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Inflation, monetary policy and
economic performance

EMU and the Finnish securities markets

Revision of the Act on
the Bank of Finland

Inflation, monetary policy and economic performance	3
EMU and the Finnish securities markets by Markku Malkamäki and Erja Saukkonen	8
Revision of the Act on the Bank of Finland by Arno Lindgren and Maritta Vehmas	11
Measures concerning monetary and foreign exchange policy and the financial markets	15
Monetary policy instruments	16
Finland in brief	20
Statistics • List of tables on page	S1
Charts • List of charts on page	S29

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Inflation, monetary policy and economic performance

The Bank of Finland stated in June that the risk of accelerating inflation had increased. Although price developments since June have been subdued in many respects, uncertainty as to the inflation outlook has not declined but actually increased. By mid-September, the Bank had become convinced that a degree of monetary tightening was necessary.

Presently, both domestic demand and exports are growing at a rapid rate. As a result of strong demand, the gap between potential and actual output – the GDP gap – is narrowing rapidly. This may lead to capacity constraints in the economy that will increase the risk of demand inflation.

While the Finnish markka has been stable against the Deutschemark, it has continued to weaken during the summer in terms of the trade-weighted currency index as the US dollar and pound sterling have strengthened. The weakening of the markka's external value increases potential inflation pressures, especially now when demand is growing rapidly. There have been some signs of acceleration of the rise in import prices.

Although the primary risks of accelerating inflation stem from demand factors, price pressures may also come from the cost side. Continued wage restraint has helped to promote price stability during the current year. The key factors in fostering price stability over the next few years will be moderation in firms' pricing policies, maintenance of reasonable markups and especially pay settlements to be concluded in the latter part of this year, which will need to be moderate and consistent with stable prices.

Finland's participation in the EU's exchange rate mechanism (ERM) underlines the role of fiscal policy as an instrument of contracyclical policy. Balanced economic performance, while depending mainly on the economy's growth rate and exchange rate developments, also includes price stability, which in the present situation requires fiscal tightening. From the standpoint of contracyclical policy, it is in fact the case that Finland's fiscal policy should be even tighter than that entailed in the Government's proposed budget. That tax alleviation in the next few years will be necessary due to the employment situation also argues for a tighter fiscal stance now during the years of economic buoyancy.

Bank of Finland tightens monetary policy

In June the Bank of Finland announced that monetary policy would need to be tightened if the risk of higher inflation were to become significant. By mid-September inflation pressures had increased to the point where the Bank felt obliged to raise its tender rate from 3.00 per cent to 3.25 per cent.

Continued favourable economic performance created a positive atmosphere during the summer in the Finnish foreign exchange market. As a result of substantial weakening of the Deutschemark in international currency markets, the Finnish markka experienced a degree of upward pressure vs the Deutschemark. In July the pressure intensified to the extent that the Bank of Finland saw fit to curb the pressure via interventions aimed at dampening excessive swings in the markka's exchange rate. The markka remained relatively stable during the summer against ERM currencies, peaking at about 3 per cent on the strong side of its DEM central rate and ending August with a gap of 1.3 per cent.

Stability vs the Deutschemark has meant that the Finnish markka has been steadily depreciating against the US dollar and pound sterling for a whole year now. The value of the markka in terms of the trade-weighted currency index depreciated by about 1.5 per cent in June–August, which has probably increased foreign trade-related price pressures (Chart 1).

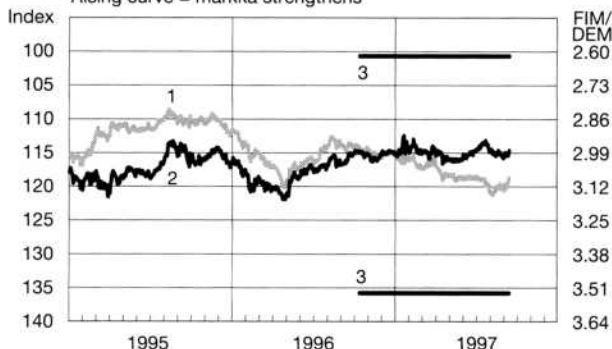
Conditions have been calm in the domestic money market during the summer months. Following in the wake of foreign interest rates, domestic long-term market rates declined (Chart 2). In June–August, the longest quoted rate fell by 0.3 percentage point, standing at 5.96 per cent at end-August. The differential vs German long-term rates was in the region of 0.2 to 0.3 percentage point for several months. Short-term market rates and forward rates have remained stable during the summer, even though market expectations of monetary tightening have increased to some extent.

Low market interest rates have continued to push down banks' lending rates this year. The average interest rate on new markka loans to households was 5.9 per cent in June, and the average interest rate on outstanding markka loans amounted to 6.2 per cent at end-June. The demand for hous-

Chart 1.

External value of the markka

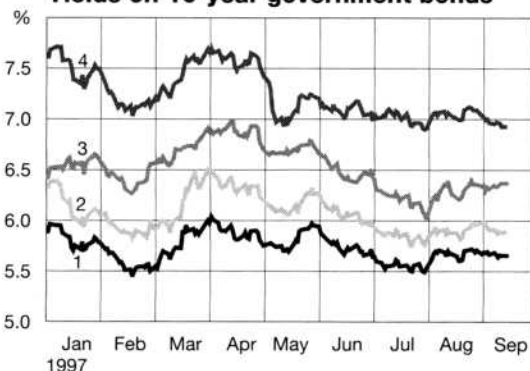
Rising curve = markka strengthens



- 1. Trade-weighted currency index, 1982 = 100 (left scale)
- 2. FIM/DEM (right scale)
- 3. FIM/DEM fluctuation limits (right scale)

Chart 2.

Yields on 10-year government bonds



- 1. Germany
- 2. Finland
- 3. US
- 4. UK

billion for the year-earlier period. In addition to low interest rates, first-home buyers are also being attracted by government guarantees. Because repayments of old housing loans continued at a brisk pace, outstanding housing loans grew by only FIM 1.4 billion in April-June.

Deutschemark weakened against other major currencies

During the summer the Deutschemark weakened against the US dollar and pound sterling. Strengthening of the dollar and pound has been supported by rapid economic growth in the respective countries. The German economy is also gradually recovering, mainly owing to exports, but its growth rate has been notably slower than that of the US and UK. The Deutschemark has also been pressured by wide yield differentials favouring dollar and pound investments. Moreover, investors consider German (and French) economic problems to be long-term structural problems.

The Deutschemark's weakening has been abated by the current market view that Stage Three of economic and monetary union (EMU) will be realized with wide participation. According to prevailing market opinion, budget problems in Germany and France and results of French elections have improved the chances of Spain, Italy and Portugal to participate in EMU from the onset.

Despite some market pressures, exchange rates among ERM currencies were steady in summer and the gap between weakest and strongest currencies remained in the 2-4 per cent range, with the exception of the Irish punt. Strengthening of the pound sterling has been a crucial factor in keeping the Irish punt as clearly the strongest ERM currency. In July the punt's exchange rate moved on a few occasions very close to the upper limit of its fluctuation range.

Central bank rates on the rise

The Bundesbank has expressed concern over the weakness of the Deutschemark vs the US dollar and the inflation pressures that have resulted, which have in turn prompted market expectations of a hike in the central bank rate. Recent data showing moderate money supply growth have however allayed such concern.

Since appointment of the new Government in the United Kingdom in spring, the base lending rate has been raised altogether by a full percentage point, in order to curb economic overheating. In connection with a rate hike in August, the Bank of England announced that the level of the base rate is now consistent with the inflation target. The markets interpreted this to mean that the monetary tightening phase was over for the time being, which would reduce the attractiveness of pound sterling as an investment currency, and hence the pound proceeded to weaken against the major currencies.

ing loans picked up in the second quarter of this year. In April-June drawings of new housing loans totalled about FIM 8.1 billion, compared to FIM 6.5

Norway has also tightened its monetary policy. Rapid economic growth and increased inflation pressures prompted an increase in Norway's central bank rate in mid-July. As a result of the rate hike, the Norwegian krone, as well as the Swedish krona, strengthened against the Deutschemark. The increased probability that EMU will be realized on schedule and with wide membership has further strengthened the Norwegian and Swedish currencies. In June–July the Swedish krona appreciated by almost 5 per cent against the Deutschemark and by 4 per cent against the Finnish markka.

According to the latest economic indicators, economic growth in the United States has continued at a robust pace while, on the other hand, inflation has remained moderate. Market expectations of a hike in the central bank rate have nonetheless remained fairly strong, as judged eg by forward rates, although the expectations have abated to some extent during the summer.

The US dollar has remained relatively stable against the Japanese yen. The yen has been bolstered mainly by Japan's widening current account surplus. In June–July the surplus was 60–70 per cent larger than in the year-earlier period. The yen has also benefited during the summer from its rising popularity among international investors, as currencies of several developing southeast Asian economies have encountered difficulties.

Decline in long-term rates and continued rise in share prices

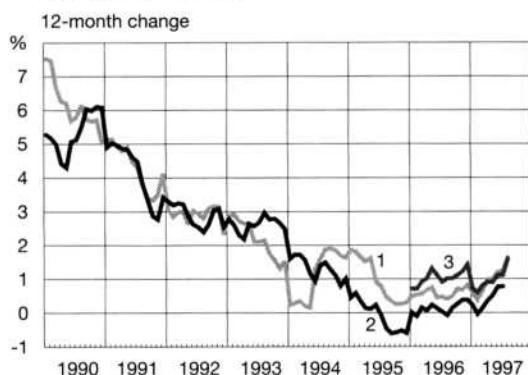
In early summer long-term rates in ERM countries declined in the wake of a decline in corresponding rates in the United States. In August, US long-term rates however began to rise, largely as a result of high employment figures. In Europe as well, interest rates rose in August. By contrast, in southern European countries in particular, long-term rates have declined during the summer months owing to market confidence in the onset of a wide EMU. During the summer the Italian ten-year rate dipped momentarily below the corresponding Swedish rate. In contrast to other EU countries, long-term rates in the UK have remained stable, and the differential between UK and German ten-year rates has widened already to about 1.5 percentage points.

In the United States and in many other countries, the decline in long-term rates has fostered substantial rises in share prices. Strong economic growth and good financial results for firms have also helped to maintain investors' interest in equities. At the same time, there have been warnings of a possible drop in share prices.

Growing uncertainty about the inflation outlook

Between March and April, Finnish consumer prices increased by 0.5 per cent. The exceptionally large rise resulted from the inclusion of the entire first-quarter rise in housing prices in the April consumer

Chart 3.
Consumer prices



1. Consumer price index, 1990 = 100
2. Indicator of underlying inflation, 1990 = 100
3. EU harmonized CPI, 1994 = 100

price figure. Since then, monthly changes in consumer prices have slowed so that prices remained unchanged on average in June–July. In July the twelve-month rise in the CPI was 1.2 per cent (Chart 3). The indicator of underlying inflation, which excludes the impact of taxes, subsidies and housing-related capital costs, rose by 0.8 per cent between June 1996 and June 1997 – the most rapid rise since February 1995. The Bank of Finland estimated earlier that underlying inflation would accelerate to slightly over 2 per cent next year. The risk of greater acceleration of inflation has however grown, owing mainly to rapid economic growth and anticipated rises in import prices due to depreciation of the markka.

The harmonized consumer price index, which is used to measure compliance with EMU inflation criteria and which also excludes housing-related capital costs as well as prices of certain public services, fell by 0.2 per cent in July and rose by 1.1 per cent during the last 12 months. In June Finnish inflation was the third lowest among EU countries; only France and Austria recorded lower inflation rates. From June 1996 to June 1997, consumer prices rose on average by 1.6 per cent in EU countries, compared with 2.3 per cent in the United States and 2.2 per cent in Japan.

It now appears that the peak phase of the up-trend in housing prices has come to a halt, as the price rise decelerated markedly in the second quarter of this year. For the country as a whole, prices of flats rose by 3.0 per cent in the second quarter vs the first quarter, compared to a first-

quarter rise of 7.6 per cent. The slowing of the rise in housing prices was also reflected in prices of existing two-room flats in Greater Helsinki: prices per square metre actually fell in May, though they rose again slightly in June and July. In July prices per square metre were almost a third higher than a year earlier. The halt in the peak phase of the uptrend in housing prices is indicated by the fact that whereas prices rose 8.5 per cent between January and April, the rise was less than half that amount between April and July. The sharp rise in housing prices in late 1996 and early 1997 will however be reflected in large twelve-month price changes for some time. Developments in housing prices around the country have varied geographically. In some areas, price rises have been notably slower than in Greater Helsinki.

Stumpage (standing timber) prices continued to rise in April–May. After rising by 2.5 per cent between March and April, prices resumed their trend for the early months of the year, rising by about 1 per cent. In May stumpage prices were 16 per cent higher than a year earlier.

The moderate rise in world commodity prices in the first half of the year has levelled off and world market prices of energy raw materials have fallen markedly since the start of the year. In July dollar prices of world commodities were about 2 per cent lower than their year-earlier level and slightly below their June level, owing to declines in prices of food and industrial raw materials. Nonetheless, markka-denominated commodity prices have risen owing to the strengthening of the dollar. Thus, although dollar prices of world commodities decreased by almost 2 per cent between July 1996 and July 1997, they rose by about 15 per cent in markka terms.

Experience has shown that a sustained weakening of the markka's external value will gradually pass through to domestic prices via rising import prices, but only if demand is sufficiently robust. For example, the markka's devaluation of 1991 and substantial weakening in the early months of the float did not significantly boost inflation because of the sluggishness of domestic demand. The present situation is quite different: With demand continuing to grow rapidly, there is a risk that inflation pressures will grow, especially if it is anticipated that the dollar will remain strong and the FIM/DEM rate stable.

In June import prices were 1.5 per cent above their year-earlier level, also due to a rise in prices of investment goods. Between June and July, import prices rose by 1.4 per cent, mainly as a result of price increases in crude oil and other raw materials. Export prices also rose slightly between June and July but still remained 2 per cent below their level of July 1996. The decrease in export prices over the past year is mainly due to a notable fall in paper industry export prices. The downtrend seems to have recently bottomed out: Export prices in the paper industry recorded small positive changes in both June and July.

In July producer prices in manufacturing were 1.1 per cent above their year-earlier level. Prices of timber and minerals recorded the highest twelve-month rises. Between June and July producer prices rose by 0.4 per cent owing to a rise in the prices of pulp, timber and basic metals.

Despite rapid growth in manufacturing output and particularly construction, overall wage drift remained moderate during the second quarter of 1997, with the index of wage and salary earnings rising 2.7 per cent above its year-earlier level. About a half of this rise is attributable to a negotiated increase in wages and salaries in October 1996 and the rest to wage drift, part of which reflected changes in the structure of the labour force.

Construction costs increased by 2.6 per cent in July compared to their level a year ago. Prices of building materials, which have the greatest weight in the building cost index, rose slightly faster than the index as a whole. The tender-price index for new buildings has risen rapidly since late spring, which portends a continued rise in construction costs.

Households' inflation expectations for the next twelve months abated slightly to 1.7 per cent in July. In May–June they were slightly higher, due partly to rises in coffee prices and rents and an acceleration in house price inflation.

Since the start of the year, share prices on the Helsinki Stock Exchange have risen sharply, tracking international trends. According to the HEX all-share index, share prices have risen by over a third since the start of the year and share turnover has increased substantially. After mid-August share prices on many foreign stock exchanges fell owing to uncertainty about the future trend of share prices, which was also reflected in share prices on the Helsinki Stock Exchange.

Robust growth in output

According to Statistics Finland's revised national accounts data, GDP growth in 1995 was 5.1 per cent, ie about a half percentage point higher than the prior estimate. GDP growth figures for 1996 remained unchanged at 3.3 per cent. However, owing to the adjustment, nominal GDP in 1996 was 1 per cent higher than the prior estimate.

Since the end of the recession, Finnish economic growth has continued at a robust pace, now extending into the fifth year and clearly faster than the average for the OECD countries. The annual rate of GDP growth in the first quarter of 1997 was 4 per cent. According to Statistics Finland's monthly indicator of total output, GDP growth accelerated clearly during the second quarter of 1997. For the period between June 1996 and June 1997, the growth rate was 6.6 per cent, and in May the corresponding growth rate was 5 per cent. Output in the agriculture and forest sector grew by 11.5 per cent in June, boosted by a pickup in felling for trading purposes after a sluggish May. Workday-adjusted

industrial production increased by 6.5 per cent, primarily as a result of an increase of almost a fifth in the forest industries. The construction industry continued to recover from a record-severe recession, with output increasing by 15 per cent.

Prospects for economic growth in the latter half of 1997 are quite favourable. According to a June survey of business confidence conducted by the Confederation of Finnish Industry and Employers, which reflects expected cyclical developments in manufacturing for the next six months, the outlook for manufacturing and construction continue to be as favourable as in May. A survey of consumer confidence conducted in July indicates that households' confidence in economic recovery has also remained high. The July survey of consumer confidence recorded a net balance (characteristic value) of 15.4, slightly lower than in June. Consumer confidence peaked in April at a net balance of 17.1. In July, 56 per cent of Finns estimated that the country's economy had improved over the last twelve months and 43 per cent believed that the economy would continue to improve over the next twelve months.

According to Statistics Finland's labour force survey, the unemployment rate in July was 12.7 per cent, which is 2.3 percentage points lower than in June. The unemployment rate has not been this low since 1992. The Ministry of Labour's seasonally adjusted unemployment rate was 13.8 per cent in July. The notable decrease in the unemployment rate is largely due to a decrease in the labour force.

Current account surplus grew

The surplus on the current account amounted to FIM 2.0 billion in June. The cumulated surplus for the first half of the year amounted to FIM 10.1 billion, slightly larger than that for the first half of 1996. The twelve-month cumulative surplus on the current account was FIM 24.2 billion in June.

The increase in the current account surplus is explained by rapid growth in exports coinciding with moderate growth in imports. The services account has also continued to post a surplus.

Although current account developments have been quite favourable during the last few months, net external liabilities (IIP basis) have been increasing, mainly as a result of exchange rate and share price developments. At the end of June Finland's net external liabilities amounted to FIM 286 billion, which amounts to 115 per cent of current account income and about 49 per cent of GDP. Finland's net external liabilities are thus very high by international standards. The central government accounts for more than two-thirds of net external liabilities.

Public sector deficit about 3 per cent in 1996

Preliminary estimates indicated that the public sector deficit was 2.6 per cent of GDP in 1996, ie clearly below the 3 per cent maximum allowed under the EMU convergence criteria. However, according to an adjusted estimate published by Statistics Finland in summer, the deficit was 3.1 per cent. The adjustment was mainly due to the fact that the central government deficit was larger and the employment pension institutions' surplus smaller than estimated. On the other hand, the deficit/GDP ratio was restrained somewhat by the upward adjustment in the GDP figure. For the same reason, the ratio of public debt to GDP narrowed slightly to 58.2 per cent and was thus clearly lower than the EMU criterion. Final figures for the 1996 public sector deficit will be published after local government sector calculations are completed.

The Government's proposed budget for 1998 entails fiscal consolidation. Central government expenditure is projected at FIM 186.9 billion, ie FIM 4 billion less than the Government's prior expenditure projection. As central government revenue is expected to increase to FIM 172.4 billion, the central government deficit should amount to about FIM 14.5 billion or about 2.5 per cent of GDP. The public sector deficit is projected to amount to 0.1 per cent of GDP in 1998, compared to 1.3 per cent this year. Thus Finland should clearly meet the convergence criteria for the public sector, which will be used in spring 1998 to determine which countries can participate in EMU.

The Ministry of Finance reported the second revised version of its convergence programme of autumn 1995, which was submitted to the European Commission and Council of the European Union. According to the programme, Finland's public sector deficit and debt/GDP ratio will develop more favourably than estimated in the coming years. The public sector deficit is projected to disappear in 1998, and in 2001 there should be a 1.9 per cent surplus and a debt/GDP ratio of 52 per cent.

15 September 1997

- Key words: inflation, monetary policy, economic performance

EMU and the Finnish securities markets

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In recent years international competition in financial services has heated up significantly in the EU area in particular. Deregulation of the markets and realization of the European single market programme have removed barriers to competition, which in themselves will help enhance market efficiency over the next few years. Changeover to the single currency, the euro, would remove the remaining significant barriers to competition in the financial sector (with the exception of taxation), which would speed up structural change in the financial markets. In addition, technological advances will continue to bring major changes to the global financial markets. This article reviews the outlook for Finnish securities markets, assuming that Stage Three of Economic and Monetary Union (EMU) is launched as planned.

Introduction of the single currency will rapidly increase pressures for concentration of the markets for long-term debt, stocks and derivatives in the large financial centres. These pressures will be especially acute with respect to the wholesale money markets *inter alia* because it will be possible to transfer large sums of money quickly and reliably from one country to another via TARGET, the real time payment system being developed by European central banks.

Removal of currency borders will facilitate portfolio diversification, which is likely to lead to a substantial restructuring of investment portfolios. Finnish investors will find it easier to invest in euro-denominated securities, and foreigners will be able to invest in Finnish securities without incurring markka-related risks. The future position of Finnish financial institutions and markets will be determined *inter alia* by these diverging forces.

Financial intermediation will become more efficient and more securitized

The aim of EMU is to achieve Europe-wide financial markets. National features that have long protected locally operating banks and investment service providers, such as divergent market practices and national currencies, will disappear with the introduction of the euro. These developments will increase the range of options available to investors and those in need of financing, thus enhancing the

efficiency of the financial intermediation process as a whole and the secondary markets for securities.

Competition will tighten rapidly in securities intermediation and other investment banking activities. On the other hand, greater demand can be expected for investment banking and asset management services as financial intermediation increasingly shifts from bank lending to securities markets and traditional banking wanes as a channel for financing. These developments would tend to restructure the European financial markets more in line with US markets (Chart 1).

Large international brokerage firms will strengthen their positions in securities intermediation as the need for special knowhow regarding national currencies diminishes. Technological advances will also facilitate cross-border securities intermediation, making it easier for Finnish companies to use the services of foreign banks and securities intermediaries instead of Finnish counterparts.

Apart from banks and securities intermediaries, keener competition will also affect stock exchanges and providers of support services for securities trade, such as registration, clearing and settlement, which must even now be able to compete with other European marketplaces for company listings, debt security issuance and trade in securities and derivative instruments.

The money and bond markets

In volume terms, the money market is the largest sector of the securities markets. Because economies of scale are greatest in the money market, it will also be the first to concentrate. There will be notably fewer major players than at present. As regards the market for short-term debt, Europe can be expected to have a highly uniform pattern of interest rates based on Treasury bills issued by different governments and largely determined by the European central bank.

By international standards, the Finnish money market is large (Chart 1) and unique in structure because of its reliance on certificates of deposit issued by commercial banks. It is quite unlikely that Finnish banks' short-term funding could be based to the same degree on euro-denominated CDs. Banks will need to either seek alternative funding sources or shrink their balance sheets. The focus of

interbank liquidity smoothing is likely to shift to deposits or relending agreements.

At the Madrid summit it was decided that all new issues of government bonds will be denominated in euro from the start of Stage Three of EMU. Moreover, most EU countries will convert their outstanding government bonds into euro at the start of 1999. The purpose of the conversions will be to improve the liquidity of outstanding debt and enhance euro credibility. Finland also will convert its outstanding benchmark government bonds at that time.

The relative importance of credit risk in bond prices will increase as exchange rate risk is reduced. The European bond market is likely to see some sectoral differentiation between issues of the best performing economies and issues of the more highly indebted economies. In the former sector, interest rate differentials across countries will be virtually nil, and trade there in the most liquid instruments will determine long-term reference rates for the euro area. On the other hand, credit-rating-related interest rate differentials in the euro area could widen as a result of improved credit risk analysis.

Competition will stiffen in both debt issuance and secondary market trade. The advantage that domestic market participants have traditionally had because of their local-conditions expertise will become less important and international contacts will gain in importance. It is likely that the market making arrangement for trade in Finnish benchmark government bonds will continue to be necessary. In the single currency area, market liquidity will be another key factor in bond pricing, along with credit risk, which means that at least at the outset we will need the present primary dealer system. However, the operating mode and composition of the system could change. For instance, the list of primary dealers may be lengthened so as to widen the spectrum of investor contacts. It may also be necessary to harmonize market practices more in line with Europe as a whole.

The corporate debt markets have remained somewhat underdeveloped both in Finland and in Europe generally (Chart 2). The single currency will pave the way for an expansion in corporate bond financing as a result of an expanding investor base and the spread of a credit-risk-based pricing culture. This, combined with a likely increase in Finland's appeal to international investors, will increase Finnish companies' access to market-based debt financing.

Derivative instruments based on currencies slated to disappear with the introduction of the euro and on debt instruments of individual governments will quickly vanish. These will be replaced by euro-based currency derivatives and interest rate derivatives based on the key reference rates for the euro markets.

Chart 1.

Breakdown of financial assets in selected countries 1995

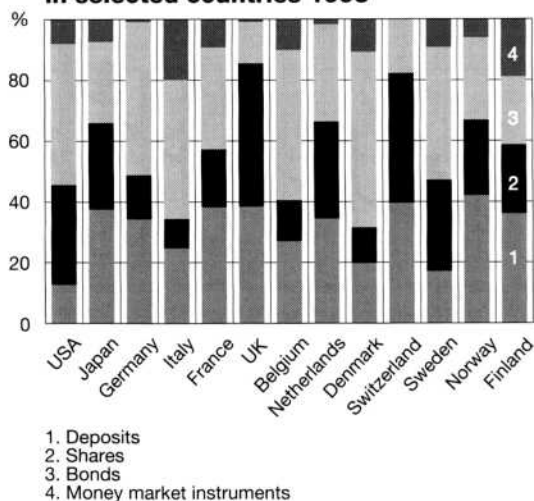


Chart 2.

