
Switzerland	2 111	1.6	189	37.6	2 044	2.0	144	20.9
United Kingdom	14 020	10.5	1 114	28.7	9 160	8.9	619	27.0
Other OECD	15 622	11.7	1 140	35.1	14 651	14.2	1 293	22.4
Of which:								
Canada	1 075	0.8	70	- 16.2	724	0.7	64	1.9
Japan	2 187	1.6	185	62.8	5 958	5.8	567	23.5
United States	10 506	7.8	732	41.9	7 498	7.3	642	29.5
Non-European countries	12 679	9.5	1 438	97.1	11 207	10.9	881	- 1.8
Of which:								
Russia	6 051	4.5	756	104.8	7 813	7.6	655	- 4.2
Other countries	19 113	14.3	1 766	5.4	10 264	10.0	982	39.2
Of which:								
OPEC countries	3 266	2.4	256	35.4	542	0.5	30	38.2
TOTAL	133 927	100.0	11 819	27.4	103 078	100.0	8 223	24.5
Of which:								
EC countries	62 850	46.9	5 506	26.1	47 974	46.5	3 548	27.0
EFTA countries	22 799	17.0	1 875	18.6	18 831	18.3	1 505	31.8

8. DOMESTIC ECONOMIC DEVELOPMENTS

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

(seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4	5	6	7	8	9
1988	258 821	102 132	109 095	17 275	1 533	488 856	115 761	116 898	487 719
1989	269 879	104 526	129 905	15 149	5 975	525 434	117 241	127 311	515 364
1990	269 754	108 535	121 858	17 286	5 769	523 202	118 828	126 600	515 430
1991	260 031	111 256	93 722	17 243	-2 451	479 801	110 965	111 755	479 011
1992*	246 714	109 043	75 529	16 226	4 365	451 877	122 059	112 989	460 947
1991									
II	65 178	27 831	23 849	4 679	-228	121 310	26 188	27 095	120 404
III	65 174	27 846	22 011	4 305	-1 360	117 975	29 212	28 003	119 184
IV	64 320	27 817	21 014	3 919	-1 512	115 557	28 301	27 486	116 373
1992*									
I	63 158	27 411	20 416	4 221	165	115 371	29 444	28 329	116 486
II	61 828	27 203	19 825	4 284	1 609	114 749	30 618	29 208	116 159
III	61 147	27 169	18 581	3 851	1 540	112 287	30 287	27 498	115 076
IV	60 581	27 260	16 708	3 870	1 051	109 470	31 710	27 955	113 226
1993*									
I	59 819	26 065	16 320	3 316	1 501	107 021	34 380	28 809	112 591
II	58 675	25 801	15 339	3 251	1 292	104 358	34 836	27 172	112 023
III	58 274	25 738	15 453	3 403	3 325	106 193	35 974	28 688	113 479

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1990=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manufacturing	Wood and paper industries	Metal and engineering industries	Other manufacturing	Energy and water supply
	(100.0)	(1.3)	(89.6)	(16.8)	(31.3)	(41.5)	(9.1)
	1	2	3	4	5	6	7
1989	100.3	101.9	100.5	102.3	99.6	100.8	97.9
1990	100.2	99.8	100.2	100.1	100.4	100.1	100.0
1991	91.2	91.3	89.9	91.5	85.6	92.6	103.6
1992*	92.6	91.2	91.5	94.8	90.9	90.6	103.2
1993*	97.2	80.8	96.3	104.8	98.8	90.9	108.6
1992*							
Dec.	92.6	78.8	91.3	96.9	91.3	89.3	105.5
1993*							
Jan.	93.6	88.6	92.3	99.9	92.3	88.4	105.8
Feb.	93.9	85.0	92.6	98.6	94.1	89.5	106.1
March	93.9	84.0	92.5	99.6	94.9	88.2	109.4
April	95.3	84.7	94.5	103.2	97.5	89.0	105.6
May	93.0	78.9	92.2	99.6	95.8	86.7	103.9
June	97.1	64.6	96.6	105.8	98.6	90.9	111.1
July	97.9	80.7	97.3	105.8	100.0	91.7	108.1
Aug.	96.5	75.5	95.8	105.4	96.9	90.9	106.7
Sept.	99.8	75.4	99.1	108.7	102.1	93.0	110.5
Oct.	101.2	81.8	100.6	111.1	104.2	93.7	111.3
Nov.	101.8	82.9	100.8	110.0	103.9	94.7	110.6
Dec.	102.3	88.0	100.9	109.9	105.7	93.9	114.3

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
1988	116.7	113.0	108.6	106.0	113.4	110.6	135.0	111.4
1989	124.2	117.0	130.3	132.9	137.6	125.2	161.4	116.7
1990	119.9	111.7	127.3	124.8	161.7	122.1	144.6	117.5
1991	101.2	103.9	103.9	94.4	127.7	109.9	102.1	110.3
1992*	87.9	93.8	79.5	73.8	76.2	87.5	84.5	106.9
1992*								
Nov.	81.3	86.3	..	..	..	..	..	106.2
Dec.	82.6	89.8	..	..	..	..	..	106.5
III	86.6	91.6	78.1	73.4	80.2	82.6	64.1	106.7
IV	82.9	89.3	67.4	59.9	53.2	75.0	80.1	106.1
1993*								
Jan.	76.8	87.2	..	..	..	..	..	105.0
Feb.	82.4	92.3	..	..	..	..	..	106.4
March	84.5	91.6	..	..	..	..	..	105.1
April	81.0	89.7	..	..	..	..	..	104.5
May	81.9	88.8	..	..	..	..	..	103.0
June	86.5	87.3	..	..	..	..	..	104.9
July	84.9	84.4	..	..	..	..	..	104.5
Aug.	83.1	85.2	..	..	..	..	..	104.5
Sept.	81.7	85.8	..	..	..	..	..	105.4
Oct.	79.6	86.2	..	..	..	..	..	105.8
Nov.	82.7	85.6	..	..	..	..	..	107.0
I	81.2	90.4	57.6	60.6	43.4	61.8	118.1	105.5
II	83.1	88.6	57.8	63.1	45.2	59.0	73.5	104.1
III	83.2	85.1	57.7	59.3	45.5	54.5	60.4	104.8

8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which: Manufacturing (SIC3)	Central government	Local government	Non-profit institutions			Domestic goods	Imported goods		Exported goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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	148.8	146.8	149.8	144.7	150.0	127.3	110.9	115.7	93.6	110.0	110.4	109.8	134.5
1991	157.6	158.3	156.2	157.9	154.8	158.9	132.6	111.2	115.8	94.2	109.9	108.7	110.4	137.3
1992¹	160.6	160.9	159.9	160.6	159.1	162.4	136.0	112.4	115.6	100.9	112.6	113.4	112.3	134.9
1993¹	161.9	161.9	162.3	162.1	161.6	164.1	138.9	115.8	116.9	111.0	116.7	120.2	115.1	135.3
1992¹														
IV	161.2	161.4	160.8	161.0	160.3	163.0	136.9	113.4	115.6	105.2	113.9	116.2	112.9	134.3
1993¹														
Jan.	..	..	..	..	..	..	138.2	113.9	115.8	107.1	114.4	116.5	113.4	134.9
Feb.	..	..	..	..	..	..	138.6	115.3	116.6	109.8	115.9	118.9	114.5	134.8
March	..	..	..	..	..	..	138.8	116.2	117.1	112.4	116.9	120.5	115.2	134.7
April	..	..	..	..	..	..	139.3	116.4	117.3	112.4	117.4	121.0	115.7	135.2
May	..	..	..	..	..	..	139.4	116.1	116.8	112.7	117.3	121.6	115.4	135.3
June	..	..	..	..	..	..	139.2	116.1	117.1	111.8	117.2	120.7	115.6	135.5
July	..	..	..	..	..	..	138.8	116.0	117.1	111.6	116.7	119.8	115.2	135.3
Aug.	..	..	..	..	..	..	138.7	116.0	116.8	112.1	116.9	120.4	115.2	135.3
Sept.	..	..	..	..	..	..	139.0	116.1	117.4	110.9	117.4	121.1	115.7	135.6
Oct.	..	..	..	..	..	..	139.1	115.9	117.2	110.8	117.4	121.4	115.5	135.7
Nov.	..	..	..	..	..	..	138.9	115.7	117.2	110.0	116.8	120.4	115.2	135.7
Dec.	..	..	..	..	..	..	138.8	115.5	116.9	109.9	116.4	120.1	114.7	135.5
I	161.7	161.9	161.8	161.6	161.0	163.5	138.5	115.1	116.5	109.8	115.7	118.6	114.4	134.8
II	162.0	162.0	162.7	161.9	161.5	164.0	139.3	116.2	117.1	112.3	117.3	121.1	115.6	135.3
III	161.8	161.6	161.8	162.3	161.9	164.3	138.8	116.0	117.1	111.5	117.0	120.4	115.4	135.4
IV	162.3	162.2	163.0	162.4	162.1	164.7	139.0	115.7	117.1	110.2	116.9	120.6	115.1	135.6
1994¹														
Jan.	..	..	..	..	..	..	138.5	115.7	117.4	109.6	116.7	120.4	115.1	136.5

