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Recent Economic and Financial Market
Developments

Public Finance and Fiscal Policy

Finland's Trade and Economic
Cooperation with the CMEA countries

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RECENT ECONOMIC AND FINANCIAL MARKET DEVELOPMENTS

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DEMAND CONTINUES BUOYANT

Economic developments in Finland in the first half of 1988 were characterized by rapid growth and some deterioration of the overall economic balance. Strong demand both at home and in western markets boosted GDP growth in the first quarter to some 5 per cent compared with the same period last year. Recent information suggests that this development was maintained in the spring; industrial production in May was up 3 per cent on May 1987. The unemployment rate fell by half a percentage point in the first quarter of the year and was 5.1 per cent in May. Based on present indications, the prospects are for continued economic growth in the second half of the year, albeit at a slightly decelerating pace.

The survey of business investment intentions carried out by the Bank of Finland in May points to a levelling off in industrial investment this year; however, total investment is forecast to grow slightly. Private consumption has been buoyant reflecting the generous incomes agreements concluded in the spring and rapid credit expansion. There have been particularly sharp increases in consumer spending on durables — up some 13 per cent in volume terms in the first quarter from the same period in 1987— and foreign travel. As a result, imports of consumer goods have soared and the deficit on the travel account has widened.

Despite a strengthening in the terms of trade, there has

been no improvement in the external balance. Though the trade balance stayed in surplus in the first five months of the year, it swung into the red in June and the current account deficit was of the same magnitude as in the corresponding period a year ago. As the improvement in the terms of trade has decelerated and exports to the Soviet Union are being cut back, the current account will continue to stay in deficit.

Inflation has also been gaining momentum in the wake of the incomes settlements. In June the consumer price index rose by 0.5 per cent and the 12-month increase in consumer prices accelerated to 5.3 per cent. Further acceleration is expected during the rest of the summer. To a large extent this reflects the policy measures undertaken in response to the wage increases and designed to check the growth of real incomes.

FISCAL POLICY TIGHTENED

The buoyancy of domestic demand has prompted a tightening of fiscal policy, which was originally planned to be broadly neutral in 1988. Several measures curbing the growth of demand have been implemented, the effects of which are being felt this summer. The tax measures undertaken or decided on in the spring are estimated to increase central government revenue by about FIM 1 billion. In addition, the measures will contribute about one percentage point to the rise in consumer prices in 1988.

It is now estimated that fiscal policy will have a mildly con-

tractionary impact on the economy this year. This will, however, be mainly due to automatic effects arising from the rapid growth of demand and nominal incomes. Receipts from income tax and turnover tax will increase by more than originally projected. The central government net borrowing requirement is expected to decrease.

CENTRAL BANK POLICY KEPT ON A RESTRICTIVE TACK

The primary objective of central bank policy in the first half of the year has been to dampen domestic demand in order to curb inflationary pressures and prevent a further widening in the current account deficit. However, the differential between domestic and foreign interest rates has continued to attract inflows of foreign capital. The markka has remained strong and the Bank of Finland currency index has remained close to the lower limit of its fluctuation range. The chances of keeping domestic interest rates at a high level have been limited by the inflow of capital, as a result of which intervention in the spot exchange market has been necessary from time to time. The foreign exchange reserves have increased. In these circumstances, the aim of the central bank policy has been to keep interest rates as high as possible without generating heavy capital inflows and a need for large-scale intervention in the foreign exchange market.

The capital inflow has required continued sterilization of liquidity in order to prevent domestic interest rates from fall-

ing. This has been carried out both through open market operations and by raising the banks' cash reserve requirement. The Bank has sold its own certificates of deposit to the banks, and during the second quarter of 1988 the value of outstanding certificates of deposit issued by the Bank of Finland averaged FIM 7.5 billion. Forward market operations have been negligible during recent months.

In May the cash reserve ratio was raised by 0.6 percentage point to 7.0 per cent of the cash reserve base while in June and July the ratio was kept unchanged. At the end of June cash reserves at the Bank of Finland amounted to some FIM 17 billion.

A new system under which banks have to fund part of their till-money holdings themselves was adopted as from August 1. The new system reduces the total amount of interest-free till-money credits by approximately FIM 1 billion.

In order to maintain the level of real interest rates against rising inflation and to encourage saving, the Bank of Finland's base rate was raised by one percentage point to 8 per cent in May, after the incomes settlements had been reached. Although the base rate has lost some of its former effectiveness as an instrument of monetary policy, it still plays quite an important role in determining interest rates faced by households. Interest rates on most household deposits and loans, especially housing loans, are still linked to the base rate.

DEREGULATION OF CAPITAL EXPORTS

Financial market deregulation took an important step forward in June when the Bank of Finland announced that regulations concerning capital exports were to be eased with effect from August 1, 1988. The controls on capital imports have already been relaxed to a large extent in recent years.

The most important amendments to the foreign exchange regulations concern direct investment abroad and purchases of foreign securities, other movables and dwellings. These measures allow more investment abroad by increasing both the range of investment outlets and the amounts that can be invested.

On the same occasion, the Bank of Finland extended the right to raise foreign loans, with certain limitations, to local authorities, and issued more specific regulations concerning the intermediation of foreign loans. Under the revised regulations, the banks are explicitly forbidden to intermediate "NOVA" loans. These are foreign-currency loans intermediated by banks as off-balance sheet items through their trust departments to firms, private individuals and other borrowers who are not authorized to raise funds abroad.

The relaxation of the exchange controls is expected to have only a minor direct impact on capital exports, since the flows concerned are small in relation to trade-related capital flows.

MONEY AND CREDIT MARKETS

The actions taken by the Bank of Finland to tighten the monetary stance eased the downward pressure on interest rates in the money market. Short-term market rates (HELIBOR) were stable in April and May. In early June, however, the banks' ample liquidity, swelled by currency inflows, started to push rates downwards. Both interest rates and the interest rate differential vis — à — vis foreign interest rates were allowed to come down in order to reduce foreign currency inflows. The 3-month HELIBOR decreased by three-quarters of a percentage point to 8.7 per cent, and the differential between the computed 3-month eurorate for the markka and the weighted eurorate of

the twelve currencies included in the currency index was about 1.5 percentage points in mid-June.

In the second half of June this process was largely reversed; HELIBOR rates started to rise in response to tighter bank liquidity, caused inter alia by payments of counter-cyclical and investment deposits and the anticipatory effects of further cash reserve payments due by the end of June. In addition, the Bank of Finland's decision to prohibit "NOVA" loans may have changed expectations concerning liquidity and interest rates. At the end of June, call money credits jumped to FIM 1.7 billion and the 3-month HELIBOR rose to 9.5 per cent at the beginning of July. The interbank overnight rate, which had stayed at around 8 per cent during the second quarter, jumped to over 10 per cent in early July, thus almost reaching the call money credit rate.

In the second quarter of 1988 the inflow of capital continued through the forward market. In particular, the markka forward position of foreign banks increased while the forward position of firms decreased. By the end of June, the forward markka position of foreign banks amounted to almost FIM 5 billion. Another important component of the net capital inflow has been the corporate sector's long-term foreign loans, which peaked at FIM 2.7 billion in March. In April they amounted to FIM 1.4 billion and in May FIM 1.6 billion.

The Bank of Finland currency index, which had been gradually strengthening since January, weakened by one per cent at the end of June, but nevertheless remained well within the lower half of its fluctuation range.

In May, the average interest rate on new bank loans rose clearly to around 11 per cent. This reflected both the strong demand for credit and a shift in the structure of credit towards consumer loans. The rise in the

base rate, which increased the cost of funding, contributed to the increase in lending rates.

Despite the still relatively high level of real interest rates, bank lending has accelerated further; the rise in interest rates on bank loans has not so far been sufficient to stem the demand for credit. The twelve-month growth of markka lending by the local (savings and cooperative) banks was 25 per cent in January-May. The lending of the local banks was mainly funded by their central banks

with market-priced credit. These funds were further intermediated to the public as HELIBOR-based consumer loans.

Reflecting rapid credit expansion and a still favourable economic outlook, both share prices and turnover on the Helsinki Stock Exchange have been on an upward trend in recent months. The general share price index increased by some 30 per cent in the course of the first six months of the year and exceeded the pre-crash

peak of October 1987 by 7.3 per cent at the end of June. Price developments in the OTC markets have been even more spectacular. After some legislative delay the options market started to operate on a larger scale in May.

August 1, 1988

PUBLIC FINANCE AND FISCAL POLICY

by **Immo Pohjola**, Financial Counsellor
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During the past ten years, the ratio of public expenditure to GDP has risen practically every year, totalling 42 per cent in 1987. The tax ratio — the ratio of taxes to GDP — has also risen during this decade; it fell markedly in the late 1970s thanks to the supply-side policies pursued at that time, and as a result the large financial surplus of the public sector quickly disappeared. Overall, fiscal policy has been slightly expansionary in the 1980s, albeit clearly less so than earlier. Though fiscal policy is still actively used for countercyclical purposes and its role in stabilization policy has even been enhanced because of financial market deregulation, fiscal policy focuses increasingly on structural and growth policy targets.

The current Government programme announced in 1987 underlines the importance of long-term coordinated economic policy, in which the various labour market parties are expected to bear a due share of the responsibility. In

addition to the traditional targets of stabilization policy — employment, low inflation, a stable markka — the programme stresses the need to increase the flexibility and adaptability of productive activities and the labour market. The growth of public expenditure is confined to the limits set by the tax ratio and the growth of total output, with the emphasis in spending on employment, research, education and housing as well as on families with children and services for old people.

Fiscal policy in 1987

The plans and budgets for public finance in 1987 were drawn up as early as autumn 1986, i.e. before the present Government had taken office. They were prepared in the aftermath of a short recession in western markets, a major fall in oil prices and in the exchange rate of the US dollar and the conclusion of a 2-year labour market agreement following strikes in the spring. As fiscal policy was designed to have a

slightly expansionary impact on domestic demand, the growth of GDP was estimated to accelerate to 3 per cent in 1987. However, export expectations remained weak because the lower oil price substantially reduced the scope for exports to the Soviet Union, in spite of the fact that exports to western markets were clearly on the increase.

Because of the uncertainty clouding the prospects for foreign trade, it was considered necessary to counter the effect of the inflationary pay settlements on price competitiveness after the budget proposal had been submitted to Parliament, and therefore the last supplementary budget for 1986 included measures aimed at reducing labour costs and increasing investment. The lowering of private employers' social security contributions significantly increased the central government's compensatory payments to the Social Insurance Institution. The central government also undertook to bring forward its own investments.

While central government expenditure was originally projected to grow by 3 per cent in real terms, the actual growth figure was 6 1/2 per cent. The magnitude of the increase was due to exceptional factors: current transfers, which make up half of total spending, rose by 8 per cent; the central government's share of expenditure on sickness insurance and national pensions increased because of the discretionary measure mentioned above and in addition there was an unusually large increase in transfers to local authorities.

TABLE 1. PUBLIC FINANCE

	1985	1986*	1987*	1988**
	per cent of GDP			
Consumption expenditure	20.3	20.5	20.6	20.7
Transfers	13.7	13.9	13.9	13.3
Other current expenditure	3.7	3.7	3.7	3.7
Investment	3.5	3.6	3.5	3.5
Total expenditure	41.2	41.8	41.7	41.4
Taxes and other compulsory payments	36.6	37.8	35.7	37.5
Other current revenue	3.7	3.7	3.7	3.5
Depreciation and capital transfers (net)	1.0	1.1	1.1	0.9
Financial surplus	0.1	0.8	-0.8	0.6
— central government	0.1	1.0	-0.5	0.5
— local government	0.1	-0.2	-0.3	0.1
Central government debt	14.0	14.4	14.9	14.5
Local government debt	3.5	3.6	4.0	4.0

Central government consumption expenditure grew by 5 per cent in real terms. The increase was largely due to the timing of equipment purchases for the defence forces. Real earnings of state employees rose by 3 1/2 per cent but nominal earnings rose markedly after the strikes in the previous year.

In relation to the Government programme, the total growth of central government expenditure was clearly too rapid in 1987. Some of the priority areas in structural policy — such as housing and expenditure on research and higher education promoting real competitiveness — received substantially more funding. The most rapid growth was, however, recorded by certain items serving cyclical policy purposes, such as part of transfers to local authorities and the central government's own construction activity.

Besides the rapid growth of public expenditure, domestic demand was boosted in 1987 by the lowering of the tax ratio. The gross tax ratio fell by a full 2 percentage points according to official statistics. This was largely due to the rescheduling of the payment of tax refunds from December 1986 to January 1987, which is not considered to have had any significant real effects as recipients were notified well before Christmas. The lowering of private employers' social security contributions, the adjustment of income and wealth tax brackets and deductions for inflation and the application of the lower corporate income tax rate, which had been cut by 10 percentage points in the previous year, also served to lower the tax ratio.

It is estimated that fiscal policy boosted the growth of total output by 1.1 percentage points in 1987, i.e. notably more than originally planned. The expansionary effect focused on domestic demand, which became too vigorous in relation to output. Consumption and investment each increased by 5

per cent and imports by 9 per cent, while the growth of total output amounted to 4 per cent. At the end of the year, capacity was fully utilized in many sectors, even though it was expanding as a result of investment, and there was a shortage of skilled labour. Inflationary pressures increased slightly towards the end of 1987 and the current account deficit widened rapidly in the closing months of the year.

Fiscal policy in 1988

The main objective in planning fiscal policy for 1988 was to bring down inflation and to safeguard price competitiveness. This was considered the best way to achieve balanced growth of the economy at full employment. While price competitiveness had been partly safeguarded by fiscal policy measures in 1986 and 1987, it was now hoped that the labour market organizations would assume some of the responsibility when the new labour market agreements were negotiated in the winter of 1988.

The 1988 central government budget proposal was based on the assumption of satisfactory growth prospects for the economy in 1988, even though the external balance was expected to experience a further slight weakening as a result of buoyant domestic demand. Growth was expected to slow down markedly in 1989. The inflation target for 1988 was set at 2 per cent, and most of the inflation adjustments of taxes and public tariffs were fixed accordingly.

The overall stance of fiscal policy was designed to be slightly expansionary provided that the inflation target was met. However, progressive income taxation meant there would be an automatic tightening of fiscal policy should nominal income developments turn out to be faster than forecast.

Growth of real central government expenditure in 1988 was budgeted at 2 per cent. The growth in local

government expenditure was estimated to decelerate and the ratio of public expenditure to GDP to remain unchanged. The tax ratio, adjusted for the rescheduling of tax refunds, was also estimated to remain unchanged.

The international equity market crash in October 1987 strengthened expectations of an economic slowdown starting in autumn 1988. But actual developments and short-term expectations at the turn of the year clearly indicated that there was regional and sectoral overheating, thus calling for measures dampening economic activity. Accordingly, the Government decided in January 1988 to collect countercyclical deposits from corporations on a regionally differentiated base, to levy an investment tax in the Greater Helsinki area, to lengthen the period in which investment reserve deposits could be used and to raise the fuel tax on transport fuels. The measures absorbed some of the excess liquidity from the corporate sector and were designed to prevent an expansion of activity fuelling inflation just prior to the expected recession.

The rapid growth of output and gradual improvement in employment continued in the early months of the year. A general incomes and price policy agreement was not reached although the Government attempted to promote a settlement by offering concessions in the tax reform due to be introduced in 1989. Union level agreements were reached almost without any labour disputes but the negotiated pay increases were rather large. Average earnings are estimated to rise by 9 per cent this year.

The incomes policy decisions implied an even greater risk of excessive domestic demand although built-in stabilizers siphoned off a substantial part of the increase in income to the public sector in the form of taxes. The sup-

TABLE 2. THE EFFECTS OF FISCAL POLICY

	1985	1986*	1987*	1988**
Expansionary effect ¹ , per cent of GDP	0.4	0.4	1.1	-0.8
— central government	-0.2	-0.6	0.9	-1.0
— local government	0.6	0.8	0.2	0.2
Inflationary effect, per cent	0.8	1.0	0.6	2.0

¹ The exceptional postponement of the payment of tax refunds from December 1986 to January 1987 has been adjusted to comply with normal practice.

plementary budget passed in June provided for increases in some indirect taxes, such as the excise duty on tobacco and alcohol, which were also motivated by health reasons.

As a result of the measures taken in the winter and spring, fiscal policy is now estimated to reduce growth by 0.8 percentage point. In addition, the Bank of Finland tightened monetary policy and raised the base rate. After the tightening of the economic policy stance, the inflationary incomes settlements are not estimated to increase real household disposable income by any more than zero agreements would have done.

In spite of the shift to a tighter economic policy stance, the growth prospects of the economy improved during the spring of 1988. This is attributable both to stronger-than-expected domestic performance and international business expectations. At the same time, the inflation rate is accelerating and may temporarily go as high as 6 per cent, due in part to the increases in central government taxation. The financial position of the central government is improving significantly. In 1988, the tax ratio will rise by almost one percentage point more than originally planned.

The fiscal policy setting for 1989 poses somewhat of a dilemma. In spite of an increase in productivity, price competitiveness is estimated to weaken by 5 per cent this year and further next year, unless the next incomes agreements are very moderate. At the same time, international economic developments are expected to weaken, at least slightly, and there is an obvious risk of a

substantial tightening of competition in European markets. Because of the need to restore balance to trade with the Soviet Union, total exports are forecast to remain virtually flat in 1989. The growth of total output is expected to slow down markedly at the same time as the current account deficit may widen further. Thus, correcting the imbalances in the economy seems to require a tight economic policy, whereas the deteriorating growth prospects calls for an expansionary economic policy.

The most obvious way out of the economic policy impasse would be to reach an incomes policy agreement for 1989 securing competitiveness, and this, in fact, will be attempted during the course of this summer. The directors of Finland's leading economic research institutes and the government arbitrator have looked into the feasibility of implementing a comprehensive economic policy settlement along these lines. The Government, for its part, can pave the way for such an agreement by designing the tax reform in such a way that the real disposable incomes of wage and salary earners and households develop satisfactorily with low nominal pay increases. If an agreement of this kind cannot be reached, then the disequilibria in the economy will have to be dealt with by tight economic policy, regardless of the negative short-term effects on growth and employment.

Coordination of economic policy and borrowing

The division of labour between the various sectors of

economic policy has changed during the past few years. The autonomy of monetary policy has rapidly diminished because of deregulation of interest rates and the relaxation of exchange control and this has enhanced the role of fiscal policy in growth and employment policy. Fiscal policy has also been used to influence the outcome of incomes agreements in advance, while both fiscal and monetary policy measures have been employed subsequently to adjust the economy to excessive pay increases.

Central government borrowing is the point where fiscal and monetary policies intersect. The central government borrowing requirement directly reflects the fiscal policy stance and this, as well as the structure of borrowing, exerts a significant impact on domestic money supply, which the central bank takes into account in monetary policy. The size of the central government borrowing requirement and state debt have been kept well under control in Finland. The borrowing strategy applied by the central government has been to promote the development of domestic forms of borrowing and decrease dependence on foreign borrowing. At the end of 1987, the share of foreign debt in total debt had fallen below 50 per cent.

The forms of central government borrowing in the domestic market have diversified rapidly with the development of the money market. Non-taxable bonds, which so far have been the central government's main domestic debt instrument, will be replaced by taxable bonds when the tax reform is implemented in 1989. The rate of interest on the first taxable loans issued has settled below that of comparable private loans. At the beginning of 1988, the central government also introduced treasury bills of less than 12-months' maturity.

Structural development prospects

The implementation of the tax reform is due to commence in 1989. The tax reform is primarily concerned with longer-term structural development of the economy. Other major structural reform targets relating to fiscal policy are the working life reform and the new employment act, which have partly been introduced already and will improve the functioning of the labour market.

The room for manoeuvre of fiscal policy has for long been reduced by the rapid growth of public expenditure, which has also been allocated in an inefficient way with respect to economic objectives. Several projects have been launched with the aim of ensuring better allocation of government expenditure and an improvement in both external results and internal efficiency. These include,

in particular, an experiment with performance-related pay, a project for measuring performance and the development of the budgeting of operational expenditure, all of which have been initiated this year.

The pressure on the expenditure side will mount over the next two or three years because of the tax reform. One of its aims is to eliminate some of the hidden tax supports in the tax system. The reduction of tax support will require an increase in direct support in many cases, but this will be allocated more efficiently than tax support, thus alleviating the overall strain on central government finances. The tax reform may, however, entail a technical rise in the gross tax ratio and also in the ratio of public expenditure to GDP.

However, a central issue in controlling the rise in public expenditure and the tax ratio will

be prudence in launching new development programmes. Attempts to enhance the efficiency of administration and the tax reform may create scope for some new programmes increasing expenditure. According to medium-term scenarios, the current legislation will, however, lead to an automatic increase in public expenditure at almost the same pace as projected economic growth. In the coming years, the scope for expansionary fiscal policy will lie in the development of tax and expenditure structures, and not so much in raising the ratio of public finance to GDP.

August 1, 1988

FINLAND'S TRADE AND ECONOMIC COOPERATION WITH THE CMEA COUNTRIES

by **Terhi Kivilahti**, Head of Office
Bilateral Trade Department
Bank of Finland

Finland has consistently sought to increase trade and promote economic cooperation with all countries regardless of their economic and social systems. Fifteen years ago, Finland was the first market economy to sign an agreement on cooperation with the CMEA. Finland's trade with CMEA countries experienced exceptionally rapid growth in the 1970s and early 1980s, which was largely attributable to the increase in oil prices and the bilateral trade system. At its peak, trade with the CMEA countries accounted for over one-quarter of Finland's total foreign trade. The Soviet Union accounts for the bulk of this trade, and has, in fact, almost invariably been Finland's largest single trading partner during the last 15 years. Now that the price of oil has fallen, the share of trade with the CMEA countries has returned to the average level of the 1970s.