Bond market structure by issuer 1995

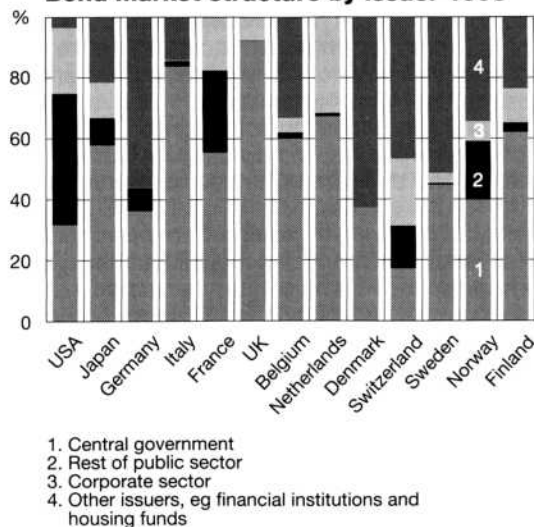
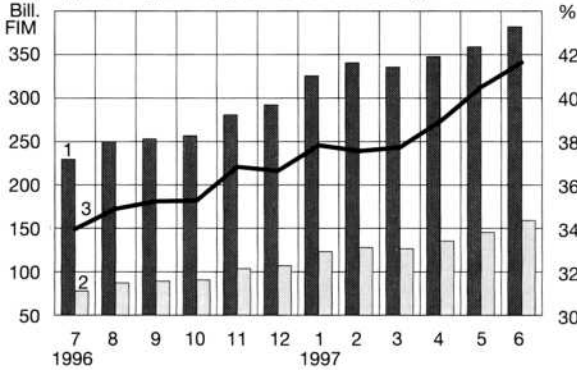


Chart 3.

Market capitalization of book-entry system participants and foreign owners



1. Market capitalization of book-entry system participants, bill. FIM
2. Market capitalization of foreign ownership, bill. FIM
3. Foreign ownership share of market capitalization of book-entry system participants, %

Stock markets and marketplaces

In the euro area, cost and efficiency differences in infrastructures of national markets will be clearly reflected in securities prices. Because of price differences, trading activity will concentrate in the most competitive markets. As regards issuers and investors, the crucial factors are service quality, reliability and costs. Marketplaces must be able to provide service ranges and operations that are up to international standards. The development or acquisition of the necessary international networks as well as continuous updating of products and systems require vast inputs of capital and highly qualified personnel. Because these are highly expensive, we may see more intensive cross-border cooperation among stock exchanges, eg in the areas of IT and product development.

In Finland, the Helsinki Stock Exchange Ltd and SOM Ltd, Securities and Derivatives Exchange, Clearing House (SOM) will be merged to form HEX Oy, Helsinki Securities and Derivatives Exchange, Clearing House (HEX). As envisaged, the merger will be completed by the end of 1997, the aim being to enhance the efficiency of the financial markets and thus to meet the international competition. The major shareholders of HEX will be the Finnish commercial banks, OM Gruppen AB and EVLI Group.

Despite rapid structural changes, pressures for concentration are less intense in the stock market than in the wholesale market for debt instruments. There may be a gradual trend toward concentration

of share trading in major financial centres, but in any case national stock exchanges will be around for a long time. Some of the largest Finnish companies already maintain co-listings in London and/or New York, and a significant portion of their shares are held by international investors (Chart 3). Nonetheless, trading in these shares on the Helsinki Stock Exchange has remained brisk, as it has for derivatives on the SOM. Technological advances and lower costs may enable national exchanges to remain competitive even over the longer term.

Securities clearing and settlement

As regards competitiveness of national financial institutions, it is crucial that systems for registration and settlement of securities trade be sufficiently efficient and cost-effective.

In response to tightening international competition, the Finnish Central Securities Depository Ltd (FCSD) commenced operations in early 1997. The largest shareholder of the FCSD is the Bank of Finland and other shareholders are the Finnish government, the Central Share Register of Finland Co-operative, Helsingin Arvo-osuuskeskus Oy (a book-entry securities centre in Helsinki), Merita Bank, Okobank, Postipankki and Aktia Savings Bank Ltd.

The FCSD acts as a registry for book-entry securities issued in Finland and as a clearing house for reported securities trades. Operations were started up on the basis of existing systems by combining business operations of the Helsinki Money Market Center, the Central Share Register of Finland and the Securities Association as well as the clearing and settlement functions of the Helsinki Stock Exchange. The aim is to develop the FCSD into a cost-efficient, reliable and internationally competitive registry and clearing house for book-entry securities.

The FCSD is also a response to the demands of conducting a single monetary policy within the framework of the European System of Central Banks (ESCB). National securities registration and settlement systems must be able to process all instruments that are eligible for ESCB operations and enable also cross-border use of collateral. ESCB financing operations and the full collateralization requirement will tightly link securities settlement systems with the conduct of the single monetary policy and the TARGET system.

30 July 1997

- Key words: EMU, financial intermediation, financial markets, investment services, securities markets

Revision of the Act on the Bank of Finland

by **Arno Lindgren**, Head of Legal Affairs
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Bank of Finland

A new Act on the Bank of Finland will enter into force at the beginning of 1998. The Act defines the central bank's objectives, tasks and powers more explicitly than before and brings the Bank's decisionmaking independence into line with the Maastricht Treaty. According to the Act, the Bank's primary objective is to safeguard the value of money, and its main task is to decide on and implement Finland's monetary policy.

A complete revision of legislation concerning the Bank of Finland has been under preparation for a long time (since the mid-1980s). In 1993 the Council of State appointed the so-called Bank of Finland Committee, which submitted its memorandum (KM 1994:12) in August 1994. In January 1997, after receiving opinions on its draft proposal *inter alia* from the European Monetary Institute (EMI), the Government presented to Parliament its final proposal on the new Act on the Bank of Finland and other related acts (Government Proposal HE 261/1996). Parliament adopted the bills entailed with certain amendments (719/1997) on 13 June 1997, after a thorough review by several special committees. The new Act on the Bank of Finland (new BOF Act) and other related legislative amendments will enter into force on 1 January 1998.

Why was the Act revised?

Originally, the legislative reform effort concerning the Bank of Finland was based mainly on national considerations. Despite a number of partial amendments, the current Act on the Bank of Finland (current BOF Act) has become outdated in many respects, especially during the last few years, because national and international developments have substantially changed the Bank's operating environment. The reform was aimed at simplifying an incoherent and multi-tier body of legislation and defining the Bank's objectives, tasks and powers more explicitly than before. In spite of its obvious deficiencies, the current BOF Act, which will remain in force until the end of 1997, deserves recognition for its durability. A considerable part of its provisions have proved viable throughout the decades despite the somewhat outdated language.

As the drafting process continued, EMU-related provisions of the Treaty establishing the European Community began to have a notable impact on the

contents of the new BOF Act. Article 109e of the Treaty provides that during Stage Two of EMU each member state must, as appropriate, start the process leading to independence of its central bank. In its report 'Progress towards convergence 1996' the EMI notes that Finland's current central banking legislation is inconsistent in several ways with the Treaty and with the Statute of the ESCB. Article 107 of the Treaty provides that, when carrying out the tasks conferred upon them, neither the European Central Bank, nor a national central bank, nor any member of their decisionmaking bodies shall take instructions from Community institutions or bodies, from any government of a member state or from any other body. According to the EMI and European Commission, the Parliamentary Supervisory Council's decisionmaking power as regards monetary policy is inconsistent with central bank independence as defined in Article 107.

Problems concerning the enactment procedure

When the Government's legislative proposal was considered by Parliament, the question arose as to whether the legislation could be passed according to the ordinary enactment procedure. The proposal was based on the premise that because the Bank of Finland's constitutional status would remain unchanged and the Bank would continue to be accountable to Parliament, pursuant to section 73 of the Constitution Act, the new BOF Act could be passed via the ordinary enactment procedure.

However, the Constitutional Committee of Parliament considered (statement PeVL 5/1997 vp) that the transfer of certain monetary policy tasks of the Parliamentary Supervisory Council to the Bank of Finland's Board was a significant change from the standpoint of the constitution. According to the Committee, the proposed change would seriously impair the arrangements that until now had guaranteed the Bank's operation under the care of Parliament as referred to in section 73 of the Constitution Act. The Constitutional Committee considered that this reduction in the monetary policy tasks of the Parliamentary Supervisory Council was due to Finland's Accession Treaty with the European Union. And since the act on the entry into effect of the Accession Treaty had been passed according

to the simplified procedure for the enactment of constitutional legislation, also those Treaty obligations that were in conflict with the constitution were approved and thus incorporated into the Finnish legislation.

Therefore, the Committee considered that the proposed change in the Council's monetary policy tasks would no longer influence the enactment procedure for the Government's legislative proposal, with the exception of decisionmaking in respect of exchange rate policy. Changes in this decision-making would require the procedure followed in the enactment of constitutional legislation, since those changes are not based on the Treaty. According to the Committee, Finland's adoption of the single currency would in any case necessitate amendment of the Currency Act and so the legislative reform could be shelved until the start of that process. The problem of enactment procedure disappeared when the proposed amendments to the Currency Act concerning decisionmaking in respect of exchange rate policy were rejected in a subsequent reading in Parliament. This meant that the new BOF Act itself could be passed via the ordinary enactment procedure.

Main contents of the new Act

Objectives, tasks and powers of the Bank of Finland

According to the new BOF Act, the Bank of Finland is the central bank of Finland and an independent institution under public law, whose status is governed by provisions laid down in the Constitution Act and the Parliament Act. Thus the Bank's constitutional accountability to Parliament remains unchanged.

The new BOF Act aims at defining the Bank's objectives, tasks and powers necessary for performance of these tasks more clearly and exhaustively than before. The Bank's primary objective is to safeguard the value of money. This clear objective laid down in the law defines both the Bank's operational independence and the basis for assessment and effective supervision of its activities. The central bank's objective and status are interrelated in that the Bank's independence is considered to promote attainment of its objective and to enhance the credibility of its monetary policy. Without jeopardizing its primary objective, the Bank is obliged to support the achievement of other economic policy objectives and to promote the stability of the financial system.

The Bank of Finland's main task is to decide on and implement the country's monetary policy. Monetary policy refers to all the Bank's decisions and measures aimed at attaining its objective as laid down in the new BOF Act. The Bank's independence is further ensured by a provision under which the Bank can neither seek nor take instructions concerning its tasks related to monetary poli-

cy. Other tasks of the Bank are to manage and invest the foreign exchange reserves, to take other measures essential for supporting the country's external liquidity, and to provide for the compilation and publication of statistics as necessary for carrying out its tasks. Further, the Bank must participate in maintaining the reliability and efficiency of the payment system and overall financial system and participate in their development. The Bank's obligation to cooperate with the Council of State and other authorities, which is laid down in the new BOF Act, is a principle that is also well established in practice. Other basic tasks of the Bank include issue of legal tender, ie banknotes and coins, and general maintenance of the currency supply.

The provisions on the Bank of Finland's powers aim at providing a more exhaustive, more coherent and clearer definition of measures that the Bank can take in performance of its statutory tasks. The principle that administration must conform to law requires that the new BOF Act define sufficiently clearly necessary means and powers. The Bank may grant and obtain credit; accept and make deposits; engage in trade in securities, precious metals and currencies; handle payment transactions and clearing of payments; and engage in other activities in the securities, money and currency markets. These provisions are sufficiently broad to enable the Bank to adapt its activities to changing market conditions.

The Bank of Finland's powers also include determination of the base rate and other interest rates that it applies, as well as determining and publishing reference rates. The Bank may own shares, other participations and real estate to the extent necessary for carrying out its tasks and organizing its activities. The new BOF Act contains a provision on the Bank's right to impose the obligation to hold minimum reserves. The contents of this provision correspond to the current BOF Act, except with regard to sanctions for failure to fulfil the minimum reserves obligation. In the future, decisions concerning minimum reserves may be appealed to the Supreme Administrative Court.

The new BOF Act contains an express prohibition of central bank financing of the public sector, based on Article 104 of the Treaty establishing the European Community. This prohibition took effect already when Stage Two of EMU started on 1 January 1994. The Bank of Finland must hold adequate collateral when granting credit, but it can for exceptionally good cause temporarily rescind the collateral requirement.

Changes in the Bank's administration

In line with the current BOF Act, the Bank of Finland's governing bodies will be the Parliamentary Supervisory Council, the Board and the auditors. The number and selection of members of the Parliamentary Supervisory Council are based on the Parliament Act and will remain unchanged.

The arrangement for dividing authority between the Council and the Board is also kept unchanged by an exhaustive listing of the Council's tasks related to the Bank. All remaining decisionmaking power rests with the Board under its general operative powers. The Council's tasks in respect of the administration of the Financial Supervision Authority, which operates in connection with the Bank of Finland, have been included in the Act on the Financial Supervision Authority (503/1993). The most significant change concerning the Bank's auditors is that at least two of them and their respective deputies must be auditors approved by the Central Chamber of Commerce or must have passed the Chartered Public Finance Auditor's examination.

The main task of the Parliamentary Supervisory Council is clearly general supervision of the Bank's administration and activities. As under the current BOF Act, clearcut spheres of responsibility include tasks related to the Bank's annual accounts and Parliament (eg the annual reports and legislative proposals) as well as administrative matters concerning the Board. The most significant change in the Parliamentary Supervisory Council's present tasks is the transfer of its monetary policy decision-making power in respect of interest rates to the Board, although even now the Board exercises such power within the constraints of Council-determined interest rate limits, with the exception of the base rate. As regards exchange rate policy, there will be no change in the division of authority between the Council and the Board. The change in decisionmaking power is softened by the Board's obligation to report regularly to the Council on monetary policy and its implementation. Other tasks to be excluded from the Council's sphere of responsibilities are decisions on banknotes and their design as well as all administrative and operative matters not directly connected with supervision.

As a means of clarifying the body of legislation concerned, entry into force of the new BOF Act will be accompanied by repeal the current version of the Regulations for the Bank of Finland (48/1926), which concern mainly the Bank's administrative matters, and the completely outdated Regulations on the Bank of Finland's Salaries, originally adopted in 1943. Under the current BOF Act, these regulations are still confirmed by the Parliamentary Supervisory Council. The Regulations for the Bank of Finland will continue to exist as a type of statute, but their contents will concern only the Board's decisionmaking procedures. In the future, other matters covered by the current Regulations for the Bank of Finland and Regulations on the Bank of Finland's Salaries will be determined on the basis of state civil servants legislation, civil service collective agreements and decisions made by the Board by virtue of its general operative power. Moreover, the Council will continue to confirm the Bank's pension regulations.

The number of Board members, ie the Chairman and a maximum of five other members, as well as the manner in which they are appointed will remain unchanged. One significant change is that Board members will be appointed for fixed terms: the Chairman for seven years and other members for five years. However, one can be appointed as member of the Board for as many as three terms and as Chairman for a maximum of two terms. The official title of the Chairman will be Governor of the Bank of Finland. Members of the Board must possess the expertise required for their tasks. The Board's general operative power is defined more precisely by its obligation to organize the Bank's activities in an efficient and cost-effective manner. The Board's express right to delegate tasks and powers within the Bank will abet fulfilment of this obligation. The special position of Board members is highlighted by the restriction of the grounds on which they can be removed from office and by the imposition of special regulations on their secondary occupations.

The legal status of Bank employees is clarified

From the standpoint of the Bank's internal activities, one of the most significant changes in principle accomplished by the new BOF Act is the adjustment of the legal status of its employees (civil servants) to the same level as the rest of the public sector and the creation of a comprehensive body of judicial regulations covering the employees. The current BOF Act is far behind the times in this respect.

The State Civil Servants Act (750/1994) will also apply to the Bank of Finland where appropriate. Those sections of the Act that are in essence inapplicable are separately listed in the new BOF Act. The rights and obligations of the Bank and its employees as well as other essential matters concerning Bank employees are governed by the State Civil Servants Act.

Provisions on the Bank's voluntary agreement and cooperation procedures are given the status of law. The Civil Service Collective Agreements Act (664/1970) will apply where appropriate to the Bank's agreement system, which already in practice largely complies with the general collective agreements system. One novelty of the new BOF Act is the right of both the Bank as employer and the association representing the employees to initiate industrial action. However, industrial action is prohibited if it impedes the Bank of Finland's fulfilment of its statutory tasks in such a way as to cause substantial harm to the country, disruption of the payment or financial system, or serious threat to the security of the Bank of Finland. Another new provision is that, as a general rule, all disputes concerning employees can be appealed. Matters concerning agreements are appealed to the Labour Court and other matters directly to the Supreme Administrative Court.

The approach espoused in the Government proposal of referring to state civil service legislation is unsatisfactory because of its unclarity and because the state and the Bank may have different goals with respect to human resources policy. In passing the new BOF Act, Parliament in fact requested that a separate legislative proposal on employees of the Bank of Finland be introduced as soon as possible (Enrolled Bill 99/1997 vp).

Capital, annual accounts and allocation of profits

The Bank of Finland's capital will continue to consist of primary capital and the reserve fund, but their magnitudes are not prescribed in the new BOF Act. More detailed provisions than before are provided on the allocation of profits in the annual accounts and on coverage of losses. A profit must be used primarily to augment the reserve fund in accord with stated calculation rules. Parliament will continue to decide on disposition of the remaining profit according to the needs of the state.

The new BOF Act puts into law the requirement to observe generally accepted accounting principles and contains specific rules on valuations and provisions for the annual accounts concerning eg the Bank's pension liabilities.

Special provisions

Some provisions mainly concerning procedural rules are included at the end of the new BOF Act. The Administrative Procedures Act (598/1982), which applies to the public sector in general, will also apply extensively to the Bank of Finland in respect of administrative matters. The secrecy provision currently in force has been clarified, but its contents will probably be influenced to some extent by the ongoing comprehensive reform of publicity legislation. The provisions on the Bank's right to obtain information and its obligation to provide information have been clarified so as to accord particularly with recent developments in financial markets supervision and compilation of statistics and to promote cooperation between the various authorities. Moreover, the Bank of Finland is obliged to provide the Parliamentary Economic Committee with all the information it needs to carry out its tasks.

12 August 1997

- Keywords: Act on the Bank of Finland, central bank, ESCB

Measures concerning monetary and foreign exchange policy and the financial markets

1996

OCTOBER

Tender rate. On 9 October, the Bank of Finland lowers its tender rate from 3.10 per cent to 3.00 per cent. In addition, the interest rate on banks' excess reserves is cut from 1.10 per cent to 1.00 per cent.

Finland joins the ERM. Finland joins the EU Exchange Rate Mechanism (ERM) as of 14 October 1996.

1997

SEPTEMBER

Tender rate. On 15 September, the Bank of Finland raises its tender rate from 3.00 per cent to 3.25 per cent. In addition, the interest rate on banks' excess reserves is raised from 1.00 per cent to 1.25 per cent.

Monetary policy instruments – September 1997

The Bank of Finland's monetary policy objective is to stabilize the inflation rate at about 2 per cent. This corresponds to the price stability objectives of the major ERM countries. Finland joined the Exchange Rate Mechanism (ERM) of the European Monetary System on 14 October 1996. In this regard, Finland's monetary policy remains unchanged, although membership underlines the importance of exchange rate stability. The central rate for the markka is FIM 5.85424 per ECU and the corresponding central rate against the Deutschmark is FIM 3.04. The Bank of Finland is responsible for ensuring that the markka remains within the ± 15 per cent fluctuation margin vs the other ERM currencies.

The Bank of Finland's instruments of monetary policy comprise market operations, the liquidity credit facility and the minimum reserve system.

Through its market operations, the Bank of Finland can on its own initiative have an immediate impact on banks' liquidity, short-term market rates and the exchange rate. Money market operations are usually conducted via tenders. Changes in the tender rate have immediate effects on money market rates and through them on banks' lending and deposit rates. The Bank of Finland can also affect the exchange rate when this is considered appropriate.

The liquidity credit facility consists of liquidity credit granted by the Bank of Finland when needed and deposits of excess reserves at the Bank. The main function of this facility in respect of an individual bank is to safeguard its liquidity in the event of an unexpected change in liquidity conditions. The rates of interest on liquidity credit and excess reserves, which are decided by the central bank, usually form the upper and lower limits for the short-term market rates.

The minimum reserve requirement is used to affect both the demand for central bank financing and banks' lending possibilities. Because required reserves held at the central bank do not bear interest, the system also supports the central bank's profitability. Fulfilment of reserve requirements on the basis of averaging facilitates banks' management of payment transactions.

Banks wishing to participate in the Bank of Finland's money market operations and to gain access to the liquidity credit facility are required to have a current account at the Bank of Finland. By means of a current account, a bank is able to effect payment transactions with the Bank of Finland and other current account holders in a safe, efficient manner.

The base rate, which is set by the Bank of Finland, was formerly an important reference rate. It is however being gradually superseded by market rates and has hardly any practical importance in the determination of new lending and borrowing rates.

Market operations

The Bank of Finland affects interest rates and exchange rates by means of market operations, ie by dealing in securities or foreign exchange assets with its selected counterparties.

Money market operations can be carried out in the form of either bilateral money market transactions or ten-

ders. Tenders, in which the Bank of Finland lends money to the banks, are carried out via repurchase (repo) transactions. In order to drain liquidity from the banking system, ie collect deposits from banks, the Bank of Finland generally sells its own CDs via tenders.

In a fixed-rate tender, the Bank of Finland announces the tender rate in advance and the banks submit bids for the volumes they wish to transact. In a variable-rate tender, banks bid by both rate and volume, and the Bank of Finland's tender rate becomes the weighted average of accepted bids. The tender rate applies to one-month maturity and is expressed as an annual rate. Short-term market rates move in line with the tender rate. Since 9 October 1996 the tender rate has been 3.00 per cent.

The Bank of Finland may accept as money market counterparties credit institutions that are subject to minimum reserve requirements and which the Bank of Finland considers to be otherwise qualified to operate as counterparties. A counterparty is required to have a current account at the Bank of Finland and adequate technical facilities and to be an active and important money market participant. Counterparties in outright bilateral trades are also required to act as market makers' for money market instruments and to observe the money market rules and code of conduct. At its discretion, the Bank of Finland may also accept as counterparties market participants that are not subject to minimum reserve requirements.

The following banks have been accepted as counterparties for money market operations:

Aktia Savings Bank Ltd
Bank of Åland Ltd
Merita Bank Ltd
Okobank
Postipankki Ltd
Skandinaviska Enskilda Banken Helsinki Branch
Svenska Handelsbanken AB,
Branch Operation in Finland

Normally, the instruments accepted for the Bank of Finland's outright money market transactions are Treasury bills and Bank of Finland CDs. In special cases, other money market instruments can be approved for use in outright transactions.

Acceptable underlying assets for repo transactions comprise Bank of Finland CDs, benchmark government bonds, Treasury bills, notes issued by Asset Management Company Arsenal, and CDs issued by banks that operate as money market counterparties.

In repo transactions, haircuts are set according to issuer and maturity as follows:

¹ Functioning as a market maker means that the counterparty is able to give binding buy/sell quotes on the securities or foreign currencies in question.

Issuer		Short-term 12 months or less	Long-term over 12 months
Bank of Finland	CDs	0 %	
Government	Treasury bills	0 %	
	Benchmark government bonds	0 %	5 %
Arsenal	Notes	5 %	
Banks	CDs	5 %	

The Bank of Finland conducts foreign exchange operations with the banks primarily when it wants to influence the exchange rate. The Bank attempts to even out wide fluctuations in the exchange rate and, in the context of the ERM, it is responsible for keeping the markka's exchange value against other ERM currencies within the allowed ± 15 per cent fluctuation margins. In addition, the Bank of Finland may convert currencies that the central government has borrowed from abroad into markkaa and sell foreign exchange to the central government as needed to service loans.

The Bank of Finland requires that its counterparties in foreign exchange operations act as market makers for the Finnish markka. The following banks have been accepted as counterparties for outright foreign exchange operations:

Merita Bank Ltd
Okobank
Postipankki Ltd
Skandinaviska Enskilda Banken Helsinki Branch
Svenska Handelsbanken AB,
Branch Operation in Finland

Liquidity credit facility

Upon application, the Bank of Finland may grant access to the liquidity credit facility to any credit institution that is subject to the minimum reserve requirement and has a current account at the Bank of Finland. The facility enables the credit institution to obtain liquidity credit or accrue interest on its excess reserve deposits at the Bank of Finland.

Liquidity credit must be fully collateralized and the applicable interest rate is tied to the Bank of Finland's tender rate. Since 9 October 1996 the rate on liquidity credit has been 5.00 per cent, ie the margin vs the tender rate has been 2 percentage points. The maturity for liquidity credit may be 1, 7, 14, 21 or 28 days. The maturity and other terms and conditions are decided by the Bank of Finland. Since October 1992 the maturity has been 7 days.

If the monthly average of a bank's daily current account balances exceeds the bank's reserve requirement, the bank is considered to have excess reserves. The Bank of Finland may separately decide to pay interest on excess reserves; since 9 October 1996 the rate has been 1.0 per cent.