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
1989	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5
1990	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4
1991	67.4	2 533	2 340	340	2 000	197	502	179	1 461	193	7.6
1992	66.1	2 502	2 174	325	1 849	188	454	150	1 382	328	13.1
1993	65.3	2 484	2 041	312	1 729	173	423	124	1 319	444	17.9
1993											
Jan.	65.8	2 496	2 095	312	1 783	180	438	126	1 351	401	16.1
Feb.	65.7	2 492	2 077	317	1 760	171	424	131	1 352	414	16.6
March	65.2	2 474	2 054	313	1 741	180	431	131	1 312	421	17.0
April	65.5	2 489	2 058	318	1 739	179	428	129	1 322	432	17.3
May	65.3	2 483	2 054	317	1 736	175	432	129	1 318	429	17.3
June	64.8	2 465	2 007	295	1 712	167	420	127	1 292	458	18.6
July	65.0	2 473	2 029	315	1 714	172	422	122	1 312	444	18.0
Aug.	65.6	2 494	2 040	307	1 733	163	423	126	1 328	454	18.2
Sept.	65.5	2 494	2 020	319	1 701	172	422	118	1 308	474	19.0
Oct.	65.1	2 480	2 014	314	1 700	172	413	123	1 306	466	18.8
Nov.	65.3	2 485	2 026	294	1 732	175	412	119	1 321	459	18.5
Dec.	65.2	2 485	2 014	321	1 693	174	416	113	1 311	471	19.0
1994											
Jan.	64.5	2 458	1 965	325	1 640	173	406	116	1 271	493	20.0

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
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
1992	34 312	69 541	1 512	21 251	126 616	5 054	131 669	49 207	105 184	42 990	59 180
1992											
Nov.	2 984	5 925	110	1 751	10 770	704	11 474	3 806	9 072	3 463	5 492
Dec.	853	6 371	- 50	2 978	10 152	1 043	11 195	4 395	9 323	3 671	5 263
1993											
Jan.	- 560	5 900	70	919	6 329	15	6 345	4 129	9 084	3 230	5 701
Feb.	3 730	4 446	240	1 257	9 673	113	9 785	3 869	7 807	3 347	4 273
March	2 456	6 205	127	3 496	12 284	2 119	14 403	4 145	9 295	3 698	5 440
April	3 875	4 926	93	2 657	11 551	98	11 649	3 835	9 436	4 055	5 278
May	2 697	5 638	97	2 688	11 120	510	11 630	3 646	9 115	3 958	5 013
June	2 870	5 633	86	2 748	11 337	591	11 928	4 110	8 842	3 958	4 672
July	3 208	5 626	119	1 759	10 712	197	10 909	4 719	8 225	3 287	4 696
Aug.	3 011	5 884	102	2 166	11 163	154	11 318	3 424	7 820	3 395	4 102
Sept.	2 792	5 185	129	2 247	10 353	108	10 461	3 658	9 482	3 371	5 987
Oct.	2 774	5 548	118	1 072	9 512	64	9 576	3 381	9 774	3 375	6 235
Nov.	2 736	5 757	147	2 672	11 312	2 638	13 952	3 708	9 371	3 437	5 820

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)
1988	7 565	5 614	110 946	6 529	117 476	4 842	870	2 417	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
1992	5 042	8 499	167 932	35 501	203 433	- 41 316	- 71 764	70 691	- 1 071
1992									
Nov.	410	102	13 390	1 010	14 400	- 2 620	- 2 926	15 124	12 199
Dec.	664	1 117	15 499	11 897	27 396	- 5 347	- 16 201	3 174	- 13 027
1993									
Jan.	261	1 691	15 165	662	15 826	- 8 836	- 9 481	16 891	7 410
Feb.	290	842	12 808	1 289	14 097	- 3 135	- 4 312	15 636	11 324
March	313	2 248	16 001	3 211	19 211	- 3 717	- 4 808	9 245	4 437
April	306	1 554	15 131	2 060	17 191	- 3 580	- 5 542	12 592	7 050
May	318	1 156	14 235	1 351	15 586	- 3 115	- 3 956	2 086	- 1 870
June	384	2 650	15 986	768	16 753	- 4 649	- 4 825	4 424	- 401
July	406	914	14 264	3 935	18 200	- 3 552	- 7 291	7 157	- 134
Aug.	416	874	12 534	723	13 258	- 1 371	- 1 940	5 079	3 139
Sept.	417	1 135	14 692	1 756	16 448	- 4 339	- 5 987	3 529	- 2 457
Oct.	369	2 497	16 021	740	16 761	- 6 509	- 7 185	6 076	- 1 109
Nov.	349	771	14 199	767	14 966	- 2 887	- 1 014	1 230	216

NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

GENERAL

Source

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

Symbols used

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

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

NOTES AND EXPLANATIONS TO TABLES

1 THE BALANCE SHEET OF THE BANK OF FINLAND

Table 1.2 Domestic financial sector. Term claims on deposit banks (Column 13) = bank certificates of deposit held by the Bank of Finland + securities with repurchase commitments. Liquidity position of deposit banks, net (Column 14): see explanation to Table 2.1. Other claims on financial institutions, net (Column 17) = bonds + other claims on financial institutions – other liabilities to financial institutions. Corporate sector. Special deposits and other items, net (Column 20) = bonds: other + other claims on corporations – deposits for investment and ship purchase – other liabilities to 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 The minimum reserve requirement is reported for the month by the end of which the deposit must be made with the Bank of Finland. The requirement is determined on the basis of the reserve base for the previous month. No interest is paid on minimum reserve deposits. The cash reserve figures for 1989 include the additional deposit requirement of 1.1 per cent under the supplementary cash reserve agreement in force at the time, together with the corresponding non-interest-bearing deposits of FIM 3 159 million.

Table 2.3 Money market instruments are the instruments used by the Bank of Finland in its money market operations. Matured money market in-

struments, net, comprise both instruments purchased and sold. Money market transactions are recorded according to trade dates.

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

Table 2.5 The markka value of forward contracts is given.

3 RATES OF INTEREST

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

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

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

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

Table 3.4 Lending. New credits (Columns 1–4): rates of interest on new

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

Table 3.5 Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered rates for taxable, fixed-rate bonds quoted daily by the five largest banks. Yields on taxable government bonds (Columns 3 and 4) are calculated by the Bank of Finland in a similar fashion. Until January 1992, the yield on 5-year taxable government bonds (Column 3) was calculated on a bullet bond due on 15 March 1994 with a coupon rate of 13 per cent. From February 1992 onwards the yield is calculated on a bullet bond due on 15 January 1999 with a coupon rate of 11 per cent. The yield on 10-year taxable government bonds (Column 4) is calculated on a housing bond (bullet) due on 15 March 2002 with a coupon rate of 10.75 per cent. The yield on taxable public issues (Column 5) is calculated as the arithmetic mean of yields on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued by all issuers except the central government with a remaining maturity of between 3 and 6 years. The yield on taxfree pub- 525

lic issues (Column 6) is calculated as the arithmetic mean of yields on fixed-rate public bonds with a remaining maturity of between 4 and 5 years. The Bank of Finland calculates the yields for columns 5 and 6 once a week on the basis of the trading quotations of the Helsinki Stock Exchange. Monthly observations are the averages of weekly observations and annual observations the averages of monthly observations.