Exports to the Soviet Union are important for Finland because of their high degree of processing and labour intensity. Imports from the Soviet Union play a key role in Finnish energy supply. During the 1980s, the clearing account has shown an almost permanent claim in Finland's favour and a number of special arrangements have been introduced both to maintain a high level of trade and to balance trade.

TRADE AGREEMENT SYSTEM

The year 1973 was a significant one for major trade policy decisions. In connection with

the free trade arrangements with the EEC, Finland proposed negotiations to the Eastern European CMEA countries (excl. the Soviet Union) on the reciprocal removal of the remaining trade barriers. The Soviet Union had been guaranteed the same benefits in a customs agreement as early as 1961 in connection with the EFTA arrangements. Agreements on the reciprocal removal of barriers to trade were concluded in 1974 — 78. Those socialist countries with no effective tariffs made corresponding concessions within their own systems in order to safeguard the development of Finnish exports in their own markets. In the same context, the use of annual trade protocols on the exchange of goods, which are one of the main ways of regulating balanced bilateral trade, was discontinued.

The CMEA charter provides for cooperation between the organization and countries representing different economic systems. Finland's agreement with the CMEA was also signed in 1973 and it is based on the principle of cooperation as Finland is not a member of the CMEA, and does not participate in the activities of its agencies or monitor their operations as an observer. CMEA cooperation seeks to chart the potential for cooperation, issue recommendations and monitor their implementation. Some one hundred economic or scientific-technological agreements aimed at multilateral cooperation have been signed on the basis of the recommendations of the Finnish CMEA commission.

Currently Finland has bilateral trade and payments arrangements only with the Soviet Union, the German Democratic Republic and Bulgaria. In the early 1970s, Finland's trade and payments with the other socialist countries were also based on the clearing system regulated by bilateral payments agreements. During the 1970s, the clearing payments arrangements were discontinued with those CMEA countries which joined the IMF, in compliance with the Fund's requirements.

Under the clearing system, the parties to the clearing agreement are committed to spend their export earnings only on the goods of the other party. Payments are effected through centralized clearing accounts in the agreed clearing currency and the balance on the account may not be used for purchases from third countries. This kind of a bilateral payments system usually comprises a payments agreement and annual protocols on the exchange of goods, which are designed to keep reciprocal trade at a level maintaining balance on the clearing account. Another way of maintaining balance on the clearing account is to agree on certain credit limits. Should the balance on the clearing account exceed the limits, the parties take the steps required under the payments agreement to redress the imbalance. For instance, the payments agreement between Finland and the Soviet Union provides for negotiations on an increase in exports by the debtor country if the clearing account balance exceeds the credit limit for three months run-

TABLE. AGREEMENTS AND PAYMENTS ARRANGEMENTS IN FINLAND'S TRADE WITH THE CMEA COUNTRIES

	USSR	POLAND	CZECHO-SLOVAKIA	GDR	HUNGARY	ROMANIA	BULGARIA
TRADE AGREEMENT	Agreement on Exchange of Goods and Payments 1986—1990	Trade agreement 1971—1975 still in force	Long-term trade agreement 1974 still in force	Trade agreement 1973 (1983) in force until 1988 ¹		Trade agreement 1982—1992	Long-term trade agreement 1973 (1981) partly in force
PAYMENTS SYSTEM	Clearing (Rouble) Credit limit SUR 300 million	USD since 1970 FIM since 1986	Convertible currencies, since 1984	Clearing (FIM) Credit limit FIM 70 million	Convertible currencies since 1985	Convertible currencies since 1982	Clearing (FIM) Credit limit FIM 25 million
COOPERATION	Scientific and technical cooperation Economic, technical and industrial cooperation Agreement on the Establishment of a Standing Intergovernmental Commission for Economic Cooperation	Economic, industrial, scientific and technical cooperation	Economic, technical and industrial cooperation Long-term programme on the development of economic, industrial, scientific and technical cooperation	Economic, industrial, scientific and technical cooperation	Economic, industrial, scientific and technical cooperation	Economic, technical and industrial cooperation	Economic, industrial, scientific and technical cooperation Long-term programme on the development of economic, industrial, scientific and technical cooperation
OTHER	Customs agreement Long-term programme up to 2000	Agreement on the Reciprocal Removal of Barriers to Trade in 1978	Agreement on the Reciprocal Removal of Barriers to Trade in 1974	Agreement on the Reciprocal Removal of Barriers to Trade in 1975	Agreement on the Reciprocal Removal of Barriers to Trade in 1974		Agreement on the Reciprocal Removal of Barriers to Trade in 1974

¹ After 1988, the agreement will continue automatically for one year at a time unless it is cancelled.

ning. Should this not be sufficient to settle the liability, the creditor country is entitled to discontinue its export deliveries or require that the liability in excess of the credit limit be paid in convertible currencies.

Finland's trade with the Soviet Union is planned and regulated by means of 5-year agreements on the exchange of goods and payments and annual protocols on the exchange of goods. The 5-year framework agreement lists in broad outline the goods to be exchanged and defines the payments arrangements. Detailed quotas for imports and exports are agreed on in annual trade protocols. When drawing up the protocols the clearing account position is taken into account and efforts are made to set the total values of exports and imports so that balance can be achieved on the clearing account.

DEVELOPMENTS IN FINLAND'S TRADE WITH THE CMEA COUNTRIES

In 1970-87, Finland's trade with the CMEA countries accounted for about 20 per cent on average of Finland's total foreign trade. The Soviet Union dominates trade with the CMEA countries, with a share of 85 per cent on average. The other Eastern European CMEA countries are of minor importance for Finnish foreign trade, accounting for only some two per cent annually on average. The scope for increasing trade has diminished in the 1980s as some CMEA countries have become heavily indebted and their weakened international competitiveness has hampered the growth of their trade with western countries. In 1965, exports to the CMEA countries other than the Soviet Union still accounted for 4—5 per cent of

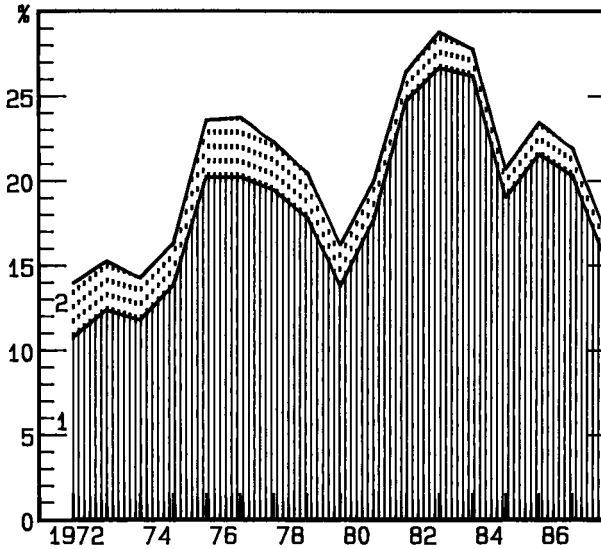
Finland's total exports.

Although the share of the other CMEA countries in Finland's foreign trade has declined in the years following the signing of the agreements on the reciprocal removal of barriers to trade, Finland seems to have been able to maintain its position in CMEA markets fairly well. In the early 1970s, Finland accounted for just over one per cent of CMEA imports from western markets, whereas its share has averaged some 2 per cent during the past five years.

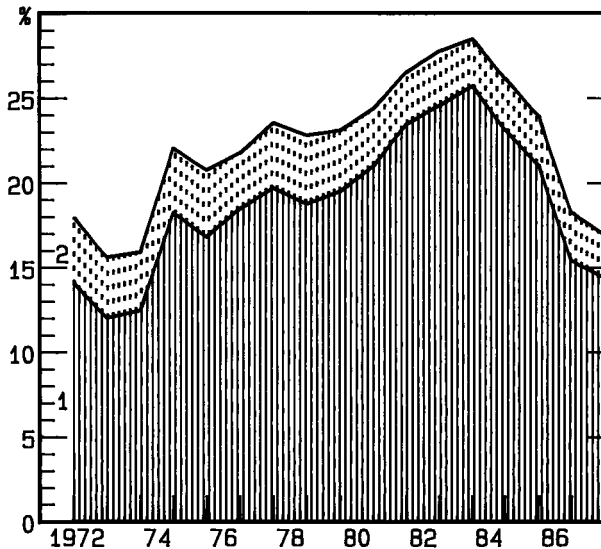
From the 1950s to the mid-1970s, trade with the Soviet Union made up some 15 per cent of Finland's total foreign trade on average. In the latter half of the 1970s, it grew to just under 20 per cent and in the first half of this decade it amounted to almost 25 per cent as a result of the oil price rises; with the fall in the oil price the level has dropped to the

CHART 1.
PERCENTAGE SHARES OF THE CMEA COUNTRIES
IN FINLAND'S FOREIGN TRADE (1971 - 1987)

EXPORTS



IMPORTS



1. USSR
2. Other European CMEA countries

Source: Official Statistics of Finland, Foreign Trade

annual average rate of 7 per cent, i.e. twice as fast as exports to western markets. The rapid growth was due both to the surge in oil prices over the same period and to the bilateral trade system. The structure of exports to the Soviet Union differs from that of western exports; in exports to the Soviet Union, the metal and engineering industries, the forest industries and the textile, clothing, leather and footwear industries have large shares, whereas exports to western markets are dominated by forest industry products.

Changes in oil prices have influenced the growth of trade and developments in the current account. Exports have varied mainly as a result of changes in the value of imports. While fluctuations in exports to the Soviet Union have been large compared with those in exports to other countries, in the 1970s, in particular, they have served to cushion economic activity in Finland against the effects of international business cycle fluctuations resulting from the increase in oil prices. The weakening of the terms of trade did not lead to lower employment or output as the increase in import prices focused on the trade with the Soviet Union, which it was possible to increase because of the balancing mechanism provided for under the bilateral arrangements.

Because of the increases in energy prices, the value of bilateral trade between Finland and the Soviet Union reached its highest levels in 1982 and 1985, since when the value of trade has fallen. In 1986, the sharp fall in the world market price of crude oil decreased the value of Finnish imports by almost one-third. The fall in the oil price has created a new situation for the trading partners, and as a result some new features have emerged in the trade.

The Soviet Union has delivered oil for trading with third

average level for the period from the 1950s to the 1970s. Finland has also been able to maintain its position in the Soviet market, with a share of some

15 per cent of the Soviet Union's western trade in the last five years.

In 1970—85, Finnish exports to the Soviet Union grew at an

countries to pay for an average of 10 per cent of Finnish exports to the Soviet Union during the last five years. In 1981-86, clearing imports from the Soviet Union based on Finland's own demand covered 89 per cent of Finland's clearing exports. In addition, the Soviet Union has paid for just over 3 per cent of the commodities bought from Finland in convertible currencies in the 1980s. At the end of 1987, Finland's clearing account claim on the Soviet Union was about one-fourth of the value of exports in the same year.

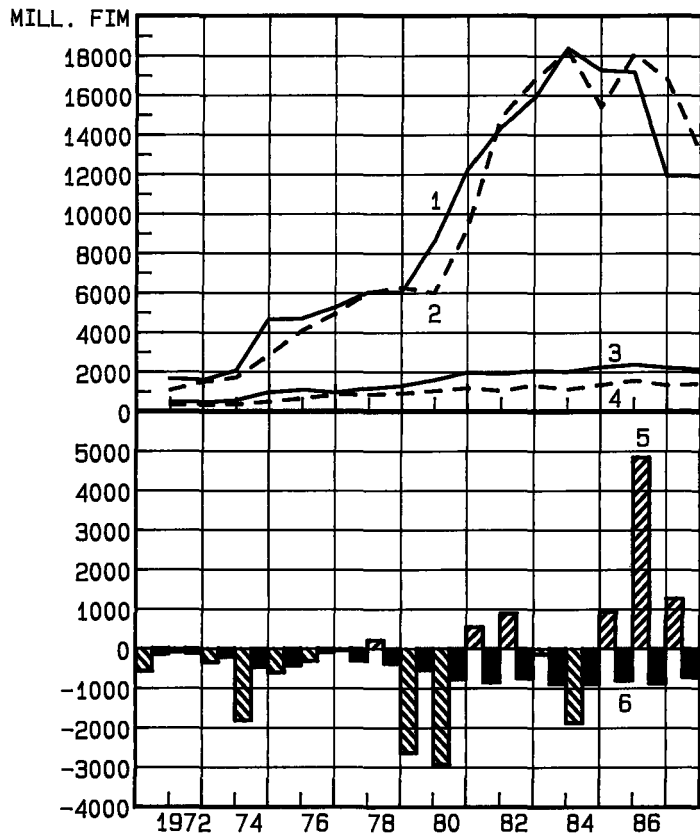
Raw materials and energy have made up over 90 per cent on average of Finland's imports from the Soviet Union in the 1970s and 1980s. Energy imports have accounted for over 80 per cent of Finland's total imports from the Soviet Union in the 1980s as the share of energy purchased from the Soviet Union in Finland's total purchases of energy abroad was raised in order to restore balance to the trade. Finland imports practically all the crude oil and all the natural gas it needs and substantial amounts of coal, electricity and nuclear fuel from the Soviet Union.

Efforts have been made to diversify imports and especially to increase the share of machinery and equipment. At present, they account for some 10 per cent of imports and Finland is, in fact, the main western buyer of Soviet machinery and equipment.

IMPORTANCE OF TRADE WITH THE SOVIET UNION FOR THE FINNISH ECONOMY

Trade with the Soviet Union is of great importance for the Finnish economy. First, exports to the Soviet Union are more labour intensive and involve a higher degree of processing than other exports, and therefore the effect of exports to the Soviet Union on employment is significant. In the early 1980s, when exports were at their peak, they were estimated

CHART 2.
EXPORTS, IMPORTS AND TRADE ACCOUNTS BETWEEN FINLAND AND THE SOVIET UNION AND THE OTHER SOCIALIST COUNTRIES (1971 - 1987)



1. Imports from the Soviet Union
2. Exports to the Soviet Union
3. Imports from the other socialist countries
4. Exports to the other socialist countries
5. Trade account between Finland and the Soviet Union
6. Trade account between Finland and the other socialist countries

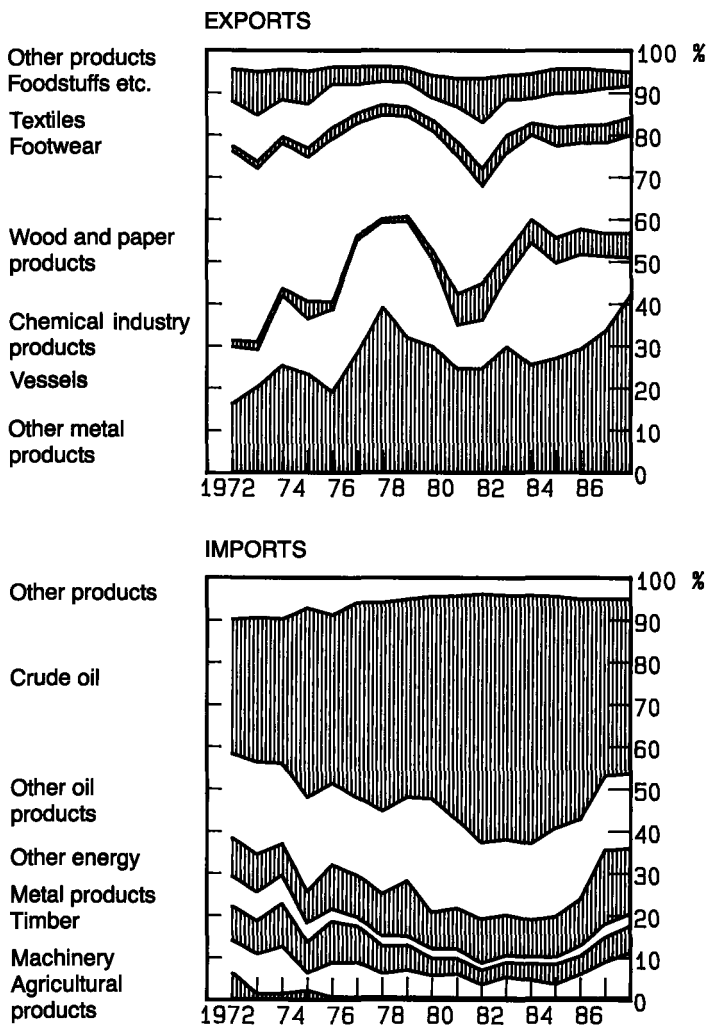
Source: Official Statistics of Finland, Foreign Trade

to have provided employment for some 140,000 people (incl. the multiplier effect). Now the employment impact has reverted to the level of the early 1970s, i.e. to some 70,000 people. A substantial part of the exports and production of several manufacturing sectors is delivered to the Soviet Union and these industries are specialized in deliveries to the Soviet market.

The sectors specializing in exports to the Soviet Union are

the metal and engineering industries, the food industry and the textile, clothing, leather and footwear industries. Hence, these sectors, in particular, have been affected by the adjustment problems caused by the cutback in exports. About one-third of metal and engineering industry exports goes to the Soviet Union. In 1980-85, the Soviet Union bought over half of all the vessels built in Finland. Over the same period, almost 20 per

CHART 3.
STRUCTURE OF FINLAND'S TRADE WITH THE SOVIET UNION (1971 - 1987)



Source: Statistics compiled by the Trade Department of the Ministry of Trade and Industry

cent of the production of the textile, clothing, leather and footwear industries also went to the Soviet Union. The vigorous growth in the exports of the food industry in the 1970s and 1980s was attributable to exports to the Soviet Union; in the first half of the 1980s, some 50 per cent of the food industry's exports on average went to the Soviet

Union.

The Soviet Union's share in the total exports of the forest industries has varied between 10 and 20 per cent. The share of forest industry products in Finland's exports to the Soviet Union has been significant. However, it has fallen during the 1970s and 1980s and now accounts for about one-fifth.

FINANCING AND SPECIAL ISSUES

In the 1980s, fluctuations in trade and payments flows have been sharper than before. Finland has had protracted and increasingly large claims on the clearing account because it has not been possible to adjust exports rapidly enough when the value of imports has not reached the level set for it because of a fall in oil prices or a lower dollar exchange rate or both.

In the 1970s, the clearing account was in balance on average. But during the current decade, the situation has changed; Finland has had an almost permanent claim averaging FIM 1.5 billion annually. The imbalances on the current account and clearing account have highlighted the importance of various financing arrangements in the 1980s in maintaining a measure of balance and a high level of trade.

On two occasions in the 1980s, Finland's claim exceeded the agreed credit limit to such an extent that the following financing and special measures had to be taken. In 1982 and 1987, some FIM 2.2 billion (SUR 300 million) was transferred as a credit from the non-interest bearing clearing account to a special interest-bearing account. In 1982-87, the Soviet Union delivered a total of over 10 million tonnes of crude to Finland for sale to third countries. These deliveries were paid for to the Soviet Union through the clearing account while the earnings from their resale were in convertible currencies. The advance payment system applied to vessels to be delivered to the Soviet Union has been gradually changed so that now vessels are paid for in full on delivery. This has made it possible to reduce Finland's claim and thus allow more time for the adjustment of Finnish exports. In spite of these measures, the clearing account balance has almost without exception remained above the agreed credit limit.

However, special measures may hamper the development of trade as in many cases they imply postponing the problem of the imbalance on the account until the future. The use of the rouble as the accounting and payment currency also causes problems, relating to e.g. hedging the outstanding claim against exchange rate risks. The fact that credit cannot be extended by individual companies under the clearing system has been felt to be a problem, particularly by the Soviet Union, as too, has the difficulty of incorporating new forms of trade, such as joint ventures, in the system. Indicative of the rigidity of the clearing payments system in recent years has been the fact that when Finland has had a claim on the account Finnish exports have had to be administratively restricted by licensing.

OTHER COOPERATION

The 15-year comprehensive programme for technological development adopted by the CMEA in 1985 comprises five major areas of advanced technology. Many topics related to the programme will also be discussed in connection with the cooperation between Finland and the CMEA, and thus Finland will have ample opportunities to make use of the CMEA's large potential for research. The CMEA is particularly interested in the capability of Finnish industry to quickly apply research results.

Finland has agreements on economic, technical and scientific cooperation with all Eastern European socialist countries. The forms of scientific-technical cooperation with the Soviet Union are well-established as it has been going on for almost 20 years in 35 working groups and under numerous separate agreements. The importance of cooperation for trade is growing as the structure of trade changes: the reaching of new deals increasingly requires knowledge of the other party's technical level and ability to

apply the most advanced technology. The most important areas of cooperation are arctic research within the shipbuilding industry and measurement techniques and high-energy physics in science.