The following banks have been granted access to the Bank of Finland's liquidity credit facility:

Aktia Savings Bank Ltd
Bank of Åland Ltd
Citibank International plc Finland Branch
Crédit Agricole Indosuez Helsinki Branch
Den Danske Bank Helsinki Branch
Interbank Ltd

Merita Bank Ltd
Okobank
Postipankki Ltd
Skandinaviska Enskilda Banken Helsinki Branch
Svenska Handelsbanken AB,
Branch Operation in Finland
Skopbank
Unibank A.S. Helsinki Branch

Minimum reserve system

By virtue of the Act on the Bank of Finland, a deposit bank or branch of a foreign credit institution which carries on deposit banking activities in Finland must hold non-interest-bearing reserves at the Bank of Finland. The maximum reserve requirement is 5 per cent of the mandatory reserve holder's liabilities. The reserve requirement is calculated against the reserve base as at the last day of each calendar month. The reserve requirement based on the reserve base effective at the end of a given month must be met during the second calendar month following such effective date. Thus the lag between the effective date of the reserve base and the end of the corresponding reserve maintenance period is about 60 days.

The reserve requirement is graded according to the composition of a bank's funding so that the more liquid an item, the larger the reserve requirement. The reserve requirement on deposits payable on demand (ie liquid deposits) is 2 per cent, on other deposits 1.5 per cent and on other balance sheet items 1 per cent. At the end of August 1997, the sum total of required reserves was FIM 6.8 billion and the weighted average reserve requirement 1.7 per cent.

A bank with a current account at the Bank of Finland can meet its reserve requirements by maintaining the monthly average of its daily balances at least as high as the minimum reserve requirement. Thus banks may use funds in their current accounts for effecting payments so long as the average monthly balances meet their respective reserve requirements on the last banking day of each month. Banks that do not have a current account at the Bank of Finland or use another bank as their central financial institution deposit their reserves in special minimum reserve accounts at the Bank of Finland.

The minimum reserve requirement applies to the following banks:

Aktia Savings Bank Ltd
Bank of Åland Ltd
Citibank International plc Finland Branch
Crédit Agricole Indosuez Helsinki Branch
Den Danske Bank Helsinki Branch
Gyllenberg Private Bank Oy
Interbank Ltd
Merita Bank Ltd
OP-Homebank Ltd
Okobank
Okopankki Oy, an Okobank subsidiary
Postipankki Ltd
Skandinaviska Enskilda Banken Helsinki Branch
Skopbank
Svenska Handelsbanken AB,
Branch Operation in Finland
Unibank A.S. Helsinki Branch
Other cooperative banks and savings banks

Current account system

The Bank of Finland's current account system is an essential part of the payment and clearing system in Finland. Payments effected in the system can be divided into three main types: (1) business transactions between

the Bank of Finland and the banks, ie payments related to monetary policy and maintenance of the money supply, (2) interbank payments and (3) payments related to clearing and settlement systems, including cover for interbank settlement of trades effected via the Finnish Central Securities Depository.

Upon application, the Bank of Finland may open a current account for any Finnish or foreign credit institution operating in Finland that is subject to minimum reserve requirements and which fulfils certain other requirements. The credit institution must be subject to supervision by the Financial Supervision Authority or to other comparable public supervision. It must meet the capital adequacy requirements laid down in the Credit Institutions Act and its own funds must amount to at least FIM 30 million. For special reasons, the Bank of Finland may at its discretion open current accounts for other entities participating in the financial markets.

Upon application, the Bank of Finland may also grant an intraday credit limit on the current account of a credit institution subject to minimum reserve requirements, if such account holder provides the Bank of Finland full collateral for the credit limit in accord with the Bank's guidelines.

At the start of May 1997, the Bank of Finland abolished the application procedure for changes in intraday overdraft limits on current accounts. Credit institutions entitled to intraday credit can now change their limits by notifying the Bank of Finland of the requested limit and posting the necessary Bank-approved collateral. As a result, banks are able to manage their liquidity more flexibly in accord with their own needs.

Current account holders have workstations linked to the Bank of Finland's current account data base via a data communications network. Current account holders themselves effect payments to other current account

holders via their workstations.

The following entities have a current account at the Bank of Finland:

Aktia Savings Bank Ltd
Asset Management Company Arsenal Ltd
Bank of Åland Ltd
Citibank International plc Finland Branch
Crédit Agricole Indosuez Helsinki Branch
Den Danske Bank Helsinki Branch
Finnish Central Securities Depository Ltd
Finnish Export Credit Ltd
Gyllenberg Private Bank Oy
Interbank Ltd
Merita Bank Ltd
Okobank
Postipankki Ltd
Skandinaviska Enskilda Banken Helsinki Branch
Skopbank
SOM Ltd, Securities and Derivatives Exchange,
Clearing House
State Treasury
Svenska Handelsbanken AB,
Branch Operation in Finland
Unibank A.S. Helsinki Branch

Base rate

The Parliamentary Supervisory Council decides on the Bank of Finland's base rate upon a proposal of the Board of the Bank of Finland. The base rate is used as a market reference rate. About 11.9 per cent of outstanding deposits and 15.1 per cent of lending is tied to the base rate, but only 0.8 per cent of new lending is tied to it (July 1997). Since 16 September 1996, the base rate has been 4.0 per cent.

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 68 % 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 21° C (70° F) in July and -3° C (25° F) in February.

Finland has a population of 5 132 320 (31 December 1996) and an average population density of 17 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 532 053 inhabitants, Espoo (Esbo) 196 260, Tampere (Tammerfors) 186 026, Vantaa (Vanda) 168 778 and Turku (Åbo) 166 929.

There are two official languages: 93 % of the population speaks Finnish as its mother tongue and 5.7 % 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 1995, the seats of the various parties in Parliament are distributed as follows:

Social Democratic Party 63; Centre Party 44; National Coalition Party 39; Left Wing Alliance 22; Swedish People's Party 12; Green League 9; Christian League 7; Progressive Finnish Party 2; Rural Party 1; and Ecological Party 1.

Of the 18 ministerial posts in the present Government appointed in April 1995, 7 are held by the Social Democratic Party, 5 by the National Coalition Party, 2 by the Left Wing Alliance, 2 by the Swedish People's Party, 1 by the Green League and 1 by an expert with no party affiliation. The Prime Minister is Mr Paavo Lipponen of the Social Democratic Party.

Finland is divided into 452 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, the EBRD in 1991 and the EU in 1995.

Having abolished most quantitative restrictions on foreign trade in 1957, Finland first took part in European free trade arrangements under the auspices of EFTA in 1961. Imports from the USSR were also progressively freed from customs duties. Finland's free trade agreement with the EEC entered into force in 1974 and agreements for the removal of trade barriers were concluded with several eastern European countries as well. The agreement on the European Economic Area (EEA) between the member countries of EFTA and the European Union came into effect at the beginning of 1994. Finland's negotiations to join the European Union were concluded in spring 1994. The accession treaty was signed in Corfu in June. In autumn 1994, a consultative referendum was held in which the majority of the voters (56.9 %) were in favour of membership. The Finnish Parliament ratified the accession treaty in November. The accession treaty having been ratified by each Member State, Finland became a member of the European Union on 1 January 1995. Citizens of the five Nordic countries, Denmark, Finland, Iceland, Norway and Sweden, have enjoyed a common labour market, a passport union and reciprocal social security benefits since the mid-1950s.

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

The economy

Output and employment. Of the gross domestic product of FIM 500 billion in basic values in 1996, 2 % was generated in agriculture and fishing, 2 % in forestry, 26 % in industry, 6 % in construction, 11 % in trade, restaurants and hotels, 9 % in transport and communications, 4 % in finance and insurance, 21 % in other private services and 19 % by producers of government services. Of total employment of 2.1 million persons in 1996, 7.1 % were engaged in primary production, 27.6 % in industry and construction and 65.3 % in services.

In 1996, expenditure on the gross domestic product in purchasers' values amounted to FIM 574 billion and was distributed as follows: net exports 8 % (exports 38 %, imports -30 %), gross fixed capital formation 16 %, private consumption 54 % and government consumption 22 %. Finland's tax ratio (gross taxes including compulsory employment pension contributions relative to GDP) was 48.2 per cent, which is somewhat below the average for the Nordic countries.

Average annual (compounded) growth of real GDP was 4.7 % in the period 1950-59, 5.0 % in 1960-69,

3.7 % in 1970-79, 3.7 % in 1980-89 and 3.6 % in 1990-96. Finland's GDP per capita in 1996 was USD 22 000.

Foreign trade. EU countries absorb the bulk of Finnish merchandise exports. In 1992-1996 their average share was 51.7 %. Over the same period, Finland's exports to other European countries (including Russia) accounted for 23.4 % and to the rest of the world for 24.9 %. The regional distribution of Finland's merchandise imports in the same period has been quite similar to that of exports: EU countries accounted for 51.4 %, other European countries for 24.7 % and the rest of the world for 23.9 %.

In 1996, the share of forest industry products in total merchandise exports was 30 %, the share of metal and engineering products 40 % and the share of other goods 30 %. 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 21 %.

Forest resources. Finland has fairly abundant forest resources, but only limited amounts of other raw materials. The growing stock comprises 1 887 million cubic metres, of which 46 % is pine, 36 % spruce and 18 % broad-leaved species, chiefly birch.

The annual growth increment totals 77 million cubic metres and the total drain was about 62 million cubic metres in 1995.

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 fluctuation limits of the markka were abandoned and the markka was allowed to float. On 14 October 1996, the markka was joined to the Exchange Rate Mechanism (ERM) of the European Monetary System (EMS) at the central rate of 5.80661 per ECU. As from 25 November 1996 the ECU central rate is FIM 5.85424.

The Central Bank. The Bank of Finland (Suomen Pankki - Finlands Bank), founded in 1811, operates under the supervision of the Parliamentary Supervisory Council, 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 Council, including the terms of banks' central bank finance and open market operations in the money and foreign exchange market. The powers vested in the Bank and its independence of the Government make the Bank of Finland one of the world's stronger central banks. In practice, the Bank liaises closely with the Government, so as to coordinate economic policy. The Bank of Finland has a head office in Helsinki and 4 branch offices in other towns.

Other banks (31 December 1996). Finland has three major groups of deposit banks with a total of 1 447 offices. There are two big commercial banks with national branch networks and five smaller ones. The commercial banks have a total of 14 foreign branches, subsidiaries and associate banks and 18 representative offices abroad. There are 40 savings banks and 298 cooperative banks with their own extensive branch networks. In addition, four foreign banks have branches in Finland and nine foreign banks have representative offices.

Financial market. Of the total stock of FIM 685 billion in outstanding domestic credit at the end of September 1996, 49 % was provided by deposit banks, 5 % by insurance companies, 23 % by pension insurance institutions, 12 % by other credit institutions and 11 % by state and 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, 67 % of the instruments, which totalled approximately FIM 135 billion at end-1996, were bank certificates of deposit (including central bank paper). Other negotiable money market instruments consist of Treasury bills, commercial paper and local authority paper.

There are 71 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 285 billion (at end-1996). Domestic bonds and debentures in circulation at end-1996 totalled FIM 254 billion; government bonds made up 71 % of the total. Turnover on the Stock Exchange in 1996 amounted to FIM 102 billion; the share of shares and subscription rights in the total was approximately 99 %.

1. The balance sheet of the Bank of Finland	S2
1.1 The balance sheet of the Bank of Finland	S2
1.2 Time series for the balance sheet items of the Bank of Finland	S3
2. The Bank of Finland's operations in the money and foreign exchange markets and the banks' forward exchange position	S4
2.1 The Bank of Finland's minimum reserve system and standing facilities	S4
2.2 The Bank of Finland's money market transactions	S4
2.3 The Bank of Finland's transactions in convertible currencies	S5
2.4 Forward exchange contracts	S5
3. Rates of interest	S6
3.1 Money market rates and rates applied by the Bank of Finland	S6
3.2 The Bank of Finland's liquidity facility	S6
3.3 Weighted Eurorates and commercial ECU interest rate	S6
3.4 Rates of interest applied by banks	S7
3.5 Yields on bonds and shares	S7
4. Rates of exchange	S8
4.1 Middle rates	S8
4.2 Markka value of the ECU and currency indices	S9
4.3 Deviations of ERM currencies' markka rates from central rates	S9
5. Other domestic financing	S10
5.1 Bank funding from the public	S10
5.2 Bank lending to the public	S10
5.3 Money supply	S11
5.4 Liabilities and assets of the central government	S11
5.5 Markka bond market	S12
a) Issues	S12
b) Stock	S12
c) Turnover	S13
5.6 Helsinki Stock Exchange	S13
6. Balance of payments, foreign liabilities and assets	S14
6.1 Current account	S14
6.2 Capital and financial account	S15
6.3 Finland's international investment position	S16
6.4 Finland's net international investment position (liabilities less assets), by sector	S17
7. Foreign trade	S18
7.1 Exports, imports and the trade balance	S18
7.2 Foreign trade: indices of volume, prices and terms of trade	S18
7.3 Foreign trade by main groups	S18
7.4 Foreign trade by regions and countries	S19
8. Domestic economic developments	S20
8.1 Supply and use of resources	S20
8.2 Volume of industrial production	S20
8.3 Indicators of domestic supply and demand	S21
8.4 Wages and prices	S22
8.5 Labour, employment and unemployment	S23
8.6 Central government finances: revenue, expenditure and financial balance	S24
Notes and explanations to the statistical section	S25

1. The balance sheet of the Bank of Finland

1.1 The balance sheet of the Bank of Finland, mill. FIM

	1996		1997		
	31 Dec	8 Aug	15 Aug	22 Aug	29 Aug
ASSETS					
Reserve assets	36 397	65 144	64 336	64 032	63 470
Gold	1 742	1 742	1 742	1 742	1 742
Special drawing rights	1 344	1 587	1 806	1 724	1 711
IMF reserve tranche	1 953	2 063	2 038	2 046	2 031
ECU-claim on the European Monetary Institute	2 541	3 979	3 983	3 962	3 978
Foreign exchange assets	28 817	55 773	54 767	54 557	54 008
Other foreign claims	3 853	4 243	4 243	4 242	4 242
Markka subscription to Finland's quota in the IMF	3 794	4 183	4 183	4 182	4 182
Share in the European Monetary Institute	59	60	60	60	60
Claims on financial institutions	13 497	11 445	12 631	10 977	10 977
Liquidity credits	-	-	-	-	-
Securities with repurchase commitments	11 626	8 693	9 879	8 225	8 225
Term credits	-	-	-	-	-
Bonds	196	152	152	152	152
Other claims on financial institutions	1 676	2 600	2 600	2 600	2 600
Claims on the public sector	1 906	1 921	1 926	1 926	1 926
Treasury bills	-	-	-	-	-
Bonds	-	-	-	-	-
Total coinage	1 906	1 921	1 926	1 926	1 926
Other claims on the public sector	-	-	-	-	-
Claims on corporations	2 266	1 908	1 906	1 903	1 903
Financing of domestic deliveries (KTR)	70	42	39	37	37
Other claims on corporations	2 197	1 866	1 866	1 866	1 866
Other assets	598	1 215	1 131	1 049	1 006
Accrued items	490	1 116	1 030	947	902
Other assets	108	99	102	102	104
Valuation account	-	-	-	-	-
Total	58 518	85 877	86 174	84 128	83 525
LIABILITIES					
Foreign liabilities	5 680	5 838	5 819	5 888	5 864
Allocations of special drawing rights	951	1 076	1 062	1 066	1 058
IMF markka accounts	3 794	4 183	4 183	4 182	4 182
Other foreign liabilities	934	579	573	639	624
Notes and coin in circulation	16 891	16 404	16 289	16 217	16 287
Notes	15 076	14 582	14 465	14 394	14 464
Coin	1 815	1 822	1 824	1 823	1 823
Certificates of deposit	15 530	36 520	36 520	35 900	28 440
Liabilities to financial institutions	8 329	7 806	8 690	7 692	15 022
Reserve deposits	6 829	5 306	6 190	5 192	12 522
Term deposits	-	-	-	-	-
Other liabilities to financial institutions	1 500	2 500	2 500	2 501	2 500
Liabilities to the public sector	-	-	-	-	-
Current accounts	-	-	-	-	-
Other liabilities to the public sector	-	-	-	-	-
Liabilities to corporations	574	153	150	148	118
Deposits for investment and ship purchase	574	153	150	148	118
Other liabilities to corporations	-	-	-	-	-
Other liabilities	220	88	80	82	69
Accrued items	193	53	51	52	38
Other liabilities	27	36	29	30	30
Valuation account	260	8 032	7 591	7 168	6 692
Provisions	5 270	5 270	5 270	5 270	5 270
Pension provision	1 516	1 516	1 516	1 516	1 516
Other provisions	3 754	3 754	3 754	3 754	3 754
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
Net earnings	-	-	-	-	-
Total	58 518	85 877	86 174	84 128	83 525

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	ECU-claim on the European Monetary Institute	Foreign exchange assets	Reserve assets (1+2+3+4+5)	Other claims, net	Net claims (6+7)	Claims	Liabilities	Net claims (9-10)
	1	2	3	4	5	6	7	8	9	10	11
1992	2 180	564	1 732	.	25 041	29 517	-2 998	26 519	2 446	90	2 356
1993	2 180	664	1 747	.	28 882	33 473	-1 324	32 148	1 788	784	1 004
1994	2 180	1 537	1 354	.	47 672	52 743	-1 114	51 629	1 806	93	1 713
1995	1 742	1 569	1 685	3 363	40 506	48 865	-2 082	46 783	1 882	75	1 807
1996	1 742	1 344	1 953	2 541	28 817	36 397	-1 826	34 571	1 906	-	1 906
1996											
Aug	1 742	1 186	1 909	2 613	27 139	34 590	-2 588	32 002	6 297	-	6 297
Sep	1 742	1 412	1 928	2 614	27 619	35 315	-1 774	33 541	5 998	-	5 998
Oct	1 742	1 017	1 915	2 519	29 510	36 703	-1 863	34 840	5 982	-	5 982
Nov	1 742	1 044	1 945	2 541	29 713	36 985	-2 088	34 897	5 987	-	5 987
Dec	1 742	1 344	1 953	2 541	28 817	36 397	-1 826	34 571	1 906	-	1 906
1997											
Jan	1 742	1 370	1 937	2 528	54 432	62 009	-1 292	60 717	1 907	-	1 907
Feb	1 742	1 544	1 983	2 544	54 189	62 002	-1 370	60 632	1 907	-	1 907
Mar	1 742	1 514	1 930	2 532	51 982	59 700	-1 268	58 432	1 907	-	1 907
Apr	1 742	1 186	1 986	4 011	49 851	58 775	-1 227	57 548	1 904	-	1 904
May	1 742	1 121	1 998	4 000	49 607	58 468	-1 267	57 201	1 908	-	1 908
Jun	1 742	1 100	1 963	3 984	50 322	59 111	-1 397	57 714	1 921	-	1 921
Jul	1 742	1 557	2 023	3 965	55 189	64 475	-1 533	62 942	1 921	-	1 921
Aug	1 742	1 711	2 031	3 978	54 008	63 470	-1 622	61 848	1 926	-	1 926

End of period	Domestic financial sector				Corporate sector			Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	Term claims on deposit banks, net	Reserve deposits of deposit banks ¹	Other claims on financial institutions, net	Net claims (12+13+14)	Claims in the form of special financing	Special deposits and other items, net	Net claims (16+17)		
	12	13	14	15	16	17	18	19	20
1992	3 738	-13 165	4 022	-5 405	747	-2 651	-1 904	14 508	4 880
1993	7 337	-6 398	-463	476	496	720	1 216	14 994	14 837
1994	1 480	-6 526	-347	-5 392	316	1 285	1 601	14 315	35 236
1995	7 076	-15 676	655	-7 945	185	1 706	1 891	15 611	27 090
1996	11 626	-6 829	372	5 169	70	1 623	1 692	16 891	15 530
1996									
Aug	9 988	-5 400	472	5 060	108	1 592	1 700	15 201	21 920
Sep	10 147	-3 676	443	6 914	102	1 630	1 732	15 331	24 650
Oct	10 683	-5 131	394	5 946	92	1 662	1 754	15 296	24 920
Nov	7 041	-4 145	1 100	3 996	74	1 591	1 665	15 449	22 160
Dec	11 626	-6 829	372	5 169	70	1 623	1 692	16 891	15 530
1997									
Jan	14 277	-5 082	336	9 531	68	1 797	1 865	15 659	47 370
Feb	12 104	-1 404	324	11 024	63	1 856	1 918	15 590	47 520
Mar	18 158	-10 649	319	7 828	59	1 919	1 978	16 131	41 950
Apr	17 070	-6 717	294	10 647	50	1 784	1 834	16 064	41 700
May	12 568	-8 091	283	4 760	42	1 669	1 712	16 068	34 760
Jun	9 558	-10 397	258	-581	42	1 695	1 738	16 315	29 110
Jul	10 575	-3 651	252	7 176	42	1 712	1 754	16 359	40 170
Aug	8 225	-12 522	252	-4 045	37	1 748	1 785	16 287	28 440

2. The Bank of Finland's operations in the money and foreign exchange markets and the banks' forward exchange position

2.1 The Bank of Finland's minimum reserve system and standing facilities

	Reserve requirement			Required reserves ¹ , mill. FIM	Excess reserves, mill. FIM	Total reserves, mill. FIM (4+5)	Liquidity credits, mill. FIM
	On deposits payable on demand, %	On other deposits, %	On other items, %				
	1	2	3	4	5	6	7
1993	2.0	1.5	1.0	6 398	.	.	440
1994	2.0	1.5	1.0	6 526	.	.	14
1995	2.0	1.5	1.0	6 557	.	.	123
1996	I-IX	2.0	1.5	6 530	616	7 146	37
	X-XII	2.0	1.5	6 652	440	7 092	121
1996							
Aug	2.0	1.5	1.0	6 672	308	6 981	544
Sep	2.0	1.5	1.0	6 636	1 634	8 270	-
Oct	2.0	1.5	1.0	6 703	631	7 334	-
Nov	2.0	1.5	1.0	6 596	136	6 732	233
Dec	2.0	1.5	1.0	6 578	992	7 570	186
1997							
Jan	2.0	1.5	1.0	6 560	423	6 983	-
Feb	2.0	1.5	1.0	6 590	992	7 582	-
Mar	2.0	1.5	1.0	6 582	1 478	8 060	-
Apr	2.0	1.5	1.0	6 589	566	7 156	18
May	2.0	1.5	1.0	6 623	598	7 221	-
Jun	2.0	1.5	1.0	6 612	1 165	7 777	-
Jul	2.0	1.5	1.0	6 786	378	7 164	-
Aug	2.0	1.5	1.0	6 813	626	7 439	-

¹ As of 2 October 1995, the minimum reserve requirement is fulfilled on an averaging basis; until 2 October 1995, end of month figures.

2.2 The Bank of Finland's money market transactions, mill. FIM

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1-2-3)
	1	2	3	4
1992	76 230	137 940	-60 417	-1 293
1993	86 521	146 899	-50 486	-9 892
1994	35 540	351 820	-295 165	-21 115
1995	50 435	434 810	-393 930	9 555
1996	94 080	250 980	-190 562	33 662
1996				
Aug	14 800	21 920	-9 892	2 772
Sep	11 900	24 650	-15 530	2 780
Oct	10 600	24 920	-12 030	-2 290
Nov	7 900	19 340	-23 630	12 190
Dec	12 650	15 530	-6 430	3 550
1997				
Jan	17 100	47 370	-2 780	-27 490
Feb	15 500	47 520	-28 660	-3 360
Mar	1 450	41 950	-47 030	6 530
Apr	24 200	41 700	-13 630	-3 870
May	5 700	34 760	-34 700	5 640
Jun	9 600	32 760	-22 160	-1 000
Jul	10 420	36 520	-22 950	-3 150
Aug	8 350	30 260	-26 320	4 410

2.3 The Bank of Finland's transactions in convertible currencies, mill. FIM

During period	Intervention in the foreign exchange market			Spot transactions related to forward contracts, net	Central government's foreign exchange transactions, net
	Spot purchases	Spot sales	Forward exchange intervention = change in forward exchange position		
	1	2	3	4	5
1992	20 050	-70 640	-1 650	390	45 060
1993	25 120	-45 080	7 460	-6 910	33 240
1994	20 930	-12 900	9 060	-8 930	24 660
1995	4 910	-5 470	-6 170	9 170	-10 135
1996	7 360	-7 320	-	-	-13 868
1996					
Jul	60	-	-	-	-50
Aug	1 350	-	-	-	-658
Sep	2 310	-	-	-	-2 210
Oct	2 200	-	-	-	-690
Nov	-	-480	-	-	30
Dec	-	-	-	-	-950
1997					
Jan	38 340	-	12 620	-12 260	-250
Feb	-	-	430	-	-1 660
Mar	1 460	-720	-2 610	2 540	-3 490
Apr	-	-690	-4 240	3 070	-8 160
May	-	-60	-100	-	-930
Jun	2 880	-	70	-	-870
Jul	4 940	-	-1 310	6 300	-3 560

2.4 Forward exchange contracts between Finnish markka and other currencies, mill. FIM

Stock at end of period	Finnish banks' forward contracts						Non-residents' forward contracts with Finnish customers (excl. Finnish banks)			The Bank of Finland's forward contracts	
	With Finnish customers (excl. Finnish banks)			With foreign customers			Total	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net	Net currency sales
	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net	Currency purchases from foreign customers	Currency sales to foreign customers	Net	Net				
1	2	3	4	5	6	7	8	9	10	11	
1992	39 195	32 939	6 256	21 142	32 339	-11 197	-4 941	1 614	1 929	-315	7 133
1993	38 373	23 721	14 652	14 346	21 895	-7 548	7 104	11 632	2 173	9 459	1 939
1994	51 096	22 093	29 003	19 236	32 791	-13 555	15 448	18 372	4 780	13 592	-6 080
1995	60 280	19 095	41 185	31 837	48 906	-17 069	24 116	12 829	6 871	5 957	-
1996	53 520	21 793	31 726	44 068	72 021	-27 953	3 773	15 871	6 908	8 963	-
1996											
Jul	57 388	27 873	29 514	42 949	62 681	-19 733	9 781	16 977	8 127	8 849	-
Aug	56 042	26 638	29 404	43 992	68 884	-24 891	4 513	17 407	7 513	9 894	-
Sep	54 160	23 422	30 738	46 476	69 507	-23 031	7 707	18 761	7 536	11 225	-
Oct	54 587	24 466	30 120	50 823	73 163	-22 341	7 779	18 988	6 902	12 085	-
Nov	53 072	22 459	30 614	51 554	76 001	-24 446	6 168	18 476	7 649	10 827	-
Dec	53 520	21 793	31 726	44 068	72 021	-27 953	3 773	15 871	6 908	8 963	-
1997											
Jan	61 066	21 103	39 964	61 130	72 501	-11 371	28 593	18 219	5 597	12 622	-12 185
Feb	60 646	20 139	40 507	58 008	66 207	-8 199	32 308	18 779	5 040	13 740	-12 185
Mar	62 218	23 415	38 803	57 783	85 313	-27 530	11 273	18 160	5 138	13 023	-9 924
Apr	65 819	25 160	40 659	59 142	84 411	-25 268	15 391	20 854	10 927	9 927	-5 589
May	65 324	25 735	39 588	53 735	82 076	-28 340	11 248	22 115	9 477	12 638	-5 589
Jun	65 886	30 056	35 830	58 688	83 157	-24 468	11 362	24 007	12 681	11 326	-5 589
Jul	71 933	31 074	40 859	55 146	83 978	-28 831	12 028	30 797	14 976	15 821	-4 690

3. Rates of interest

3.1 Money market rates and rates applied by the Bank of Finland, per cent

Average of daily observations	Interbank overnight rate	HELIBOR				Bank of Finland rates		
		1 month	3 months	6 months	12 months	Liquidity credit rate ¹	Excess-reserve rate ²	Base rate
		1	2	3	4	5	6	7	8
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
1994	4.38	5.11	5.35	5.78	6.33	7.11	3.11	5.27
1995	5.26	5.63	5.76	5.97	6.34	7.63	3.63	5.20
1996	3.66	3.58	3.63	3.74	3.99	5.57	1.57	4.38
1996								
Aug	3.94	3.45	3.54	3.70	4.00	5.43	1.43	4.50
Sep	3.16	3.19	3.28	3.43	3.67	5.19	1.19	4.25
Oct	3.11	3.04	3.10	3.20	3.40	5.03	1.03	4.00
Nov	3.29	3.02	3.08	3.21	3.46	5.00	1.00	4.00
Dec	3.11	3.02	3.08	3.20	3.40	5.00	1.00	4.00
1997								
Jan	2.68	3.02	3.07	3.16	3.34	5.00	1.00	4.00
Feb	2.85	3.01	3.07	3.17	3.34	5.00	1.00	4.00
Mar	2.51	3.01	3.07	3.18	3.42	5.00	1.00	4.00
Apr	3.24	3.02	3.08	3.21	3.48	5.00	1.00	4.00
May	2.51	3.01	3.08	3.19	3.40	5.00	1.00	4.00
Jun	2.76	3.00	3.07	3.19	3.42	5.00	1.00	4.00
Jul	2.85	3.00	3.08	3.22	3.50	5.00	1.00	4.00
Aug	3.02	3.01	3.13	3.31	3.68	5.00	1.00	4.00

¹ Call money credit rate until 2 July 1992.