4 RATES OF EXCHANGE

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

5 OTHER DOMESTIC FINANCING

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

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

Table 5.3 Foreign assets, net (Column 1) = the Bank of Finland's foreign claims + banks' foreign claims (incl. foreign claims of banks' foreign branches) - the Bank of Finland's foreign liabilities - banks' foreign liabilities (incl. foreign liabilities of banks' foreign branches). *Domestic credit.*

(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 placements. 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 include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland. Table C includes transactions in markka-denominated bonds outside the Helsinki Stock Exchange. Inter-bank transactions (Column 1) and transactions (purchases and sales) between banks and customers (Column 2) are transactions by the banks entitled to central bank financing. The State Treasury and the five largest banks (KOP, Okobank, Postipankki, Skopbank and Union Bank of Finland) agreed on a market making arrangement for benchmark government bonds with effect from 1 August 1992. Evli Securities Ltd was accepted as primary dealer with effect from 1 May 1993. The primary dealers' quotes are published daily (page JVKD on Reuters). Purchases from and sales to others (Columns 4 and 5) consist of transactions in benchmark government bonds between primary dealers

and other parties. Other parties refer to all parties that are not primary dealers.

Table 5.6 Source: The Helsinki Stock Exchange.

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

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

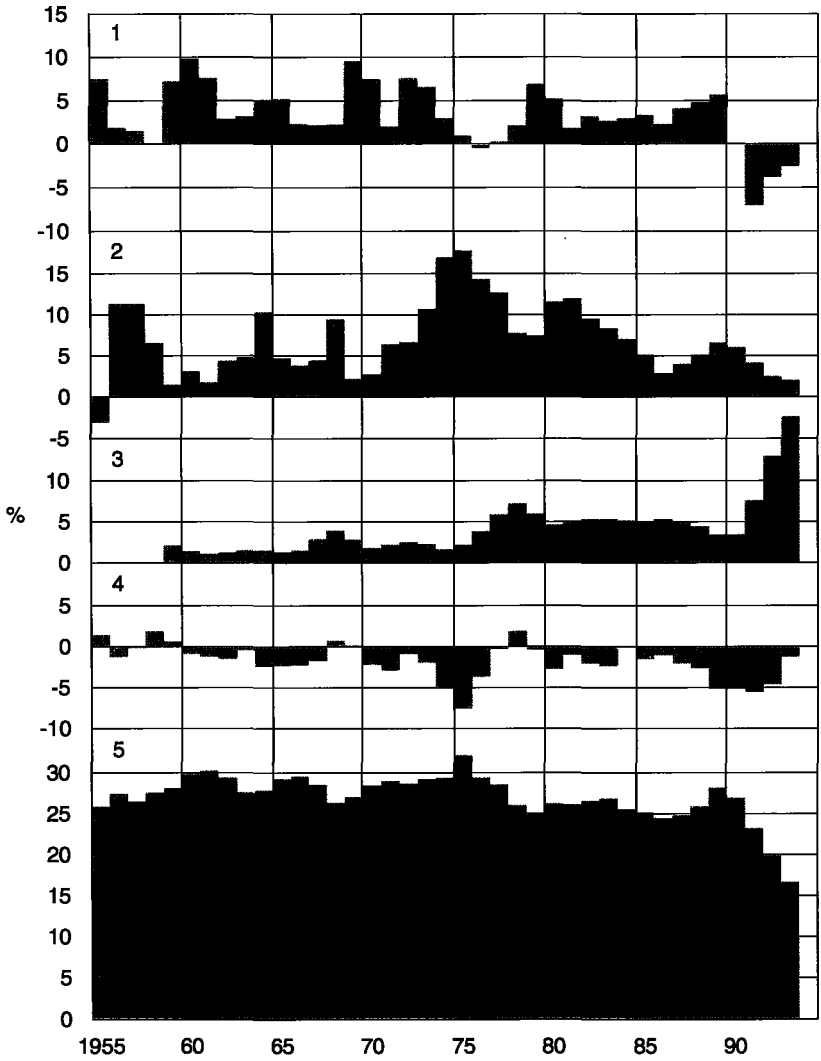
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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 is 1985.

Table 8.6 Source: Ministry of Finance.

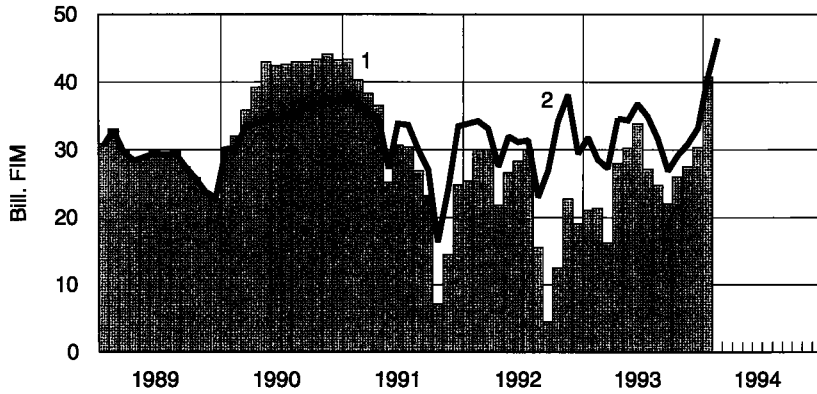
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Rates of interest applied by the Bank of Finland	S29
5. Banks' liquidity position with the Bank of Finland	S30
6. Liquidity management interest rates	S30
7. HELIBOR rates of interest, daily	S30
8. HELIBOR rates of interest, monthly	S31
9. Differential between Finnish and German interest rates	S31
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11. Bank of Finland currency index and the markka value of the ECU	S32
12. Daily spot rates for the markka against the Deutschmark and the US dollar	S32
13. Daily spot rates for the markka against the pound sterling and the Swedish krona	S32
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16. Banks' markka lending rates and markka funding rates	S33
17. Bank funding from the public	S34
18. Bank lending to the public	S34
19. Money supply	S34
20. Current account	S35
21. Net interest and dividend expenditure	S35
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29. Employment and the unemployment rate	S39
30. Prices and wages	S39
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1. LONG-TERM INDICATORS



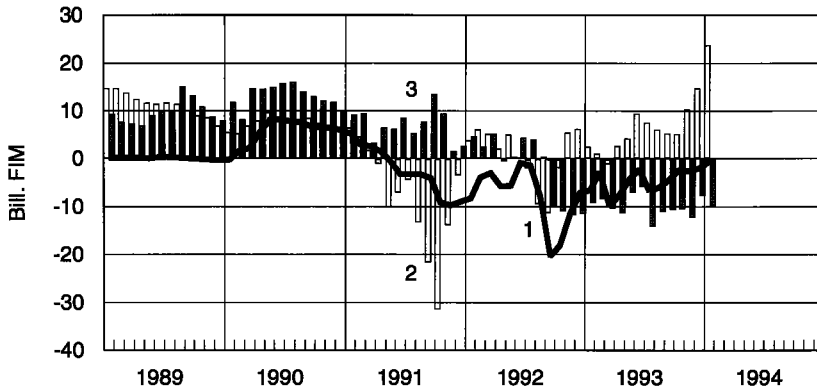
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



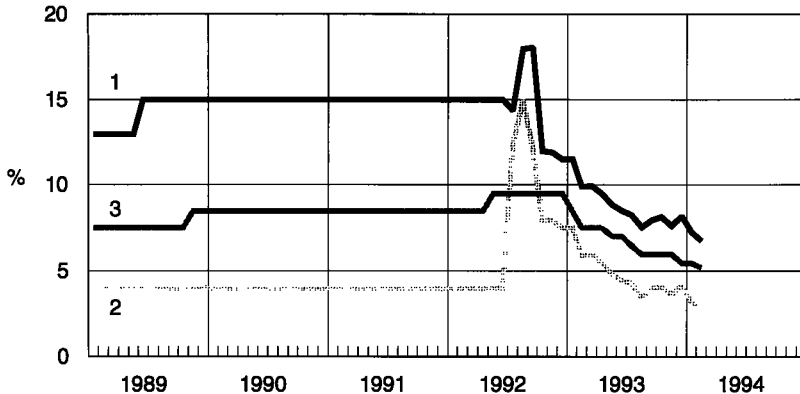
1. Foreign exchange reserves plus forward position
2. Foreign exchange reserves

3. FORWARD MARKET



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

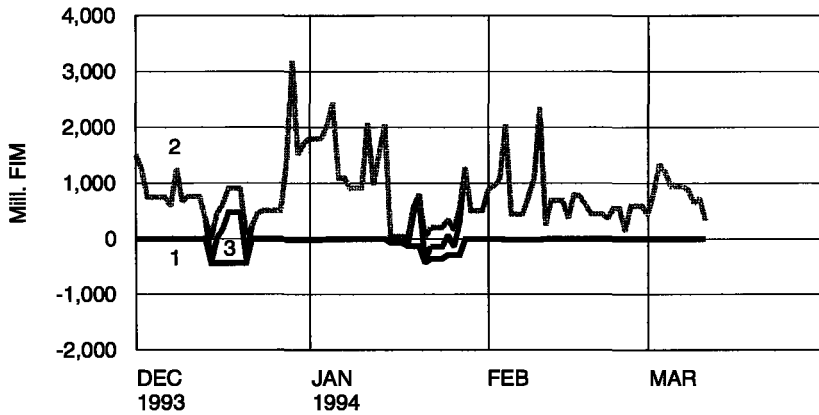
4. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