A standing Finnish-Soviet intergovernmental commission on economic cooperation was set up in 1967 to develop new forms of cooperation extending beyond the traditional exchange of goods. The commission investigates the development of economic contacts, draws up proposals for expanding commercial and other economic contacts, deals with issues related to the implementation of commercial and economic agreements, prepares proposals on the implementation of agreements and coordinates economic relations between the two countries. The long-term programme signed in 1977 and the monitoring of its implementation are also the responsibility of

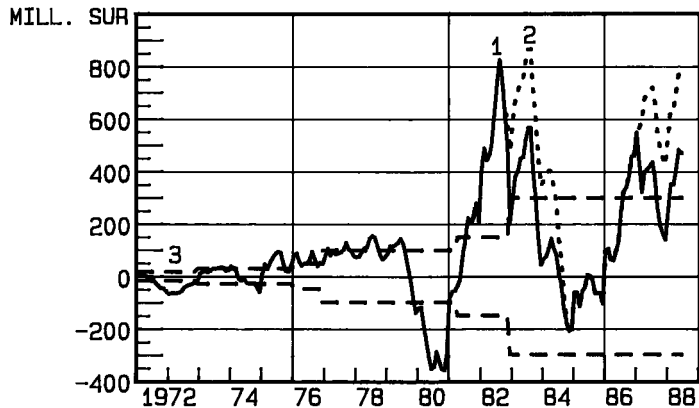
the commission.

Industrial cooperation aims at expanding trade in machinery and equipment between the two countries. Its share in the exports of the Finnish metal and engineering industries has risen so that almost half the exports of machinery and equipment to the Soviet Union is now based on industrial cooperation. The establishment of joint ventures aims at the joint production of goods for sale in the markets of third countries. There has been keen interest in joint ventures but so far only a few joint ventures involving Finnish companies have been registered in the Soviet Union. They comprise both service and manufacturing companies.

FUTURE PROSPECTS

A more favourable setting was created for the expansion of economic cooperation between European countries with different political systems when

CHART 4.
THE BALANCE ON THE FINNISH-SOVIET
CLEARING ACCOUNT AND THE CREDIT LIMIT



1. Balance, monthly average (Jan. 1971 - June 1988)
 2. Balance, incl. special interest-bearing account (Nov. 1982 - Sept. 1984, Feb. 1987 - June 1988)
 3. Credit limit (Jan. 1971 - June 1988)
- Dec. 12, 1972/18
 Dec. 13, 1972/30 →
 Jan. 1, 1976/50 →
 Dec. 22, 1976/100 →
 Apr. 15, 1981/150 →
 Dec. 15, 1982/300 →

in June of this year the CMEA and the EC signed an agreement on establishing diplomatic relations after 15 years of negotiations. At the same time, it was agreed that individual CMEA countries decide on their relations with the EC on a bilateral basis. Thus each CMEA country has the chance to give diplomatic recognition to the EC and to conclude its own agreements, with potentially significant economic implications.

The economic reforms now under way in the CMEA countries are increasing the direct operating scope of companies in these countries, e.g. in foreign trade. However, the implementation of administrative changes in foreign trade are slow since they require the implementation of reforms in other areas. For instance, the aim is that in 1988—89 all Soviet enterprises assume full responsibility for their financial

results and that changes in e.g. the planning, pricing, financing and wholesale trade systems be implemented by the beginning of the next five-year term, i.e. by 1991. However, this time horizon seems rather short and it is more realistic to assume that these new forms of operation become established only gradually, later in the 1990s.

The bilateral clearing system has been well-suited to the centralized and planned foreign trade system of the Soviet Union. Its advantages will change substantially at the latest in the event that the rouble becomes a convertible currency, which may happen as a result of the reforms. If the next five-year plan for the Soviet economy and the foreign trade plans, in particular, are formulated in more general terms than before, it will naturally affect the structure and detailedness of the framework agreements between Finland

and the Soviet Union. It is possible that the framework agreement will become a document laying down general guidelines, which in turn would influence the nature of annual protocols on the exchange of goods.

Finland and the Soviet Union have started negotiations on improving the clearing system. The most important topics on the agenda are hedging the clearing account claim against exchange rate risk, the payment of interest on the claim and permitting the granting of credit under the clearing system. In addition, the aim is to increase trade in convertible currencies alongside the clearing system as a means of mitigating the problems caused by the clearing system.

August 1, 1988

SUPPLEMENTARY BUDGET

The first supplementary budget for 1988 was approved by Parliament in June. It is designed to take into account the changes that have occurred in the economic situation since the ordinary budget for 1988 was prepared. The outlook now is for stronger economic growth than originally anticipated, and thus it was considered necessary to tighten the stance of fiscal policy to counter the prospect of growing imbalances in the economy. Because of this spring's relatively high pay settlements, inflation is accelerating and private consumption continues to expand at a rapid pace. In particular, the already sizeable current account deficit threatens to widen further. The central government net borrowing requirement for 1988 is now estimated to be about 0.5 per cent of GDP as against about 1 per cent in the ordinary budget.

The increase in budgeted revenue amounts to almost FIM 3.7 billion in the supplementary budget. Discrete tax measures are estimated to bring in about FIM one billion in extra income during the current year. Unfortunately, higher indirect taxes will also raise the consumer price index, the estimated impact being close to one percentage point for 1988 as a whole. The rest of the increased revenue is due to the changed economic outlook; income tax revenue is estimated to increase by about FIM 1.2 billion more than initially forecast and sales tax receipts by FIM 1 billion.

The supplementary budget provides for a net increase in central government expenditure of just over FIM 2.6 billion on the ordinary budget for 1988. This brings total budgeted state outlays for the current year to almost FIM 116.5 billion, equivalent to about 28 per cent of forecast GDP.

About one half of the additional expenditure is earmarked for transfers to local authorities, and is mainly intended to compensate for a higher-than-anticipated increase in wages and salaries in the local government sector. Appropriations for state support for housing have been raised by more than FIM 400 million. Just over FIM 400 million was withdrawn from the state's share in the financing of the Social Insurance Institution.

As the increase in revenue exceeds that in expenditure, it has been possible to cut planned state borrowing. The proposed reduction in net borrowing amounts to about FIM 1 billion, the aim being to cut back foreign borrowing, in particular.

PUBLICATION OF THE BANK OF FINLAND

The Bank of Finland Year Book for 1987 has been published. The first section reviews the Finnish economy in 1987, and the subsequent sections examine the central bank's monetary and foreign exchange policy, its relations with international organizations, the new bank note series, the changes in the Bank's organization and the balance sheet and profit and loss account of the Bank of Finland. A summary of new items relating to monetary and foreign exchange policy measures taken during the year is included. The Bank's financial statements and various banking transactions during the year under review are included in a statistical appendix. Helsinki 1988. 78 pp. ISSN 0081-9468.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM AUGUST 1987 TO AUGUST 1988

1987

AUGUST

Revision of Foreign Exchange Regulations. The Bank of Finland decides to extend the right of enterprises, previously granted only to manufacturing and shipping companies, to raise foreign loans with a maturity of at least five years for the financing of their operations. As from August 1, 1987, this right also applies to other companies and cooperative societies carrying on business activity, with the exception of financial and insurance institutions and housing and real estate companies.

Cash reserve requirement. The Bank of Finland raises the cash reserve requirement from 4.7 per cent to 4.9 per cent of the total stock of deposits in August.

OCTOBER

Amendments to Foreign Exchange Regulations. The Bank of Finland decides to allow authorized banks to write and purchase markka options as from October 1, 1987. At the same time, the Bank of Finland grants companies and other residents the right to purchase such options. Banks had previously been allowed to write foreign currency options but not markka options. Markka options entitle but do not oblige the holder to purchase or sell foreign currency at an agreed markka rate within an agreed period.

Banks' central bank financing. With effect from

October 1, 1987, savings and cooperative banks are allowed to deal in certificates of deposit with the Bank of Finland provided that they meet with the requirements set on trading.

As from October 1, 1987, the Bank of Finland enlarges to some extent the right of banks to use call money credit which is not subject to penalty interest.

Housing loans.

From October 16, 1987, the Bank of Finland ceases to issue precise guidelines to the banks concerning prior savings required for housing loans and other personal credits.

NOVEMBER

Interest rate policy. On November 13, 1987, the Parliamentary Supervisory Board decides on new interest rate powers for the Board of Management of the Bank of Finland in respect of both call money rates and money and capital market operations.

The call money rate powers remain unchanged so that the upper limit on call money rates is still the base rate plus 15.0 percentage points and the lower limit the base rate.

Under the new powers, for rates of interest longer than one day, the Board of Management may, at its discretion, intervene in the market to regulate movements within a range the lower limit of which is the base rate and the upper limit the base rate plus 5 percentage points. If, because of market forces, interest

rates move beyond these limits, the Board of Management may only undertake such operations that reduce the gap between market rates and these limits.

At the same time, the new powers are extended to include rates of interest longer than 6 months whereas previously they only concerned rates of interest up to 6 months.

1988

JANUARY

Interest rate policy. With effect from January 1, 1988, the Bank of Finland commences to calculate and publish 3- and 5-year long-term market rates on a monthly basis. Banks may use these rates as reference rates in their lending (incl. housing loans). The long-term reference rates are based on market rates for taxable, fixed-rate bonds. Like HELIBOR rates, they are calculated on the basis of the offered rates quoted by the five largest banks.

Housing loans. With effect from the beginning of 1988, banks may, in addition to the base rate, use the 3- and 5-year market rates calculated and published by the Bank of Finland as reference rates for their new long-term housing loans.

Cash reserve requirement. The Bank of Finland raises the cash reserve requirement from 4.9 per cent to 5.3 per cent of the cash reserve base in January.

Special financing arrangements. The Bank of Finland decides to amend the terms applied to the

financing of domestic suppliers' deliveries (KTR credits) as from the beginning of 1988. According to the new terms, the rate of interest on KTR credits is 2½ percentage points over the Bank of Finland's base rate while the Bank of Finland's share in the financing of the purchase price of a delivery is 30 per cent.

The Bank of Finland decides to abolish the financing arrangements for new-export credits and for short-term export credits with effect from the beginning of 1989. The present terms are to be applied to these financing arrangements in 1988.

FEBRUARY

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement from 5.3 per cent to 5.7 per cent of the cash reserve base in February.

MARCH

Refinancing of crop failure loans.

With effect from March 1, 1988, the Bank of Finland starts granting deposit banks one-year loans for refinancing their crop failure loans. The rate of interest on the refinancing loans, which is tied to the base rate, is 8 per cent. These loans can be granted up to 80 per cent of the total amount of the crop failure loans granted by each bank.

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement from 5.7 per cent to 5.9 per cent of the cash reserve base in March.

APRIL

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement from 5.9 per cent to 6.5 per cent of the cash reserve base in April.

MAY

Interest rate policy. The Bank of Finland raises its base rate from 7.0 per cent to 8.0 per cent as from May 16, 1988.

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement from 6.5 per cent to 7.0 per cent of the cash reserve base in May.

AUGUST

Foreign Exchange

Regulations. The Bank of Finland relaxes the foreign exchange regulations concerning foreign investments as from August 1, 1988. Private individuals and companies may acquire publicly quoted foreign securities up to the total value of FIM 300 000 as against FIM 50 000 previously. The upper limit for investment in dwellings and real estate will be raised from FIM 600 000 to FIM 1 million. Direct investments by non-financial companies no longer require prior authorization.

Till-money credits. The Bank of Finland introduces new regulations concerning till-money credits according to which the banks are henceforth required to fund part of their till-money holdings, the base amount, themselves. Interest-free till-money credits are equivalent to the banks' markka till-money holdings less the base amount. The base amount is defined on the basis of the currency held by the public. This amount is divided among the banks entitled to till-money credit in proportion to their deposit and savings accounts. As a result of the measure, the bank's liquidity position vis-à-vis the central bank is tightened by about FIM 1 billion.

FINLAND IN BRIEF

LAND, CLIMATE AND POPULATION

Finland covers an area of more than 338 000 square kilometres (1986). The total area is slowly increasing because of the steady uplift of the land since the last glacial era. The country shares frontiers with Sweden in the west, Norway in the north and the Soviet Union in the east and has a coastline bordered by the Baltic Sea in the south and west. Agricultural land accounts for 8% of the total area, forest and other wooded land for 69% and inland waters for 10%. Located between latitudes 60° and 70° north, Finland has warm summers and cold winters. Helsinki on the south coast has an average maximum temperature of 22° C (72° F) in July and -4° C (25° F) in February.

Finland has a population of 4 926 000 (Dec. 31, 1986) and an average population density of 16 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 488 000 inhabitants, Tampere (Tammerfors) 170 000 and Turku (Åbo) 161 000.

There are two official languages: 93.6% of the population speaks Finnish as its mother tongue and 6.1% Swedish. There is a small Lapp population in the north. Finnish is a member of the small Finno-Ugrian group of languages, which also includes Estonian and Hungarian.

FORM OF GOVERNMENT

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

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

Parliament, comprising 200 members, is elected by universal suffrage for a period of four years. Following the parliamentary elections of 1987, the seats of the various parties in Parliament are distributed as follows: Social Democratic Party 56; National Coalition

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

Of the 18 ministerial posts in the present government appointed in May 1987, 8 are held by Social Democrats, 7 by the National Coalition Party, 2 by the Swedish People's Party and 1 by the Rural Party. The Prime Minister is Mr. Harri Holkeri of the National Coalition Party.

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

INTERNATIONAL RELATIONS

Finland pursues a policy of neutrality in foreign affairs, and enjoys friendly relations with all European countries and countries elsewhere. Finland's development cooperation programmes channel assistance via international organizations and, bilaterally, to a number of African, Asian and Latin American countries.

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

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

THE ECONOMY

Output and employment. The Finnish economy is essentially based on private enterprise, with roughly 85% of manufacturing output and 90% of banking services produced by private companies. Of the gross domestic product of FIM 316 billion in basic

values in 1986, 4% was generated in agriculture and fishing, 3% in forestry, 27% in industry, 8% in construction, 12% in trade, restaurants and hotels, 8% in finance and insurance, 16% in other private services and 17% by producers of government services. Of total employment, 11% was engaged in primary production, 32% in industry and construction and 57% in services.

In 1986, expenditure on the gross domestic product in purchasers' values amounted to FIM 357 billion and was distributed as follows: net exports 1% (exports 27%, imports -26%), gross fixed capital formation 23%, private consumption 54% and government consumption 21%. Finland's gross tax ratio (gross taxes in relation to GDP) was 37% and the net tax ratio (net taxes in relation to GDP) 23%, which is about the average for OECD countries.

Average annual (compounded) growth of real GDP was 4.1% in the period 1950-60, 5.0% in 1960-70, 3.4% in 1970-80, 2.9% in 1980-86 and 3.9% in 1950-86. Finland's GDP per capita in 1986 was USD 14 350; this put Finland in ninth place among the 24 member countries of the OECD, preceded by Switzerland, the United States, Japan, the Federal Republic of Germany and the other Nordic countries.

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

In 1987, the share of metal and engineering products in total merchandise exports was 38%, the share of forest industry products 40% and the share of other goods 22%. Raw materials and intermediate goods (incl. crude oil) accounted for 57% of merchandise imports, fuels for 5%, investment goods for 17% 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 1 660 million cubic metres, of which 45% is pine, 37% spruce and 18%

broad-leaved species, chiefly birch. The annual growth increment totals 68 million cubic metres and the total drain calculated on the basis of commercial fellings was 54 million cubic metres in 1987.

Energy. In 1987, gross consumption of primary energy amounted to 28 Mtoe, of which industry accounted for 45 %, heating for 24 %, transportation for 13 % and other purposes for 18 %. The sources of primary energy in 1987 were as follows: oil 32 %, coal 13 %, nuclear power 16 %, hydro-electric power, peat and other indigenous sources 30 %, others 9 %. Compared internationally (1985), Finland's consumption of 5.5 toe per capita was 1.8 times higher than the average in European OECD countries. The self-sufficiency rate (OECD definition) in Finland was 42 %, as compared with 62 % in western Europe on average.

FINANCE AND BANKING

Currency. Since 1865 Finland has had its own monetary system. The currency unit is the markka (plural: markkaa), abbreviation FIM, which is divided into 100 penniä (singular: penni). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a trade-weighted currency index. As from Jan. 1, 1984 only convertible currencies have been included in the index, which may fluctuate within a range of 4.5 percentage points. The range is defined by fluctuation limits which are set by the Government at the proposal of the Bank of Finland. The present fluctuations limits are 101.3 and 106.0 (1982 = 100), where the lower limit means the highest permissible value for the markka and the upper limit the lowest permissible value.

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

Permission for outward and inward direct investment is granted liberally and foreign investors may also buy shares of listed Finnish companies; however, foreign investment in markka-denominated bonds is normally prohibited at present. Finnish companies may freely raise foreign credits of at least five years' duration for their own use. Finnish residents may invest in foreign securities and real estate up to specified amounts.

Transactions with the Soviet Union, the German Democratic Republic and Bulgaria are carried out on a bilateral basis and payments are effected through clearing accounts. The necessary licencing of trade for maintaining balance in bilateral trade is carried out

by the Export and Import Permits Office; the scope for suppliers' credits is also limited.

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

Other banks (Dec. 31, 1987).

Finland has four major groups of deposit banks with a total of more than 3 500 offices. There are two big commercial banks with national branch networks and eight smaller ones, four of which are foreign-owned. The commercial banks have a total of 30 foreign branches, subsidiaries and associate banks and 30 representative offices abroad. There are 230 savings banks and 369 cooperative banks with their own extensive branch networks. The government-owned Postipankki has 56 branches and also offers basic services in post offices.

Financial markets. Of the total stock of FIM 431 billion in outstanding domestic credit at the end of 1986, 60 % was provided by deposit banks, 4 % by mortgage banks, 17 % by insurance companies, 8 % by other credit institutions and 11 % by the state, local authorities and social security funds. There are no quantitative restrictions or interest rate limitations on lending. Regulation of bank lending rates was progressively relaxed earlier in the 1980s and finally abolished in 1986.

In the money market, approximately 70 % of the instruments, which totalled approximately FIM 73 billion at end-February 1988, were negotiable instruments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds intermediated through bank trust departments and non-negotiable bank debt instruments make up the bulk of non-negotiable instruments. In its open market operations, the Bank of Finland deals in bank certificates of deposit and also issues its own certificates of deposit.

There are 52 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 79 billion (at end-1987). Three foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1987 totalled FIM 85 billion; government bonds made up 35 % of the total. Turnover on the Stock Exchange in 1987 amounted to FIM 31 billion; the share of shares and subscription rights in the total was approximately 85 %.