² Call money deposit rate until 2 October 1995.

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	Excess-reserve rate	
	1	2	3	4	5	
1992 ¹	13.85	1992	+1.00	7	-3.00	.
1993	7.87	1993	+2.00	7	-2.00	.
1994	5.11	1994	+2.00	7	-2.00	.
1995	5.63	1995	+2.00	7	.	2.25
1996	3.57	1996	+2.00	7	.	1.00
1996		1996				
Aug	3.43	Aug	+2.00	7	.	1.25
Sep	3.19	Sep	+2.00	7	.	1.10
Oct	3.03	Oct	+2.00	7	.	1.00
Nov	3.00	Nov	+2.00	7	.	1.00
Dec	3.00	Dec	+2.00	7	.	1.00
1997		1997				
Jan	3.00	Jan	+2.00	7	.	1.00
Feb	3.00	Feb	+2.00	7	.	1.00
Mar	3.00	Mar	+2.00	7	.	1.00
Apr	3.00	Apr	+2.00	7	.	1.00
May	3.00	May	+2.00	7	.	1.00
Jun	3.00	Jun	+2.00	7	.	1.00
Jul	3.00	Jul	+2.00	7	.	1.00
Aug	3.00	Aug	+2.00	7	.	1.00
13.3.1996	3.75	13.3.1996				1.75
14.6.1996	3.60	14.6.1996				1.60
5.7.1996	3.50	5.7.1996				1.50
23.8.1996	3.25	23.8.1996				1.25
18.9.1996	3.10	18.9.1996				1.10
9.10.1996	3.00	9.10.1996				1.00

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
1992	10.4	7.8	10.6
1993	8.0	5.9	8.1
1994	5.9	5.2	6.1
1995	5.9	5.2	6.0
1996	4.4	4.3	4.4
1996			
Aug	4.3	4.2	4.4
Sep	4.2	4.1	4.3
Oct	4.1	4.1	4.2
Nov	4.1	4.2	4.2
Dec	4.1	4.3	4.2
1997			
Jan	4.1	4.4	4.2
Feb	4.1	4.3	4.2
Mar	4.1	4.3	4.2
Apr	4.2	4.3	4.2
May	4.3	4.4	4.4
Jun	4.1	4.3	4.2
Jul	4.2	4.3	4.2
Aug	4.3	4.4	4.4

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	
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
1994	7.32	11.55	7.13	7.35	8.18	7.91	3.25	4.25	2.00	2.99	5.96	4.01
1995	7.85	11.33	7.30	7.46	8.04	7.75	2.75	3.75	2.00	3.13	6.29	4.08
1996	5.61	9.61	5.31	5.43	6.49	6.15	2.00	3.00	2.00	2.15	4.31	2.78
1996												
Jul	6.26	9.78	5.48	5.63	6.48	6.12	2.50	3.50	2.00	2.21	4.29	2.81
Aug	6.19	9.74	5.51	5.66	6.42	6.04	2.50	3.50	2.00	2.07	4.09	2.71
Sep	6.24	9.95	4.92	5.06	6.23	5.87	2.00	3.00	2.00	1.93	3.92	2.52
Oct	5.63	9.73	4.90	5.04	5.99	5.67	2.00	3.00	2.00	1.84	3.72	2.39
Nov	5.12	9.58	4.87	4.98	5.94	5.62	2.00	3.00	2.00	1.80	3.77	2.38
Dec	5.21	9.04	4.38	4.48	5.83	5.48	2.00	3.00	2.00	1.73	3.92	2.35
1997												
Jan	4.03	9.99	4.63	4.65	5.75	5.39	2.00	.	2.00	1.69	..	..
Feb	5.59	10.01	4.67	4.79	5.70	5.35	2.00	.	2.00	1.61	..	..
Mar	5.51	9.97	4.78	4.91	5.67	5.32	2.00	.	2.00	1.48	..	..
Apr	6.03	9.68	4.53	4.64	5.65	5.29	2.00	.	2.00	1.47	..	..
May	5.25	9.83	4.85	4.96	5.62	5.27	2.00	.	2.00	1.45	..	..
Jun	5.46	9.31	4.84	4.93	5.59	5.24	2.00	.	2.00	1.43	..	..
Jul	5.45	9.69	4.43	4.53	5.57	5.21	2.00	.	2.00	1.42	..	..

¹ End of period.

3.5 Yields on bonds and shares, per cent

Period	Bonds				Shares
	Reference rates calculated by the Bank of Finland		Taxable government bonds		Share yield
	3 years	5 years	5 years	10 years	
1	2	3	4	5	
1992	13.1	13.0	12.0	11.5 ¹	2.5
1993	8.5	8.9	8.2	8.8	1.2
1994	8.5	9.3	8.4	9.1	1.0
1995	8.2	8.9	7.9	8.8	2.4
1996	5.8	6.8	6.0	7.1	2.1
1996					
Jul	5.9	6.9	6.2	7.1	1.9
Aug	5.8	6.9	6.1	7.2	1.8
Sep	5.4	6.5	5.6	6.9	2.4
Oct	5.0	5.9	5.1	6.5	2.4
Nov	5.0	5.9	5.1	6.5	2.3
Dec	5.0	5.9	5.0	6.3	2.2
1997					
Jan	4.8	5.7	4.8	6.1	2.2
Feb	4.7	5.5	4.6	5.9	1.8
Mar	4.8	5.6	4.8	6.1	2.1
Apr	5.0	5.8	5.0	6.4	2.3
May	4.9	5.7	4.8	6.2	2.2
Jun	4.9	5.7	4.8	6.1	2.1
Jul	4.9	5.6	4.7	5.9	2.0

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	Stock-holm 1 SEK	Oslo 1 NOK	Copen-hagen 1 DKK	Reykja-vik 1 ISK	Frankfurt am Main 1 DEM	Amster-dam 1 NLG	Brussels 1 BEF	Zurich 1 CHF
	1	2	3	4	5	6	7	8	9	10	11	12
1992	4.4835	3.706	7.875	7.636	0.7714	0.7222	0.7444	0.0778	2.8769	2.5552	0.1397	3.2000
1993	5.7189	4.434	8.582	8.371	0.7350	0.8059	0.8822	0.0846	3.4584	3.0787	0.1655	3.8706
1994	5.2184	3.824	7.982	7.799	0.6758	0.7393	0.8207	0.0745	3.2169	2.8684	0.1561	3.8179
1995	4.3658	3.181	6.891	6.999	0.6123	0.6889	0.7790	0.0674	3.0471	2.7202	0.1481	3.6941
1996	4.5905	3.367	7.164	7.345	0.6847	0.7111	0.7921	0.0689	3.0530	2.7247	0.1484	3.7211
1996												
Aug	4.4777	3.263	6.941	7.215	0.6765	0.6986	0.7816	0.0676	3.0210	2.6932	0.1466	3.7227
Sep	4.5383	3.313	7.075	7.309	0.6834	0.7029	0.7826	0.0680	3.0145	2.6889	0.1464	3.6860
Oct	4.5714	3.383	7.245	7.352	0.6925	0.7049	0.7803	0.0681	2.9918	2.6669	0.1452	3.6337
Nov	4.5500	3.400	7.571	7.576	0.6869	0.7162	0.7839	0.0687	3.0106	2.6843	0.1461	3.5703
Dec	4.6398	3.409	7.726	7.709	0.6799	0.7173	0.7809	0.0692	2.9883	2.6635	0.1450	3.4927
1997												
Jan	4.7765	3.541	7.924	7.791	0.6764	0.7408	0.7803	0.0700	2.9754	2.6498	0.1443	3.4297
Feb	4.9757	3.672	8.089	7.898	0.6720	0.7508	0.7794	0.0707	2.9729	2.6468	0.1441	3.4264
Mar	5.0716	3.702	8.141	7.932	0.6622	0.7448	0.7834	0.0713	2.9886	2.6558	0.1448	3.4601
Apr	5.1307	3.681	8.360	7.965	0.6678	0.7360	0.7876	0.0721	3.0003	2.6680	0.1454	3.5109
May	5.1337	3.722	8.382	7.780	0.6694	0.7271	0.7922	0.0729	3.0169	2.6825	0.1462	3.5903
Jun	5.1732	3.737	8.503	7.797	0.6680	0.7177	0.7869	0.0735	2.9966	2.6637	0.1452	3.5881
Jul	5.3051	3.854	8.869	7.942	0.6793	0.7134	0.7783	0.0747	2.9641	2.6325	0.1436	3.5832
Aug	5.5097	3.967	8.838	8.004	0.6891	0.7221	0.7850	0.0759	2.9903	2.6550	0.1448	3.6380

Average of daily quotations	Paris 1 FRF	Rome 1 ITL	Vienna 1 ATS	Lisbon 1 PTE	Madrid 1 ESP	Athens 1 GRD	Tallinn 1 EEK	Tokyo 1 JPY	Mel-bourne 1 AUD	Seoul 1 KRW	ECU Commer-cial 1 XEU	SDR 1 XDR
	13	14	15	16	17	18	19	20	21	22	23	24
1992	0.8486	0.00364	0.4088	0.0332	0.0438	0.024	0.4060	0.03546	3.289	..	5.798	6.31546
1993	1.0096	0.00364	0.4916	0.0356	0.0451	0.025	0.4323	0.05168	3.885	..	6.685	7.98671
1994	0.9406	0.00324	0.4573	0.0314	0.0390	0.0215	0.4021	0.05106	3.814	..	6.175	7.46629
1995	0.8748	0.00268	0.4331	0.0291	0.0350	0.0189	0.3809	0.04663	3.238	..	5.644	6.61879
1996	0.8978	0.00298	0.4340	0.0298	0.0363	0.0191	0.3816	0.04225	3.593	..	5.751	6.66357
1996												
Aug	0.8848	0.00295	0.4293	0.0294	0.0356	0.0189	0.3776	0.04153	3.506	..	5.683	6.52988
Sep	0.8854	0.00299	0.4284	0.0295	0.0358	0.0190	0.3768	0.04132	3.598	..	5.714	6.57191
Oct	0.8846	0.00300	0.4253	0.0296	0.0355	0.0191	0.3740	0.04071	3.620	..	5.731	6.58126
Nov	0.8898	0.00301	0.4279	0.0298	0.0358	0.0191	0.3763	0.04052	3.625	..	5.782	6.60942
Dec	0.8845	0.00304	0.4247	0.0296	0.0355	0.0189	0.3735	0.04075	3.702	..	5.767	6.67218
1997												
Jan	0.8817	0.00305	0.4229	0.0298	0.0355	0.0190	0.3719	0.04051	3.712	..	5.777	6.75569
Feb	0.8806	0.00301	0.4225	0.0296	0.0351	0.0190	0.3716	0.04048	3.818	..	5.771	6.88718
Mar	0.8859	0.00299	0.4246	0.0297	0.0352	0.0190	0.3736	0.04138	3.998	..	5.801	6.98562
Apr	0.8908	0.00303	0.4263	0.0299	0.0356	0.0190	0.3750	0.04086	3.997	..	5.853	7.03636
May	0.8945	0.00305	0.4286	0.0299	0.0357	0.0189	0.3771	0.04335	3.975	..	5.880	7.12016
Jun	0.8878	0.00305	0.4258	0.0297	0.0355	0.0189	0.3745	0.04527	3.902	..	5.855	7.19320
Jul	0.8785	0.00304	0.4213	0.0293	0.0351	0.0189	0.3705	0.04609	3.939	0.00596	5.846	7.30859
Aug	0.8873	0.00306	0.4250	0.0295	0.0354	0.0191	0.3738	0.04672	4.085	0.00614	5.886	7.45951

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
	1	2	3
1992	5.80140	116.4	115.7
1993	6.69420	132.4	136.0
1994	6.19108	123.2	125.5
1995	5.70936	111.6	111.6
1996	5.83028	115.3	115.8
1996			
Aug	5.74674	113.5	113.6
Sep	5.76093	114.0	114.5
Oct	5.75237	114.3	114.9
Nov	5.81220	115.1	115.2
Dec	5.79898	115.2	115.9
1997			
Jan	5.80159	115.8	117.4
Feb	5.80357	116.4	119.4
Mar	5.82954	116.8	120.5
Apr	5.87626	117.8	121.6
May	5.90366	118.6	122.1
Jun	5.88180	118.7	122.4
Jul	5.86447	119.0	123.8
Aug	5.90587	120.4	126.4

4.3 Deviations of ERM currencies' markka rates from central rates, per cent

Average of daily observations	ECU	DEM	FRF	NLG	DKK	BEF	ESP	ATS	PTE	IEP	ITL
Central rate as of 25 Nov. 1996	5.85424	3.04000	0.906422	2.69806	0.796976	0.147391	0.0357345	0.432094	0.029657	7.32960	0.00307071
	1	2	3	4	5	6	7	8	9	10	11
1995	-1.69	0.23	-3.48	0.82	-2.25	0.49	-2.02	0.24	-1.84	-4.52	..
1996	0.30	0.43	-0.95	0.99	-0.61	0.65	1.49	0.44	0.40	0.21	-3.07
1996											
Aug	-1.03	-0.63	-2.38	-0.18	-1.93	-0.53	-0.34	-0.64	-0.79	-1.56	-3.83
Sep	-0.79	-0.84	-2.32	-0.34	-1.80	-0.66	0.10	-0.85	-0.48	-0.28	-2.75
Oct	-0.93	-1.58	-2.40	-1.16	-2.09	-1.46	-0.56	-1.58	-0.18	0.31	-2.35
Nov	-0.10	-0.97	-1.84	-0.51	-1.64	-0.87	0.10	-0.98	0.43	3.36	-2.10
Dec	-0.94	-1.70	-2.42	-1.28	-2.02	-1.63	-0.70	-1.71	-0.14	5.17	-1.16
1997											
Jan	-0.90	-2.13	-2.73	-1.79	-2.10	-2.07	-0.78	-2.12	0.39	6.29	-0.74
Feb	-0.87	-2.21	-2.85	-1.90	-2.20	-2.26	-1.79	-2.23	-0.21	7.76	-2.04
Mar	-0.42	-1.69	-2.27	-1.57	-1.70	-1.73	-1.45	-1.73	0.29	8.22	-2.53
Apr	0.38	-1.31	-1.73	-1.12	-1.18	-1.34	-0.52	-1.34	0.88	8.67	-1.31
May	0.84	-0.76	-1.31	-0.58	-0.60	-0.84	0.02	-0.80	0.97	6.14	-0.53
Jun	0.47	-1.43	-2.06	-1.27	-1.26	-1.49	-0.74	-1.45	0.01	6.37	-0.61
Jul	0.17	-2.50	-3.08	-2.43	-2.35	-2.58	-1.65	-2.50	-1.04	8.36	-0.86
Aug	0.88	-1.64	-2.11	-1.60	-1.50	-1.74	-0.92	-1.65	-0.47	9.20	-0.30

5. Other domestic financing

5.1 Bank funding from the public, mill. FIM

End of period	Cheque and giro deposits	Trans-action 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
1992	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
1993	36 379	92 357	112 413	21 766	262 915	14 883	277 798	63 173	340 971
1994	41 200	99 691	108 922	19 838	269 650	12 774	282 424	44 228	326 651
1995	52 496	110 455	103 573	22 166	288 689	13 679	302 369	37 851	340 220
1996	58 016	131 632	49 827	45 963	285 438	12 358	297 796	40 315	338 111
1995 Dec	52 496	110 455	103 573	22 166	288 689	13 679	302 369	37 851	340 220
1996 Jan	49 611	112 796	95 511	25 399	283 316	13 011	296 327	50 008	346 335
Feb	50 458	114 837	92 259	24 321	281 875	14 184	296 059	38 431	334 490
Mar	47 744	117 393	88 832	24 956	278 925	13 951	292 876	41 906	334 782
Apr	48 998	118 926	85 803	25 557	279 285	14 896	294 182	43 472	337 653
May	49 759	120 368	82 956	26 065	279 148	15 399	294 547	46 802	341 349
Jun	50 372	123 941	77 448	29 039	280 800	13 816	294 617	43 867	338 483
Jul	49 770	123 827	74 304	31 319	279 221	13 735	292 955	42 524	335 479
Aug	49 632	124 983	71 631	32 613	278 859	12 857	291 717	47 258	338 975
Sep	51 578	124 477	67 805	33 601	277 462	13 706	291 168	53 697	344 865
Oct	53 460	127 084	63 616	34 720	278 880	12 938	291 818	48 272	340 090
Nov	52 682	128 841	59 728	35 853	277 104	12 050	289 154	47 988	337 142
Dec	58 016	131 632	49 827	45 963	285 438	12 358	297 796	40 315	338 111

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
1992	16 045	3 335	252 163	271 544	95 168	366 712
1993	14 217	2 223	248 406	264 846	66 931	331 777
1994	13 241	1 301	242 417	256 958	45 138	302 096
1995	12 348	901	235 074	248 323	32 252	280 575
1996	11 712	628	238 839	251 179	23 302	274 481
1995 Dec	12 348	901	235 074	248 323	32 252	280 575
1996 Jan	12 150	792	234 104	247 046	32 406	279 452
Feb	12 182	853	235 211	248 246	31 240	279 486
Mar	12 262	835	235 623	248 719	30 734	279 453
Apr	12 142	834	235 029	248 005	31 704	279 709
May	12 117	763	235 306	248 187	29 035	277 221
Jun	11 936	747	237 366	250 049	29 206	279 255
Jul	11 722	698	236 967	249 387	27 516	276 903
Aug	11 872	685	237 913	250 471	26 540	277 011
Sep	11 803	659	237 999	250 462	26 131	276 593
Oct	11 522	640	238 811	250 974	25 311	276 285
Nov	11 725	616	239 174	251 515	24 736	276 251
Dec	11 712	628	238 839	251 179	23 302	274 481

5.3 Money supply, mill. FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	Monetary aggregates		
		Claims on the central government	Claims on the public	Total (2+3)		M ₁	M ₂ (1+4+5)	M ₃
	1	2	3	4	5	6	7	8
1992	-68 099	81	439 937	440 018	-97 909	134 829	274 011	310 733
1993	-25 989	1 848	403 742	405 589	-100 006	141 759	279 595	322 408
1994	12 844	6 092	365 712	371 804	-97 953	154 357	286 696	328 509
1995	25 481	19 837	353 340	373 177	-94 870	175 921	303 788	329 820
1996 *	40 638	12 821	350 230	363 052	-106 399	204 834	297 291	325 473
1996 *								
Jul	36 492	24 318	349 162	373 481	-118 138	188 023	291 834	327 935
Aug	34 402	25 936	349 733	375 669	-117 975	189 292	292 096	325 470
Sep	33 218	15 243	349 521	364 764	-106 967	190 781	291 016	329 848
Oct	31 312	17 873	349 742	367 615	-105 768	195 621	293 160	332 372
Nov	36 768	16 834	350 532	367 366	-111 862	196 631	292 273	326 535
Dec	40 638	12 821	350 230	363 052	-106 399	204 834	297 291	325 473
1997*								
Jan	53 240	14 975	335 976	350 951	-105 893	206 956	298 298	339 801
Feb	56 614	9 887	338 163	348 050	-111 763	200 605	292 901	328 095
Mar	56 842	10 209	337 213	347 421	-105 201	206 040	299 062	338 407
Apr	58 658	14 411	337 724	352 134	-115 138	202 323	295 654	340 840
May	63 106	16 769	338 988	355 757	-118 574	206 912	300 289	349 640
Jun	74 156	3 256	337 432	340 689	-112 951	209 080	301 894	350 332
Jul	...	..	..	..	..	206 628	299 276	353 820

5.4 Liabilities and assets of the central government, mill. FIM

End of period	Foreign currency-denominated debt			Markka-denominated debt					Total central government debt (3+8)	Out-standing lending	Cash funds
	Bonds	Other debt	Total (1+2)	Public bonds	Other long-term liabilities	Treasury notes and bills	Miscellaneous items	Total (4+5+6+7)			
	1	2	3	4	5	6	7 ^r	8 ^r	9 ^r	10	11
1992	100 244	6 143	106 387	40 578	13 555	14 762	-9 700	59 195	165 582	61 671	19 781
1993	142 824	12 753	155 577	71 082	16 060	22 824	-9 700	100 266	255 843	66 439	36 487
1994	160 587	15 975	176 562	93 008	17 100	33 153	-12 300	130 961	307 523	67 658	43 012
1995	158 545	13 756	172 301	143 948	17 492	37 864	-12 300	187 004	359 305	66 855	41 878
1996	158 847	16 161	175 008	177 700	17 187	37 620	-12 300	220 479	395 487	64 316	38 369
1996											
Aug	156 801	15 491	172 292	177 586	17 220	45 698	-12 300	228 341	400 633	67 027	55 516
Sep	156 467	15 694	172 161	167 234	17 219	46 627	-12 300	218 959	391 120	64 300	44 278
Oct	157 132	15 908	173 040	172 555	17 219	40 147	-12 300	217 820	390 860	64 438	38 903
Nov	159 449	16 292	175 741	174 696	17 198	36 909	-12 300	216 756	392 497	63 764	42 220
Dec	158 847	16 161	175 008	177 700	17 187	37 620	-12 300	220 479	395 487	64 316	38 369
1997											
Jan	159 222	20 920	180 142	180 261	17 187	40 506	-12 300	225 926	406 068	67 176	38 322
Feb	162 085	21 502	183 587	183 752	17 187	43 932	-12 300	232 769	416 356	67 496	51 137
Mar	158 001	21 195	179 196	187 972	17 149	43 821	-12 300	236 879	416 075	67 635	44 839
Apr	155 575	21 828	177 403	192 178	16 865	43 658	-12 417	240 471	417 874	69 018	41 543
May	155 880	23 054	178 934	194 126	16 865	44 045	-12 417	242 806	421 740	68 490	46 841
Jun	159 454	24 635	184 089	186 952	16 581	42 797	-12 417	234 131	418 220	68 518	37 376
Jul	156 183	25 261	181 444	190 450	16 574	44 522	-12 417	239 416	420 860	..	37 195
Aug	155 814	24 994	180 808	192 441	16 574	41 545	-12 417	238 430	419 238	..	..