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

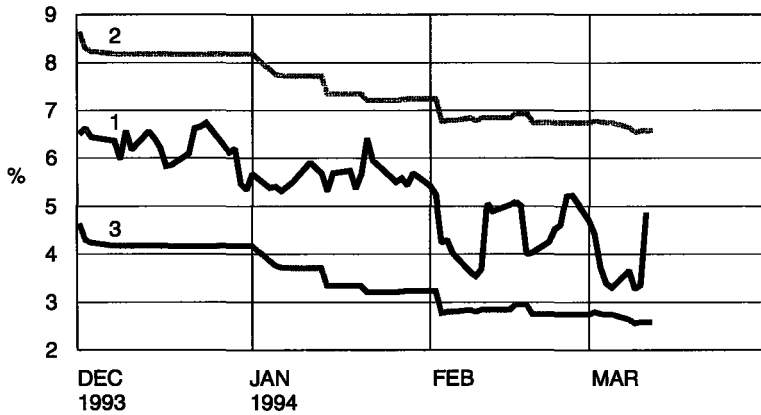
End-of-month observations

5. BANKS' LIQUIDITY POSITION WITH THE BANK OF FINLAND



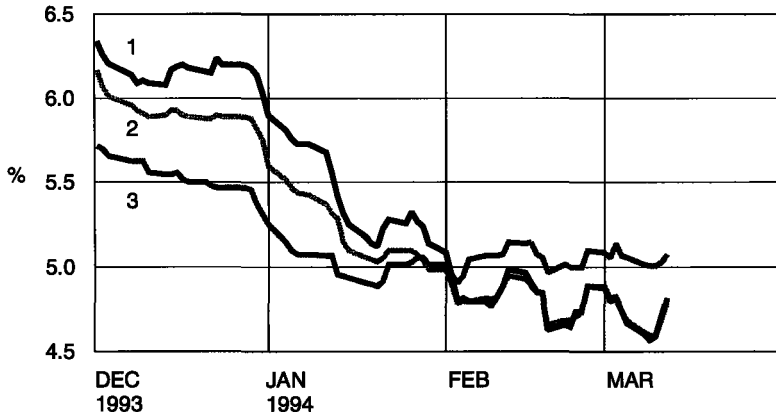
- 1. Liquidity credits (-)
- 2. Call money deposits
- 3. Net

6. LIQUIDITY MANAGEMENT INTEREST RATES



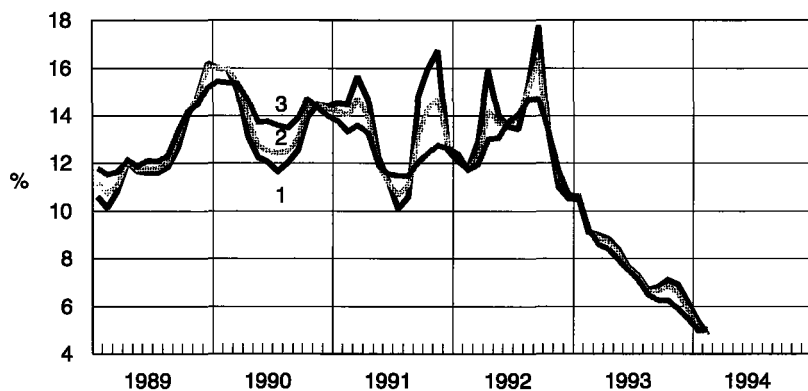
- 1. Inter-bank overnight rate
 - 2. Liquidity credit rate
 - 3. Call money deposit rate
- Daily observations

7. HELIBOR RATES OF INTEREST, DAILY



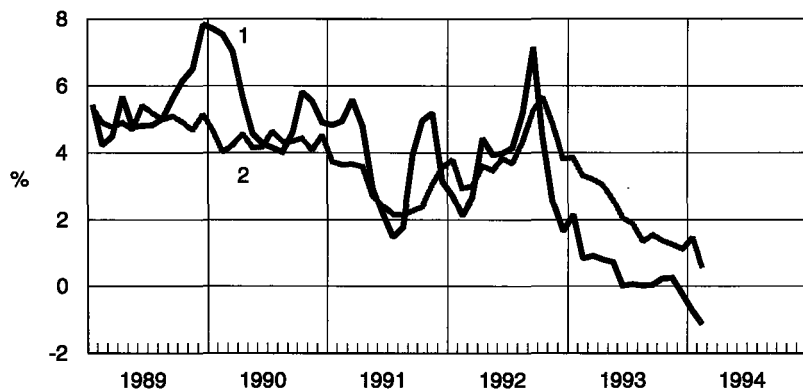
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

8. HELIBOR RATES OF INTEREST, MONTHLY



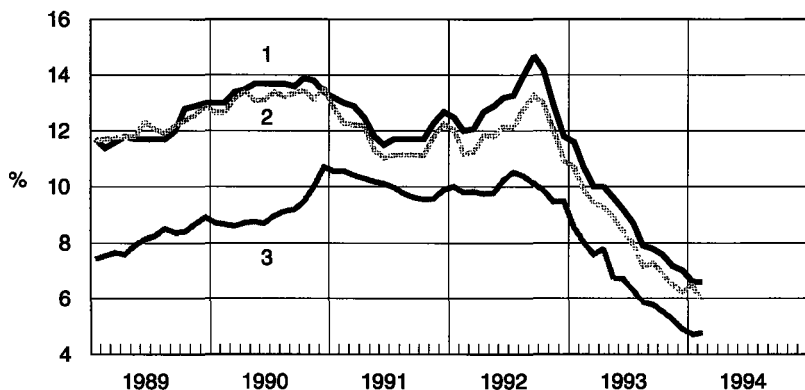
1. 1-month HELIBOR
2. 3-month HELIBOR
3. 12-month HELIBOR

9. DIFFERENTIAL BETWEEN FINNISH AND GERMAN INTEREST RATES



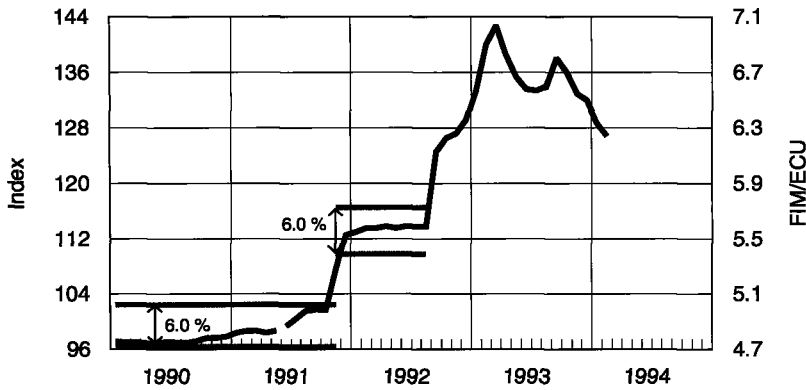
1. 3-month HELIBOR *minus* 3-month DEM eurorate
2. 5-year Finnish government bond yield *minus* 5-year German government bond yield

10. YIELDS ON BONDS



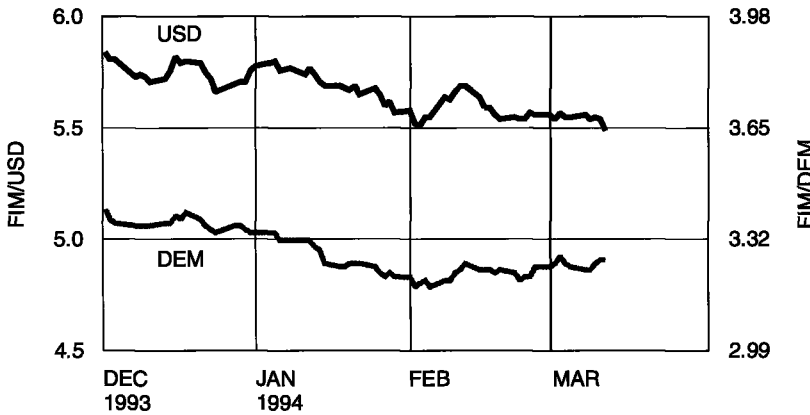
1. Bank of Finland's 5-year reference rate
2. Until April 1991, yield on (4-5 year) taxable government bonds. Since May 1991, yield on government bond due on 15 March 1996, coupon rate 11.75 per cent
3. Yield on (4-5 year) tax-free government bonds