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1. THE BALANCE SHEET OF THE BANK OF FINLAND

1.1 THE BALANCE SHEET OF THE BANK OF FINLAND,

MILL. FIM

	1987		1988			
	July 31	Dec. 31	June 30	July 15	July 23	July 29
ASSETS						
Gold and foreign currency claims	26 812	28 739	36 781	37 045	36 605	36 290
Gold	2 081	2 128	2 128	2 128	2 128	2 128
Special drawing rights	969	899	1 132	1 034	926	923
IMF reserve tranche	787	793	956	962	968	964
Convertible currencies	20 043	23 634	30 078	29 926	29 407	29 282
Tied currencies	2 931	1 284	2 487	2 995	3 175	2 993
Other foreign claims	4 468	4 357	4 197	4 212	4 213	4 221
Markka subscription to Finland's IMF quota	2 483	2 427	2 241	2 241	2 241	2 241
Term credit	1 985	1 930	1 955	1 971	1 971	1 980
Claims on financial institutions	5 183	5 147	7 773	6 777	7 400	7 957
Call money credits	305	0	1 201	143	—	0
Certificates of deposit	89	—	—	323	998	1 525
Till-money credits	2 234	2 730	3 006	2 762	2 854	2 875
Financing of crop failure loans	—	—	1 222	1 222	1 222	1 222
Bonds	2 147	2 140	2 077	2 063	2 063	2 072
Other claims on financial institutions	409	277	267	263	263	263
Claims on the public sector	954	977	997	997	997	997
Bonds	4	4	0	0	0	0
Total coinage	950	967	996	996	996	996
Other claims on the public sector	—	6	—	—	—	—
Claims on corporations	3 957	3 678	3 353	3 345	3 328	3 353
Financing of exports	1 014	868	630	629	620	606
Financing of domestic deliveries (KTR)	2 692	2 568	2 451	2 414	2 406	2 402
Bonds: KTR credits	—	13	48	80	80	123
Bonds: Other	58	46	39	39	39	39
Other claims on corporations	193	182	185	183	183	183
Other assets	104	592	114	114	110	112
Accrued items	—	487	—	—	—	—
Other assets	104	105	114	114	110	112
Total	41 478	43 489	53 214	52 490	52 652	52 931
LIABILITIES						
Foreign currency liabilities	83	135	113	128	124	139
Convertible currencies	52	63	24	25	19	22
Tied currencies	32	72	88	103	105	118
Other foreign liabilities	3 295	3 226	3 051	3 056	3 061	3 058
IMF markka accounts	2 483	2 427	2 242	2 242	2 242	2 242
Allocations of special drawing rights	813	799	810	815	820	817
Notes and coin in circulation	9 029	9 990	10 461	10 498	10 465	10 444
Notes	8 198	9 117	9 564	9 595	9 558	9 536
Coin	831	873	897	903	906	907
Certificates of deposit	5 709	4 970	7 015	5 650	5 470	4 810
Liabilities to financial institutions	10 652	11 766	17 213	17 232	17 589	18 221
Call money deposits	148	757	107	134	490	661
Cash reserve deposits	10 435	10 941	17 040	17 040	17 040	17 487
Capital import deposits	—	—	—	—	—	—
Other liabilities to financial institutions	70	67	67	58	60	73
Liabilities to the public sector	1	901	1 237	1 245	1 246	1 246
Cheque accounts	1	1	0	1	1	1
Counter-cyclical fund deposit	—	900	900	900	900	900
Counter-cyclical deposits	—	—	337	345	345	345
Capital import deposits	—	—	—	—	—	—
Other liabilities to the public sector	0	0	0	0	0	0
Liabilities to corporations	5 057	5 009	6 152	6 392	6 392	6 425
Deposits for investment and ship purchase	4 830	4 799	5 828	6 048	6 048	6 086
Capital import deposits	212	209	322	325	325	329
Other liabilities to corporations	15	2	3	19	19	10
Other liabilities	34	757	37	41	41	42
Accrued items	—	733	—	—	—	—
Other liabilities	34	24	37	41	41	42
Valuation account and reserves	1 689	1 247	2 447	2 758	2 776	3 057
SITRA's capital	400	400	400	400	400	400
Capital accounts	5 529	5 088	5 088	5 088	5 088	5 088
Primary capital	5 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	529	529	88	88	88	88
Profit/loss for the accounting year	—	-440	—	—	—	—
Total	41 478	43 489	53 214	52 490	52 652	52 931

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

MILL. FIM

End of period	Foreign sector									Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies, net	Convertible currencies, total (1+2+3+4)	Tied currencies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabilities	Net liabilities (11-10)
	1	2	3	4	5	6	7	8	9	10	11	12
1983	1 383	226	751	5 150	7 510	550	8 060	-794	7 266	2 178	3 000	822
1984	1 732	936	859	15 303	18 830	-337	18 493	-917	17 576	1 951	4 277	2 326
1985	2 081	931	775	18 572	22 359	-285	22 074	-849	21 225	1 023	4 300	3 277
1986	2 081	983	793	6 778	10 635	3 421	14 056	-838	13 218	1 002	2 001	999
1987	2 128	899	793	23 571	27 391	1 212	28 603	1 131	29 734	977	901	-76
1987												
July	2 081	969	787	19 991	23 828	2 899	26 727	1 173	27 900	954	1	-953
Aug.	2 081	973	789	19 744	23 587	2 041	25 628	1 164	26 792	963	1	-962
Sept.	2 081	970	757	21 291	25 099	1 428	26 527	1 157	27 684	965	0	-965
Oct.	2 081	964	753	22 712	26 510	1 375	27 885	1 163	29 048	968	0	-968
Nov.	2 081	961	793	23 575	27 410	1 067	28 477	1 131	29 608	971	1	-970
Dec.	2 128	899	793	23 571	27 391	1 212	28 603	1 131	29 734	977	901	-76
1988												
Jan.	2 128	879	768	24 076	27 851	2 195	30 046	1 125	31 171	979	901	-78
Feb.	2 128	1 107	792	24 059	28 086	2 257	30 343	1 123	31 466	982	901	-81
March	2 128	1 015	779	24 683	28 605	2 243	30 848	1 115	31 963	986	901	-85
April	2 128	1 065	842	26 112	30 147	3 023	33 170	1 109	34 279	989	901	-88
May	2 128	1 078	814	27 806	31 826	3 269	35 095	1 119	36 214	995	901	-94
June	2 128	1 132	956	30 054	34 270	2 399	36 669	1 146	37 815	997	1 237	240
July	2 128	923	964	29 260	33 275	2 875	36 150	1 163	37 313	997	1 246	249

End of period	Domestic financial sector						Corporate sector					
	Term claims on deposit banks	Call money claims on deposit banks, net	Cash reserve deposits of deposit banks	Till-money credits to deposit banks	Other liabilities to financial institutions, net	Net claims (13+14-15+16-17)	Claims in the form of special financing	Special deposits and other items, net	Net claims (19-20)	Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland	
	13	14	15	16	17	18	19	20	21	22	23	
1983	.	5 175	5 039	942	-1 998	3 076	4 529	2 282	3 247	6 574	.	
1984	.	2 802	8 696	1 563	-1 618	-2 713	4 646	2 614	2 032	7 442	.	
1985	.	4 014	10 222	1 925	-1 386	-2 897	4 525	4 113	412	8 072	.	
1986	2 381	6 687	9 270	2 305	-2 240	4 343	4 581	4 757	-176	8 668	.	
1987	-	-757	10 941	2 730	-2 350	-6 618	3 449	4 782	-1 333	9 990	4 970	
1987												
July	89	157	10 435	2 234	-2 486	-5 469	3 706	4 806	-1 100	9 029	5 709	
Aug.	258	-717	10 335	2 439	-2 486	-5 869	3 608	4 784	-1 176	9 012	4 199	
Sept.	-	-223	10 853	2 385	-2 446	-6 245	3 567	4 838	-1 271	8 952	4 883	
Oct.	-	-110	10 984	2 284	-2 541	-6 269	3 601	4 790	-1 189	9 069	6 178	
Nov.	-	-1 570	11 024	2 538	-2 584	-7 472	3 561	4 772	-1 211	9 219	5 817	
Dec.	-	-757	10 941	2 730	-2 350	-6 618	3 449	4 782	-1 333	9 990	4 970	
1988												
Jan.	-	-1 295	11 085	2 424	-2 364	-7 592	3 462	4 799	-1 337	9 406	6 085	
Feb.	-	297	12 084	2 596	-2 346	-6 845	3 429	4 799	-1 370	9 388	7 120	
March	-	598	13 211	2 521	-3 149	-6 942	3 350	4 774	-1 424	9 720	7 285	
April	-	142	13 778	2 608	-3 121	-7 907	3 327	5 161	-1 834	9 794	8 345	
May	-	-720	15 363	2 976	-3 504	-9 603	3 233	5 333	-2 100	10 142	7 625	
June	-	1 094	17 040	3 006	-3 499	-9 441	3 129	5 929	-2 800	10 461	7 015	
July	1 525	-661	17 487	2 875	-3 484	-10 264	3 131	6 203	-3 072	10 443	4 810	

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

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

During period	Purchases of certificates of deposit	Sales of certificates of deposit	Matured certificates of deposit, net	Impact on liquidity (1-2-3)	Call money credits	Call money deposits	Total net change (4+5-6)
	1	2	3	4	5	6	7
1983	.	.	.	.	2659	-860	3519
1984	.	.	.	.	-767	1606	-2373
1985	.	.	.	.	201	-1011	1212
1986	.	.	.	.	1599	-1074	2673
1987	1263	23658	-17520	-4875	-6818	626	-12319
1987							
July	60	2585	-1595	-930	120	53	-863
Aug.	260	1380	-2835	1715	-224	650	841
Sept.	—	2735	-1845	-890	-61	-555	-396
Oct.	—	4240	-2900	-1340	29	-84	-1227
Nov.	—	3390	-3785	395	6	1466	-1065
Dec.	—	2910	-3805	895	-55	-868	1708
1988							
Jan.	160	3915	-2640	-1115	2	540	-1653
Feb.	—	3955	-2920	-1035	295	-1297	557
March	—	2550	-2385	-165	337	36	136
April	—	3600	-2540	-1060	-217	239	-1516
May	—	2280	-2820	540	-385	477	-322
June	—	2210	-2820	610	1169	-645	2424
July	1560	—	-2205	3765	-1201	554	2010

2.2 FORWARD EXCHANGE MARKET, MILL. FIM

End of period	Banks' forward positions with					
	Domestic companies			Foreign banks, net	Bank of Finland, net	Total, net (3+4+5)
	Forward exchange bought by banks	Forward exchange sold by banks	Net (1-2)			
1	2	3	4	5	6	
1983	7541	1227	6314	-1688	-2290	2335
1984	22921	1394	21527	2002	-19962	3566
1985	16982	1733	15249	708	-9005	6951
1986	11446	1319	10127	-2461	-92	7574
1987	21671	1158	20513	-233	-1287	18994
1987						
June	18322	771	17551	-163	-287	17102
July	18596	805	17792	867	-712	17946
Aug.	20075	793	19282	630	-987	18926
Sept.	20088	718	19369	1535	-1664	19241
Oct.	20358	1178	19181	284	-2116	17349
Nov.	20714	1632	19081	85	-1633	17533
Dec.	21671	1158	20513	-233	-1287	18994
1988						
Jan.	21189	1051	20138	1145	-612	20671
Feb.	19699	1093	18606	1816	-264	20158
March	19494	1171	18323	3112	-264	21171
April	19397	1542	17855	4052	-648	21259
May	18451	1500	16952	6672	-687	22937
June	18669	1474	17195	4557	-606	21146

2.3 BANKS' CENTRAL BANK POSITION, MILL. FIM

Average of daily observations	Call money credits	Bank CDs held by the Bank of Finland	Gross debt to the Bank of Finland (1+2)	Call money deposits	Holdings of CDs issued by the Bank of Finland	Cash reserve deposits	Gross claim on the Bank of Finland (4+5+6)	Net position (3-7)
	1	2	3	4	5	6	7	8
1983	4131	.	4131	1407	.	4337	5744	-1613
1984	3176	.	3176	3215	.	6324	9539	-6364
1985	5812	.	5812	4527	.	9578	14105	-8293
1986	7117	120	7237	1256	.	9189	10445	-3208
1987	481	1581	2062	703	4705	10092	15501	-13439
1987								
July	145	750	895	1057	5457	10128	16643	-15748
Aug.	435	181	616	181	5589	10431	16202	-15586
Sept.	39	142	181	667	5080	10352	16099	-15918
Oct.	19	—	19	557	5244	10861	16662	-16643
Nov.	36	—	36	679	5897	10985	17561	-17524
Dec.	10	—	10	909	5101	11021	17031	-17021
1988								
Jan.	9	6	15	1081	5653	10955	17690	-17675
Feb.	15	—	15	546	7583	11114	19242	-19227
March	68	—	68	496	7116	12123	19735	-19668
April	122	—	122	659	7752	13248	21659	-21537
May	35	—	35	1247	7594	13887	22728	-22693
June	47	—	47	1306	7620	15419	24344	-24297
July	373	617	990	411	5883	17083	23377	-22387

3. RATES OF INTEREST

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

Average of daily observations	Inter-bank overnight rate	HELIBOR				Bank of Finland rates			Cash reserve requirement
		1 month	3 months	6 months	12 months	Call money credit rate	Call money deposit rate	Base rate	
	1	2	3	4	5	6	7	8	9
1983	..	..	..	..	..	15.37	14.87	9.00	4.3
1984	..	..	..	..	..	16.53	16.53	9.50	5.4
1985	..	..	..	..	..	13.37	13.37	9.04	5.6
1986	11.87	..	..	..	..	13.43	11.34	7.42	4.8
1987	9.16	9.90	10.02	10.14	10.40	11.71	7.78	7.00	4.8
1987									
July	8.81	9.54	9.63	9.77	10.11	11.00	7.50	7.00	4.7
Aug.	9.62	9.48	9.55	9.66	9.88	11.00	7.50	7.00	4.7
Sept.	8.12	9.37	9.48	9.62	9.92	11.00	7.50	7.00	4.9
Oct.	8.09	9.29	9.45	9.63	10.04	11.00	7.50	7.00	4.9
Nov.	8.35	9.30	9.48	9.64	10.01	11.00	7.50	7.00	4.9
Dec.	8.01	9.15	9.25	9.44	9.79	11.00	7.50	7.00	4.9
1988									
Jan.	8.09	9.07	9.21	9.35	9.71	11.00	7.50	7.00	4.9
Feb.	8.20	9.09	9.22	9.35	9.67	11.00	7.50	7.00	5.3
March	8.62	9.61	9.72	9.84	10.11	11.00	7.50	7.00	5.7
April	8.26	9.35	9.47	9.64	10.03	11.00	7.50	7.00	5.9
May	8.13	9.26	9.47	9.68	10.10	11.00	7.50	8.00	6.5
June	8.01	8.70	9.06	9.36	9.85	11.00	7.50	8.00	7.0
July	9.05	9.38	9.47	9.64	10.00	11.00	7.50	8.00	7.0

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

Average of daily observations	3 currencies ¹				12 currencies ²			
	1 month	3 months	6 months	12 months	1 month	3 months	6 months	12 months
	1	2	3	4	5	6	7	8
1983	7.0	7.1	7.3	7.6	..	..	..	..
1984	7.5	7.7	8.0	8.2	..	..	..	..
1985	6.8	6.9	7.0	7.2	..	..	..	..
1986	5.9	5.9	5.9	5.8	..	..	..	..
1987	5.4	5.6	5.7	5.8	7.9	8.0	8.1	8.2
1987								
July	5.3	5.4	5.5	5.7	7.4	7.6	7.8	8.1
Aug.	5.4	5.5	5.8	6.0	7.7	8.0	8.2	8.5
Sept.	5.7	5.8	6.2	6.4	7.9	8.0	8.4	8.6
Oct.	5.7	6.4	6.5	6.7	7.8	8.3	8.5	8.7
Nov.	5.3	5.6	5.6	5.8	7.7	7.9	8.0	8.1
Dec.	5.5	5.5	5.5	5.7	7.7	7.8	7.9	8.1
1988								
Jan.	4.9	5.1	5.2	5.5	7.2	7.5	7.7	7.9
Feb.	5.0	5.0	5.1	5.3	7.2	7.4	7.5	7.7
March	5.0	5.0	5.1	5.4	7.3	7.4	7.5	7.7
April	5.0	5.1	5.2	5.5	7.2	7.3	7.5	7.8
May	5.0	5.2	5.5	5.8	7.3	7.5	7.6	7.9
June	5.5	5.6	5.8	6.1	7.5	7.6	7.8	8.0
July	6.2	6.5	6.7	6.8	7.9	8.2	8.3	8.5

3.3 COVERED EURO-DOLLAR RATE, PER CENT

Average of daily observations	1 month	3 months	6 months	12 months
		1	2	3	4
1983	..	..	..	..
1984	..	..	..	..
1985	12.9	12.8	12.8	12.6
1986	12.1	11.7	11.5	11.1
1987	9.8	9.9	9.9	10.1
1987				
July	9.4	9.5	9.6	9.9
Aug.	9.4	9.4	9.5	9.8
Sept.	9.2	9.3	9.5	9.7
Oct.	9.2	9.4	9.5	9.9
Nov.	9.2	9.4	9.5	9.9
Dec.	9.1	9.1	9.3	9.5
1988				
Jan.	8.8	9.0	9.1	9.5
Feb.	9.0	9.1	9.2	9.5
March	9.6	9.7	9.7	9.9
April	9.3	9.4	9.6	9.9
May	9.2	9.4	9.6	10.0
June	8.7	9.0	9.3	9.8
July	9.3	9.4	9.6	9.9

¹ DEM 60 per cent, USD 30 per cent, GBP 10 per cent.

² Weighted according to their relative shares in the Bank of Finland currency index.

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

End of period	Lending						Deposits					
	New credits ¹				Average lending rate	Of which: Commercial banks	Savings accounts and ordinary deposit accounts	12-month time deposits	24-month time deposits	Average rate of interest on regulated deposits	Average rate of interest on unregulated deposits	Average rate of interest on total deposits
	Cheque account and postal giro credits	Bills of exchange	Loans	New lending, total								
1	2	3	4	5	6	7	8	9	10	11	12	
1983	..	..	..	..	10.39	10.18	5.25	8.00	9.25	6.08	13.55	..
1984	..	..	..	..	10.67	10.68	5.25	8.00	9.25	6.22	15.43	7.30
1985	11.49	12.61	10.34	11.08	10.37	10.37	4.75	7.50	8.75	5.91	13.24	6.81
1986	10.89	12.45	9.86	10.72	8.82	8.81	2.75	5.75	7.00	4.43	11.84	5.35
1987	10.68	11.95	9.81	10.23	9.12	8.99	2.75	5.75	7.00	4.56	10.13	5.29
1987												
June	9.74	12.26	10.11	10.59	8.99	8.91	2.75	5.75	7.00	4.44	10.01	5.24
July	10.66	12.46	10.09	10.77	9.02	8.93	2.75	5.75	7.00	4.49	9.93	5.28
Aug.	9.45	12.27	9.97	10.49	9.04	8.94	2.75	5.75	7.00	4.47	9.85	5.26
Sept.	10.57	12.14	9.93	10.47	9.06	8.95	2.75	5.75	7.00	4.48	9.77	5.29
Oct.	10.65	12.22	10.03	10.49	9.08	8.97	2.75	5.75	7.00	4.50	9.69	5.34
Nov.	10.58	12.15	10.01	10.54	9.12	9.02	2.75	5.75	7.00	4.50	9.64	5.36
Dec.	10.68	11.95	9.81	10.23	9.12	8.99	2.75	5.75	7.00	4.56	9.61	5.40
1988												
Jan.	10.27	12.21	9.82	10.25	9.15	9.03	2.75	5.75	7.00	4.57	9.51	5.38
Feb.	9.56	11.82	10.04	10.24	9.17	9.05	2.75	5.75	7.00	4.55	9.43	5.40
March	9.87	12.17	10.23	10.42	9.20	9.07	2.75	5.75	7.00	4.57	9.49	5.52
April	9.17	12.09	10.27	10.16	9.25	9.12	2.75	5.75	7.00	4.59	9.54	5.56
May	12.31	12.33	10.63	11.01	10.03	9.89	3.75	6.75	8.00	5.39	9.51	6.22
June	10.28	12.50	10.55	10.78	10.07	9.89	3.75	6.75	8.00	5.37	9.46	6.20

¹Average rate of interest for period

3.5 RATES OF INTEREST ON BONDS AND DEBENTURES, PER CENT

Period	Secondary market rates						Rates of issue		
	Long-term unregulated market rate		Taxable government bonds	Taxable public issues	Of which:		Taxfree public issues	Taxable public issues	Taxfree public issues
	3 years	5 years			Financial institutions	Enterprises			
1	2	3	4	5	6	7	8	9	
1983	..	..	.	13.1	..	..	10.3	13.1	10.9
1984	..	..	.	14.0	..	..	10.6	13.6	11.1
1985	..	..	.	12.7	..	..	10.1	12.7	10.6
1986	..	..	.	11.7	..	..	8.3	11.4	8.8
1987	..	..	.	11.2	..	..	8.1	10.7	7.9
1987									
June	..	..	.	11.2	11.0	11.2	8.2	10.8	7.9
July	..	..	.	11.0	10.7	11.2	8.7	10.8	7.9
Aug.	..	..	.	10.8	10.7	10.8	8.5	10.7	7.9
Sept.	..	..	.	10.9	10.6	11.0	8.2	10.4	8.0
Oct.	..	..	.	10.9	11.0	10.9	8.1	10.4	7.8
Nov.	..	..	10.5	10.8	10.7	10.8	8.0	10.1	7.6
Dec.	10.3	10.4	10.4	10.5	10.4	10.5	7.8	10.2	7.7
1988									
Jan.	10.2	10.3	10.5	10.4	10.2	10.2	7.7	10.5	7.4
Feb.	10.2	10.3	9.9	10.6	10.3	10.8	7.7	10.0	7.5
March	10.4	10.5	10.0	10.4	10.4	10.4	7.8	10.2	7.4
April	10.4	10.6	10.0	10.4	10.3	10.4	7.6	10.1	7.4
May	10.5	10.6	10.3	10.5	10.5	10.5	7.7	10.1	7.2
June	10.3	10.5	10.3	10.4	10.3	10.5	7.8	10.4	7.2

4. RATES OF EXCHANGE

4.1 AVERAGE SPOT SELLING RATES, FIM

Average of daily quotations	New York	Montreal	London	Dublin	Stockholm	Oslo	Copenhagen	Frankfurt a.M.	Amsterdam	Brussels	
	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEC	1 BEL
	1	2	3	4	5	6	7	8	9	10	11
1983	5.570	4.524	8.456	6.957	0.7275	0.7644	0.6107	2.1861	1.9566	0.10934	0.10742
1984	6.010	4.645	8.023	6.533	0.7277	0.7384	0.5816	2.1165	1.8772	0.10428	0.10274
1985	6.206	4.554	8.000	6.590	0.7222	0.7231	0.5871	2.1142	1.8745	0.10483	0.10421
1986	5.077	3.659	7.459	6.816	0.7138	0.6882	0.6290	2.3454	2.0789	0.11399	0.11299
1987	4.404	3.325	7.213	6.556	0.6952	0.6547	0.6444	2.4514	2.1755	0.11806	0.11735
1987											
July	4.487	3.389	7.236	6.522	0.6981	0.6652	0.6409	2.4309	2.1589	0.11730	0.11688
Aug.	4.505	3.404	7.207	6.503	0.6956	0.6645	0.6334	2.4275	2.1547	0.11695	0.11627
Sept.	4.394	3.344	7.240	6.493	0.6902	0.6624	0.6299	2.4258	2.1552	0.11686	0.11630
Oct.	4.361	3.337	7.249	6.489	0.6872	0.6591	0.6301	2.4196	2.1504	0.11629	0.11576
Nov.	4.138	3.151	7.354	6.551	0.6827	0.6462	0.6382	2.4617	2.1875	0.11772	0.11722
Dec.	4.043	3.096	7.399	6.584	0.6813	0.6352	0.6422	2.4753	2.1998	0.11837	0.11785
1988											
Jan.	4.036	3.143	7.288	6.505	0.6775	0.6373	0.6369	2.4456	2.1764	0.11702	0.11669
Feb.	4.120	3.251	7.249	6.473	0.6819	0.6435	0.6355	2.4290	2.1632	0.11622	0.11597
March	4.053	3.247	7.426	6.463	0.6822	0.6410	0.6313	2.4160	2.1513	0.11557	0.11527
April	4.010	3.251	7.530	6.414	0.6821	0.6470	0.6250	2.3984	2.1379	0.11469	0.11409
May	4.030	3.263	7.541	6.370	0.6837	0.6530	0.6220	2.3811	2.1249	0.11406	0.11338
June	4.163	3.422	7.437	6.382	0.6853	0.6547	0.6255	2.3781	2.1157	0.11375	0.11320
July	4.383	3.634	7.489	6.403	0.6925	0.6548	0.6263	2.3806	2.1111	0.11378	0.11273