5.5 Markka bond market

A) Issues, mill. FIM

During period	Corporations	Financial institutions	Central government	Local government	Others	Total (1+2+3+4+5)
	1	2	3	4	5	6
1992	6 984	15 043	12 965	2 674	4	37 671
1993	11 691	10 481	36 512	2 235	63	60 981
1994	4 053	9 899	31 553	593	-	46 099
1995	643	4 487	66 557	26	-	71 713
1996*	3 213	9 074	62 139	20	-	74 447
1996*						
Jul	-	-	4 876	-	-	4 876
Aug	-	306	9 671	-	-	9 977
Sep	20	770	5 373	-	-	6 163
Oct	600	600	6 976	-	-	8 176
Nov	1 109	1 392	2 656	-	-	5 157
Dec	63	1 412	3 538	-	-	5 013
1997*						
Jan	-	377	4 608	-	-	4 985
Feb	417	432	4 836	-	-	5 685
Mar	75	1 380	4 660	-	-	6 115
Apr	6	988	4 258	-	-	5 252
May	-	1 071	2 831	-	-	3 902
Jun	451	289	5 472	-	-	6 212
Jul	-	-	3 508	-	-	3 508

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 placings	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1992	26 624	82 153	44 005	5 238	3 358	89 382	13 918	58 078	161 378
1993	32 459	73 893	73 682	6 884	2 009	119 552	10 391	58 984	188 927
1994	30 179	66 467	94 865	6 981	953	141 935	7 581	49 929	199 445
1995	26 480	55 223	145 177	5 814	357	186 799	5 034	41 218	233 051
1996*	25 245	44 656	179 419	4 362	140	219 863	2 956	31 003	253 822
1996*									
Jul	25 016	49 375	173 505	4 646	148	213 605	3 617	35 468	252 690
Aug	24 756	49 075	179 304	4 638	148	219 241	3 360	35 320	257 921
Sep	24 649	48 067	168 951	4 652	148	208 317	3 113	35 037	246 467
Oct	25 184	46 793	174 273	4 642	145	213 851	2 974	34 212	251 037
Nov	25 641	47 288	176 414	4 641	142	217 494	2 962	33 670	254 126
Dec	25 245	44 656	179 419	4 362	140	219 863	2 956	31 003	253 822
1997*									
Jan	25 091	43 814	181 980	4 357	140	222 769	2 614	29 999	255 382
Feb	24 727	41 827	185 472	4 302	140	226 058	2 393	28 017	256 468
Mar	25 514	43 257	189 688	4 126	99	231 672	2 118	28 894	262 684
Apr	25 462	44 214	193 517	4 126	99	236 936	2 107	28 375	267 418
May	24 336	43 819	195 466	3 977	93	238 090	1 842	27 759	267 691
Jun	23 872	42 300	188 292	3 943	91	229 911	1 833	26 754	258 498
Jul	23 402	41 461	191 789	3 932	91	232 715	1 829	26 131	260 675

C) *Turnover, mill. FIM*

During period	Primary dealers' transactions in benchmark government bonds		
	Purchases from other primary dealers	Purchases from customers	Sales to customers
	1	2	3
1992	10 744	12 156	13 354
1993	42 945	95 647	117 489
1994	173 096	150 908	176 647
1995	133 357	190 069	215 879
1996	201 528	222 584	242 310
1996			
Aug	12 908	22 320	22 356
Sep	20 680	26 345	29 739
Oct	26 298	25 293	26 064
Nov	12 545	16 312	20 612
Dec	9 510	12 084	14 868
1997			
Jan	25 954	23 993	23 081
Feb	12 586	13 762	18 477
Mar	24 965	20 852	24 048
Apr	18 425	17 110	21 183
May	14 193	16 206	21 661
Jun	15 845	20 927	23 502
Jul	17 873	23 428	27 905
Aug	21 752	25 146	25 637

5.6 *Helsinki Stock Exchange*

Average of daily observations	Share prices										Turnover ¹ , mill. FIM		
	HEX index (28 Dec 1990=1000)										Shares and subscription rights	Bonds and debentures	Total
	All-share index	Banks and finance	Insurance	Trade	Construction	Forest industries	Metal and engineering	Telecommunications and electronics	Chemicals	Conglomerates			
1	2	3	4	5	6	7	8	9	10	11	12	13	
1992	772	425	467	-	-	1 123	1 206	-	-	890	10 277	15 377	25 654
1993	1 240	608	644	-	-	1 695	1 749	-	-	1 751	46 337	59 977	106 314
1994	1 847	719	802	-	-	2 284	2 675	-	-	3 068	68 671	2 147	70 818
1995	1 918	500	638	-	-	2 062	2 255	-	-	4 251	83 019	1 075	84 094
1996	2 032	460	820	-	-	2 040	2 564	-	-	5 681	101 265	541	101 806
1996													
Aug	2 082	407	805	-	-	2 240	2 732	-	-	6 175	6 995	44	7 039
Sep	2 131	401	862	-	-	2 188	2 778	-	-	6 125	7 204	49	7 253
Oct	2 217	520	967	-	-	2 087	2 764	-	-	6 367	10 410	53	10 463
Nov	2 317	573	977	-	-	2 017	2 744	-	-	6 442	10 676	39	10 715
Dec	2 446	588	1 006	-	-	2 131	2 850	-	-	6 692	10 379	60	10 438
1997													
Jan	2 674	633	1 183	2 047	1 001	2 241	2 984	1 107	834	6 605	16 271	95	16 366
Feb	2 850	714	1 384	2 180	1 021	2 349	3 232	1 151	894	6 862	15 554	43	15 597
Mar	2 907	723	1 365	2 215	1 041	2 521	3 336	1 140	891	7 228	10 786	26	10 811
Apr	2 826	654	1 357	2 200	1 017	2 487	3 276	1 100	877	7 148	12 401	43	12 444
May	3 045	705	1 420	2 272	1 015	2 713	3 481	1 241	922	7 887	12 254	24	12 278
Jun	3 135	679	1 442	2 362	1 031	2 732	3 574	1 334	926	7 927	14 405	28	14 433
Jul	3 432	839	1 590	2 361	1 064	2 919	3 768	1 565	929	7 849	15 708	28	15 736
Aug	3 530	898	1 581	2 301	1 022	3 001	3 692	1 672	913	7 705	15 325	46	15 371

¹ During period.

6. Balance of payments, foreign liabilities and assets

6.1 Current account, mill. FIM

During period	Exports of goods, fob	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, cif	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
1992	105 809	8 643	6 089	7 730	22 462	128 272	6 423	5 920	140 614	93 187	4 360	10 962	13 369
1993	132 550	10 430	7 079	9 379	26 888	159 438	6 137	6 506	172 080	101 559	5 646	9 237	17 008
1994	152 022	11 385	7 314	11 808	30 508	182 530	9 617	4 919	197 067	118 684	5 862	8 697	16 800
1995	172 820	11 900	7 536	14 986	34 422	207 242	12 929	8 596	228 767	125 450	6 029	10 450	19 150
1996*	182 302	12 404	7 338	15 315	35 057	217 359	15 629	7 698	240 686	138 339	5 529	10 559	16 921
1995													
I	41 131	2 971	1 499	3 827	8 297	49 428	3 085	1 543	54 056	29 895	1 479	2 326	5 039
II	45 919	2 977	1 891	3 571	8 439	54 358	3 246	1 549	59 153	31 773	1 572	2 639	4 825
III	39 617	2 976	2 243	3 718	8 937	48 554	2 707	2 143	53 404	29 856	1 498	2 707	4 349
IV	46 154	2 976	1 903	3 870	8 749	54 903	3 892	3 360	62 155	33 926	1 481	2 779	4 937
1996*													
I	42 610	2 997	1 677	3 473	8 146	50 756	4 263	1 446	56 466	33 495	1 382	2 615	4 299
II	48 105	3 128	1 873	3 729	8 730	56 835	4 617	2 076	63 528	34 752	1 367	2 678	4 088
III	41 904	3 252	2 065	4 158	9 474	51 378	3 183	1 339	55 900	31 989	1 402	2 571	3 994
IV	49 683	3 027	1 724	3 955	8 706	58 389	3 566	2 837	64 792	38 102	1 377	2 696	4 540
1997*													
I	45 835	3 183	1 589	3 337	8 109	53 943	3 494	2 127	59 565	35 345	1 500	2 471	4 214
II	50 270	3 324	2 047	4 020	9 392	59 661	5 083	2 482	67 226	38 266	1 482	2 744	4 281

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 other, net (8-17)	Current account (24+25+26) = (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
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	31 891	133 450	34 580	10 390	178 421	30 991	4 784	-2 159	-7 629	-5 004	25 988	-28 443	-3 885	-6 340
1994	31 359	150 043	31 801	8 596	190 440	33 339	5 523	-1 382	-4 992	-851	32 487	-22 184	-3 676	6 627
1995	35 629	161 080	32 529	12 627	206 237	47 370	5 870	-2 914	-4 164	-1 207	46 162	-19 600	-4 032	22 531
1996*	33 009	171 348	32 783	14 520	218 651	43 963	6 875	-3 221	-1 606	2 048	46 011	-17 154	-6 821	22 035
1995														
I	8 844	38 739	9 295	2 825	50 858	11 235	1 492	-827	-1 212	-546	10 689	-6 209	-1 282	3 198
II	9 036	40 809	10 067	3 191	54 067	14 145	1 406	-748	-1 254	-597	13 549	-6 822	-1 641	5 086
III	8 554	38 410	6 630	3 205	48 244	9 761	1 478	-464	-631	383	10 144	-3 923	-1 061	5 160
IV	9 196	43 122	6 538	3 407	53 067	12 228	1 494	-875	-1 066	-447	11 781	-2 646	-47	9 087
1996*														
I	8 296	41 792	8 530	4 010	54 332	9 115	1 614	-938	-827	-151	8 964	-4 267	-2 563	2 134
II	8 133	42 885	10 925	3 862	57 672	13 353	1 761	-805	-358	598	13 950	-6 308	-1 786	5 857
III	7 966	39 956	6 621	3 055	49 632	9 915	1 850	-506	164	1 508	11 423	-3 439	-1 716	6 267
IV	8 613	46 715	6 707	3 593	57 015	11 581	1 650	-972	-585	93	11 674	-3 141	-756	7 777
1997*														
I	8 185	43 530	8 334	4 321	56 185	10 490	1 683	-883	-876	-76	10 413	-4 840	-2 194	3 380
II	8 507	46 773	10 374	3 328	60 476	12 004	1 842	-697	-260	884	12 888	-5 292	-846	6 750

6.2 Capital and financial account, mill. FIM

During period	Capital account, imports of capital	Financial account											Total (2+8+12)
		Direct investment in Finland	Portfolio investment in Finland						Other investment in Finland				
			Shares	Bonds	Of which: marka-denominated bonds	Money market instruments	Financial derivatives	Total (3+4+6+7)	Trade credits	Loans	Other capital	Total (9+10+11)	
1	2	3	4	5	6	7	8	9	10	11	12	13	
1992	0	1 822	397	39 309	-5 312	-1 791	..	37 915	3 639	2	-15 725	-12 084	27 653
1993	0	4 945	12 748	30 353	3 616	-4 382	..	38 719	4 467	5 457	-29 801	-19 877	23 787
1994	0	8 240	13 400	21 977	-5 783	-2 134	59	33 302	3 107	647	-1 392	2 361	43 903
1995	487	4 642	8 734	-17 868	-3 634	1 421	2 588	-5 125	-1 216	-6 985	8 376	176	-307
1996*	596	5 196	8 937	-4 624	6 250	826	1 501	6 640	-3 383	12 737	-1 347	8 006	19 842
1995													
I	0	2 625	392	150	-1 423	-1 889	146	-1 200	-2 601	-333	8 549	5 615	7 040
II	0	-1 243	3 482	-9 335	-3 501	-974	523	-6 303	865	-3 206	-2 136	-4 477	-12 023
III	0	151	2 940	-2 503	932	1 618	1 079	3 134	-1 089	-3 192	-744	-5 025	-1 740
IV	487	3 109	1 920	-6 181	358	2 666	839	-756	1 609	-254	2 707	4 063	6 416
1996*													
I	0	1 643	1 216	2 635	1 155	502	1 119	5 472	-3 416	4 632	-552	665	7 779
II	0	609	6 143	-5 184	2 516	363	754	2 076	-735	4 717	-3 119	863	3 548
III	0	2 552	374	-4 841	277	-254	-180	-4 902	-42	2 516	4 371	6 844	4 493
IV	596	392	1 204	2 766	2 303	216	-192	3 995	809	872	-2 048	-366	4 021
1997*													
I	0	1 796	5 121	4 146	972	1 607	-94	10 779	-839	6 608	16 206	21 975	34 550
II	0	2 158	7 253	5 247	9 570	-1 718	28	10 811	-1 822	3 183	-6 920	-5 559	7 410

During period	Capital account, exports of capital	Financial account														Errors and omissions
		Direct investment abroad	Portfolio investment abroad						Other investment abroad				Total (15+20+24)	Change in central bank's reserve assets (increase -)		
			Shares	Bonds	Money market instruments	Financial derivatives	Total (16+17+18+19)	Trade credits	Loans	Other capital	Total (21+22+23)					
14	15	16	17	18	19	20	21	22	23	24	25	26	27			
1992	0	-3 372	46	321	2 748	..	3 115	3 634	3 409	7 720	14 763	14 506	9 180	-293		
1993	0	8 050	873	767	1 932	..	3 571	1 923	-839	9 576	10 660	22 282	-1 219	6 055		
1994	0	22 447	434	-4 294	-855	-279	-4 994	1 213	-7 460	9 762	3 516	20 968	-25 504	-4 058		
1995	206	6 539	892	3 685	-5 492	-168	-1 084	3 839	-2 712	11 750	12 877	18 332	1 480	-5 652		
1996*	340	17 109	3 271	15 455	364	-172	18 918	982	4 523	15 927	21 431	57 458	14 075	1 250		
1995																
I	0	2 012	-128	1 757	-2 249	-48	-668	660	-1 234	9 695	9 121	10 465	-1 691	1 918		
II	104	1 290	375	104	-2 798	31	-2 288	2 379	-150	-7 809	-5 580	-6 577	1 288	-824		
III	0	827	461	28	521	-37	973	-132	1 044	3 431	4 343	6 143	1 592	1 131		
IV	102	2 410	184	1 797	-967	-115	899	933	-2 373	6 433	4 993	8 302	291	-7 878		
1996*																
I	61	5 591	567	4 019	2 424	-26	6 983	-670	2 416	6 458	8 205	20 779	7 254	3 673		
II	0	6 870	1 041	3 041	162	71	4 315	779	-2 064	4 834	3 549	14 734	8 457	-3 128		
III	0	3 951	728	4 179	-2 457	-51	2 399	-792	1 565	1 927	2 700	9 050	-1 132	-580		
IV	279	697	935	4 216	235	-166	5 220	1 665	2 606	2 708	6 979	12 896	-505	1 285		
1997*																
I	0	2 362	847	4 504	4 250	-30	9 571	934	3 245	-3 793	386	12 319	-22 134	-3 477		
II	0	4 449	1 788	4 683	-2 660	230	4 042	65	1 014	7 510	8 589	17 080	3 031	-111		

6.3 Finland's international investment position, mill. FIM

Position at end of period	Liabilities												Total liabilities (1+7+12)
	Direct investment in Finland	Portfolio investment					Other investment						
		Shares	Bonds	Of which: markka denominated bonds	Money market instruments	Financial derivatives	Total (2+3+5+6)	Trade credits	Loans	Currency and deposits	Other	Total (8+9+10+11)	
1	2	3	4	5	6	7	8	9	10	11	12	13	
1992	19 348	5 138	211 361	14 366	19 391	..	235 889	13 305	78 330	11 881	78 804	182 320	437 557
1993	24 391	30 375	266 269	27 402	14 995	-6 103	305 536	18 206	90 825	4 025	54 188	167 243	497 170
1994	31 846	60 558	258 823	22 285	10 309	-5 179	324 511	19 852	82 649	3 430	46 566	152 498	508 855
1995	36 894	63 746	228 676	19 638	10 099	1 545	304 066	18 540	69 249	2 568	53 557	143 914	484 874
1996*	42 136	108 932	229 919	26 284	10 698	3 634	353 183	14 863	83 295	1 733	53 745	153 636	548 955
1995													
I	34 509	53 488	254 534	21 434	7 065	-5 996	309 092	17 218	79 143	3 369	53 433	153 163	496 764
II	33 386	79 430	243 399	18 054	5 577	-6 768	321 638	18 049	75 411	2 580	51 169	147 208	502 233
III	33 665	93 020	233 054	20 230	7 262	-520	332 815	16 930	68 882	2 364	50 032	138 208	504 688
IV	36 894	63 746	228 676	19 638	10 099	1 545	304 066	18 540	69 249	2 568	53 557	143 914	484 874
1996*													
I	38 601	68 674	241 085	20 699	11 192	2 424	323 375	14 873	77 934	1 518	55 412	149 737	511 712
II	39 214	80 962	234 317	23 855	11 126	3 099	329 504	14 214	81 836	1 939	51 588	149 577	518 295
III	41 730	91 198	225 308	23 656	11 286	2 948	330 740	13 940	82 365	1 742	55 621	153 668	526 138
IV	42 136	108 932	229 919	26 284	10 698	3 634	353 183	14 863	83 295	1 733	53 745	153 636	548 955
1997*													
I	43 927	129 824	240 686	27 607	11 972	2 789	385 271	13 767	90 724	2 624	70 864	177 979	607 177
II	46 118	162 713	254 130	37 563	10 551	1 003	428 397	11 974	97 061	2 870	64 544	176 449	650 964

Position at end of period	Assets											Total assets (14+19+24)
	Direct investment abroad	Portfolio investment					Other investment					
		Shares	Bonds	Money market instruments	Financial derivatives	Total (15+16+17+18)	Trade credits	Loans	Currency and deposits	Other	Total (20+21+22+23)	
14	15	16	17	18	19	20	21	22	23	24	25	
1992	44 921	469	8 697	7 917	..	17 083	21 389	35 251	12 665	78 257	147 562	209 565
1993	53 090	1 783	10 709	11 030	447	23 968	26 256	35 981	5 799	91 127	159 162	236 221
1994	59 451	1 984	5 109	9 115	488	16 696	25 500	24 847	8 257	109 847	168 451	244 598
1995	65 350	3 216	9 619	2 736	177	15 748	28 358	20 381	7 290	115 543	171 571	252 669
1996*	82 802	7 145	25 077	3 478	-21	35 678	29 929	25 438	5 895	124 248	185 510	303 990
1995												
I	60 074	1 751	6 557	5 835	157	14 300	25 254	22 668	6 352	118 897	173 172	247 546
II	60 607	2 158	6 930	2 977	115	12 180	27 440	22 142	5 915	108 686	164 183	236 971
III	60 880	2 661	6 870	3 503	200	13 233	27 092	22 978	6 397	108 057	164 524	238 637
IV	65 350	3 216	9 619	2 736	177	15 748	28 358	20 381	7 290	115 543	171 571	252 669
1996*												
I	73 693	3 984	14 063	5 670	169	23 886	27 980	23 594	5 435	121 308	178 317	275 896
II	79 436	4 999	16 834	5 842	93	27 768	28 892	21 499	5 523	118 075	173 989	281 194
III	81 840	5 835	20 620	3 176	48	29 679	27 902	22 873	6 488	119 331	176 594	288 113
IV	82 802	7 145	25 077	3 478	-21	35 678	29 929	25 438	5 895	124 248	185 510	303 990
1997*												
I	86 098	8 577	30 418	7 556	128	46 679	26 401	29 411	6 060	146 593	208 465	341 242
II	92 431	11 279	36 184	5 163	522	53 148	26 862	31 067	7 051	154 771	219 750	365 329

6.4 Finland's net international investment position (liabilities less assets), by sector, mill. FIM

Position at end of period	Corporate sector	Households and nonprofit institutions	Banks	Bank of Finland	Other financial institutions	Central government	Local government	Net (1+2+3+4+5+6+7)	Net interest and dividend expenditure	Net interest and dividend expenditure in relation to current account receipts, %
	1	2	3	4	5	6	7	8	9	10
1992	33 761	-3 260	82 343	-27 546	28 283	112 064	2 347	227 992	19 011	13.5
1993	54 315	-3 436	45 658	-33 279	29 737	164 892	3 062	260 949	21 897	12.7
1994	82 428	-3 503	33 800	-52 606	21 931	179 113	3 093	264 257	20 296	10.3
1995	72 374	-2 293	18 970	-47 708	13 297	174 481	3 085	232 205	17 490	7.6
1996*	108 799	-1 132	-14 319	-35 522	990	183 703	2 448	244 965	16 354	6.8
1995										
I	74 072	-3 359	23 396	-53 298	19 524	185 724	3 159	249 218	5 681	10.5
II	95 145	-3 495	27 092	-50 742	18 024	175 932	3 305	265 261	6 295	10.6
III	103 812	-3 599	20 558	-47 488	17 173	172 368	3 227	266 051	3 396	6.4
IV	72 374	-2 293	18 970	-47 708	13 297	174 481	3 085	232 205	2 118	3.4
1996*										
I	75 707	-2 502	4 569	-42 679	9 433	188 118	3 169	235 816	4 072	7.2
II	84 403	-2 595	-4 656	-33 647	5 294	185 184	3 118	237 102	6 113	9.6
III	93 597	-1 104	-6 157	-34 482	1 300	182 336	2 535	238 024	3 244	5.8
IV	108 799	-1 132	-14 319	-35 522	990	183 703	2 448	244 965	2 926	4.5
1997*										
I	131 693	-1 251	4 760	-59 420	-1 246	189 002	2 396	265 935	4 735	7.9
II	160 811	-1 221	-11 966	-58 737	-4 632	198 984	2 396	285 635	5 187	7.7

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
1992	107 463	94 947	12 516
1993	134 114	103 165	30 949
1994	154 164	120 612	33 552
1995	176 021	128 556	47 465
1996*	185 798	140 996	44 802
1996*			
Jun	17 158	11 659	5 499
Jul	13 347	10 126	3 221
Aug	14 381	10 750	3 631
Sep	15 172	12 017	3 155
Oct	17 008	13 391	3 617
Nov	18 977	12 646	6 331
Dec	14 744	12 968	1 776
1997*			
Jan	15 364	11 517	3 847
Feb	15 110	12 070	3 040
Mar	16 711	13 122	3 589
Apr	18 752	14 162	4 590
May	16 763	12 129	4 634
Jun	16 000	13 200	2 800

7.2 Foreign trade: indices of volume, prices and terms of trade, 1990=100

Period	Volume (seasonally adjusted)		Prices		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1992	102.7	84.7	103.1	108.6	95.0
1993	120.6	83.6	109.7	119.6	91.7
1994	136.5	98.0	111.4	119.3	93.3
1995	145.7	104.6	119.2	119.2	100.0
1996*	152.7	112.9	120.2	121.1	99.3
1996*					
Jun	167.2	112.5	121.3	121.6	99.8
Jul	140.8	106.6	119.6	121.8	98.2
Aug	155.5	108.0	118.2	120.9	97.8
Sep	152.8	116.7	117.6	121.6	96.7
Oct	163.0	120.6	118.0	122.3	96.5
Nov	178.7	116.5	117.8	120.8	97.5
Dec	150.4	120.3	116.7	120.8	96.6
1997*					
Jan	161.6	116.9	116.6	121.6	95.9
Feb	159.2	118.2	115.9	121.3	95.5
Mar	166.9	120.0	115.5	121.1	95.4
Apr	183.2	128.8	116.2	120.8	96.2
May	166.3	113.6	116.2	122.3	95.0
Jun	162.9	126.5	116.3	121.9	95.4

7.3 Foreign trade by main groups, mill. FIM

During period	Exports by industries, fob					Imports by use of goods, cif				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
	1	2	3	4	5	6	7	8	9	10
1992	7 892	32 587	12 172	35 741	19 071	49 514	9 745	13 348	20 826	1 514
1993	10 910	37 430	14 205	48 158	23 411	54 792	10 904	15 396	21 066	1 007
1994	14 198	41 249	15 725	55 895	27 097	66 156	11 687	17 227	24 684	858
1995	13 451	48 754	15 877	69 336	28 603	71 397	9 685	19 660	25 514	2 300
1996*	12 256	43 385	18 005	74 884	37 268	70 783	12 570	21 058	29 886	6 699
1996*										
May	1 203	3 821	1 897	6 293	2 970	6 455	1 102	1 756	2 471	226
Jun	1 086	3 571	1 515	8 299	2 687	6 262	831	1 954	2 340	272
Jul	844	3 576	1 466	5 256	2 205	5 051	1 166	1 260	2 443	206
Aug	899	3 670	1 659	5 503	2 650	5 617	1 017	1 541	2 398	177
Sep	1 050	3 513	1 495	6 475	2 639	6 150	1 242	1 733	2 683	209
Oct	1 263	4 098	1 728	6 982	2 937	6 683	1 402	2 167	2 911	228
Nov	1 278	3 764	1 710	9 336	2 889	6 383	1 398	2 012	2 650	203
Dec	977	3 445	1 403	6 599	2 320	6 063	1 413	2 325	2 564	603
1997*										
Jan	1 103	3 802	1 544	6 035	2 880	5 619	1 304	1 696	2 540	358
Feb	1 126	3 600	1 700	5 814	2 870	6 073	992	1 625	2 755	625
Mar	1 244	3 747	1 510	6 903	3 307	6 722	743	1 892	2 906	859
Apr	1 221	4 193	1 874	7 953	3 511	7 508	941	1 948	3 027	738
May	1 419	4 100	1 570	6 632	3 042	6 692	863	1 668	2 560	346

7.4 Foreign trade by regions and countries

Region and country	Exports, fob				Imports, cif			
	1996*		Jun 1996 – May 1997		1996*		Jun 1996 – May 1997	
	Mill. FIM	Percentage share	Mill. FIM	12-month change calculated from 12-month moving total	Mill. FIM	Percentage share	Mill. FIM	12-month change calculated from 12-month moving total
1	2	3	4	5	6	7	8	
European Union ¹	101 490	54.5	105 142	4.0	85 511	60.2	86 227	6.7
Austria	1 614	0.9	1 781	21.6	1 560	1.1	1 504	-8.4
Belgium and Luxembourg	4 692	2.5	4 710	-5.2	4 146	2.9	4 060	7.5
Denmark	5 652	3.0	5 759	3.2	4 964	3.5	5 037	11.0
France	7 863	4.2	8 087	0.6	6 366	4.5	6 622	17.5
Germany	22 516	12.1	22 578	-0.8	21 344	15.0	21 534	6.6
Greece	963	0.5	1 071	18.4	367	0.3	365	3.6
Ireland	1 096	0.6	1 300	27.7	1 157	0.8	1 163	1.2
Italy	4 772	2.6	5 480	10.8	5 762	4.1	5 806	4.9
Netherlands	7 377	4.0	7 888	8.0	5 074	3.6	5 372	8.8
Portugal	914	0.5	989	17.0	1 035	0.7	1 065	-1.1
Spain	3 979	2.1	4 335	6.6	1 963	1.4	2 049	13.5
Sweden	19 937	10.7	20 063	4.3	16 911	11.9	17 230	8.0
United Kingdom	19 010	10.2	19 990	8.3	12 540	8.8	12 083	2.4
Rest of Europe	33 415	17.9	35 625	19.4	23 871	16.8	25 949	20.3
Of which:								
Estonia	5 097	2.7	5 589	25.1	1 672	1.2	1 830	14.5
Norway	5 322	2.9	5 427	3.7	5 952	4.2	6 157	20.8
Poland	2 713	1.5	3 333	53.6	1 305	0.9	1 514	11.2
Russia	11 373	6.1	12 090	24.2	10 280	7.2	11 615	27.6
Switzerland	2 099	1.1	1 991	-11.2	2 434	1.7	2 510	9.3
Non-European industrialized countries ²	23 030	12.4	22 142	0.3	19 833	14.0	19 716	-4.4
Of which:								
Australia	2 045	1.1	2 268	2.8	1 239	0.9	1 134	-4.8
Japan	4 844	2.6	4 450	-12.6	7 311	5.2	7 538	-5.3
U.S.A.	14 761	7.9	13 909	4.5	10 387	7.3	10 122	-4.1
Dynamic Asian economies ³	13 833	7.4	14 673	19.1	6 514	4.6	6 797	6.2
Of which:								
China	2 707	1.5	3 088	33.4	2 088	1.5	2 386	28.5
Hong Kong	3 037	1.6	3 085	19.8	693	0.5	706	14.2
South Korea	2 723	1.5	2 615	8.8	792	0.6	781	-17.3
Other countries	14 568	7.8	15 905	8.7	6 224	4.4	7 868	60.6
TOTAL	186 336	100.0	193 487	7.5	141 953	100.0	146 557	9.1
Of which:								
Africa	2 554	1.4	2 626	-2.6	937	0.7	961	31.4
Asia	27 484	14.7	28 553	10.3	16 196	11.4	17 241	7.7
Central and South America	3 075	1.7	3 180	-33.6	2 750	1.9	3 082	59.0
North America	15 825	8.5	15 107	4.2	11 229	7.9	10 982	-3.9
Europe	134 906	72.4	140 767	7.5	109 383	77.1	112 176	9.6
Oceania	2 491	1.3	2 722	9.0	1 457	1.0	1 415	8.0

¹ Including exports / imports to EU unspecified by country.