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



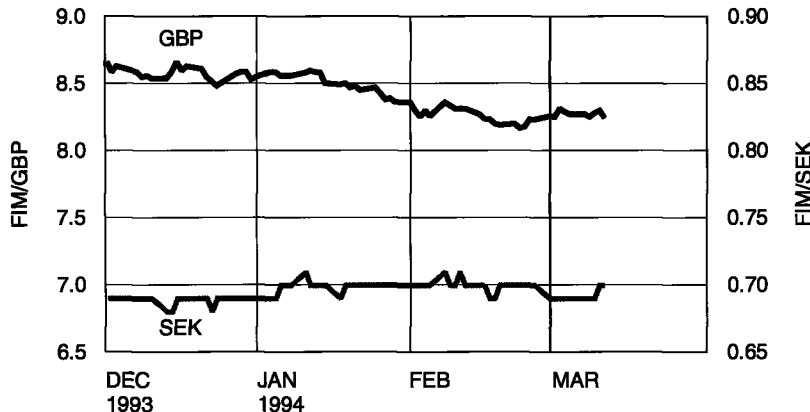
Until 7 June 1991, the Bank of Finland currency index. From 7 June 1991, the markka's exchange rate against the ECU, the fluctuation limits of which were 4.72953–5.02207 in the period 7 June – 14 November 1991, and 5.39166–5.72516 in the period 15 November 1991 – 7 September 1992. Since 8 September 1992,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

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



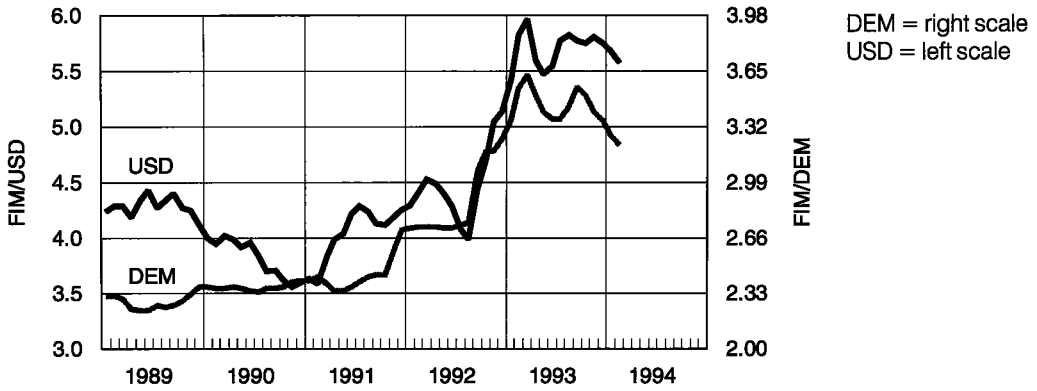
Middle rates
DEM = right scale
USD = left scale

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

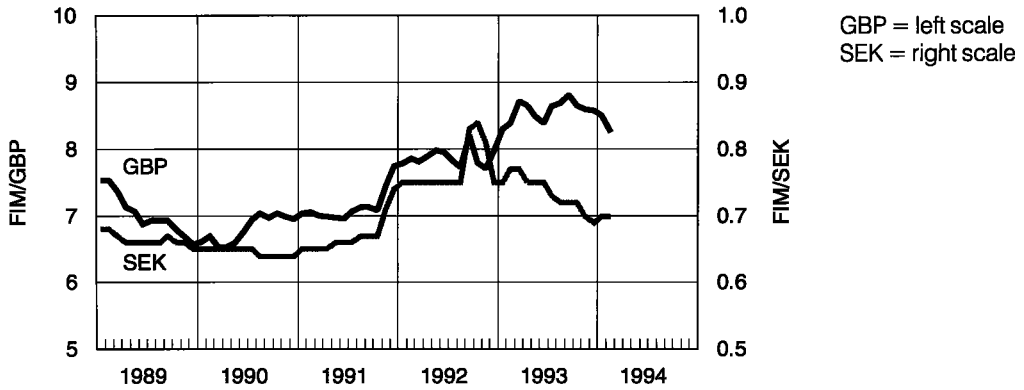


Middle rates
GBP = left scale
SEK = right scale

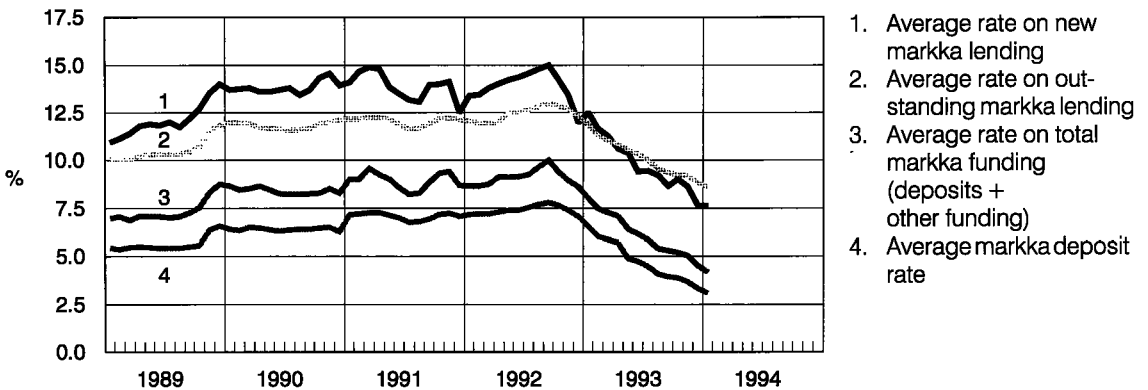
14. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE DEUTSCHMARK AND THE US DOLLAR



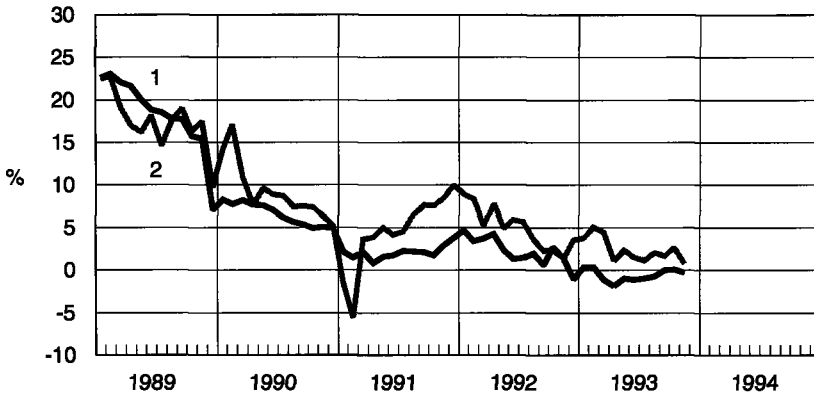
15. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE POUND STERLING AND THE SWEDISH KRONA