Average of daily quotations	Zurich	Paris	Rome	Vienna	Lisbon	Reykjavik	Madrid	Tokyo	Moscow	Melbourne	ECU	SDR
	1 CHF	1 FRF	1 ITL	1 ATS	1 PTE	1 ISK	1 ESB	1 JPY	1 SUR	1 AUD	1 XEU	1 XDR
	12	13	14	15	16	17	18	19	20	21	22	23
1983	2.6570	0.7353	0.00369	0.3111	0.0514	2.2325	0.0391	0.02351	7.491	..	..	5.94325
1984	2.5642	0.6907	0.00344	0.3013	0.0414	0.1939	0.0375	0.02534	7.357	..	..	6.14739
1985	2.5360	0.6940	0.00327	0.3012	0.0367	0.1520	0.0366	0.02610	7.419	..	..	6.27879
1986	2.8349	0.7355	0.00343	0.3339	0.0343	0.1259	0.0364	0.03028	7.228	..	..	5.94432
1987	2.9563	0.7345	0.00341	0.3488	0.0315	0.1163	0.0358	0.03050	6.965	3.106	5.075	5.68010
1987												
July	2.9246	0.7316	0.00337	0.3460	0.0314	0.1170	0.0355	0.02989	6.985	3.199	5.045	5.68463
Aug.	2.9321	0.7288	0.00337	0.3455	0.0313	0.1171	0.0360	0.03057	7.020	3.206	5.031	5.70792
Sept.	2.9284	0.7280	0.00337	0.3450	0.0311	0.1155	0.0364	0.03071	6.953	3.215	5.031	5.66425
Oct.	2.9163	0.7262	0.00336	0.3441	0.0308	0.1152	0.0369	0.03044	6.928	3.135	5.020	5.63821
Nov.	2.9957	0.7266	0.00336	0.3501	0.0306	0.1140	0.0367	0.03061	6.838	2.863	5.076	5.57249
Dec.	3.0403	0.7316	0.00338	0.3519	0.0305	0.1135	0.0366	0.03151	6.820	2.891	5.105	5.57906
1988												
Jan.	3.0050	0.7259	0.00333	0.3479	0.0301	0.1128	0.0361	0.03170	6.786	2.894	5.048	5.54743
Feb.	2.9625	0.7204	0.00330	0.3461	0.0300	0.1130	0.0361	0.03190	6.832	2.962	5.014	5.57446
March	2.9243	0.7135	0.00328	0.3441	0.0298	0.1060	0.0362	0.03189	6.786	2.989	5.001	5.54669
April	2.9001	0.7081	0.00324	0.3416	0.0296	0.1057	0.0363	0.03209	6.767	3.021	4.976	5.52717
May	2.8592	0.7045	0.00322	0.3390	0.0294	0.1006	0.0361	0.03232	6.760	3.158	4.949	5.53394
June	2.8577	0.7063	0.00321	0.3384	0.0294	0.0963	0.0361	0.03277	6.856	3.381	4.938	5.59796
July	2.8657	0.7077	0.00323	0.3388	0.0295	0.0977	0.0360	0.03296	7.026	3.523	4.947	5.70985

4.2. CURRENCY INDICES, 1982=100

Average of daily observations	Bank of Finland currency index ¹	Other currency indices		Currency	Weights of the Bank of Finland currency index As from August 12, 1988
		Payments currency index ¹	MERM index		
	1	2	3		4
1983	104.1	108.3	109.9	USD	7.7
1984	102.8	108.5	111.6	GBP	13.4
1985	102.5	109.4	112.5	SEK	20.6
1986	103.9	106.3	110.4	NOK	4.9
1987	103.3	100.7	106.1	DKK	5.0
				DEM	19.9
1987				NLG	4.9
July	103.3	100.8	106.3	BEC	3.2
Aug.	103.2	100.8	106.7	CHF	2.7
Sept.	102.8	100.0	105.8	FRF	6.8
Oct.	102.5	99.6	105.3	ITL	4.9
Nov.	102.7	98.6	103.9	JPY	6.0
Dec.	102.9	100.4	103.7		
1988					
Jan.	102.2	100.3	103.4		
Feb.	102.2	100.6	104.1		
March	102.0	100.2	103.4		
April	101.8	99.8	103.0		
May	101.7	99.7	103.1		
June	101.9	100.5	104.5		
July	102.7	102.1	106.6		

¹The base 1982=100 has been applied since January 1, 1984. The figures before that date are based on the earlier index of 1974=100, but they have been rebased to the current base.

5. OTHER DOMESTIC FINANCING

5.1 BANK DEPOSITS BY THE PUBLIC, MILL. FIM

End of period	Demand deposits	Time deposits	Investment accounts	Markka deposits, total (1+2+3)	Foreign currency deposits	Unregulated deposits	Total deposits (4+5+6)
	1	2	3	4	5	6	7
1983	14337	93551	.	107888	5101	7700	120688
1984	16975	108118	.	125093	4960	11287	141340
1985	19268	125366	1781	146415	6192	13998	166605
1986	18393	137521	3423	159337	4306	17271	180914
1987*	20377	155115	5243	180735	3923	17892	202550
1987*							
May	19369	145829	4121	169318	4209	20465	193992
June	21564	146857	4289	172710	4430	19175	196315
July	20046	147725	4447	172219	4501	20063	196783
Aug.	21610	149397	4574	175581	4189	20162	199933
Sept.	21090	148720	4777	174586	4259	22539	201384
Oct.	21583	149465	5000	176048	3794	25321	205163
Nov.	21631	149098	5194	175923	5174	22478	203575
Dec.	20377	155115	5243	180735	3923	17892	202550
1988*							
Jan.	21169	156355	5419	182943	3646	25188	211777
Feb.	21901	157511	5531	184943	4121	25166	214230
March	21079	158431	5769	185279	5022	28512	218813
April	22028	159921	5850	187799	4870	32965	225634
May	23753	161340	5835	190928	4280	32383	227592

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
1983	4350	7264	97362	108977	17253	126231
1984	5233	7644	111280	124157	20363	144520
1985	6313	7471	132668	146451	24704	171155
1986	7542	6354	152335	166231	25016	191246
1987*	8507	5177	178698	192382	36954	229336
1987*						
May	7998	5667	160769	174435	29732	204167
June	8224	5589	163290	177103	30079	207182
July	8262	5465	165436	179164	30867	210031
Aug.	8392	5499	167896	181787	31538	213324
Sept.	8697	5453	170322	184472	33160	217632
Oct.	8739	5286	172968	186994	35895	222889
Nov.	8974	5174	175284	189431	36635	226066
Dec.	8507	5177	178698	192382	36954	229336
1988*						
Jan.	8703	4966	182310	195979	38182	234161
Feb.	8908	5070	186023	200000	40372	240372
March	9125	4734	189554	203413	41454	244867
April	9298	4796	192940	207033	42291	249323
May	9300	4756	196938	210994	44727	255720

5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL. FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M ₁	M ₂ (1+4+5)
		Claims on the central government	Claims on the public	Total (2+3)			
	1	2	3	4	5	6	7
1983	-6081	-3297	152 199	148 902	-20 915	21 427	121 906
1984	-2575	-5483	176 694	171 211	-26 978	24 945	141 658
1985	-6641	-8694	209 231	200 537	-27 244	27 694	166 652
1986	-16 784	-13 884	237 514	223 630	-27 522	27 838	179 324
1987*	-25 484	-14 993	276 302	261 309	-35 363	30 342	200 461
1987*							
April	-17 467	-9 074	245 599	236 525	-32 276	29 029	186 783
May	-17 917	-8 835	249 597	240 762	-34 297	28 547	188 548
June	-18 863	-8 281	253 240	244 960	-34 004	30 754	192 092
July	-17 724	-9 289	255 448	246 159	-36 373	29 126	192 062
Aug.	-21 425	-7 994	258 743	250 749	-34 109	30 991	195 215
Sept.	-23 440	-9 092	263 257	254 165	-36 404	30 360	194 321
Oct.	-23 445	-9 941	268 569	258 628	-39 961	30 729	195 222
Nov.	-23 021	-14 346	271 682	257 337	-38 052	30 757	196 264
Dec.	-25 484	-14 993	276 302	261 309	-35 363	30 342	200 461
1988*							
Jan.	-25 529	-11 982	280 747	268 765	-40 870	31 049	202 367
Feb.	-25 237	-14 640	285 050	270 410	-40 354	31 932	204 819
March	-27 061	-14 196	290 409	276 213	-42 620	31 300	206 532
April	-26 376	-14 601	294 761	280 160	-44 194	32 144	209 589

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

End of period	Foreign debt			Domestic debt				Total central government debt (4+8)	Out-standing lending	Cash funds	
	Bonds	Other bonds and debentures	Long-term promissory notes	Total (1+2+3)	Public bonds	Other long-term liabilities	Treasury notes and bills				Total (5+6+7)
	1	2	3	4	5	6	7	8	9	10	11
1983	14 127	3 391	4 205	21 723	9 506	4 377	2 518	16 401	38 124	31 187	5 042
1984	16 513	2 666	5 767	24 946	12 037	4 520	2 766	19 323	44 269	33 816	6 300
1985	17 316	2 703	5 658	25 677	14 994	4 107	2 203	21 304	46 981	36 033	6 383
1986	17 905	3 038	6 038	26 981	18 059	4 481	2 474	25 013	51 994	38 028	11 686
1987	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	40 328	11 553
1987											
June	19 210	2 417	6 028	27 655	19 868	4 082	2 040	25 990	53 645	39 196	6 234
July	19 204	2 415	5 942	27 561	19 971	4 387	2 146	26 504	54 065	39 565	6 795
Aug.	18 279	2 416	5 940	26 635	20 426	4 422	2 194	27 042	53 677	39 623	6 219
Sept.	18 139	2 387	5 858	26 384	20 576	4 443	2 216	27 235	53 619	39 896	6 750
Oct.	19 136	2 418	5 758	27 312	21 328	4 494	2 481	28 303	55 615	40 199	8 084
Nov.	19 820	2 591	5 711	28 122	22 034	4 490	2 731	29 255	57 377	40 299	13 109
Dec.	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	40 328	11 553
1988											
Jan.	19 750	2 645	5 465	27 860	22 663	4 678	3 328	30 669	58 529	..	8 842
Feb.	19 665	2 463	5 404	27 532	23 053	4 643	3 713	31 409	58 941	..	10 300
March	19 638	2 244	5 390	27 272	23 286	4 627	4 163	32 076	59 348	..	11 116
April	20 395	2 225	5 361	27 981	23 778	4 713	4 133	32 624	60 605	..	11 243
May	20 370	2 207	5 342	27 919	23 846	4 631	4 013	32 490	60 409	..	10 286
June	21 356	2 244	5 135	28 735	23 833	4 871	4 035	32 739	61 474	..	..

5.5 DOMESTIC BOND MARKET

A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporate sector	Financial institutions	Central government	Local government	Others	Public issues		Private placings	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1983	2035	5602	3890	77	10	1151	3882	6581	11614
1984	2528	6167	5073	112	32	1947	5336	6629	13912
1985	4804	9112	5994	435	28	8070	6394	5909	20373
1986	4976	10639	6532	422	105	5987	7487	9200	22674
1987	4527	9415	8119	206	69	9364	8830	4142	22335
1987									
June	205	63	209	55	—	210	209	113	531
July	147	153	116	—	—	228	116	72	416
Aug.	440	205	941	59	—	674	941	30	1644
Sept.	685	1769	331	—	—	1260	1070	455	2786
Oct.	851	1174	1083	4	—	2024	974	114	3112
Nov.	336	1005	841	—	11	1289	450	454	2193
Dec.	347	757	101	—	18	714	101	408	1222
1988									
Jan.	251	5	1370	—	—	108	1370	148	1626
Feb.	260	968	631	63	—	874	806	241	1922
March	203	1254	841	—	11	719	1376	215	2310
April	112	85	1487	—	—	540	55	1089	1684
May	64	783	792	—	—	829	792	18	1639
June	113	832	40	13	—	756	40	202	998

B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporate sector	Financial institutions	Central government	Local government	Others	Public issues		Private placings	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1983	5027	15039	11869	152	11	1954	12057	18087	32098
1984	6766	19960	14904	247	43	3531	15148	23242	41920
1985	10482	26173	18575	661	56	10967	19002	25977	55947
1986	14076	31902	22090	1042	177	16432	23314	29541	69287
1987	17525	36700	26518	1200	232	24778	28223	29175	82175
1987									
I	15287	32243	23087	1100	198	18109	24365	29441	71915
II	15558	33079	23623	1168	213	19178	25906	28556	73641
III	16353	33703	24707	1218	213	20674	26782	28739	76194
IV	17525	36700	26518	1200	232	24778	28223	29175	82175
1988									
I	18005	38323	27626	1251	243	26339	29606	29503	85448

5.6 HELSINKI STOCK EXCHANGE

During period	Turnover, mill. FIM			Share prices Unitus index ¹ , 1975 = 100		
	Shares and subscription rights	Bonds and debentures	Total (1+2)	Banks	Industry	Overall index
	1	2	3	4	5	6
1983	1 390	2 356	3 746	190	144	194
1984	2 508	5 007	7 515	259	193	273
1985	3 114	9 046	12 160	229	184	234
1986	9 488	6 479	15 968	350	254	357
1987	26 641	4 604	31 245	546	319	603
1987						
June	1 798	358	2 156	538	296	604
July	2 647	152	2 799	593	317	666
Aug.	2 809	193	3 002	615	335	689
Sept.	2 962	172	3 133	635	351	707
Oct.	4 099	140	4 239	643	379	708
Nov.	2 275	251	2 525	578	360	631
Dec.	1 701	1 241	2 942	558	328	611
1988						
Jan.	994	75	1 069	547	318	600
Feb.	1 485	248	1 733	572	340	625
March	2 726	418	3 144	600	347	658
April	2 527	357	2 884	645	373	707
May	2 618	416	3 034	672	386	738
June	4 134	917	5 050	720	429	784

¹ Average of daily observations

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, f.o.b.	Trans- port receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Invest- ment income	Trans- fers and other income	Current account receipts (6+7+8)	Imports of goods, c.i.f.	Trans- port ex- pend- iture	Travel ex- pend- iture	Other services ex- pend- iture
	1	2	3	4	5	6	7	8	9	10	11	12	13
1983	67960	5765	2851	6159	14775	82735	3067	3310	89112	70731	2565	3599	4467
1984	78961	6580	3039	5610	15229	94190	4537	3624	102351	73496	2572	4250	5819
1985	82475	6216	3258	6224	15698	98173	5847	3791	107811	80764	2545	5031	6554
1986	81066	5757	3195	5616	14568	95634	4510	3609	103752	76736	2160	5587	5415
1987*	83606	5819	3729	6054	15601	99208	5075	2899	107182	81941	2345	6821	6578
1985													
IV	20347	1542	693	1770	4004	24351	1391	959	26702	21610	727	1172	1962
1986													
I	19711	1390	564	960	2914	22625	1152	887	24665	20598	439	1163	1256
II	17774	1440	780	1146	3366	21140	1209	902	23251	15507	561	1425	1306
III	20928	1533	1126	1191	3850	24778	907	894	26579	20637	572	1631	1298
IV	22652	1394	724	2319	4439	27091	1241	926	29258	19995	588	1367	1555
1987*													
I	20035	1322	666	1288	3275	23311	1130	794	25234	19550	498	1477	1479
II	21300	1491	934	1435	3859	25159	1175	715	27049	20528	601	1684	1536
III	20847	1573	1333	1541	4446	25293	1115	696	27104	20278	604	1921	1469
IV	21424	1433	797	1791	4021	25445	1655	694	27795	21585	642	1739	2094
1988*													
I	20720	1385	703	1329	3417	24137	1410	819	26365	19719	705	1636	1583

During period	Services exports, total and services (11+12 services +13)	Imports of goods and services (10+14)	Invest- ment ex- pend- iture	Trans- fers and other ex- pend- iture	Current account ex- pen- diture (15+16 +17)	Trade account (1-10)	Trans- port (2-11)	Travel (3-12)	Other ser- vices (4-13)	Services account and services (20+ 21+22)	Goods ser- vices account (19+23)	Invest- ment in- come, not (7-16)	Trans- fers and others, not (8-17)	Current account and account = (24+25 +26) = (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1983	10631	81361	8875	4094	94331	-2771	3200	-748	1692	4144	1373	-5808	-784	-5219
1984	12641	86137	11298	5010	102445	5465	4008	-1211	-209	2588	8053	-6761	-1385	-93
1985	14130	94893	12134	5300	112327	1711	3671	-1773	-330	1568	3279	-6287	-1509	-4517
1986	13162	89898	11719	5964	107580	4329	3597	-2392	201	1406	5735	-7209	-2355	-3828
1987*	15744	97685	12563	5434	115682	1666	3473	-3092	-524	-143	1523	-7488	-2535	-8500
1985														
IV	3862	25472	2899	1314	29685	-1263	814	-479	-192	143	-1121	-1508	-355	-2984
1986														
I	2858	23456	2950	1466	27871	-886	951	-600	-296	55	-831	-1798	-578	-3206
II	3293	18800	3291	1439	23530	2268	879	-645	-161	72	2340	-2082	-538	-280
III	3501	24138	2495	1347	27981	291	962	-506	-107	349	640	-1588	-454	-1402
IV	3510	23504	2982	1711	28198	2657	806	-641	764	929	3586	-1741	-785	1060
1987*														
I	3454	23004	2901	1639	27544	485	824	-812	-191	-178	307	-1771	-846	-2310
II	3822	24349	3624	1182	29156	772	890	-751	-102	38	810	-2450	-468	-2107
III	3994	24272	2660	1196	28128	569	968	-588	72	452	1020	-1545	-500	-1024
IV	4475	26059	3378	1416	30853	-160	791	-942	-303	-454	-614	-1723	-722	-3059
1988*														
I	3924	23643	3545	1728	28915	1001	680	-933	-253	-507	494	-2135	-910	-2550

6.2 CAPITAL ACCOUNT, MILL. FIM

During period	Direct investment in Finland	Port-folio investment in Finland	Long-term credits				Imports of other long-term capital	Imports of long-term capital (1+2+6+7)	Direct investment abroad	Port-folio investment abroad	Long-term export credits	Exports of other long-term capital	Exports of long-term capital (9+10+11+12)	Long-term capital account (8-13)
			Central government	Author-ized banks	Others	Total (3+4+5)								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1983	88	..	2554	323	-38	2839	652	3579	1452	..	-423	676	1705	1874
1984	324	1492	2598	2861	1090	6549	68	8433	2479	..	1682	-1960	2201	6232
1985	392	4264	1556	1489	442	3487	140	8283	2073	78	-1313	948	1786	6497
1986	1627	646	-63	5935	-482	5390	87	7750	3641	489	-381	702	4451	3299
1987*	430	-1626	2287	5383	2843	10513	91	9408	3785	1691	181	3104	8761	647
1985														
IV	179	67	222	77	879	1178	43	1467	349	78	-347	588	668	799
1986														
I	86	94	-722	1246	62	586	-65	701	357	-15	-241	9	110	591
II	56	710	596	1040	-194	1442	17	2225	925	89	111	118	1243	982
III	273	-206	16	1412	-105	1323	83	1473	1152	279	-110	405	1726	-253
IV	1212	48	47	2237	-245	2039	52	3351	1207	136	-141	170	1372	1979
1987*														
I	131	-387	1640	1756	873	4269	79	4092	778	124	265	2486	3653	440
II	199	6	-442	1530	1257	2345	-55	2495	1173	925	-145	55	2008	488
III	17	-271	-1018	974	522	478	12	236	653	637	112	83	1485	-1248
IV	83	-974	2107	1123	191	3421	55	2585	1181	5	-51	482	1617	969
1988*														
I	32	71	-857	361	3230	2734	89	2926	699	421	6	551	1677	1249