² Australia, Canada, Japan, New Zealand, United States.

³ China, Hong Kong, Malaysia, Singapore, South Korea, Taiwan, Thailand.

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
1992	247 363	108 799	75 338	16 899	4 534	452 933	122 059	112 989	462 003
1993	240 177	103 028	60 638	13 890	10 221	427 954	142 459	113 842	456 571
1994	244 761	102 728	60 543	14 107	22 236	444 375	161 376	128 411	477 340
1995	255 968	104 645	69 718	13 338	20 568	464 237	174 580	137 327	501 490
1996*	264 595	107 258	75 685	14 259	18 308	480 105	181 334	143 497	517 942
1994 IV	62 105	25 938	15 931	3 552	8 189	115 715	41 978	35 948	121 745
1995 I	63 164	25 610	17 416	3 416	4 626	114 232	44 154	33 693	124 693
II	64 188	26 199	17 183	3 329	4 401	115 300	44 505	34 171	125 634
III	64 076	26 292	18 134	3 246	6 166	117 914	42 428	34 674	125 668
IV	64 540	26 544	16 985	3 347	5 375	116 791	43 493	34 789	125 495
1996* I	65 631	26 503	18 088	3 416	6 134	119 772	43 056	36 071	126 757
II	65 565	26 788	18 333	3 585	3 813	118 084	45 048	35 265	127 867
III	66 266	26 899	19 703	3 653	4 330	120 851	45 434	35 415	130 870
IV	67 133	27 068	19 561	3 605	4 031	121 398	47 796	36 746	132 448
1997* I	67 368	27 026	18 552	3 788	4 350	121 084	47 286	36 531	131 839

8.2 Volume of industrial production, 1990=100 (seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manu- facturing	Wood and paper industries	Metal and engineering industries	Other manu- facturing	Energy and water supply
	(100.0)	(1.3)	(89.6)	(16.8)	(31.3)	(41.5)	(9.1)
	1	2	3	4	5	6	7
1992	92.4	88.4	91.4	94.6	91.1	90.2	103.0
1993	97.4	86.1	96.4	104.5	99.7	90.8	107.9
1994	108.5	96.2	108.1	117.0	119.5	95.8	114.3
1995	117.0	93.9	117.8	117.4	145.7	96.9	112.4
1996*	121.4	87.2	121.7	114.6	155.1	99.3	123.3
1996* Jun	121.7	78.8	122.1	111.2	155.1	100.1	123.3
Jul	120.6	55.6	121.2	115.3	152.8	100.5	123.3
Aug	120.4	151.0	120.4	116.6	153.7	99.5	122.8
Sep	124.0	84.9	124.0	119.3	157.5	100.3	126.8
Oct	124.5	85.5	124.5	120.1	159.3	100.2	128.5
Nov	126.1	84.8	126.8	123.3	162.0	100.4	121.0
Dec	127.7	78.9	128.3	120.4	163.7	101.8	125.5
1997* Jan	126.1	85.0	126.4	125.9	162.1	101.5	130.4
Feb	125.7	89.4	126.5	125.2	162.4	102.1	125.3
Mar	128.9	95.1	129.8	127.4	165.6	102.5	123.7
Apr	128.3	93.6	129.3	127.9	166.6	101.6	124.3
May	128.4	80.9	129.9	130.6	166.7	101.7	121.0
Jun	130.1	121.5	131.5	130.0	168.6	102.5	117.2

8.3 Indicators of domestic supply and demand, 1990=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 GDP indicator
				Residential buildings	Industrial buildings		
	1	2	3	4	5	6	7
1992	72.7	83.0	59.9	57.3	44.8	78.1	91.1
1993	68.5	78.1	46.9	47.2	35.6	72.9	89.9
1994	73.0	79.7	42.2	45.1	35.2	84.4	93.7
1995	76.2	82.6	42.0	41.1	49.9	88.5	97.7
1996*	77.8	86.0	43.9	38.5	55.6	102.8	100.6
1996*							
Jun	83.2	73.3	42.9	37.0	50.4	104.5	99.8
Jul	87.5	79.7	44.0	35.4	51.8	105.7	100.9
Aug	87.1	75.7	43.7	33.1	52.4	100.1	100.8
Sep	85.2	77.0	45.4	35.0	52.3	109.2	102.1
Oct	89.3	81.5	45.7	37.6	51.7	114.4	103.4
Nov	87.9	77.4	46.3	41.3	51.7	108.2	102.9
Dec	87.4	78.9	47.8	45.8	53.5	112.0	103.9
1997*							
Jan	88.5	80.3	48.0	48.8	55.3	109.2	104.1
Feb	87.0	78.6	48.8	51.1	56.7	111.1	103.6
Mar	85.9	77.1	49.1	52.5	57.1	108.0	104.4
Apr	89.4	84.9	50.3	54.7	57.9	117.2	106.3
May	88.4	79.9	50.5	53.0	58.6	107.4	105.4
Jun	89.3	83.5	51.6	53.3	56.2	..	106.6

8.4 Wages and prices, 1990=100

Period	Index of wage and salary earnings	By sectors			Consumer price index	Indicator of underlying inflation	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private	Of which: Manufacturing (SIC 3)	Public				Domestic goods	Imported goods		Exported goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1992	108.4	108.1	108.3	109.0	107.4	107.1	101.4	99.5	108.5	101.6	102.7	101.1	100.4
1993	109.2	108.8	110.0	110.1	109.7	109.9	104.8	100.8	119.3	105.5	109.2	103.9	100.7
1994	111.4	111.6	115.0	111.1	110.9	111.4	106.2	102.8	118.7	107.1	110.2	105.8	102.2
1995	116.6	117.4	123.1	114.7	112.0	111.3	106.9	103.8	118.5	110.8	118.0	107.7	103.5
1996 ¹	121.1	121.8	127.5	119.2	112.6	111.4	105.9	102.0	120.1	110.9	118.5	107.6	102.7
1996													
Jul	..	..	..	..	112.8	111.5	105.5	101.2	121.0	110.2	117.8	106.9	102.8
Aug	..	..	..	..	112.6	111.1	105.4	101.3	120.2	109.7	116.4	106.8	103.1
Sep	..	..	..	..	112.8	111.5	105.9	101.9	120.8	109.8	115.8	107.2	103.0
Oct	..	..	..	..	113.0	111.7	106.4	102.5	120.8	110.2	116.2	107.6	103.1
Nov	..	..	..	..	112.7	111.5	105.9	102.3	119.3	110.0	116.0	107.4	103.3
Dec	..	..	..	..	112.7	111.5	106.3	102.7	119.3	110.1	115.5	107.8	103.4
1996 ¹													
II	120.6	121.4	127.1	118.6	112.8	111.6	105.8	101.7	121.1	111.3	120.0	107.6	102.4
III	120.7	121.4	127.0	118.9	112.7	111.3	105.6	101.5	120.7	109.9	116.7	107.0	103.0
IV	123.2	123.9	130.3	121.4	112.8	111.6	106.2	102.5	119.8	110.1	115.9	107.6	103.3
1997													
Jan	..	..	..	..	112.6	111.1	106.5	102.6	120.1	110.1	115.3	107.7	103.7
Feb	..	..	..	..	112.8	111.3	106.7	103.2	119.8	110.2	115.0	108.1	103.7
Mar	..	..	..	..	113.2	111.7	106.7	103.2	119.6	110.2	114.5	108.3	104.1
Apr	..	..	..	..	113.8	112.0	106.6	103.2	119.3	110.4	115.2	108.4	104.4
May	..	..	..	..	114.0	112.3	107.3	103.6	120.8	110.7	115.2	108.7	104.8
Jun	..	..	..	..	114.2	112.5	107.4	103.9	120.5	111.0	115.4	109.1	105.2
Jul	..	..	..	..	114.2	..	107.9	104.1	122.1	111.4	116.3	109.3	105.5
1997 ¹													
I	123.5	124.3	130.8	121.7	112.9	111.4	106.6	103.0	119.8	110.2	114.9	108.0	103.8
II	123.8	124.6	131.1	121.8	114.0	112.2	107.1	103.6	120.2	110.7	115.3	108.7	104.8

¹ Preliminary figures for columns 1-4.

8.5 Labour, employment and unemployment (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8)	By industrial status			By industry			Unemployed	Unemployment rate
				Self-employed	Wage and salary earners	Agriculture, forestry and fishing	Mining, manufacturing and energy supply	Other industries			
									1000 persons		
	1	2	3	4	5	6	7	8	9	10	
1992	66.1	2 502	2 174	325	1 849	187	453	1 534	328	13.1	
1993	65.3	2 484	2 041	312	1 729	173	424	1 444	444	17.9	
1994	64.8	2 480	2 024	312	1 712	167	426	1 430	456	18.4	
1995	65.1	2 497	2 068	304	1 764	158	456	1 454	430	17.2	
1996*	65.0	2 503	2 096	302	1 794	148	459	1 489	408	16.3	
1996*											
Jul	65.3	2 538	2 127	332	1 795	156	467	1 503	411	16.2	
Aug	65.5	2 546	2 135	332	1 803	158	456	1 521	411	16.2	
Sep	64.7	2 517	2 120	313	1 808	172	441	1 507	397	15.7	
Oct	65.0	2 532	2 134	316	1 818	165	469	1 500	398	15.6	
Nov	65.6	2 552	2 149	326	1 823	168	469	1 512	403	15.8	
Dec	65.1	2 533	2 139	323	1 816	160	453	1 527	394	15.4	
1997*											
Jan	65.4	2 530	2 133	314	1 820	156	460	1 517	396	15.6	
Feb	65.8	2 547	2 153	326	1 827	161	469	1 523	394	15.4	
Mar	65.9	2 550	2 155	319	1 836	154	456	1 545	395	15.6	
Apr	66.3	2 556	2 158	330	1 828	157	458	1 543	398	15.7	
May	66.4	2 563	2 170	327	1 843	148	462	1 559	393	15.5	
Jun	66.3	2 555	2 179	331	1 849	148	457	1 575	376	14.9	
Jul	65.2	2 518	2 169	326	1 844	160	460	1 549	349	13.8	

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
1992	34 312	69 541	1 512	21 251	126 616	5 054	131 669	49 291	105 184	42 990	59 180
1993	31 667	67 291	1 443	28 823	129 224	7 366	136 593	46 880	108 608	42 720	63 535
1994	34 588	68 124	1 792	24 095	128 599	7 308	135 900	48 750	108 155	40 388	65 519
1995	40 092	66 902	1 720	35 837	144 550	7 923	152 473	51 446	113 644	39 481	67 514
1996	48 357	73 943	1 947	39 778	164 024	9 893	173 918	53 696	110 039	33 199	69 533
1996											
Jun	3 435	5 863	72	5 222	14 592	850	15 443	5 032	8 952	2 863	5 459
Jul	3 817	6 187	59	2 003	12 067	323	12 390	5 036	8 707	2 891	5 151
Aug	3 766	6 125	59	2 483	12 433	219	12 652	3 913	6 090	1 476	4 505
Sep	3 481	6 391	57	2 526	12 455	3 261	15 716	4 579	8 030	2 747	4 913
Oct	3 590	6 542	58	3 602	13 792	329	14 121	4 205	10 912	2 995	7 040
Nov	4 260	6 049	91	3 216	13 616	1 113	14 729	4 068	7 922	2 301	5 158
Dec	6 515	5 228	69	4 324	16 136	-1 050	15 087	6 133	11 691	2 698	8 599
1997											
Jan	3 070	6 448	121	3 151	12 790	48	12 839	3 875	11 713	3 518	6 429
Feb	3 984	5 292	63	3 363	12 702	37	12 739	3 649	8 393	3 467	4 437
Mar	6 173	8 768	353	2 692	17 986	213	18 199	4 753	8 779	3 719	4 702
Apr	3 808	5 040	219	3 072	12 139	3 262	15 401	4 102	10 571	4 062	5 786
May	5 929	6 399	179	4 036	16 543	1 030	17 573	4 199	8 482	3 687	4 223
Jun	3 928	6 110	260	2 619	12 917	551	13 468	5 440	9 483	3 447	5 304

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)
1992	5 042	8 499	168 016	35 501	203 516	-41 400	-71 847	70 691	-1 155
1993	4 306	18 076	177 870	19 753	197 623	-48 646	-61 030	84 036	23 009
1994	3 737	22 281	182 923	17 886	200 760	-54 324	-64 860	73 193	8 336
1995	3 208	26 336	194 635	16 765	211 399	-50 085	-58 926	54 071	-4 854
1996	3 325	29 911	196 972	13 756	210 747	-32 947	-36 828	33 845	-2 983
1996									
Jun	219	3 060	17 262	2 075	19 338	-2 670	-3 895	3 503	-392
Jul	316	1 154	15 214	437	15 651	-3 147	-3 261	3 900	639
Aug	334	1 090	11 427	457	11 884	1 006	768	6 829	7 597
Sep	290	4 787	17 686	586	18 272	-5 231	-2 556	-10 228	-12 784
Oct	369	1 832	17 318	489	17 807	-3 526	-3 686	-258	-3 943
Nov	260	963	13 213	479	13 693	403	1 036	-191	846
Dec	560	1 637	20 021	3 388	23 426	-3 885	-8 339	3 375	-4 965
1997									
Jan	131	5 180	20 899	538	21 437	-8 109	-8 598	9 507	909
Feb	221	663	12 926	421	13 347	-224	-608	7 344	6 736
Mar	164	4 660	18 356	425	18 780	-370	-581	1 203	622
Apr	193	3 094	17 960	4 670	22 630	-5 821	-7 229	-2 609	-9 837
May	377	752	13 810	739	14 549	2 733	3 024	3 167	6 191
Jun	203	2 121	17 247	708	17 954	-4 330	-4 486	-3 959	-8 445

Notes and explanations to the statistical section

General

Source

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

Symbols used

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

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

Notes and explanations to tables

1 The balance sheet of the Bank of Finland

Table 1.2 Domestic financial sector. Term claims on deposit banks, net (Column 12) = bank certificates of deposit held by the Bank of Finland + securities with repurchase commitments + term credits - term deposits. Other claims on financial institutions, net (Column 14) = till-money credits to deposit banks (until May 1993) + bonds + other claims on financial institutions + liquidity credits - call money deposits (until September 1995) - other liabilities to financial institutions.

2 The Bank of Finland's operations in the money and foreign exchange markets and the banks' forward exchange position

Table 2.1 From 2 October 1995, banks fulfil their minimum reserve requirement as a monthly average of deposits. From October 1995, the requirement and deposits are shown for the month during which the requirement is to be fulfilled. Before deposits were shown for the previous month, because deposits were matched with the requirement on the last banking day of that month. The requirement is determined on the basis of the reserve base two months earlier (up to September 1995 one month earlier). The reserve base was changed on 31 March 1995 to comply with the new balance sheet format. Liquidity credits (Column 7): see explanations, Table 3.2.

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

Table 2.3 Foreign exchange transactions are recorded according to trade dates. In addition to spot transactions (Columns 1, 2, 4 and 5) the Bank of Finland's foreign exchange reserves are affected by interest payment 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 2.4 The markka value of forward contracts is given.

3 Rates of interest

Table 3.1 The interbank overnight rate (Column 1) is weighted using amounts of interbank deposits as weights. Since 1 June 1995, HELIBOR rates (Helsinki Interbank Offered Rate) (Columns 2-5) have been calculated on the basis of the bid rates (offered rates for funds) quoted for their own certificates of deposit by all the banks that have been accepted by the Bank of Finland as counterparties in money market operations. An additional condition is that a bank gives regular quotations. The highest and lowest rates quoted for each maturity are omitted and an arithmetic average calculated for the remaining rates. The quotations are taken daily at 1 p.m.

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.

Credit institutions which are subject to the minimum reserve requirement and maintain a current account with the Bank of Finland may obtain liquidity credit to cover overdrafts and to fulfil their minimum reserve requirement. They can obtain liquidity credit 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 in use prior to October 1995 was obtained by subtracting the interest rate margin for call money deposits from the Bank of Finland's tender rate. Since 2 October 1995, the monthly average of a bank's call money deposits exceeding the minimum reserve requirement has been treated as excess reserve. The interest rate paid on excess reserves is determined separately by the Bank of Finland. The values for maturity and interest rate margins are the last values recorded in each period.

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 average 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. The yields on five-year and ten-year government bonds (Columns 3 and 4) are calculated by the Bank of Finland as averages of the bid rates quoted daily by the primary dealers. The five-year yield is based on quotations for a fixed-rate bullet serial bond (1/94, 15 Sep 1994 – 15 Sep 2001). As from 9 August 1996 the ten-year yield is based on quotations for a fixed-rate bullet serial bond (1/96, 18 Apr 1996–2006). The share yield (Column 5) is the weighted effective yield on shares quoted on the Helsinki Stock Exchange. Source: Statistics Finland.

4 Rates of exchange

Table 4.2 FIM/ECU (Column 1): The markka value of the ECU is calculated as the sum of the dollar amounts of the currencies in the ECU valued at current market rates quoted daily at noon Finnish time. The markka was floated on 8 September 1992, continuing until 14 October 1996, when it was joined to the EU's Exchange Rate Mechanism (ERM) at the central rate of 5.80661 per ECU. As from 25 November 1996 the ECU central rate is FIM 5.85424. Trade-weighted currency index (Column 2): The weights are moving averages of the shares of (currently) 16 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 (16 convertible currencies) in Finland's foreign trade.

Table 4.3 The table shows the deviations of the markka's market exchange rate (markka value of the foreign currency) as a percentage of the ERM central rate for each currency. A plus (+) indicates that the markka is weaker than its central rate value against the other currency; the intervention limit is (central rate) +16.121 per cent. A minus (-) indicates that the markka is stronger than its central rate value against the other currency; the intervention limit is (central rate) -13.881 per cent.

5 Other domestic financing

Table 5.1 Source: Statistics Finland. The public comprises households and non-profit institutions, enterprises

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

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

Table 5.3 Foreign assets, net (Column 1) = the Bank of Finland's foreign claims + banks' foreign claims (incl. foreign claims of banks' foreign branches) - the Bank of Finland's foreign liabilities - banks' foreign liabilities (incl. foreign liabilities of banks' foreign branches). *Domestic credit*. Claims on the central government, net (Column 2) = the Bank of Finland's claims on the central government + banks' claims on the central government - the central government's deposits with the Bank of Finland and Postipankki - loans granted from state funds through banks. Claims on the public (incl. local government), (Column 3) = the Bank of Finland's claims on the private sector + banks' claims on the private sector (loans to the public, bonds and debentures (excl. government bonds and bank debentures), claims on other financial institutions, shares held by banks). Other items, net (Column 5) = capital accounts and other items of the Bank of Finland (incl. private sector time deposits with the Bank of Finland) + capital accounts of deposit banks + unclassified assets and liabilities of deposit banks, net (bank debentures, bank CDs held by the public, other market funding and foreign currency deposits by the public). M_1 (Column 6) = currency in circulation - banks' till money + markka cheque and postal giro account deposits and transactions account deposits held by the public. M_2 (Column 7) = M_1 + quasi-money (markka time deposits held by the public, excl. deposits with the Bank of Finland). M_3 (Column 8) = M_2 + bank CDs held by the public.

Table 5.4 Source: State Treasury Office. Other foreign currency-denominated debt (Column 2) consists of other bonds and debentures and long-term promissory notes. Other bonds and debentures are so-called private placements; long-term promissory notes are bank loans. Miscellaneous items (Column 7) consist of two minus items, the liability to the State Pension Fund and the liability to the State Fund for Nuclear Waste Disposal, which are intragovernmental debts. In the September 1997 issue of the Bulletin, columns 7, 8 and 9 were retroactively revised for the whole period shown. 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.

Table 5.5 Sources: Table A: Financial Supervision from the beginning of 1994, Table B: Statistics Finland. Table C: Finnish Central Securities Depository from 1 August 1997. 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. As from 15 January 1997 the following act as primary dealers: Alfred Berg Finland, Den Danske Bank, Evli Fixed Income Securities, Goldman Sachs International, Merita Bank, Okobank, Postipankki, Skandinaviska Enskilda Banken, Svenska Handelsbanken AB (publ) and Unibank A/S. Customers include all parties other than primary dealers.

Table 5.6 Source: The Helsinki Stock Exchange. The table has been expanded to take into account the change in the Helsinki Stock Exchange classification of listed companies as from the start of 1997. Column 3 now includes only insurance.

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 trade figures for 1995 have been estimated on the basis of a survey of firms carried out by the Bank of Finland. The official foreign trade statistics published by the Board of Customs are delayed owing to changes in statistical systems caused by Finland's entry into the EU. The figures for investment income and expenditure (Columns 7 and 16) include reinvested earnings on direct investment. Preliminary data on reinvested earnings in the previous year have been included in the current account figures. (The annual figure is divided evenly between quarterly figures.)

Tables 6.2–6.4 Since the beginning of 1994, the former capital account of Finland's balance of payments has been compiled according to the IMF's new recommendations (IMF Balance of Payments Manual, Fifth Edition, 1993).

Table 6.2 The capital account (Columns 1 and 14) reflects unrequited capital transfers such as forgiven debts and aid from EU funds. Financial derivatives include payments arising from currency and interest rate swaps related to loans, ie outstanding loans are recorded according to the original loan contract. Medium-term notes (MTNs) are included under bonds (Columns 4 and 17). The category other investment (Columns 9–12 and 21–24) covers transactions related to trade credits, loans, currency and deposits and other assets and liabilities. Transactions in assets and liabilities related to short- and long-term supplier credits and advance payments related to imports and exports are recorded under trade credits (Columns 9 and 21). The item 'Other capital' (Columns 11 and 23) includes transactions in currency and deposits and short- and long-term assets and liabilities of different sectors not covered by any of the items above. In addition, this category includes changes in the central government's subscriptions to and quotas in international organizations as well as transactions in the Bank of Finland's short- and long-term assets and liabilities (excl. reserve items). The

most important sub-item under the item 'other capital' comprises banks' other short-term assets and liabilities (in practice interbank deposits). The central bank's reserve assets (Column 26) comprise gold, special drawing rights (SDRs), the reserve position in the IMF, ECU-claim on the EMI and foreign exchange assets. A negative figure implies an increase in reserves.