16. BANKS' MARKKA LENDING RATES AND MARKKA FUNDING RATES



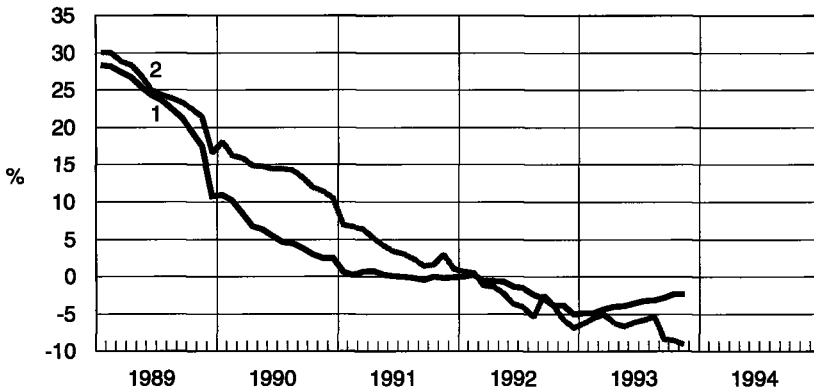
17. BANK FUNDING FROM THE PUBLIC



- 1. Markka deposits
- 2. Total funding

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

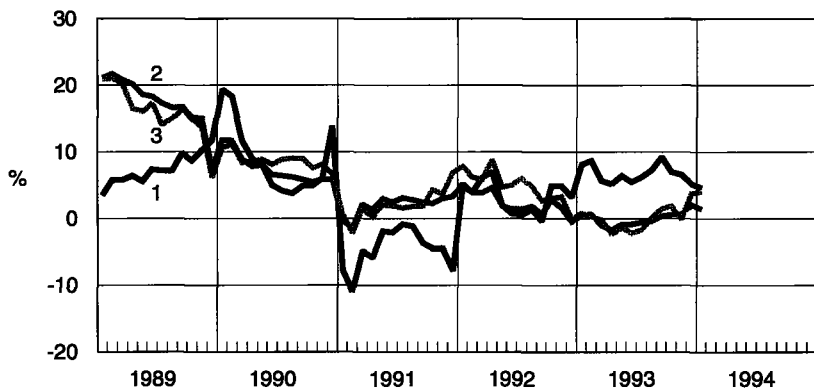
18. BANK LENDING TO THE PUBLIC



- 1. Markka lending
- 2. Total lending

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

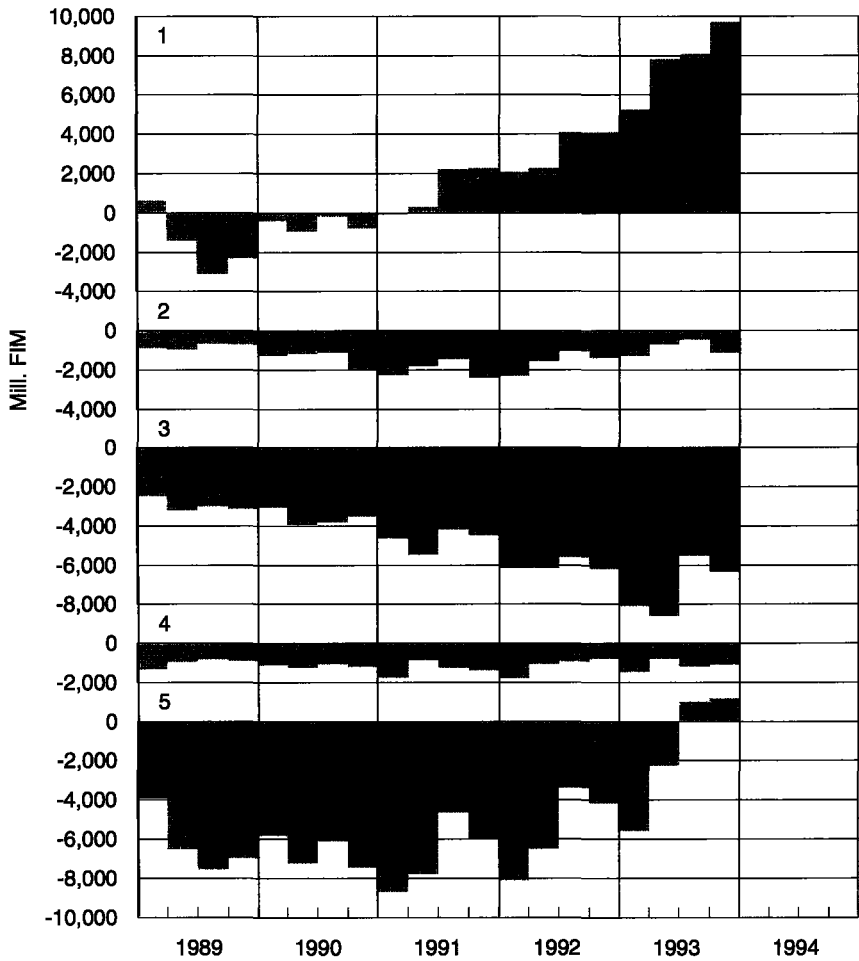
19. MONEY SUPPLY



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

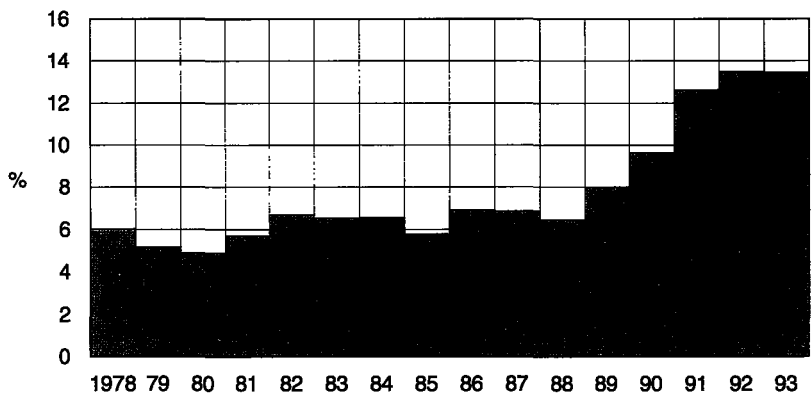
Change from the corresponding month of the previous year, per cent

20. CURRENT ACCOUNT



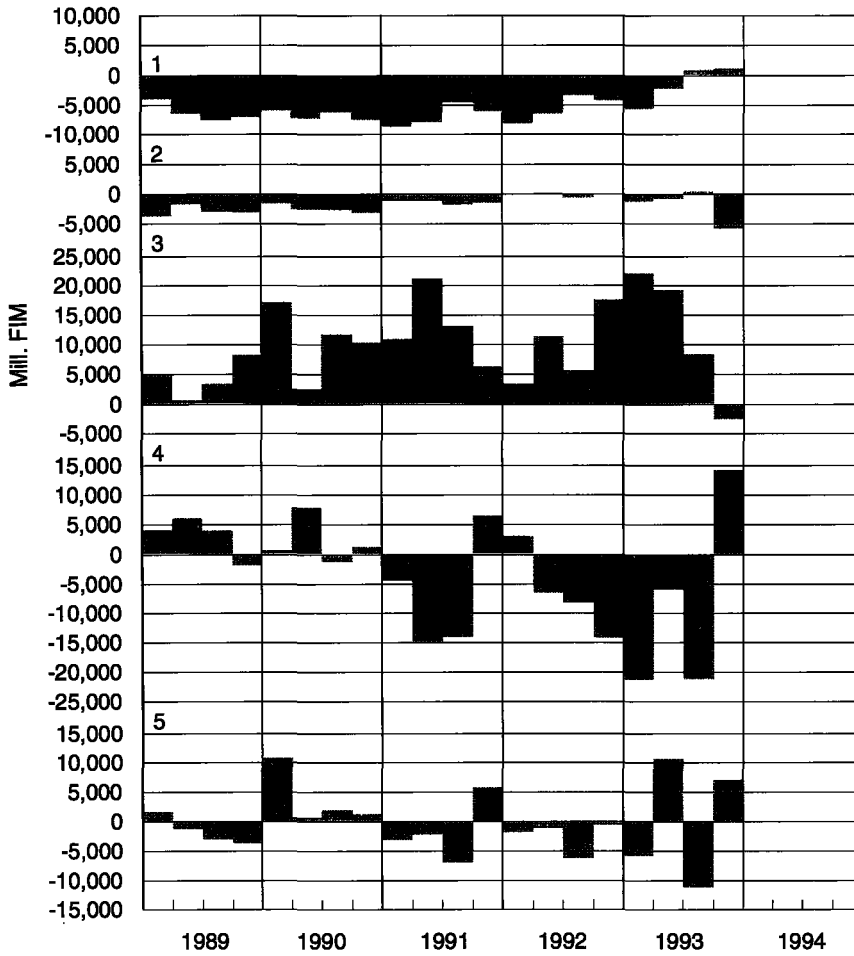
1. Trade account
2. Services account
3. Investment income account
4. Unrequited transfers account and other items, net
5. Current account

21. NET INTEREST AND DIVIDEND EXPENDITURE



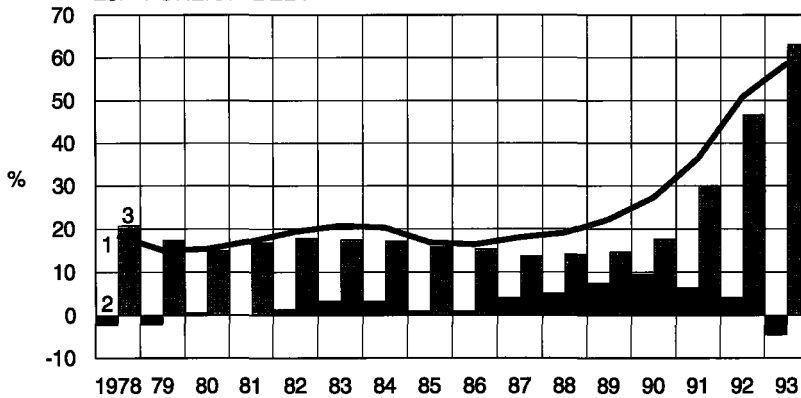
As a percentage of current account receipts