During period	Basic balance	Short-term capital imports of authorized banks	Import liabilities and prepay-ments re-lated to exports	Imports of short-term capital (16+17)	Short-term exports of au-thorized banks	Export re-ceive-ables and prepay-ments related to imports	Exports of short-term capital (19+20)	Other short-term capital incl. or-omissions	Short-term account (18-21+22)	Overall balance excl. reserve movements (15+23)	Change in central bank's foreign ex-change reserves (26+27)		Of which:	
											Convertible reserves	Tied reserves		
	15	16	17	18	19	20	21	22	23	24	25	26	27	
1983	-3344	7594	2121	9714	6328	2228	8556	24	1182	-2162	2162	1187	975	
1984	6138	16080	944	17024	13994	-2811	11183	-2704	3137	9275	-9275	-10142	867	
1985	1980	6890	350	7240	1623	1732	3355	-2121	1764	3744	-3744	-3729	-15	
1986	-529	6019	-3796	2222	11791	-92	11699	2075	-7402	-7930	7930	11678	-3748	
1987*	-7853	16252	476	16728	-5739	-183	-5922	939	23589	-15736	-15736	-17817	2081	
1985														
IV	-2185	2563	-1200	1363	15	-63	-49	1703	3115	930	-930	-969	39	
1986														
I	-2616	-736	1232	496	1649	-15	1634	592	-547	-3162	3162	3945	-782	
II	703	1999	-4636	-2636	4813	-15	4798	3496	-3938	-3236	3236	4161	-925	
III	-1655	3185	1216	4401	5317	-31	5286	326	-559	-2213	2213	3455	-1242	
IV	3039	1571	-1609	-38	12	-31	-19	-2339	-2358	681	-681	117	-798	
1987*														
I	-1870	2656	1065	3720	-4959	-118	-5077	-692	8106	6236	-6236	-7020	785	
II	-1620	7672	70	7741	1924	-118	1806	1921	7856	6237	-6237	-5569	-667	
III	-2272	8339	-404	7935	3376	27	3403	-1623	2909	637	-637	-2407	1771	
IV	-2090	-2415	-255	-2669	-6081	27	-6054	1333	4717	2627	-2627	-2820	193	
1988*														
I	-1301	6495	-240	6255	5638	-732	4906	2293	3642	2341	-2341	-1295	-1046	

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

End of period	Long-term liabilities							Long-term assets					Long-term debt, net (8-13)	
	Direct investment in Finland	Portfolio investment in Finland	Long-term credits			Other long-term capital	Total (1+2+6+7)	Direct investment abroad	Portfolio investment abroad	Long-term export credits	Other long-term capital	Total (9+10+11+12)		
			Central government	Authorized banks	Others									Total (3+4+5)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1983	2317	848	21740	2419	33749	57909	444	61518	6166	..	6612	4051	16829	44689
1984	2905	2013	24928	5960	37227	68116	512	73546	8689	..	8920	2097	19706	53840
1985	3274	6313	25678	6410	34276	66364	652	76603	10524	78	6539	3053	20194	56409
1986	4892	6959	26292	11992	32044	70330	739	82920	13727	567	5649	3685	23628	59292
1987*	5283	3964	27861	17365	33088	78314	830	88391	16647	2258	5242	6618	30765	57626
1985														
IV	3274	6313	25678	6410	34276	66364	652	76603	10524	78	6539	3053	20194	56409
1986														
I	3351	6407	25126	7546	32986	65659	587	76004	10697	63	6103	3033	19896	56108
II	3414	7117	26548	8708	33159	68417	604	79552	11719	152	6158	3148	21177	58375
III	3687	6911	26710	10063	32664	69438	687	80723	12601	431	5865	3527	22424	58299
IV	4892	6959	26292	11992	32044	70330	739	82920	13727	567	5649	3685	23628	59292
1987*														
I	5013	6572	27361	13447	31978	72787	818	85190	14166	691	5660	6105	26622	58568
II	5209	6578	26967	15024	33267	75259	763	87809	15347	1616	5527	6165	28655	59154
III	5213	6307	25679	15800	33472	74952	775	87247	15812	2253	5478	6229	29772	57475
IV	5283	3964	27861	17365	33088	78314	830	88391	16647	2258	5242	6618	30765	57626
1988*														
I	5308	4035	26637	17594	35883	80114	919	90376	17255	2679	5250	7161	32345	58031

End of period	Short-term liabilities				Short-term assets				Short-term liabilities, net (18-22)	Debt, net (14+23)	Debt service payments	Of which: repayments	Debt service ratio
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits and other liabilities	Total (15+16+17)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits and other assets	Total (19+20+21)					
	15	16	17	18	19	20	21	22	23	24	25	26	27
1983	5705	39443	16181	61328	11842	29263	15915	57020	4308	48997	10875	4914	12.2
1984	4562	55695	17988	78245	22912	43319	12804	79035	-790	53050	11586	4613	11.3
1985	4070	51374	17354	72798	25183	38775	18155	82113	-9314	47095	11287	4808	10.5
1986	3455	56881	13240	73575	16613	50613	18381	85608	-12032	47260	13462	6018	13.0
1987*	3362	73132	15601	92095	31134	44874	16324	92333	-238	57388	14150	6516	13.2
1985													
IV	4070	51374	17354	72798	25183	38775	18155	82113	-9314	47095	2769	1197	10.4
1986													
I	3659	50424	18671	72754	21647	40424	18037	80109	-7354	48754	3967	2118	16.1
II	3499	52647	14162	70308	18470	45237	18213	81921	-11612	46763	3307	1176	14.2
III	3565	55602	15410	74577	16168	50554	18131	84854	-10277	48022	2452	834	9.2
IV	3455	56881	13240	73575	16613	50613	18381	-12032	85608	47260	3737	1890	12.8
1987*													
I	3521	59536	15714	78771	22482	45655	17829	85966	-7195	51373	3200	1411	12.7
II	3490	67208	15863	86561	28680	47579	18073	94332	-7771	51383	3994	1496	14.8
III	3607	75547	16500	95654	29291	50955	17836	98081	-2427	55048	2770	1217	10.2
IV	3362	73132	15601	92095	31134	44874	16324	92333	-238	57388	4186	2392	15.1
1988*													
I	3467	79627	15552	98646	33493	50512	15583	99588	-942	57089	3932	1773	14.9

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

End of period	Long-term liabilities					Long-term assets					Long-term liabilities, net (5-10)
	Corporate sector	Financial institutions	Central government	Local government	Total (1+2+3+4)	Corporate sector	Financial institutions	Central government	Other	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
1983	30082	8541	22184	710	61518	12791	2472	1447	119	16829	44689
1984	34012	13366	25440	728	73546	17624	222	1678	182	19706	53840
1985	35709	13980	26330	585	76603	17102	859	1955	279	20194	56409
1986	35210	20169	27031	509	82920	19209	1591	2309	520	23628	59292
1987*	32456	26734	28691	511	88391	23375	4007	2653	730	30765	57626
1985											
IV	35709	13980	26330	585	76603	17102	859	1955	279	20194	56409
1986											
I	34646	15090	25713	555	76004	16839	765	1970	321	19896	56108
II	35001	16847	27152	551	79552	17906	849	2056	366	21177	58375
III	34231	18554	27397	541	80723	18462	1360	2191	412	22424	58299
IV	35210	20169	27031	509	82920	19209	1591	2309	520	23628	59292
1987*											
I	34716	21814	28179	481	85190	19717	3876	2458	572	26622	58568
II	35601	24004	27730	474	87809	21633	3936	2465	621	28655	59154
III	35045	25209	26454	539	87247	22656	3919	2519	677	29772	57475
IV	32456	26734	28691	511	88391	23375	4007	2653	730	30765	57626
1988*											
I	34218	28096	27557	506	90376	24316	4371	2851	807	32345	58031

7. FOREIGN TRADE¹

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

During period	Exports, f.o.b.	Imports, c.i.f.	Balance (1-2)
	1	2	3
1983	69 692	71 528	-1 836
1984	80 904	74 682	6 222
1985	84 028	81 520	2 508
1986	82 579	77 601	4 978
1987	85 315	82 797	2 518
1987			
June	7 444	7 090	354
July	6 620	6 458	162
Aug.	6 601	6 943	-342
Sept.	8 042	7 080	962
Oct.	7 894	7 317	577
Nov.	6 966	7 502	-536
Dec.	7 009	6 988	21
1988*			
Jan.	6 885	6 883	2
Feb.	6 777	6 108	669
March	7 542	7 004	538
April	7 586	7 525	61
May	8 687	8 285	402
June	6 726	7 728	-1 002

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

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1983	104	98	127	125	101
1984	114	98	134	131	102
1985	115	104	138	135	102
1986	116	110	135	121	111
1987	118	119	138	119	116
1987					
IV	117	113	135	133	101
1986					
I	113	110	134	129	103
II	104	90	133	122	109
III	116	119	138	120	116
IV	128	115	136	121	112
1987					
I	114	113	136	120	113
II	120	120	137	119	115
III	116	116	140	121	115
IV	119	126	140	119	117
1988*					
I	102	92	140	119	117

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, f.o.b.					Imports by use of goods, c.i.f.				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
1983	6 944	19 327	8 524	20 211	14 686	32 209	17 554	10 860	10 572	333
1984	7 145	23 573	10 176	22 998	17 012	35 162	16 900	10 993	11 454	173
1985	6 728	25 030	9 803	24 412	18 055	38 676	17 770	11 675	12 967	432
1986	6 947	24 600	7 858	26 115	17 059	39 292	10 070	12 898	15 069	272
1987	7 449	26 691	7 823	26 347	17 005	41 066	9 623	14 074	17 412	622
1987										
June	732	2 097	599	2 526	1 490	3 538	915	1 151	1 327	159
July	526	2 271	660	1 983	1 180	3 125	796	1 197	1 317	23
Aug.	545	2 191	669	1 849	1 347	3 292	1 137	1 012	1 471	31
Sept.	666	2 496	688	2 629	1 563	3 503	964	1 047	1 547	19
Oct.	670	2 500	624	2 493	1 607	3 634	845	1 151	1 579	108
Nov.	664	2 168	563	2 077	1 494	3 713	720	1 436	1 622	11
Dec.	569	2 059	754	2 339	1 288	3 407	994	1 197	1 374	16
1988*										
Jan.	569	2 472	623	2 021	1 200	3 486	780	1 270	1 340	7
Feb.	544	2 309	709	1 631	1 584	3 214	405	960	1 490	39
March	630	2 749	692	2 108	1 363	3 472	408	1 285	1 828	11
April	672	2 373	639	2 652	1 250	3 710	587	1 321	1 901	6
May	735	2 466	736	3 242	1 508	4 131	720	1 464	1 959	11
June	626	2 281	599	1 892	1 328	3 715	820	1 584	1 580	29

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, f.o.b.				Imports, c.i.f.			
	1987		1988 ¹ January-May		1987		1988 ¹ January-May	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	63184	74.1	28030	8.1	63079	76.2	28250	10.0
OECD Europe	55667	65.2	24758	8.1	52212	63.1	22794	7.3
Of which:								
Austria	951	1.1	374	-0.1	1066	1.3	440	1.9
Belgium and Luxembourg	1526	1.8	801	31.2	2134	2.6	906	1.0
Denmark	3320	3.9	1399	-3.4	2343	2.8	1075	12.8
France	4497	5.3	2171	8.0	3552	4.3	1521	-4.9
Federal Republic of Germany	9335	10.9	4103	10.1	14450	17.5	6250	5.3
Italy	2182	2.6	1055	17.5	3619	4.4	1645	10.9
Netherlands	3060	3.6	1399	2.2	2555	3.1	1217	19.7
Norway	4026	4.7	1393	-18.3	1819	2.2	870	18.8
Spain	1090	1.3	576	29.9	920	1.1	416	13.7
Sweden	12754	14.9	5321	5.4	10702	12.9	4703	8.1
Switzerland	1525	1.8	697	3.4	1665	2.0	654	-0.7
United Kingdom	9734	11.4	4697	20.1	5914	7.1	2417	11.7
Other OECD	7517	8.8	3272	8.8	10867	13.1	5456	23.0
Of which:								
Canada	971	1.1	380	-3.0	429	0.5	231	76.5
Japan	1206	1.4	639	33.8	5861	7.1	2847	14.7
United States	4407	5.2	1847	2.9	4335	5.2	2278	32.0
CMEA countries	14620	17.1	6430	11.3	14088	17.0	4831	-8.0
Of which:								
Soviet Union	13175	15.4	5921	13.7	11901	14.4	3971	-11.4
Developing countries	6199	7.3	2601	8.0	4938	6.0	2197	0.2
OPEC countries	1527	1.8	532	-1.4	805	1.0	219	-51.7
Other	4672	5.5	2069	10.7	4133	5.0	1978	13.7
Other countries	1312	1.5	416	-34.4	692	0.8	527	75.1
TOTAL	85315	100.0	37477	7.9	82797	100.0	35805	7.1
Of which:								
EEC countries	35966	42.2	16798	12.4	36788	44.4	16050	7.0
EFTA countries	19396	22.7	7851	-0.1	15356	18.5	6718	7.9

¹The trade values and volumes for December 1987 and January 1988 differ from those in the official statistics. For details, see Notes and Explanations on page S26.

8. DOMESTIC ECONOMIC DEVELOPMENTS

8.1 SUPPLY AND USE OF RESOURCES, MILL. FIM, 1985 PRICES (seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4	5	6	7	8	9
1983	171 330	63 113	69 001	10 467	-2 704	311 207	92 001	87 959	315 249
1984	176 038	64 872	67 584	10 202	-1 327	317 369	96 993	88 857	325 505
1985	181 664	68 218	69 599	10 453	3 610	333 544	98 173	94 893	336 824
1986*	189 113	70 325	69 329	10 738	3 255	342 760	99 498	97 795	344 463
1987*	198 837	73 087	72 388	11 344	7 315	362 971	101 181	106 569	357 583
1985									
IV	46 111	17 328	17 730	2 625	2 291	86 085	23 962	24 688	85 358
1986*									
I	46 427	17 389	17 292	2 639	3 116	86 863	24 613	26 101	85 376
II	47 215	17 664	16 689	3 191	-1 517	83 241	21 766	20 023	84 984
III	47 668	17 718	17 810	2 200	2 633	88 029	25 838	27 129	86 738
IV	47 803	17 554	17 538	2 708	-977	84 626	27 281	24 542	87 365
1987*									
I	48 664	18 005	17 622	2 766	1 256	88 313	25 092	26 220	87 185
II	49 374	18 178	18 247	2 551	1 910	90 260	25 432	26 037	89 655
III	49 827	18 346	17 926	3 161	2 517	91 777	25 510	27 037	90 250
IV	50 972	18 558	18 593	2 866	1 633	92 621	25 148	27 276	90 494
1988*									
I	51 292	18 564	18 969	2 760	1 658	93 242	25 445	26 733	91 954

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1985=100 (1980 WEIGHTS) (seasonally adjusted figures)

Period	2-4	2	3	Industry (SIC): 331,341		4	
	Total industry (100.0)	Mining and quarrying (1.5)	Manufacturing (89.5)	Wood and paper industries (20.5)	Metal and engineering industries (28.3)	Other manufacturing (40.7)	Electricity, gas and water (9.0)
	1	2	3	4	5	6	7
1983	91.9	92.8	92.5	94.2	87.8	95.5	86.0
1984	96.1	96.3	96.6	101.7	92.5	97.6	91.8
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986*	100.8	101.7	100.8	101.8	101.3	99.9	100.1
1987*	105.0	79.0	105.2	107.9	106.1	103.0	108.0
1987*							
May	107.6	74.7	105.8	108.7	106.8	105.9	108.1
June	107.0	52.4	106.4	106.0	105.9	106.0	109.2
July	109.1	74.6	107.7	107.7	106.5	105.7	107.7
Aug.	105.6	81.8	105.7	108.4	108.4	104.9	108.9
Sept.	103.7	77.8	104.6	110.1	108.2	103.7	109.0
Oct.	102.8	69.4	106.0	109.8	107.2	102.8	107.5
Nov.	100.8	72.5	103.6	108.4	107.4	100.5	109.5
Dec.	102.7	67.3	105.5	105.4	108.4	100.1	108.4
1988*							
Jan.	107.7	64.7	110.9	114.8	111.6	106.7	94.5
Feb.	107.8	70.4	109.5	112.9	111.2	103.9	102.6
March	105.5	74.0	106.5	110.1	104.5	103.0	105.7
April	108.9	88.9	107.8	114.6	111.5	103.0	110.2
May	109.8	102.5	109.3	109.8	115.5	107.2	103.6

8.3 INDICATORS OF DOMESTIC SUPPLY AND DEMAND, 1985=100

(seasonally adjusted figures)

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
1983	97.6	94.4	108.2	107.7	123.0	105.1	100.9	94.2
1984	97.2	96.8	101.8	104.1	112.8	96.2	98.6	96.9
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986*	104.7	102.5	94.0	88.4	99.9	99.5	105.2	101.8
1987*	111.3	107.7	94.6	89.0	101.0	102.6	113.8	106.0
1987*								
April	115.1	110.3	..	..	..	..	..	105.9
May	110.2	105.6	..	..	..	..	..	106.6
June	113.0	110.5	..	..	..	..	..	105.9
July	110.7	107.6	..	..	..	..	..	106.6
Aug.	111.0	107.2	..	..	..	..	..	106.7
Sept.	111.1	109.3	..	..	..	..	..	106.6
Oct.	114.5	107.7	..	..	..	..	..	106.5
Nov.	113.8	109.7	..	..	..	..	..	106.9
Dec.	111.0	110.6	..	..	..	..	..	107.4
I	108.4	104.8	90.9	88.6	95.6	93.3	112.4	104.2
II	112.7	108.8	98.9	94.5	103.1	105.1	121.6	106.2
III	110.9	108.0	96.2	86.4	105.8	106.0	100.2	106.6
IV	113.1	109.3	96.4	86.6	99.5	105.8	121.3	106.9
1988*								
Jan.	115.8	113.4	..	..	..	..	..	107.8
Feb.	113.7	110.7	..	..	..	..	..	108.3
March	110.7	115.5	..	..	..	..	..	108.1
April	120.1	108.2	..	..	..	..	..	108.2
I	113.4	113.2	104.6	92.0	121.4	112.5	112.3	108.1

8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which: Manufacturing (SIC 3)	Central government	Local government	Non-profit institutions			Domes- tic goods	Import- ed goods		Export- ed goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1983	84.3	84.0	85.2	86.4	84.0	85.8	88.8	90.4	89.8	92.7	90.8	91.5	90.5	89.2
1984	92.2	92.0	92.9	92.6	92.8	92.1	95.1	95.3	94.8	97.1	96.0	98.1	95.1	94.6
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986¹	107.0	106.7	106.2	106.9	108.1	107.0	102.9	97.0	98.6	91.0	96.5	96.7	96.4	104.3
1987¹	114.6	114.5	113.4	115.9	114.0	116.2	107.2	97.9	100.2	89.3	97.3	98.1	96.8	109.1
1987¹														
June	..	..	..	..	..	..	107.3	97.7	100.0	89.2	96.9	97.8	96.4	109.1
July	..	..	..	..	..	..	107.2	98.2	100.4	90.3	97.4	98.2	97.0	109.4
Aug.	..	..	..	..	..	..	107.5	98.2	100.5	89.9	97.4	98.2	97.0	109.6
Sept.	..	..	..	..	..	..	108.1	98.4	100.8	89.4	97.9	98.7	97.5	109.9
Oct.	..	..	..	..	..	..	108.3	98.7	101.3	89.2	98.2	99.0	97.8	110.0
Nov.	..	..	..	..	..	..	108.1	98.7	101.6	88.3	98.4	99.4	97.9	110.8
Dec.	..	..	..	..	..	..	108.4	98.9	102.0	87.7	98.6	99.2	98.3	110.9
II	115.3	115.1	114.3	117.1	114.6	117.4	107.0	97.5	99.8	89.2	96.8	97.7	96.3	108.9
III	115.0	114.7	113.7	117.1	114.7	117.5	107.6	98.3	100.6	89.9	97.6	98.4	97.2	109.7
IV	116.6	116.8	115.2	117.3	115.0	117.8	108.3	98.8	101.6	88.4	98.4	99.2	98.0	110.6
1988¹														
Jan.	..	..	..	..	..	..	109.7	99.3	102.4	87.8	99.1	99.9	98.8	111.8
Feb.	..	..	..	..	..	..	110.0	99.6	102.7	87.9	99.5	100.1	99.2	111.9
March	..	..	..	..	..	..	110.6	99.7	103.0	87.5	100.0	101.1	99.4	112.3
April	..	..	..	..	..	..	111.4	99.9	103.1	88.3	100.1	101.5	99.4	115.0
May	..	..	..	..	..	..	112.3	100.9	104.1	89.3	100.8	102.6	100.0	116.2
June	..	..	..	..	..	..	112.9	101.3	104.7	89.1	101.1	103.1	100.2	116.6
I	119.0	118.5	117.5	123.0	117.8	123.2	110.1	99.5	102.7	87.7	99.5	100.4	99.1	112.0
II	..	..	..	..	..	..	112.2	100.7	104.0	88.9	100.7	102.4	99.9	115.9

¹Preliminary figures for columns 1—6.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status		By industry				Unemployed	Unemployment rate	
				Self-employed	Wage and salary earners	Agriculture and forestry	Industry	Construction	Service industries			
		1000 persons										
		1	2	3	4	5	6	7	8	9	10	11
1983	68.7	2527	2390	386	2004	303	606	183	1298	138	5.5	
1984	68.8	2546	2414	378	2035	294	600	183	1337	133	5.2	
1985	69.2	2567	2437	361	2076	280	597	178	1380	130	5.0	
1986	69.1	2568	2431	359	2071	266	589	185	1391	138	5.4	
1987	68.6	2554	2423	372	2051	251	569	184	1419	130	5.1	
1987												
May	68.4	2543	2410	360	2050	243	561	181	1424	133	5.2	
June	68.4	2544	2418	370	2048	250	567	189	1412	126	5.0	
July	68.5	2548	2422	370	2052	245	585	182	1410	126	4.9	
Aug.	69.1	2569	2441	366	2075	247	571	183	1440	128	5.0	
Sept.	68.5	2548	2420	365	2055	240	573	176	1430	129	5.1	
Oct.	68.5	2551	2422	378	2045	254	575	184	1408	128	5.0	
Nov.	68.4	2548	2418	382	2035	251	557	180	1430	130	5.1	
Dec.	68.3	2545	2414	382	2032	249	557	182	1425	131	5.1	
1988												
Jan.	68.7	2559	2439	388	2051	252	578	195	1414	120	4.7	
Feb.	68.3	2544	2431	374	2057	255	546	172	1458	113	4.5	
March	68.6	2550	2430	371	2059	239	558	180	1453	121	4.7	
April	68.3	2541	2430	367	2063	243	551	198	1438	111	4.4	
May	68.1	2533	2403	362	2041	243	538	171	1452	130	5.1	