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

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

7 Foreign trade

Source: The National Board of Customs (except for table 7.2). All tables refer to foreign trade in goods.

Table 7.2 The volume indices (Columns 1 and 2) are calculated from the export and the import values, deflated by the price indices (Columns 3 and 4). Deflation and seasonal adjustments are carried out by the Bank of Finland. The export and the import price indices are provided by Statistics Finland. The terms of trade (Column 5) is the ratio of the export price index to the import price index, multiplied by 100.

Table 7.4 In addition to all EU countries, those countries are listed whose shares of Finland's exports are at least 1 per cent.

8 Domestic economic developments

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

Table 8.2 The indices of industrial production are adjusted for the number of working days in each month. This causes in small differences the annual averages from the corresponding unadjusted figures. For this reason the indices for 1990 also differ marginally from conventional base-year figures, ie 100.0.

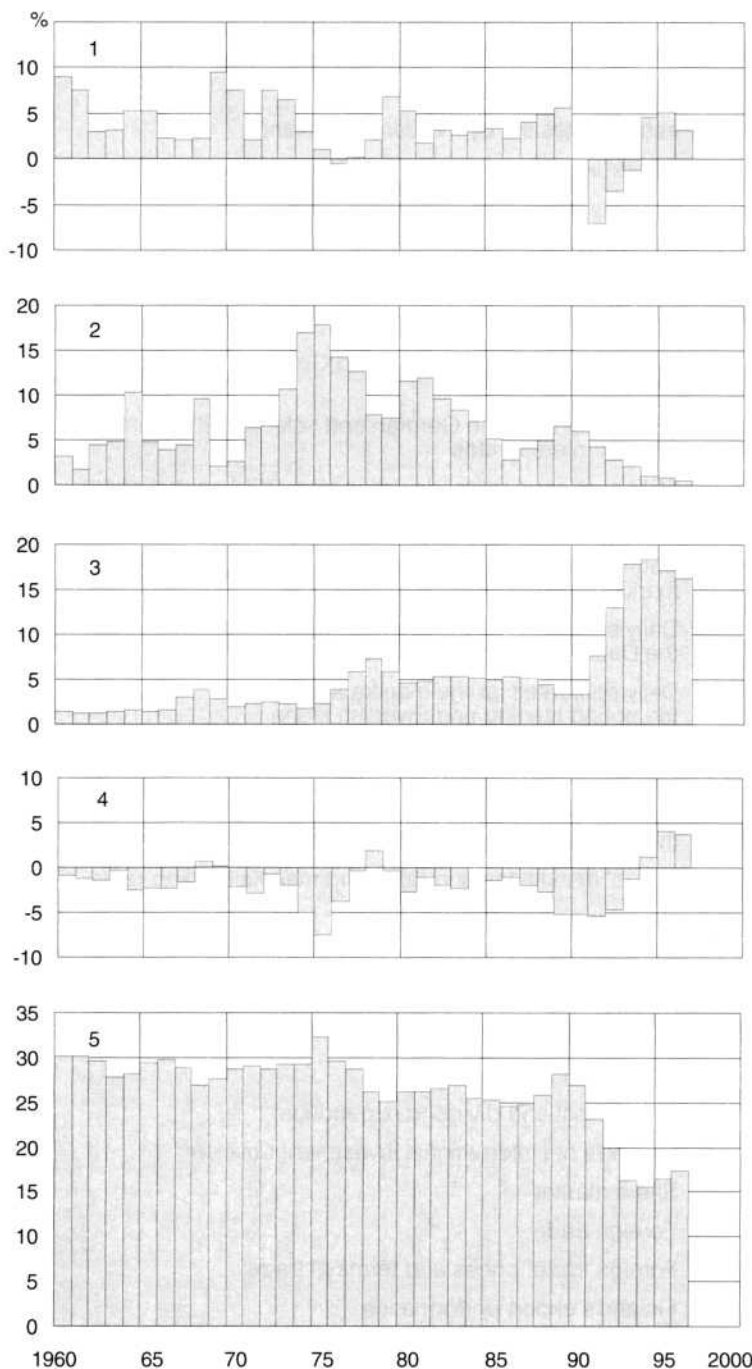
Table 8.3 The indices of wholesale and retail trade (Columns 1 and 2) are seasonally adjusted by Statistics Finland. The monthly GDP indicator (Column 7) is a weighted index of 11 readily available output indicators for various industries.

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

Table 8.6 Source: Ministry of Finance.

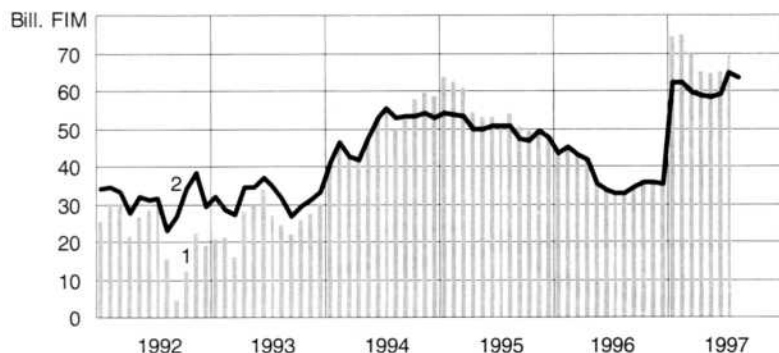
1. Long-term indicators	S30
2. The Bank of Finland's foreign exchange reserves and forward position	S31
3. Forward market	S31
4. Interest rates set by the Bank of Finland	S31
5. Banks' liquidity position at the Bank of Finland	S32
6. Liquidity management interest rates	S32
7. HELIBOR interest rates, daily	S32
8. HELIBOR interest rates, monthly	S33
9. Bond yields	S33
10. Differential between Finnish and German interest rates	S33
11. Differential between German and selected EU-countries' 10-year interest rates	S34
12. ERM exchange rates: deviation from DEM central parity	S34
13. ERM exchange rates: deviation from DEM central parity	S34
14. Bank of Finland currency index and markka value of the ECU	S35
15. Daily spot rates for the markka against the Deutschemark and US dollar	S35
16. Daily spot rates for the markka against the pound sterling and Swedish krona	S35
17. Monthly spot rates for the markka against the Deutschemark and US dollar	S36
18. Monthly spot rates for the markka against the pound sterling and Swedish krona	S36
19. Banks' markka lending rates and markka funding rates	S36
20. Bank funding from the public	S37
21. Bank lending to the public	S37
22. Money supply	S37
23. Current account	S38
24. Balance of payments	S39
25. Net interest and dividend expenditure	S40
26. Finland's net international investment position	S40
27. Share market	S40
28. Foreign trade	S41
29. Foreign trade: prices and terms of trade	S41
30. Finland's export performance	S41
31. Production	S42
32. Fixed investment	S42
33. Employment and the unemployment rate	S43
34. Prices and wages	S43
35. Central government finances	S44
36. Central government debt	S44

1. Long-term indicators



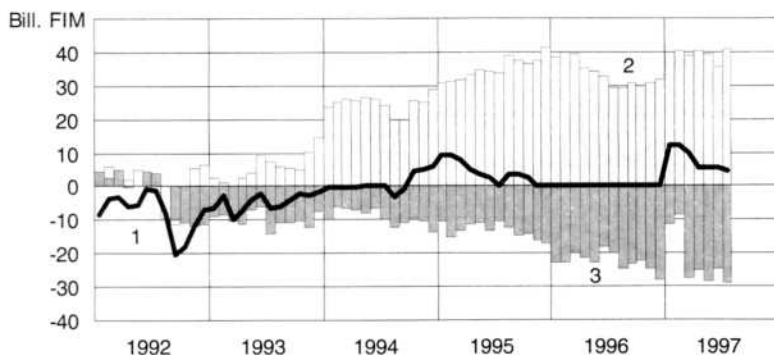
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

2. The Bank of Finland's foreign exchange reserves and forward position



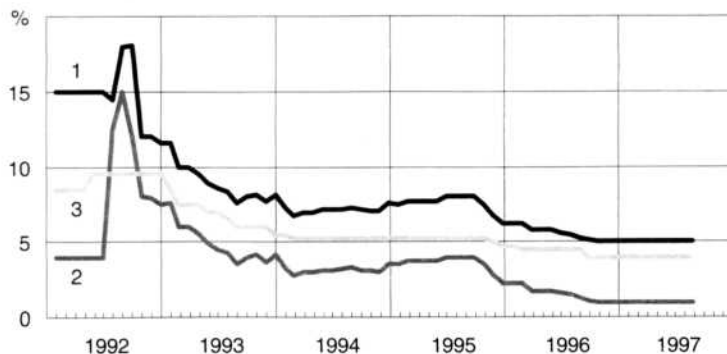
1. Foreign exchange reserves plus forward position
2. Foreign exchange reserves

3. Forward market



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

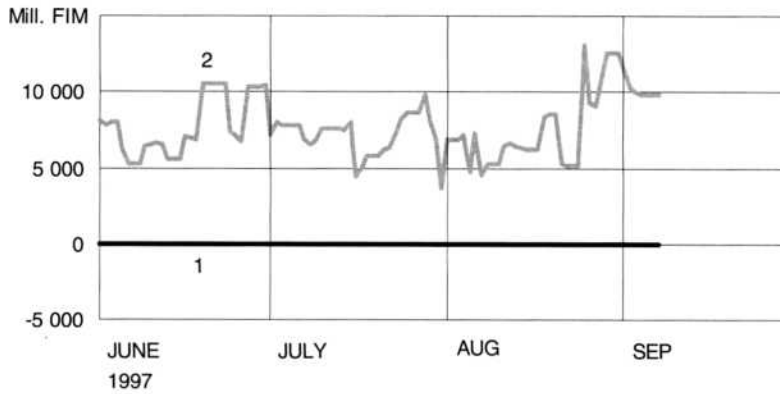
4. Rates of interest set by the Bank of Finland



1. Liquidity credit rate (up to 2 July 1992 call money credit rate)
2. Excess-reserve rate (call money deposit rate until 2 October 1995)
3. Base rate

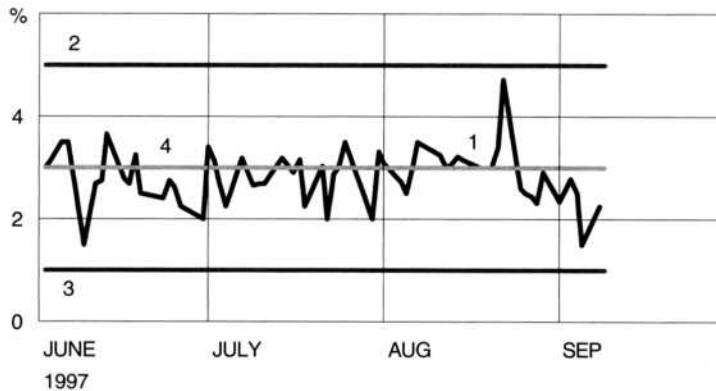
End-of-month observations

5. Banks' liquidity position at the Bank of Finland



1. Liquidity credits (-)
2. Reserve deposits

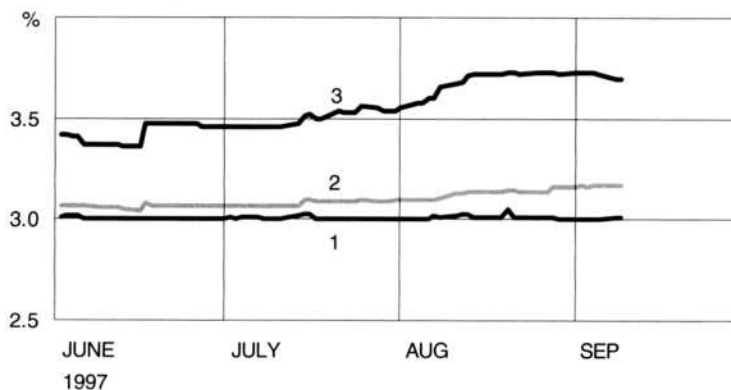
6. Liquidity management interest rates



1. Inter-bank overnight rate
2. Liquidity credit rate
3. Excess-reserve rate
4. Tender rate

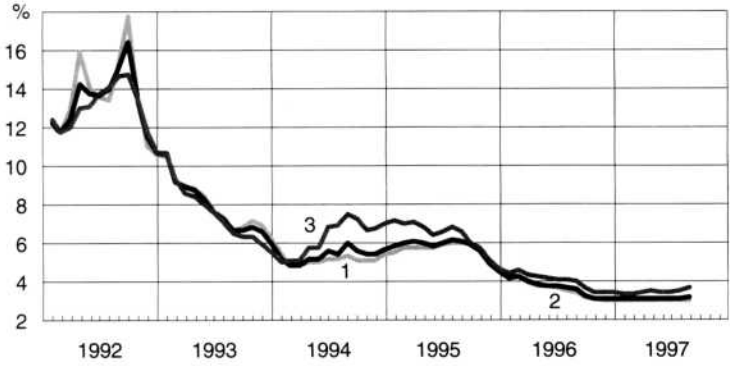
Daily observations

7. HELIBOR interest rates, daily



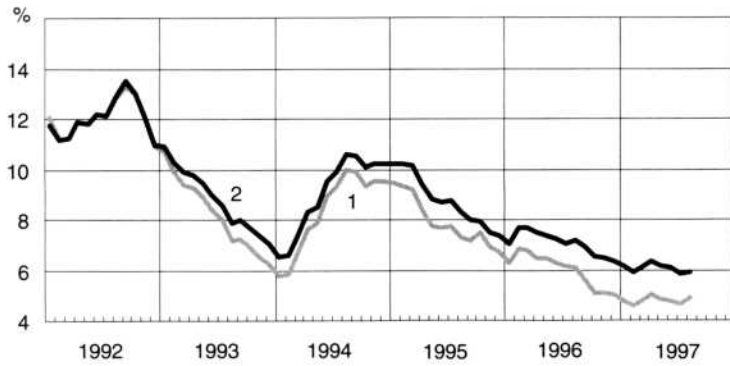
1. 1-month HELIBOR
2. 3-month HELIBOR
3. 12-month HELIBOR

8. HELIBOR interest rates, monthly



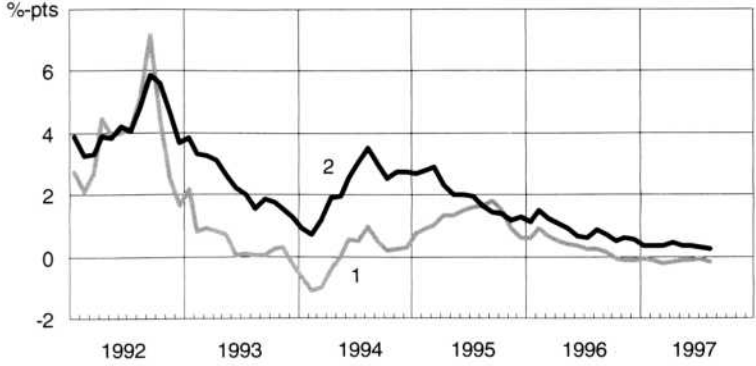
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

9. Bond yields



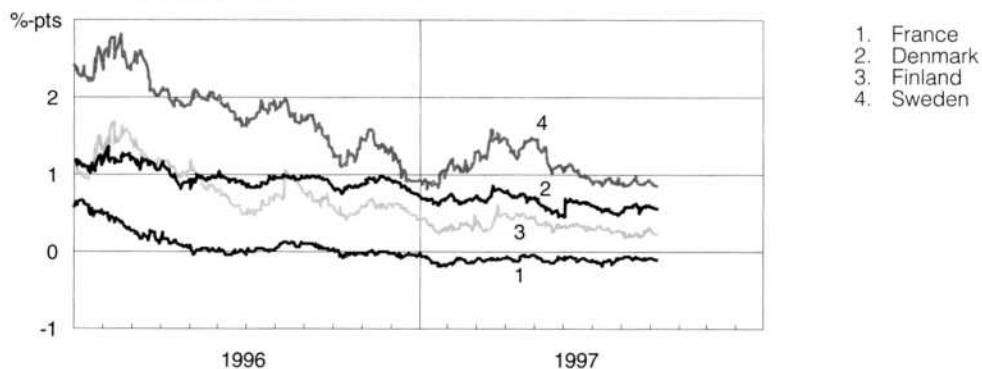
- 1. Yield on 5-year government bonds
- 2. Yield on 10-year government bonds

10. Differential between Finnish and German interest rates

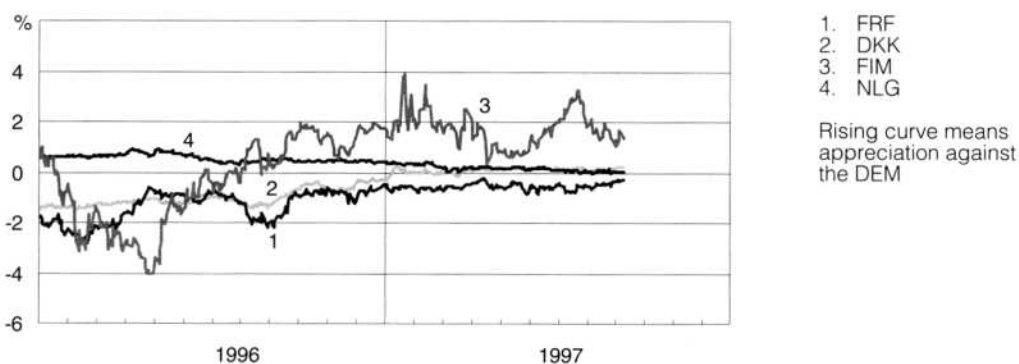


- 1. 3-month HELIBOR minus 3-month DEM eurorate
- 2. 10-year Finnish government bond yield minus 10-year German government bond yield

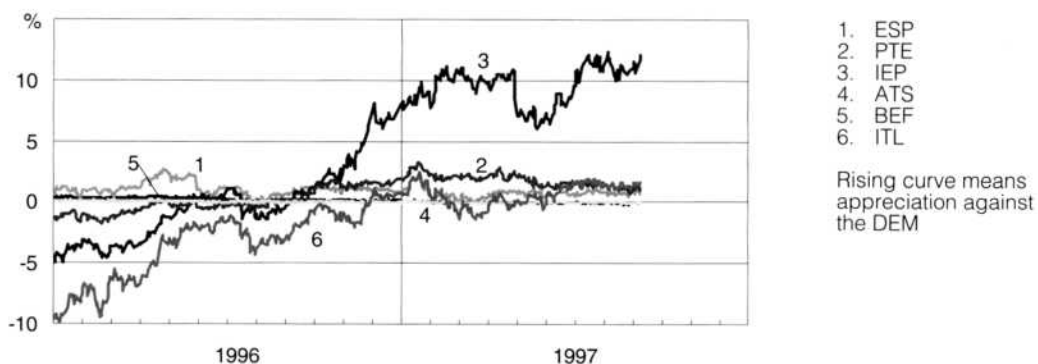
11. Differential between German and selected EU-countries' 10-year interest rates



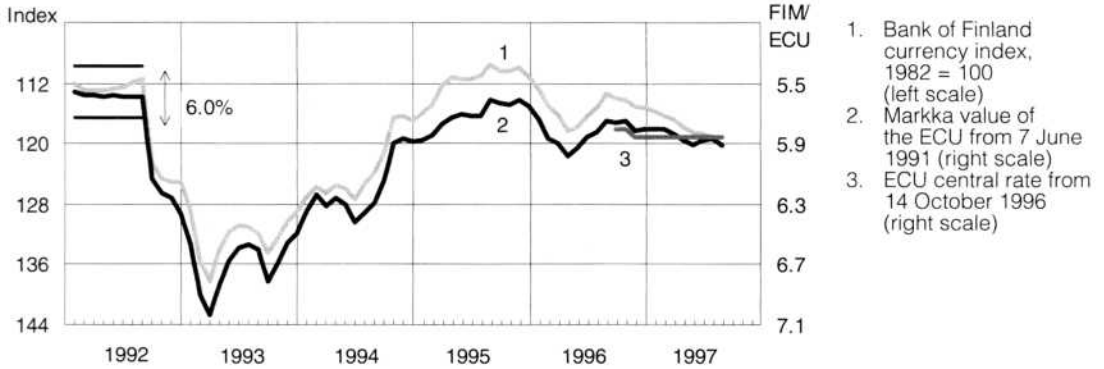
12. ERM exchange rates: deviation from DEM central parity



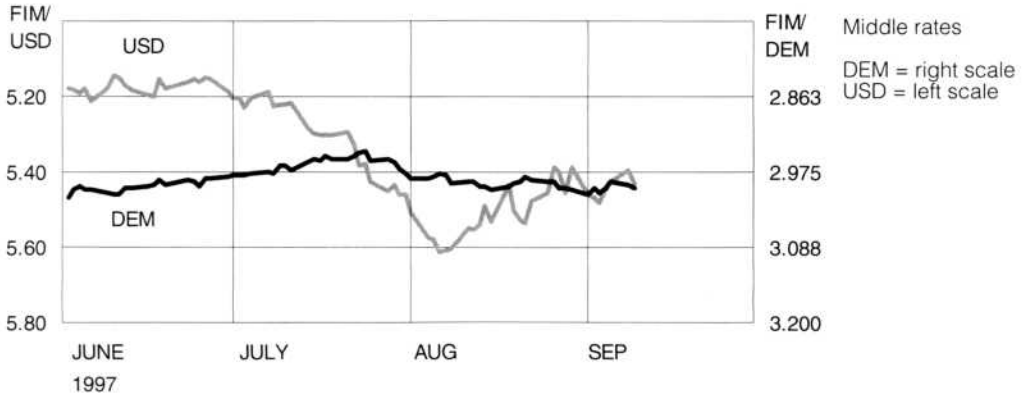
13. ERM exchange rates: deviation from DEM central parity



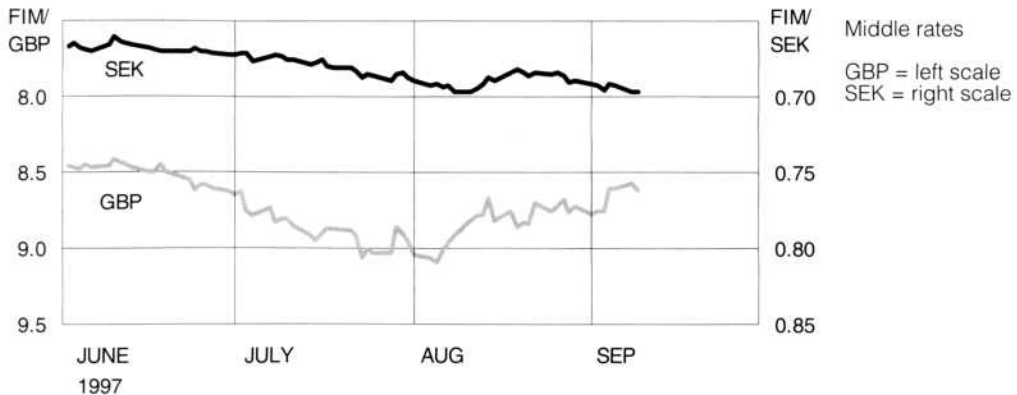
14. Bank of Finland currency index and markka value of the ECU



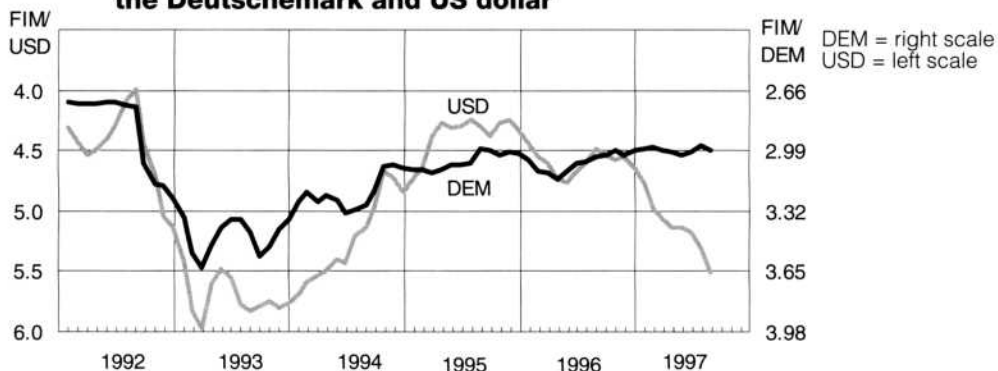
15. Daily spot rates for the markka against the Deutschmark and US dollar



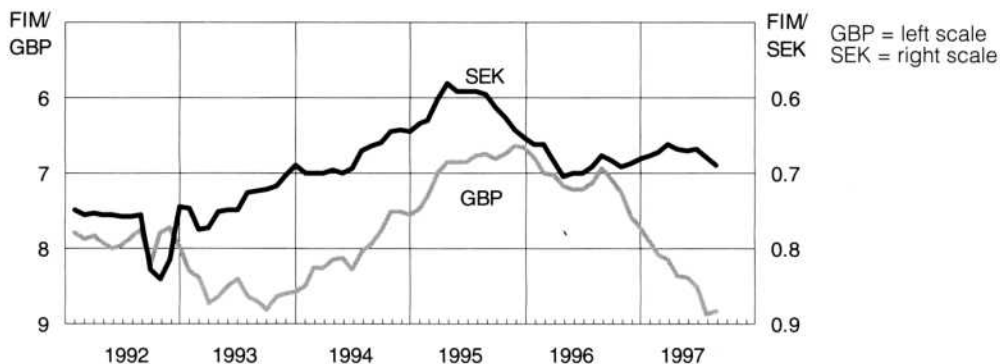
16. Daily spot rates for the markka against the pound sterling and Swedish krona