22. BALANCE OF PAYMENTS



1. Current account
2. Direct investment
3. Other long-term capital account
4. Short-term capital account
5. Overall balance = change in the foreign exchange reserves of the Bank of Finland

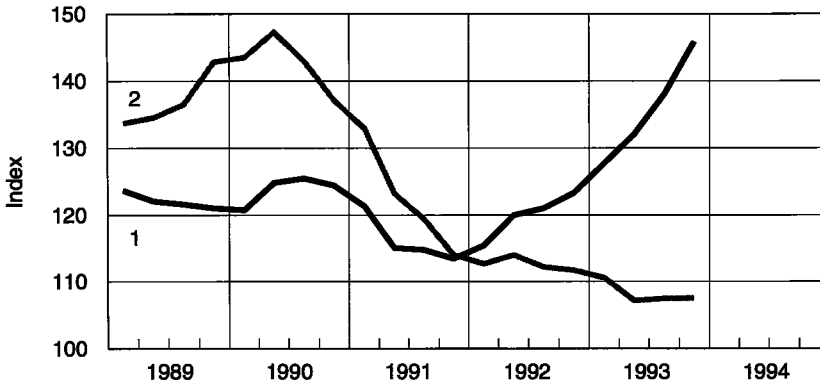
23. FOREIGN DEBT



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

As a percentage of GDP

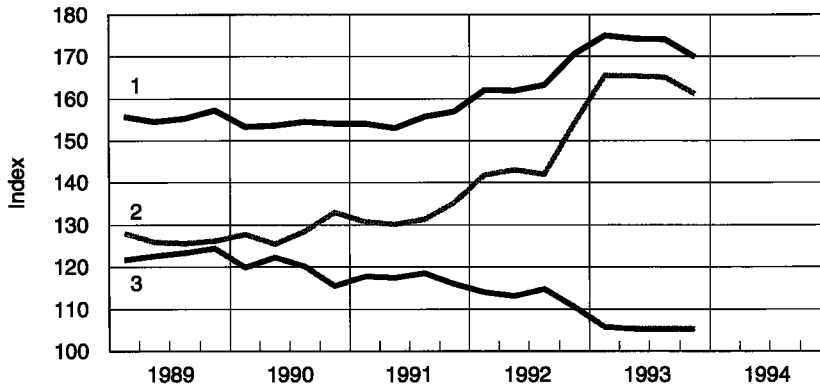
24. FOREIGN TRADE



1. Total exports
2. Total imports

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

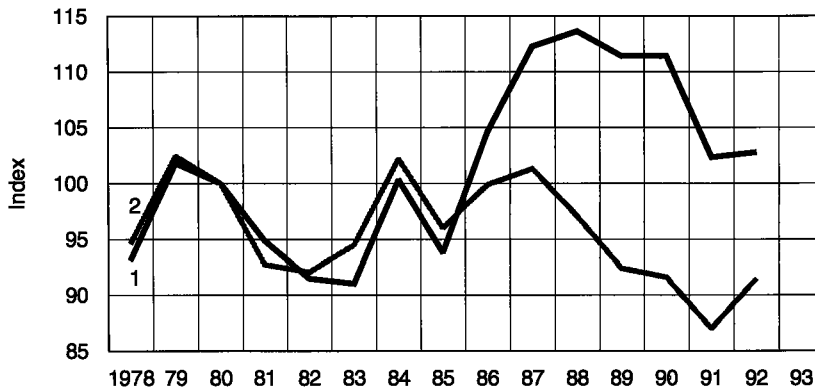
25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