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)	Borrowing	Total revenue (7+8)	Consumption	Transfers and subsidies	Of which:	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1983	19565	36183	531	8284	64563	1854	66416	11378	77794	20984	39411	15717	22817
1984	22526	42737	598	9711	75572	1894	77466	10752	88218	22155	44333	18444	24836
1985	25750	47578	546	10415	84290	2071	86361	11189	97550	24835	49269	21183	26866
1986	28079	51733	323	11640	91774	2209	93983	14744	108727	26354	52845	23215	28131
1987	29454	57312	455	12437	99658	2482	102139	17484	119623	29419	59498	26456	30964
1987													
March	2671	4132	17	1172	7993	79	8072	2530	10601	2268	4555	2196	2141
April	2957	4632	15	1289	8893	59	8952	335	9288	2313	5172	2464	2476
May	2450	3390	84	1014	6938	372	7310	2482	9792	2440	5763	2131	3441
June	2561	5243	28	1092	8925	191	9115	455	9570	2468	4636	2630	1910
July	2941	5335	49	603	8929	95	9023	619	9642	2923	4775	2148	2434
Aug.	2935	4880	37	1098	8949	343	9292	1143	10435	2331	4892	2138	2618
Sept.	2461	4237	40	968	7706	144	7850	619	8470	2424	4341	2131	2102
Oct.	2480	4360	38	1025	7904	119	8023	2295	10318	2505	4713	2227	2296
Nov.	2545	5465	29	1024	9062	266	9329	2397	11726	2366	5746	2336	3306
Dec.	1995	7294	65	1454	10809	680	11488	1496	12984	2731	5271	2239	2720
1988													
Jan.	2495	3188	12	958	6654	21	6674	1680	8354	2367	5489	2221	3140
Feb.	2203	6490	38	837	9568	53	9622	1017	10639	2449	6390	2304	3948
March	3181	4470	49	998	8698	96	8794	1291	10085	2520	5301	2325	2552

During period	Expenditure							Financial balance			
	Fixed investment	Other expenditure	Expenditure before financial transactions (10+11+14+15)	Lending and other financial investment	Expenditure before redemptions of state debt (16+17)	Redemptions of state debt	Total expenditure, (18+19)	Revenue surplus (5-16)	Net borrowing requirement (7-18)	Gross borrowing requirement (7-20)	Cash surplus (9-20)
	14	15	16	17	18	19	20	21	22	23	24
1983	5454	4095	69944	4999	74943	3939	78881	-5381	-8527	-12465	-1088
1984	5455	4220	76162	4717	80878	5552	86430	-590	-3412	-8964	1788
1985	5700	4936	84739	4982	89722	7682	97404	-449	-3361	-11043	145
1986	6111	5058	90368	4913	95281	10541	105822	1406	-1298	-11839	2905
1987	7089	4732	100738	5672	106410	9880	116289	-1080	-4270	-14150	3334
1987											
March	597	697	8118	492	8610	1886	10497	-125	-539	-2425	104
April	526	684	8695	404	9098	871	9969	199	-146	-1017	-682
May	534	678	9416	469	9885	820	10705	-2478	-2575	-3395	-913
June	640	255	7999	561	8560	1314	9874	925	555	-759	-304
July	643	284	8625	752	9377	190	9566	304	-353	-543	76
Aug.	542	294	8059	479	8539	1410	9949	890	753	-657	487
Sept.	648	137	7551	552	8102	320	8423	156	-252	-572	47
Oct.	644	321	8184	446	8629	620	9249	-280	-606	-1226	1069
Nov.	550	199	8861	407	9267	252	9519	202	62	-190	2207
Dec.	878	-6	8874	483	9357	109	9466	1935	2131	2022	3528
1988											
Jan.	502	764	9122	372	9494	1279	10773	-2468	-2819	-4098	-2418
Feb.	535	324	9699	397	10096	512	10608	-130	-474	-986	31
March	641	833	9296	427	9723	825	10548	-597	-928	-1753	-462

NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

GENERAL

Source

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

Symbols used

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

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

NOTES AND EXPLANATIONS TO TABLES

1 THE BALANCE SHEET OF THE BANK OF FINLAND

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

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

Table 2.1 Matured certificates of deposit, net (Column 3) = matured bank certificates of deposit held by the Bank of Finland - matured certificates of deposit issued by the Bank of Finland.

Table 2.3 Bank CDs held by the Bank of Finland (Column 2) include term credits from December 1986 to July 1987. Holdings of CDs issued by the Bank of Finland (Column 5) include term liabilities from February to July 1987.

3 RATES OF INTEREST

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

Table 3.2 The rates shown are based on the lending rates quoted for the respective currencies in the Euromarket.

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

Table 3.4 *Lending.* New credits (Columns 1-4): the rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts, whereas annual rates are averages of monthly observations. *Deposits.* The rates of interest applied to deposit accounts (Columns 6-8) are the rates of interest applied to standard tax-exempt deposit accounts as agreed upon between banks. The average rate of interest on the stock of regulated deposits (Column 9) is the average rate of interest weighted by the deposit amounts at the end of period, where the stock of deposits comprises cheque accounts, postal giro accounts, deposit accounts with a cheque facility, savings and ordinary deposit accounts, other time deposit accounts and taxable investment accounts. The average rate of interest on unregulated deposits (Column 10) is the average rate of interest weighted by the amounts in the period. Unregulated deposits include, inter alia, sales of certificates of deposit, promissory notes and bonds as well as corporate deposits at market rates.

Table 3.5 *Secondary market rates.* The long-term unregulated market rate (Columns 1 and 2) is calculated by the Bank of Finland as the monthly average of the offered rates for taxable, fixed-rate bonds quoted by the five largest banks. The rate of interest for taxable government bonds (Column 3) is the effective annual yield, calculated as the arithmetic mean, on fixed-rate government bonds with a remaining maturity of between 4 and 5 years. The rate of interest for taxable public issues

(Column 4) is the effective annual yield, calculated as the arithmetic mean, on fixed-rate ordinary bonds, debentures or other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued by all issuers except the central government with a remaining maturity of between 3 and 6 years. Financial institutions (Column 5): as in Column 4 for issues by financial institutions incl. banks. Enterprises (Column 6): as in Column 4 for issues by enterprises. The rate of interest for taxfree public issues (Column 7) is the yield on fixed-rate public bonds with a remaining maturity of between 4 and 5 years. The Bank of Finland calculates the yields for columns 3-7 once a week on the basis of the trading quotations of the Helsinki Stock Exchange. Monthly observations are the averages of weekly observations and annual observations are the averages of monthly observations. *Rates at issue* on bonds and debentures (Columns 8 and 9) are the average rates of interest weighted by issue amounts - in the case of government bonds by sales amounts - on ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued during the period.

4 RATES OF EXCHANGE

Table 4.2 The weights of the Bank of Finland currency index (Column 1) are moving averages of the shares of countries in Finland's merchandise export and import trade. The index comprises 12 convertible currencies. The index values are based on the Bank of Finland's daily quotations at noon. The weights of the payments currency index (Column 2) are moving averages of the shares of payments currencies in Finland's trade. The index comprises 12 convertible currencies. The weights of the MERM index (Column 3) are fixed 1977 weights computed on the basis of the IMF's world trade model. Fourteen currencies are included in this index.

5 OTHER DOMESTIC FINANCING

Table 5.1 Source: The Central Statistical Office of Finland. The public comprises households and non-profit institutions, enterprises (excl. financial institutions) and local government. Domestic foreign-currency deposits are included in the figures. Time deposits (Column 2) consist of tax-exempt time deposits held by the public. Investment accounts (Column 3) are taxable time

deposits held by the public. For the definition of unregulated deposits (Column 6), see the explanation under Table 3.4. Since the beginning of 1987, the figures for banks' holdings of certificates of deposit issued by other banks have been netted out. Netting out is done by the Bank of Finland.

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

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

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

FIM 7.7 billion at the end of 1986.

Table 5.6 *Turnover*. Source: The Helsinki Stock Exchange. *Share prices*. Source: Union Bank of Finland Ltd.

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

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

Table 6.2 Columns 1-8: Net change in long-term liabilities. Columns 9-13: Net change in long-term assets. Portfolio investment in Finland (Column 2) and abroad (Column 10): Secondary market transactions in securities and share issues. Long-term credits (Columns 3-6): Financial loans, import credits and leasing credits. Others (Column 5): Long-term credits of enterprises, financial institutions other than authorized banks and local government. Imports of other long-term capital (Column 7): Finland's subscriptions to international financial institutions paid in the form of promissory notes. Exports of other long-term capital (Column 12) = financial loans abroad + development credits + purchases of real estate and other acquisitions by private persons + Finland's subscriptions to international financial institutions.

Table 6.3 Net foreign debt (Columns 1-24) at the end of a period is classified in the same way as the corresponding data on changes in the capital account (Table 6.2). The items included in net foreign debt have been translated into markkaa using the spot rates for each date. Thus the figures include the impact of changes in exchange rates. Debt service payments (Column 25): the total of net payments of interest, dividends and remunerations relating to long- and short-term foreign liabilities and assets plus net repayments relating to long-term foreign liabilities and assets. Repayments do not include early repayments of loans, repatriations of equity capital included under direct investment, repurchases of shares included under portfolio investment (since 1986), repayments of the Bank of Finland's reserve tranche and oil facility credits, or repayments of rouble-denominated assets included under loan assets. The debt-service ratio (Column 27) = service charges on net foreign debt as a percentage of current account earnings.

Table 6.4 All direct investments have been placed under the corporate sector (Columns 1 and 6). Other (Column 9) consists mainly of long-term assets of private persons.

The sectoral figures for short-term foreign liabilities and assets correspond to the figures shown in Columns 15-23 of Table 6.3.

7 FOREIGN TRADE

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

On January 1, 1988, the new international harmonized commodity description and coding system was introduced in the compilation of the official foreign trade statistics. Because of the changeover, the trade value figures in the customs statistics are exceptionally high for December 1987 and exceptionally low for January 1988 as compared with the old system. For the sake of comparability, the customs statistics figures for December 1987 and January 1988 have been adjusted in the Bulletin to comply with the old system. For this reason the total trade values for 1987 as a whole also differ from the customs statistics. The Bulletin follows the same practice as in the balance of payments statistics. Adjustments have been made to all value and volume figures for exports and imports. Unit values correspond to those of the customs statistics. The adjustments have been made by the Economics Department of the Bank of Finland.

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

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

8 DOMESTIC ECONOMIC DEVELOPMENTS

Tables 8.1-8.5 Source: Central Statistical Office of Finland. Seasonal adjustment is carried out by the Bank of Finland.

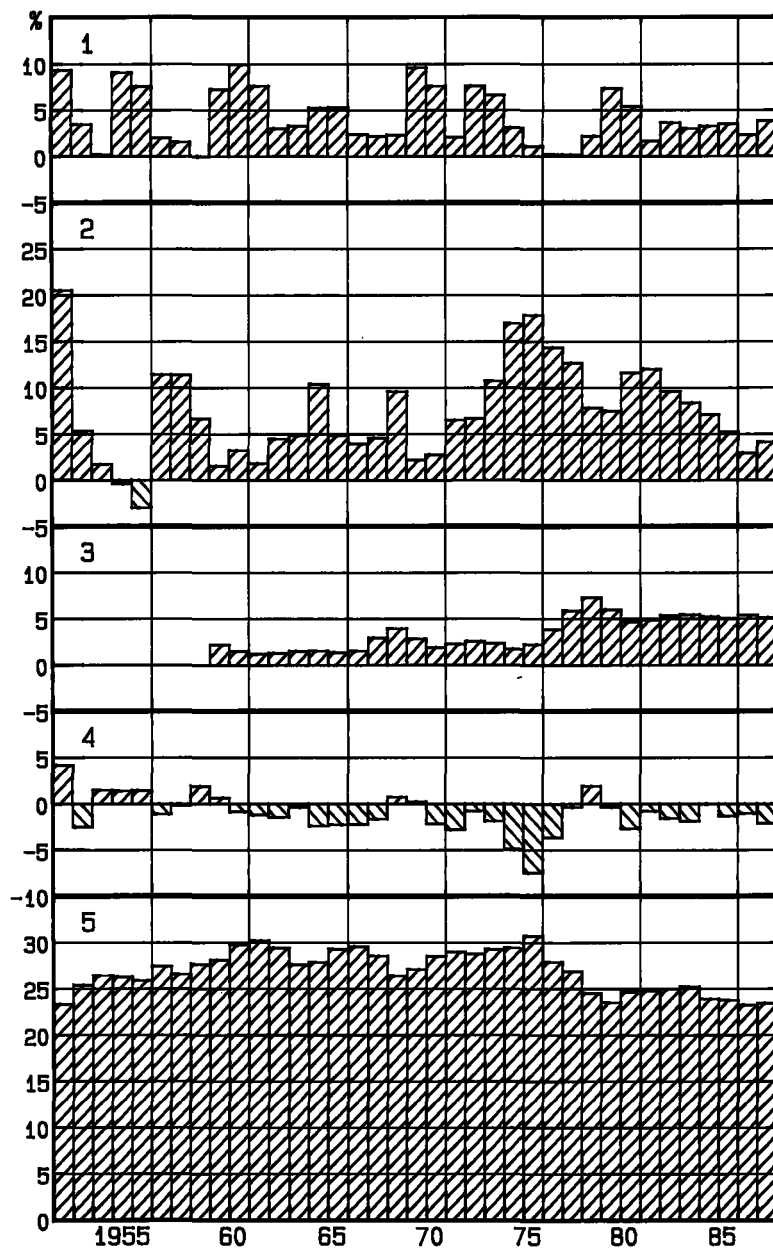
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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

Table 8.6 Source: Ministry of Finance.

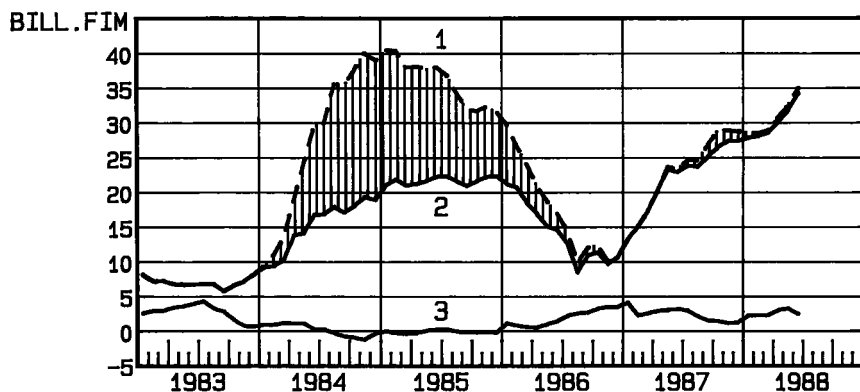
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Banks' central bank position	S29
5. Overnight rates	S30
6. HELIBOR rates of interest	S30
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10. Secondary market rates on bonds and debentures	S31
11. Bank of Finland currency index (monthly)	S32
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14. Changes in the exchange rates of selected major currencies	S33
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1. LONG-TERM INDICATORS



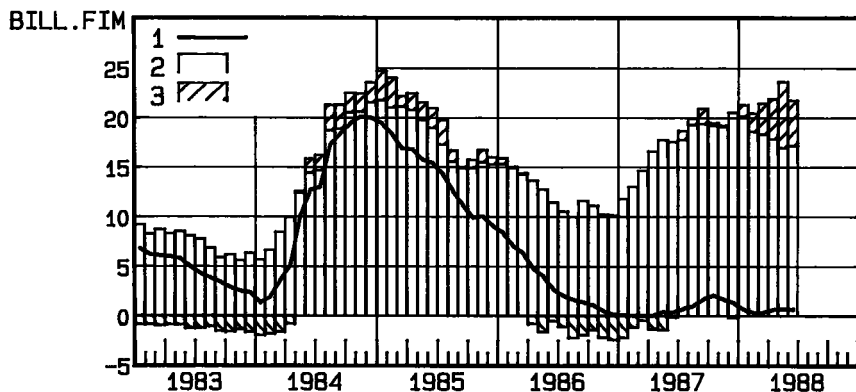
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



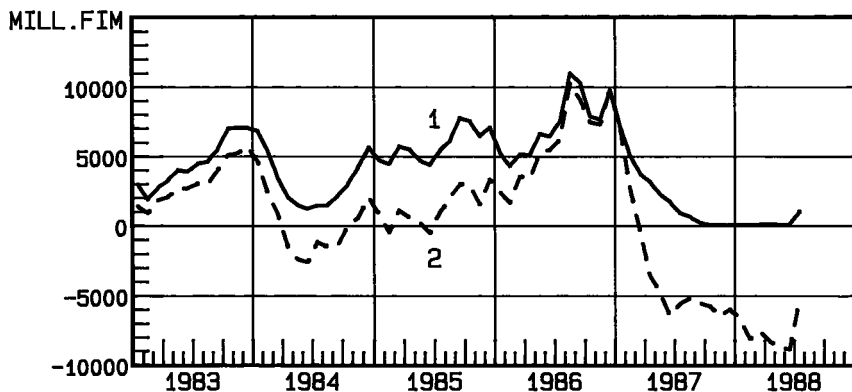
1. Convertible foreign exchange reserves plus forward position
2. Convertible foreign exchange reserves
3. Tied currencies

3. FORWARD MARKET



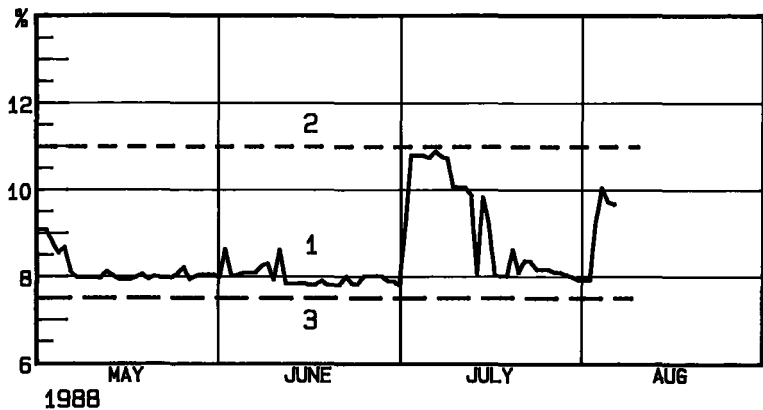
1. Forward exchange purchased by the Bank of Finland from banks
2. Forward exchange sold by companies to banks
3. Forward exchange sold by foreign banks to banks

4. BANKS' CENTRAL BANK POSITION



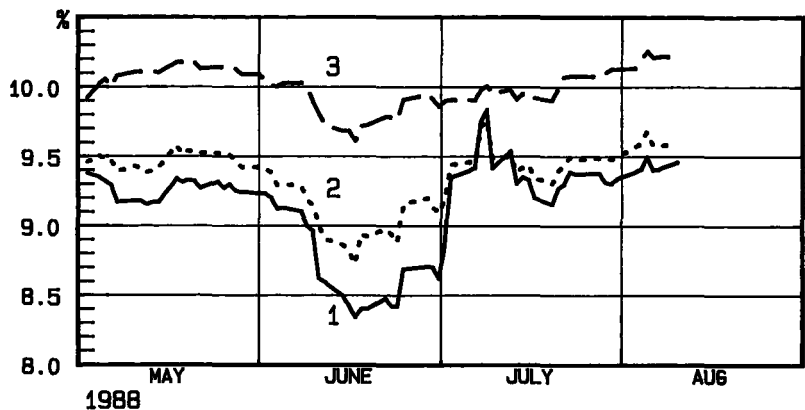
1. Gross debt to the Bank of Finland
2. Net debt to the Bank of Finland (excl. cash reserve deposits)

5. OVERNIGHT RATES



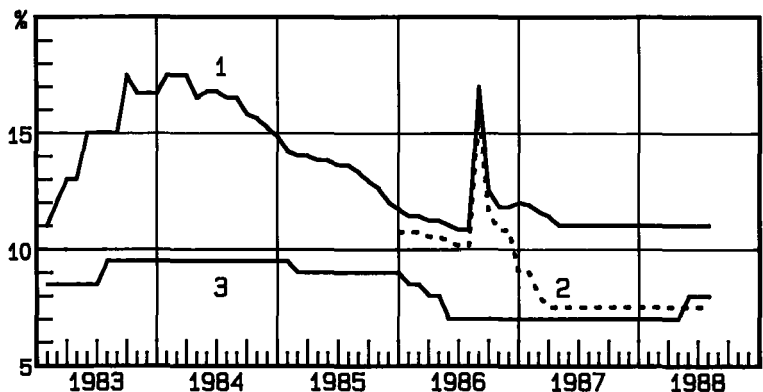
- 1. Inter-bank overnight rate
 - 2. Call money credit rate
 - 3. Call money deposit rate
- Daily observations