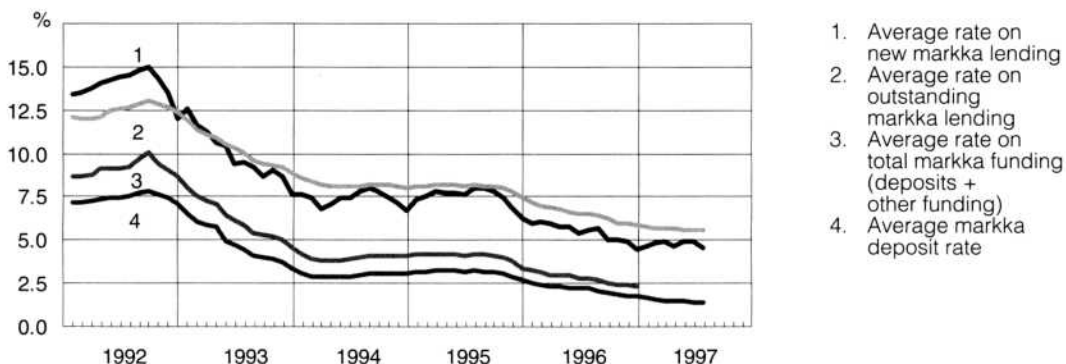
17. Monthly spot rates for the markka against the Deutschemark and US dollar



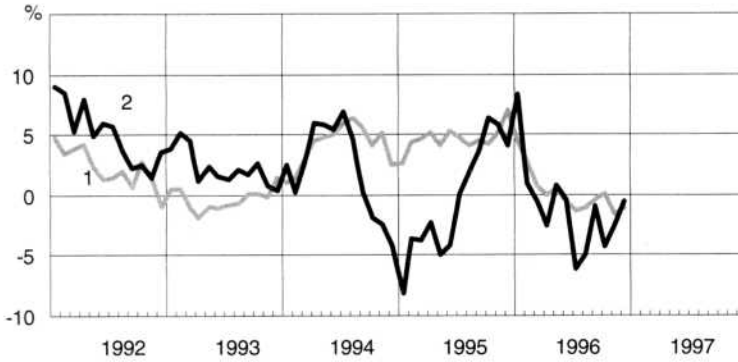
18. Monthly spot rates for the markka against the pound sterling and Swedish krona



19. Banks' markka lending rates and markka funding rates



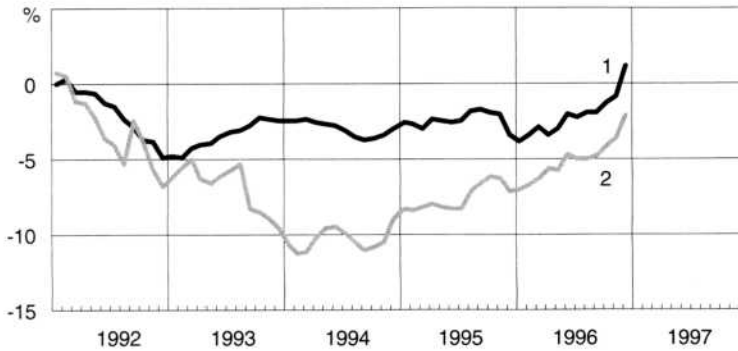
20. Bank funding from the public



1. Markka deposits
2. Total funding

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

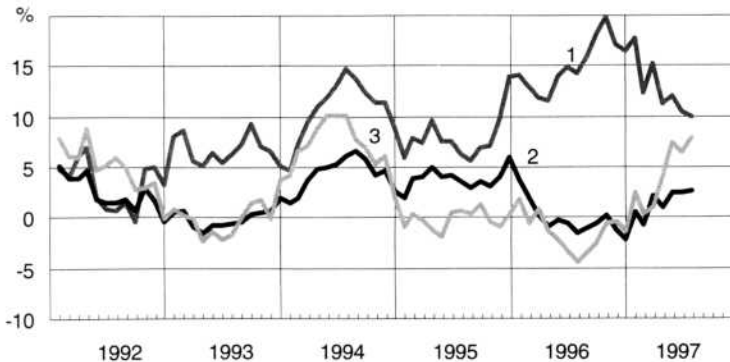
21. Bank lending to the public



1. Markka lending
2. Total lending

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

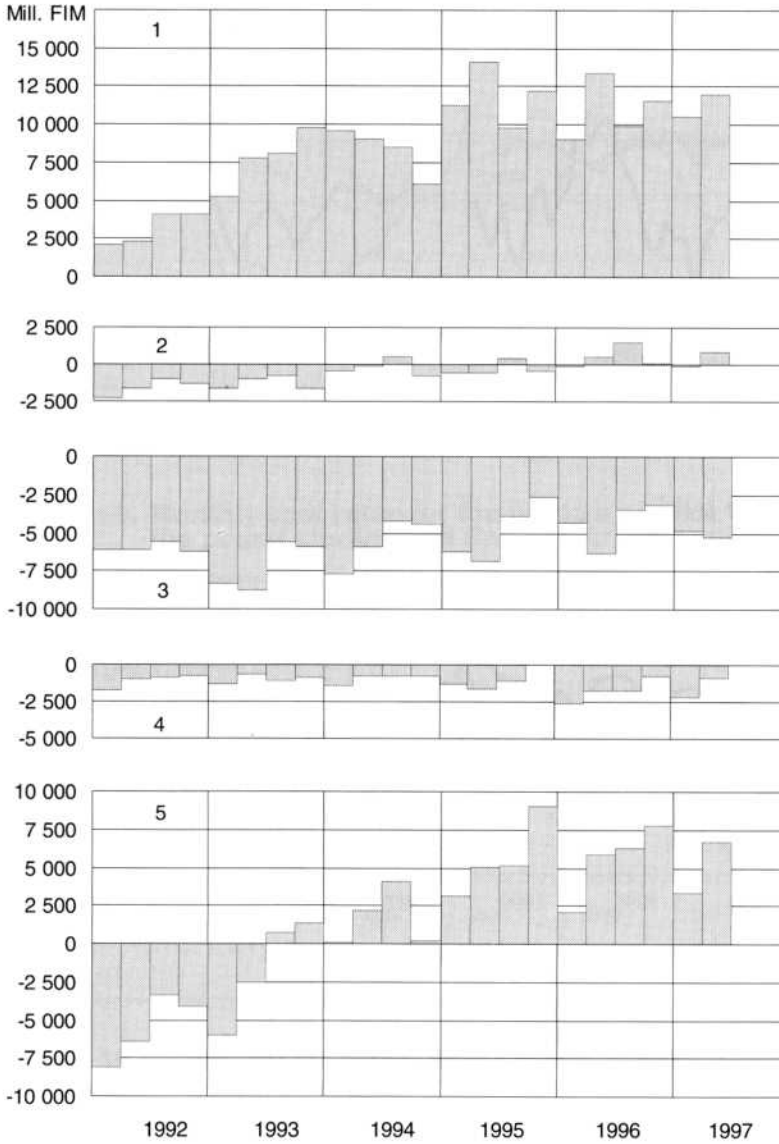
22. Money supply



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

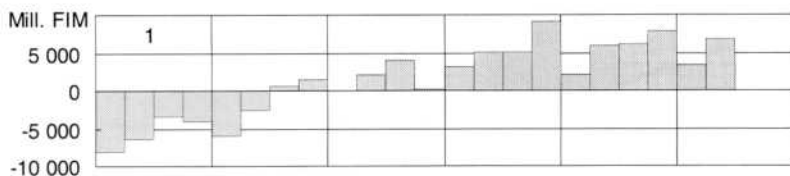
Change from the corresponding month of the previous year, per cent

23. Current account

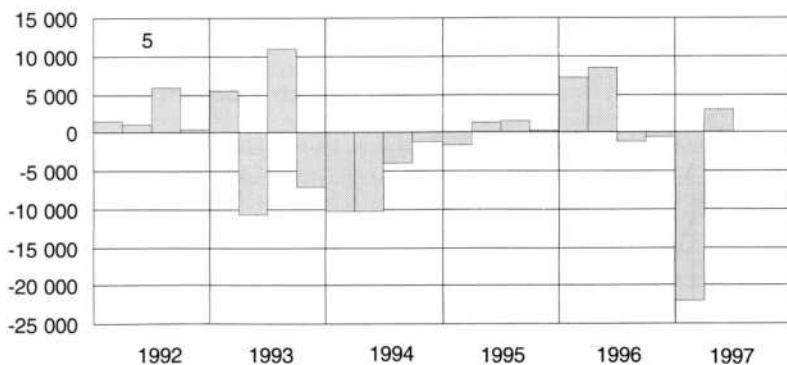
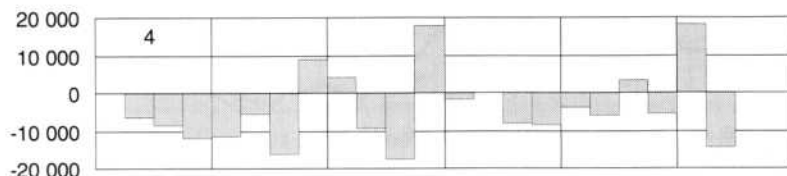
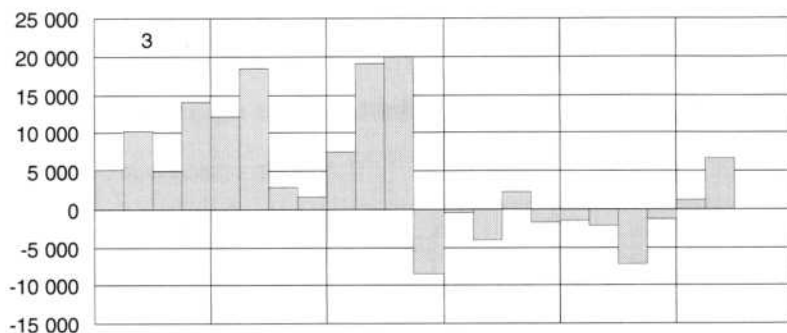
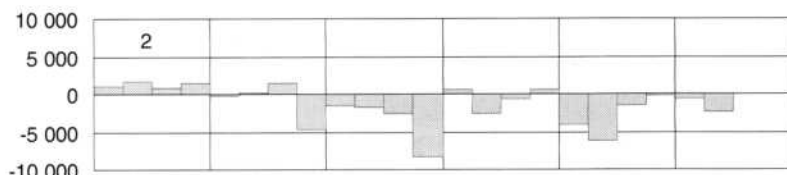


1. Trade account
2. Services account
3. Investment income account
4. Unrequited transfers account and other items, net
5. Current account

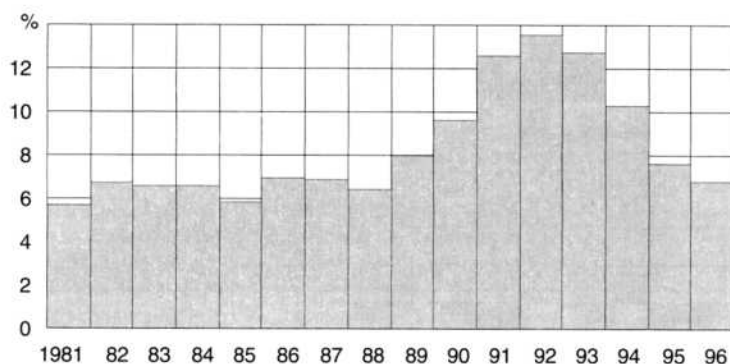
24. Balance of payments



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

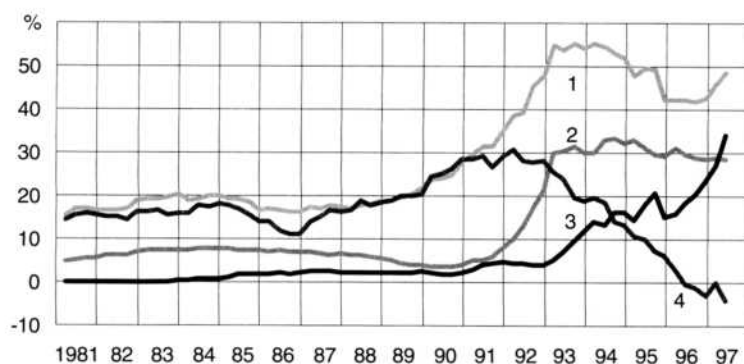


25. Net interest and dividend expenditure



As percentage of current account receipts

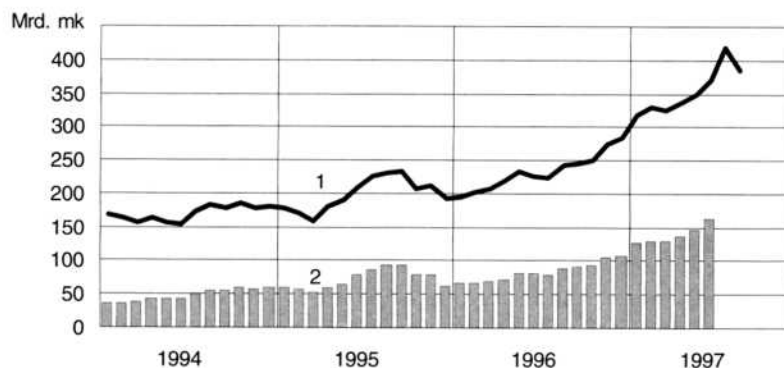
26. Finland's net international investment position



As a percentage of GDP

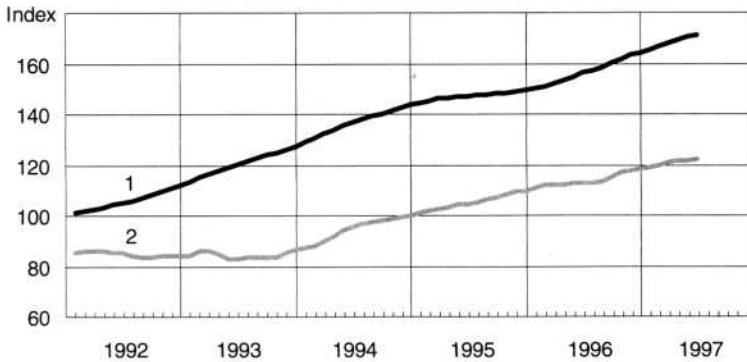
1. Total net debt
2. Central government (in foreign currencies)
3. Markka-denominated securities
4. Other, net (excl. Bank of Finland's foreign exchange)

27. Share market



1. Market capitalization of listed shares
2. Non-residents' holdings of Finnish shares

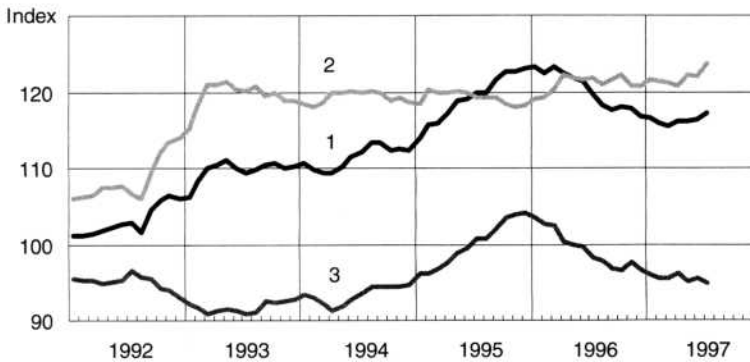
28. Foreign trade



1. Exports of goods
2. Imports of goods

Volume index, 1990 = 100, trend

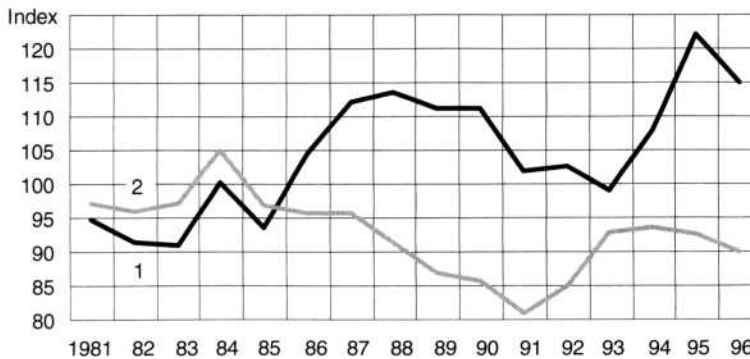
29. Foreign trade: prices and terms of trade



1. Export prices
2. Import prices
3. Terms of trade

Index 1990 = 100

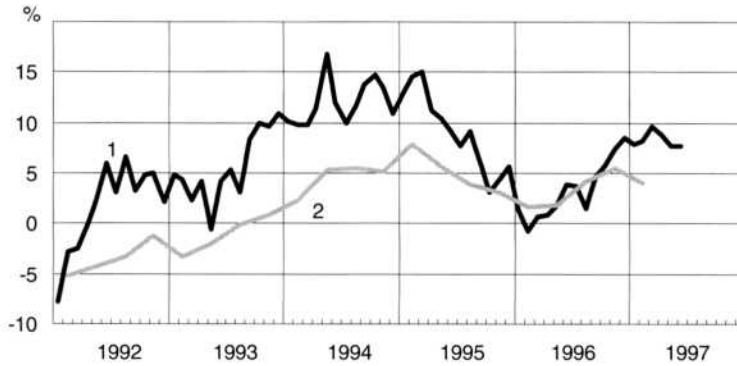
30. Finland's export performance



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

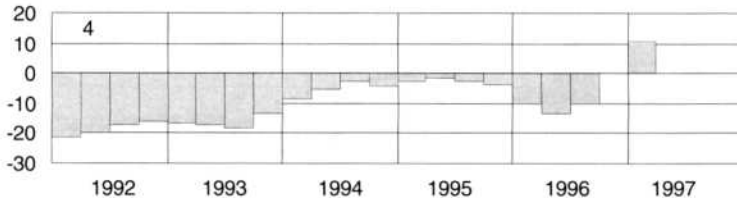
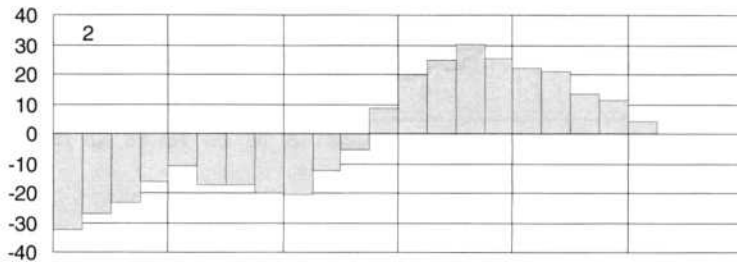
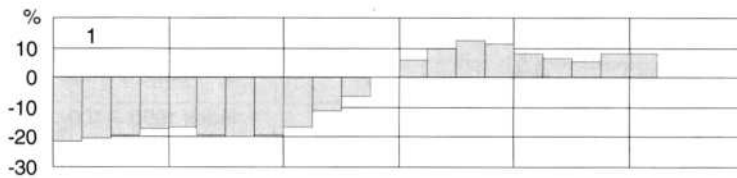
1980 = 100

31. 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

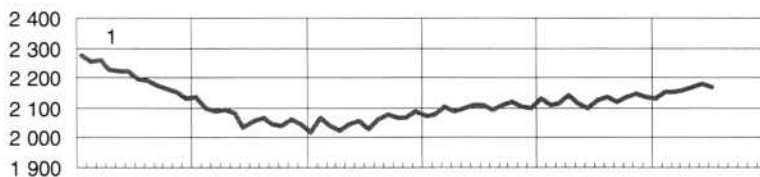
32. Fixed investment



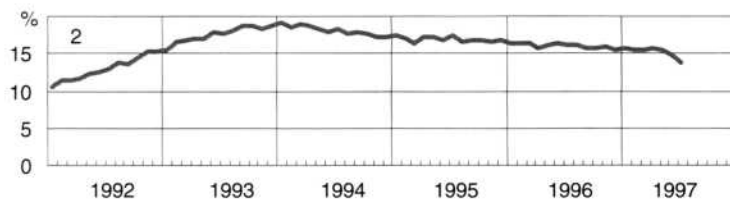
1. Total fixed investment
2. Investment in machinery and equipment
3. Building investment, excl. residential buildings
4. Residential buildings

Four-quarter volume change calculated from four-quarter moving totals and plotted at the last quarter, per cent

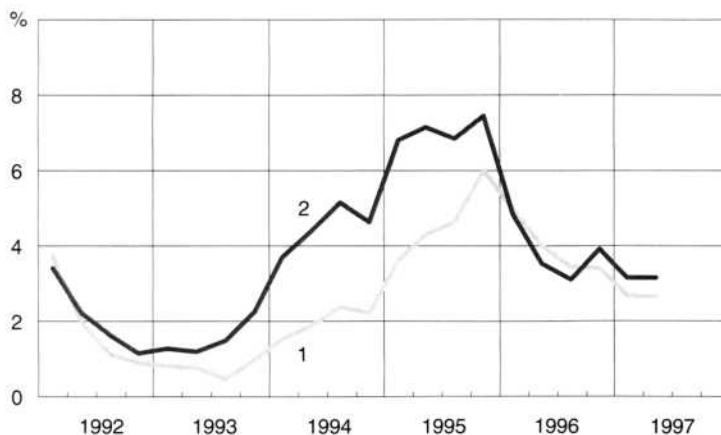
33. Employment and the unemployment rate



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

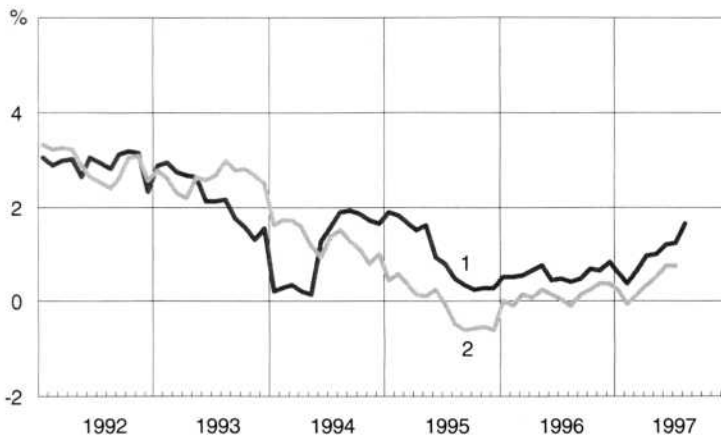


34. Prices and wages



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

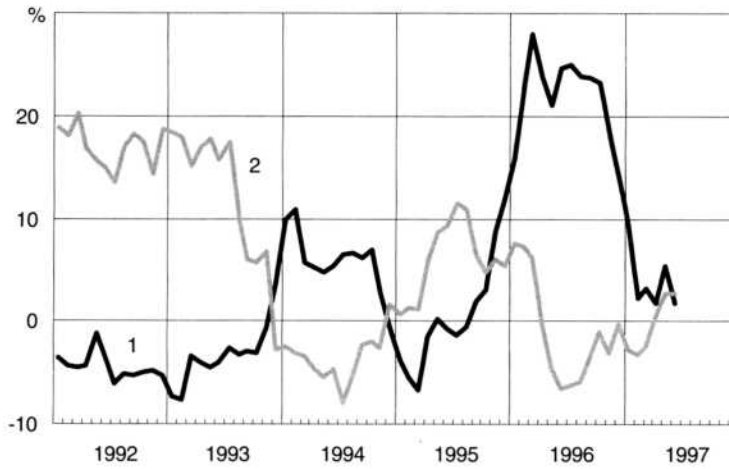
Change from the corresponding quarter of the previous year, per cent



1. Consumer price index
2. Indicator of underlying inflation

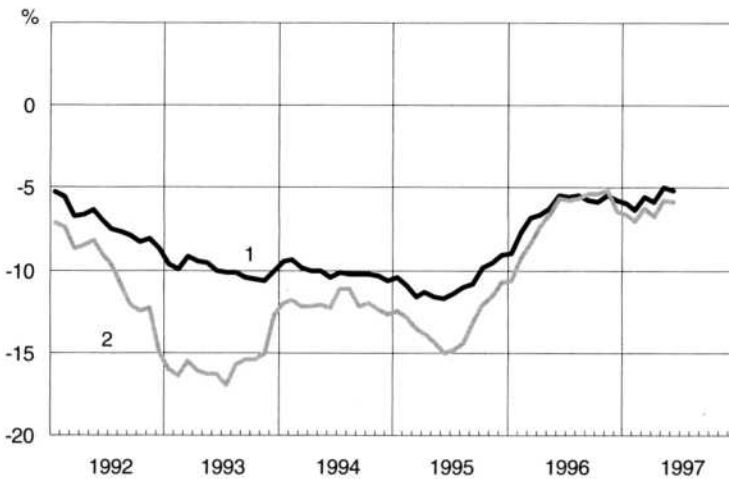
Change from the corresponding month of the previous year, per cent

35. Central government finances



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

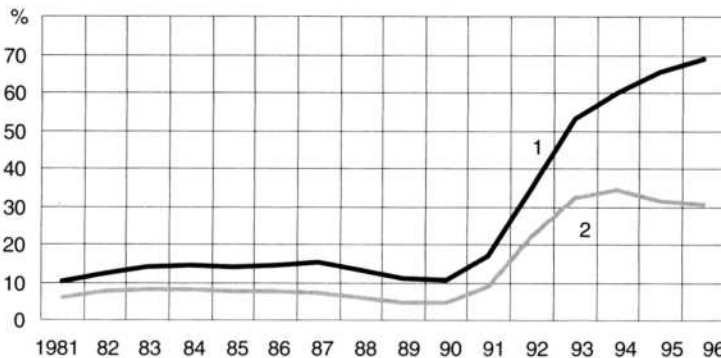
12-month changes calculated from 12-month moving totals and plotted at the last month, per cent



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

36. Central government debt



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

As a percentage of GDP