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

1980 = 100

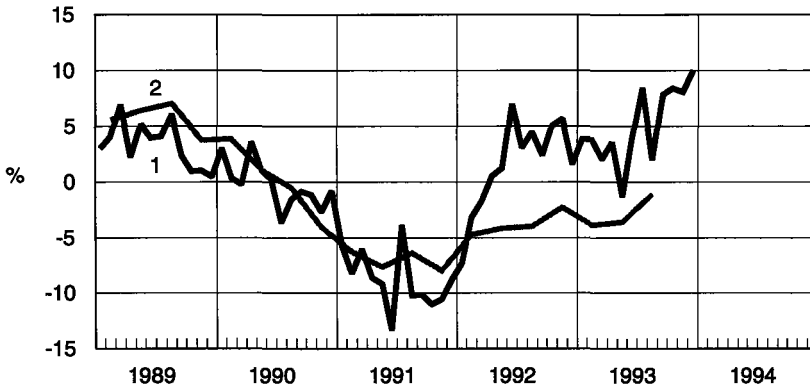
26. FINLAND'S EXPORT PERFORMANCE



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

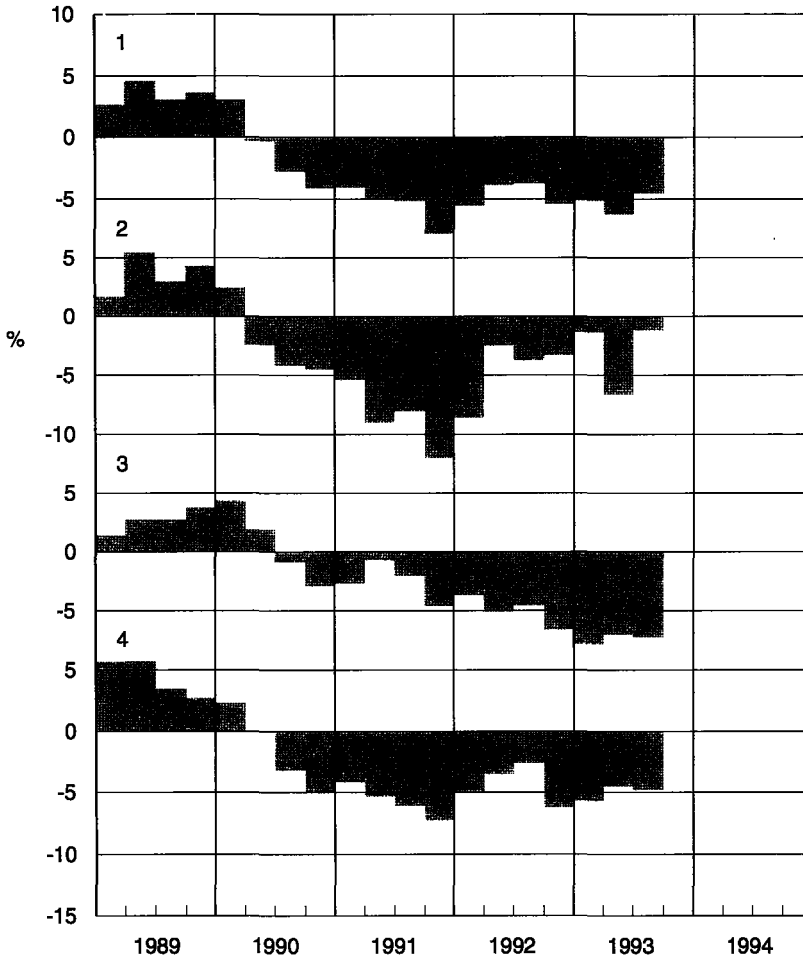
1980 = 100

27. PRODUCTION



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

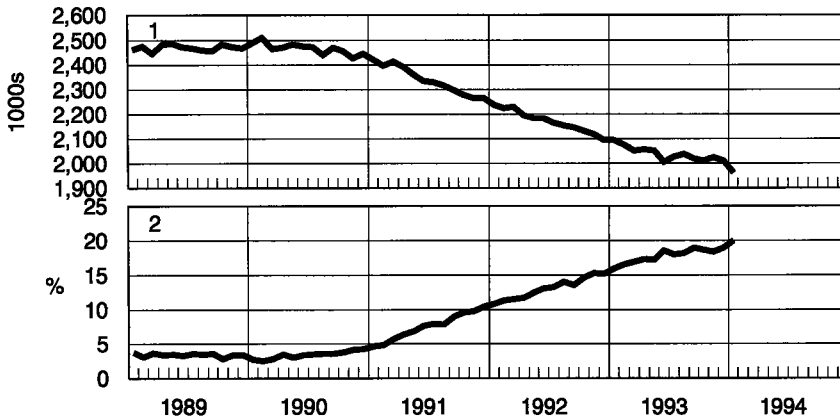
28. FIXED INVESTMENT



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

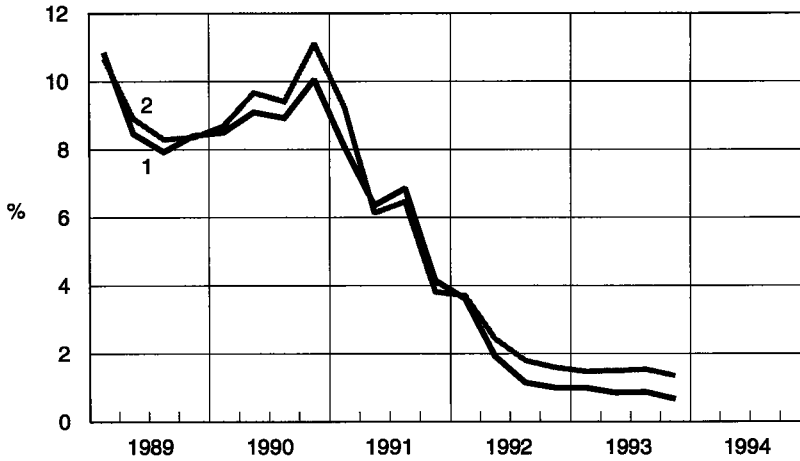
Volume changes calculated from four-quarter moving totals and plotted at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE



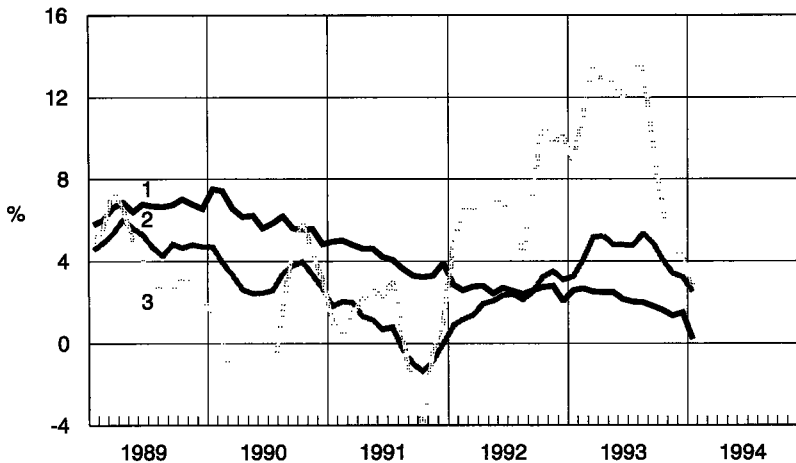
- 1. Employment, 1000 persons
- 2. Unemployment rate, per cent

30. PRICES AND WAGES



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

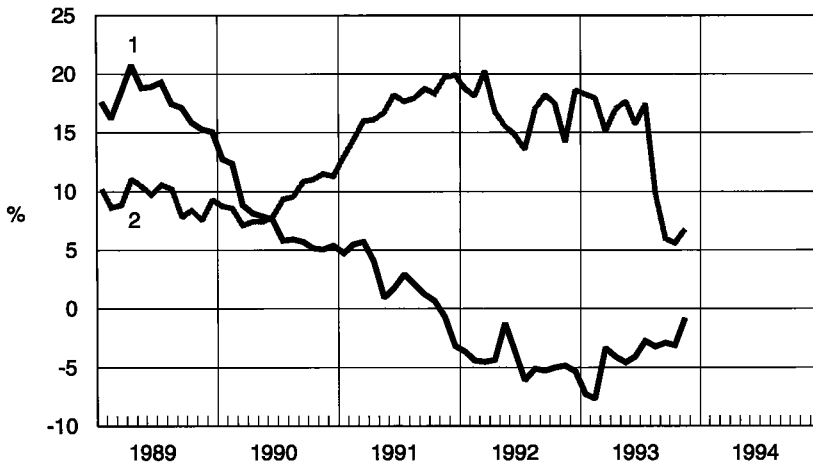
Change from the corresponding quarter of the previous year, per cent



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

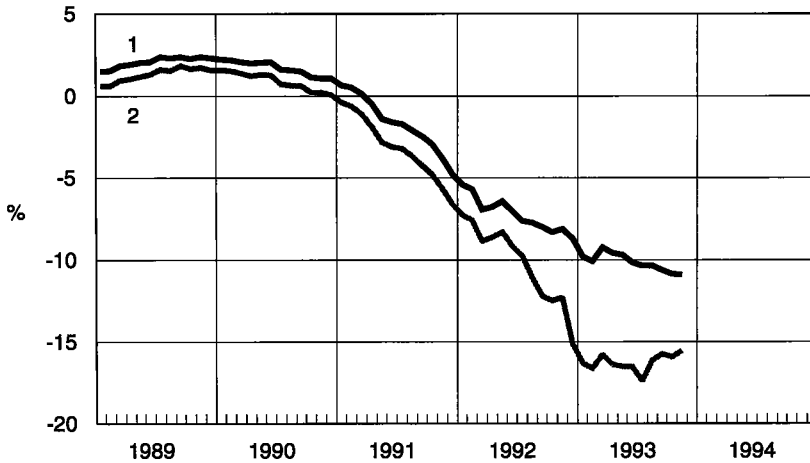
Change from the corresponding month of the previous year, per cent

31. CENTRAL GOVERNMENT FINANCES



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

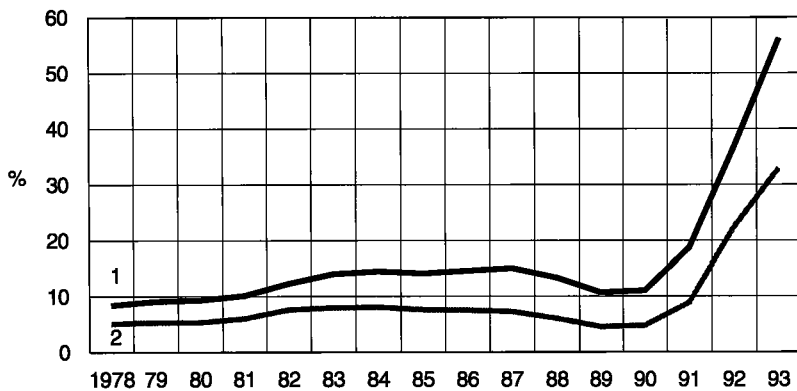
12-month changes calculated from 12-month moving totals and plotted at the last month, per cent



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

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

32. CENTRAL GOVERNMENT DEBT



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

As a percentage of GDP

BANK OF FINLAND*

15 March 1994

THE PARLIAMENTARY SUPERVISORY BOARD

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JUSSI RANTA, Vice Chairman
ANNELI JÄÄTTEENMÄKI

MAURI MIETTINEN
TUULIKKI HÄMÄLÄINEN
OLAVI ALA-NISSILÄ

JÖRN DONNER
ESKO SEPPÄNEN
TELLERVO RENKO

THE BOARD

SIRKKA HÄMÄLÄINEN, Chairman

HARRI HOLKERI

KALEVI SORSA

ESKO OLLILA

MATTI VANHALA

DIRECTOR

PENTTI KOVIKKO

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Administration URPO LEVO

Data Processing JUHANI RAPELI (acting head)

Economics JOHNNY ÅKERHOLM

Financial Markets KAARLO JÄNNÄRI,
Advisers to the Board: HEIKKI KOSKENKYLÄ,
PETER NYBERG, RALF PAULI

Information ANTTI JUUSELA

Internal Audit TIMO MÄNNISTÖ

International Secretariat KJELL PETER SÖDERLUND

Legal Affairs ARNO LINDGREN

Market Operations MÄRKUS FOGELHOLM

Monetary Policy PENTTI PIKKARAINEN

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Personnel RIITTA JOKINEN,
Adviser to the Board: ANTON MÄKELÄ

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Adviser to the Board: KARI PUUMANEN

Security JYRKI AHVONEN

Statistical Services ESA OJANEN

Eastern European Economies KARI PEKONEN

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

BRANCH OFFICES

Kuopio, Lahti, Oulu, Tampere, Turku, Vaasa

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VELI TARVAINEN, Managing Director

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