6. HELIBOR RATES OF INTEREST



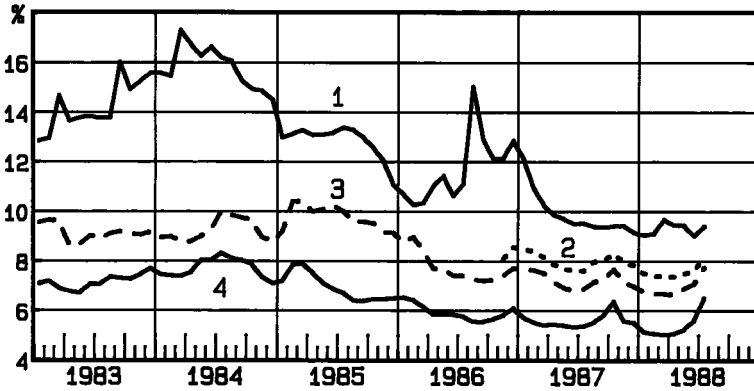
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

7. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



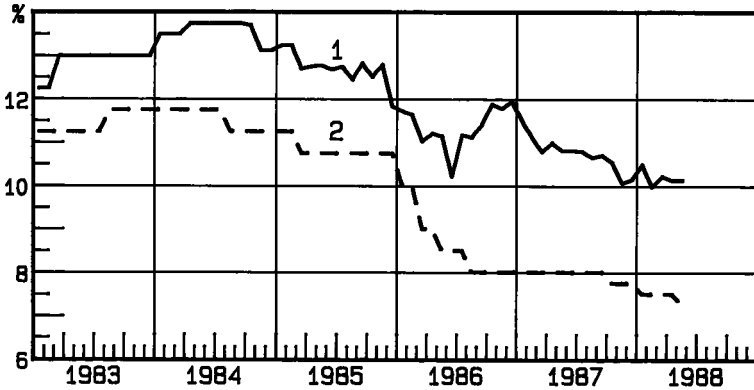
- 1. Call money credit rate
 - 2. Call money deposit rate
 - 3. Base rate
- End-of-month observations

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



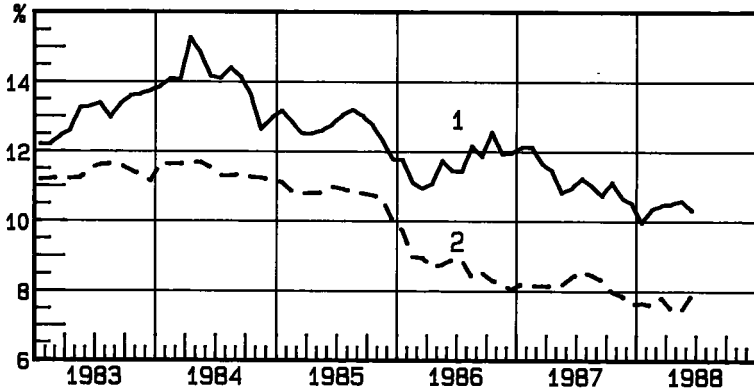
- 1. Covered Eurodollar rate
- 2. 12-currency basket rate
- 3. 8-currency basket rate
- 4. 3-currency basket rate

9. RATES ON NEW ISSUES OF BONDS AND DEBENTURES



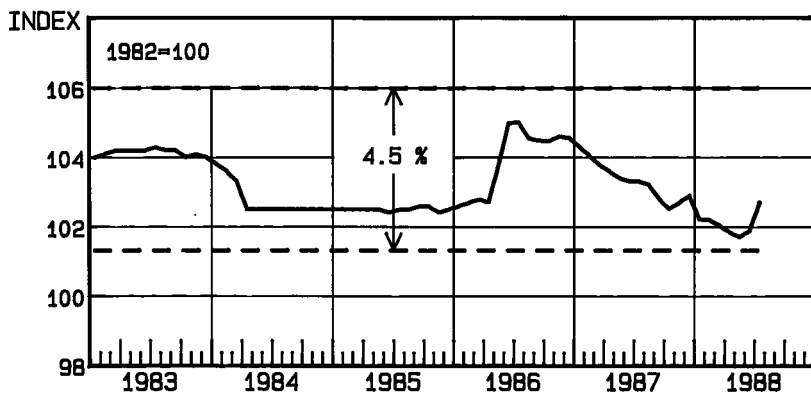
- 1. Rates on new fixed-rate debentures
- 2. Rates on new 10-year tax-free government bonds

10. SECONDARY MARKET RATES ON BONDS AND DEBENTURES



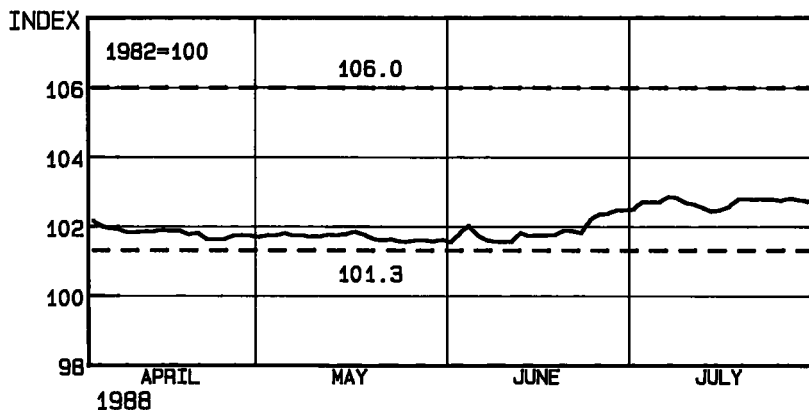
- 1. Secondary market rate on (3-6 year) fixed-rate debentures
- 2. Secondary market rate on (9-10 year) taxfree government bonds

11. BANK OF FINLAND CURRENCY INDEX



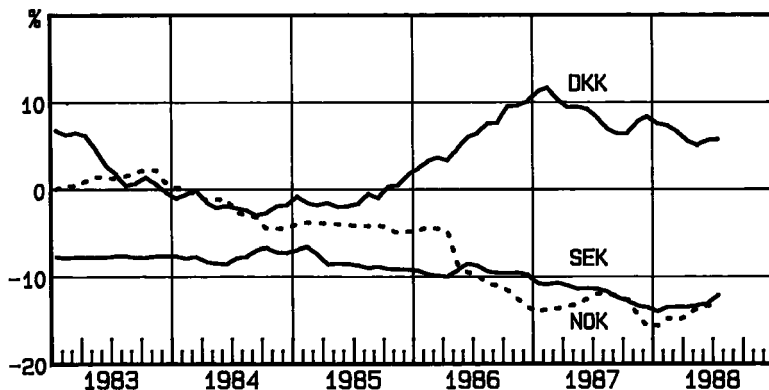
4.5 % = fluctuation range of the index
Monthly averages

12. BANK OF FINLAND CURRENCY INDEX



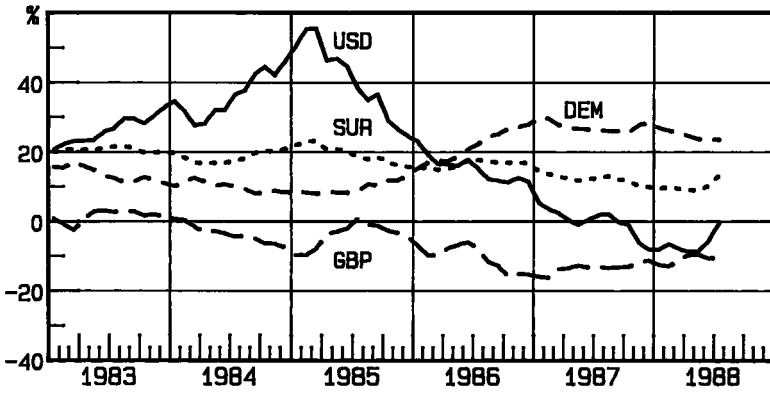
Daily observations

13. CHANGES IN THE EXCHANGE RATES OF SELECTED NORDIC CURRENCIES



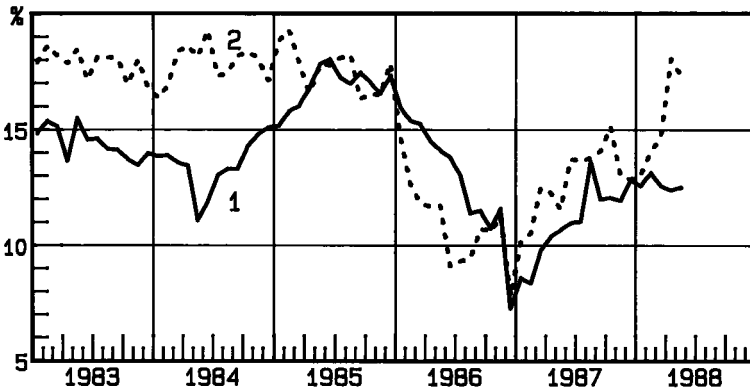
Monthly changes in markka selling rates calculated from the average rates for January 1982

14. CHANGES IN THE EXCHANGE RATES OF SELECTED MAJOR CURRENCIES



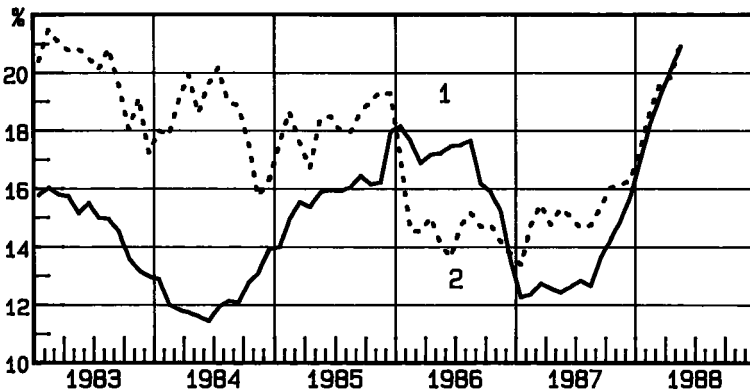
Monthly changes in markka selling rates calculated from the average rates for January 1982

15. BANK DEPOSITS FROM THE PUBLIC



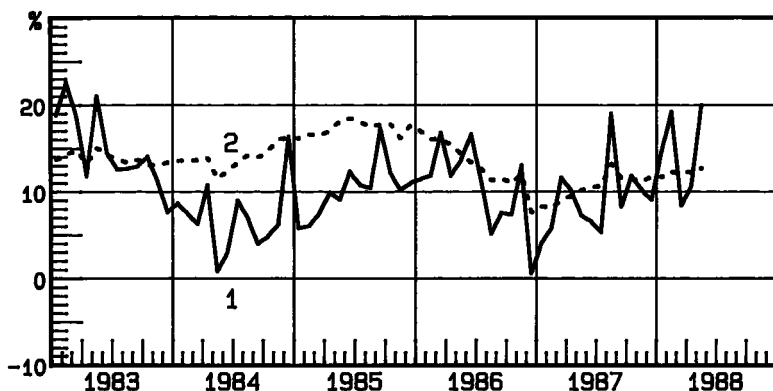
1. Regulated deposits
2. Total deposits
Change from the corresponding month of the previous year, per cent

16. BANK LENDING TO THE PUBLIC



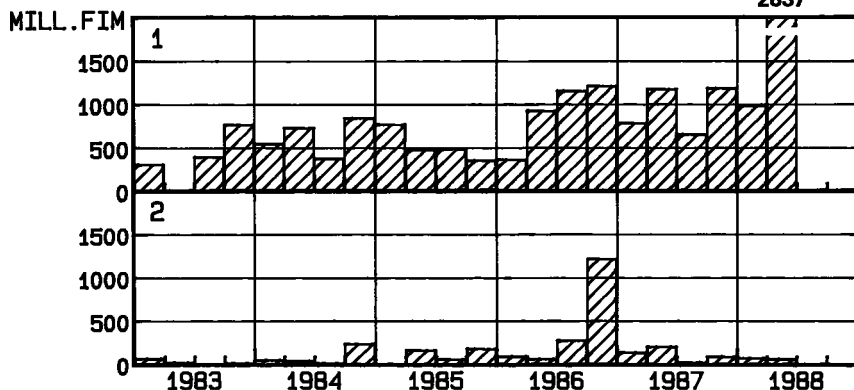
1. Markka lending
2. Total lending
Change from the corresponding month of the previous year, per cent

17. MONEY SUPPLY



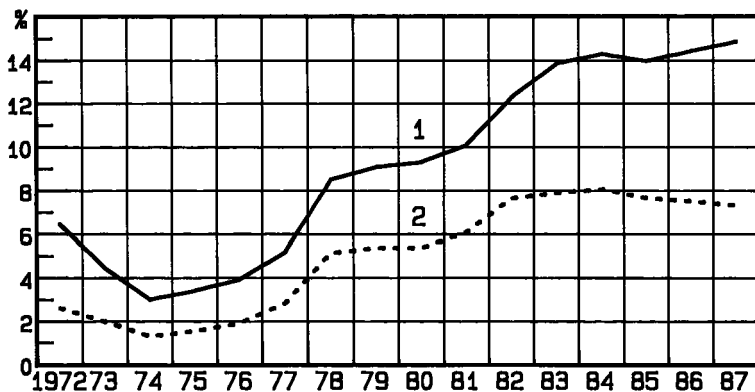
- 1. Narrow money supply (M1)
 - 2. Broad money supply (M2)
- Change from the corresponding month of the previous year, per cent

18. DIRECT INVESTMENT



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

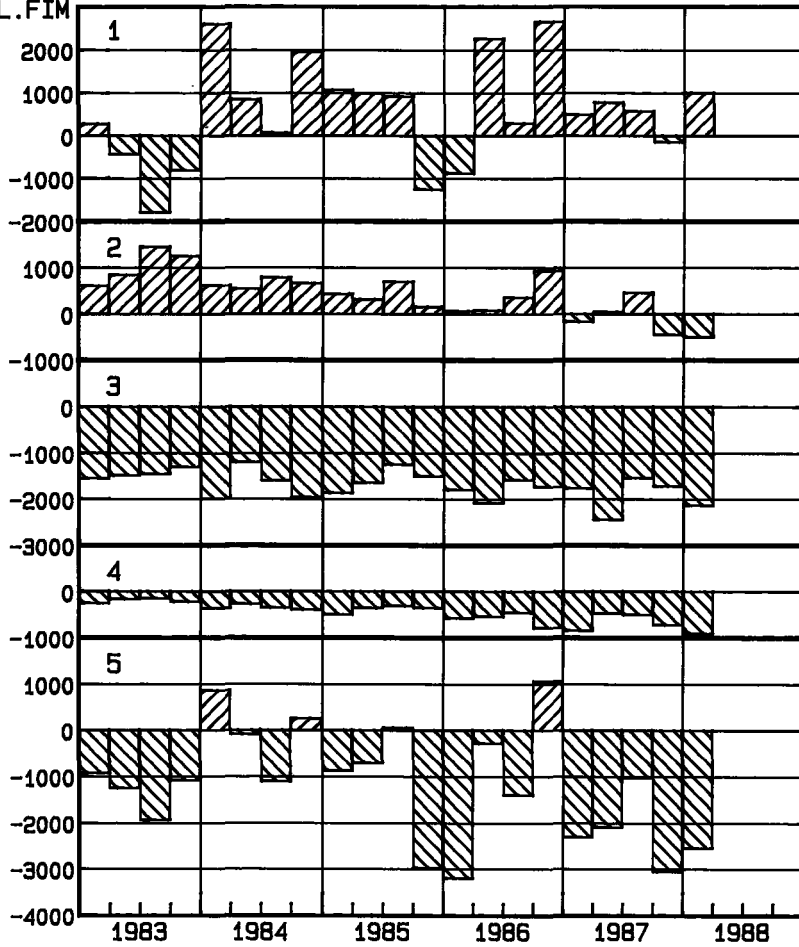
19. CENTRAL GOVERNMENT DEBT



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

20. CURRENT ACCOUNT

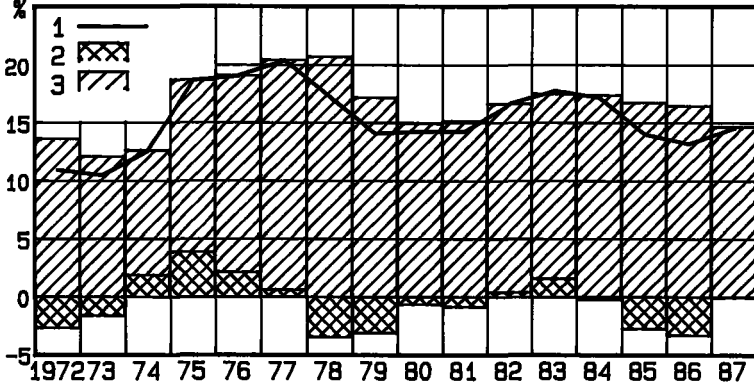
MILL. FIM



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

21. FOREIGN DEBT

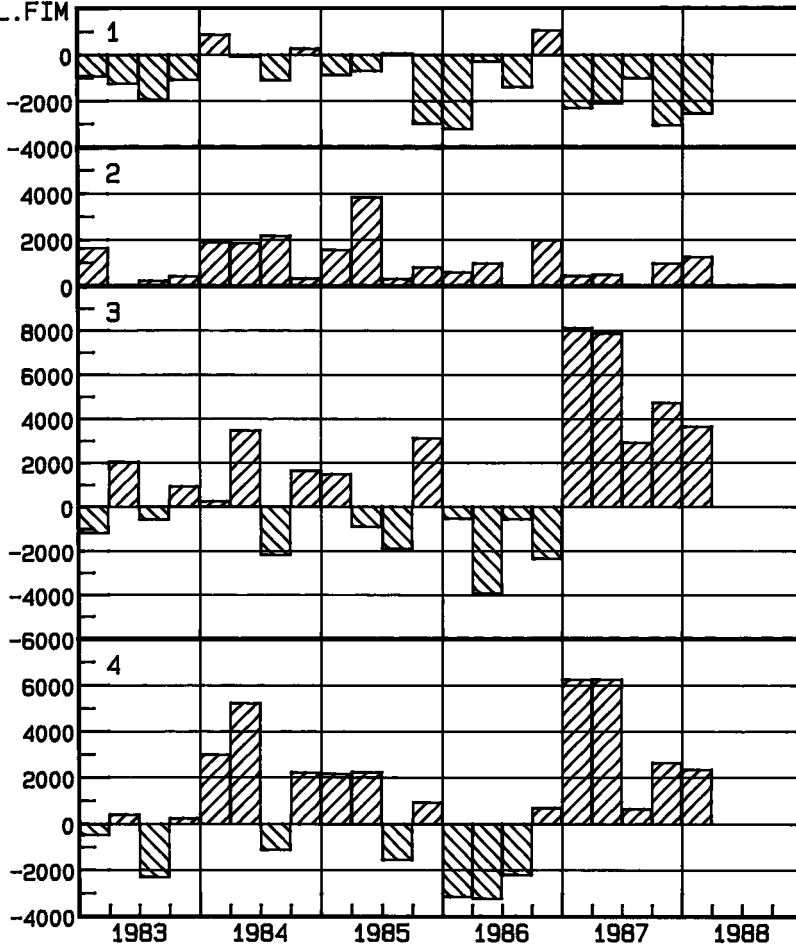
%



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

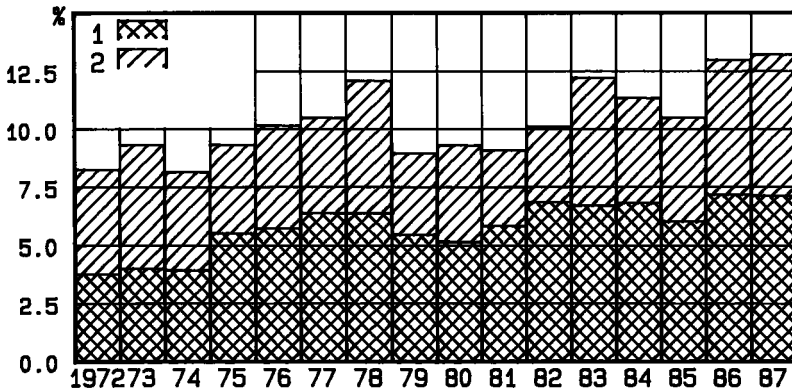
22. BALANCE OF PAYMENTS

MILL. FIM



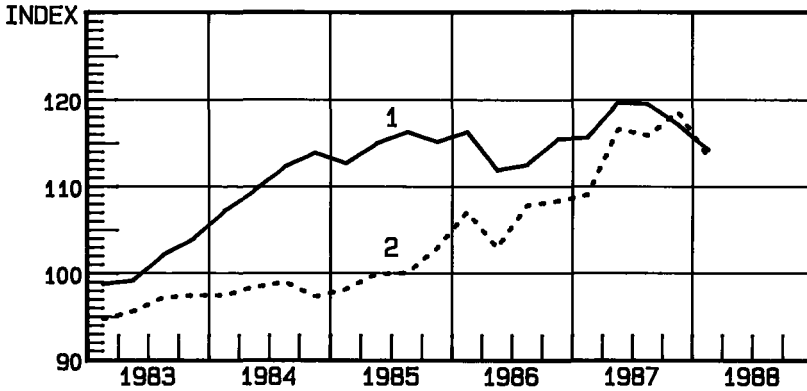
1. Current account
2. Long-term capital account
3. Short-term capital account
4. Overall balance = change in the foreign exchange reserves of the Bank of Finland

23. DEBT SERVICE RATIO



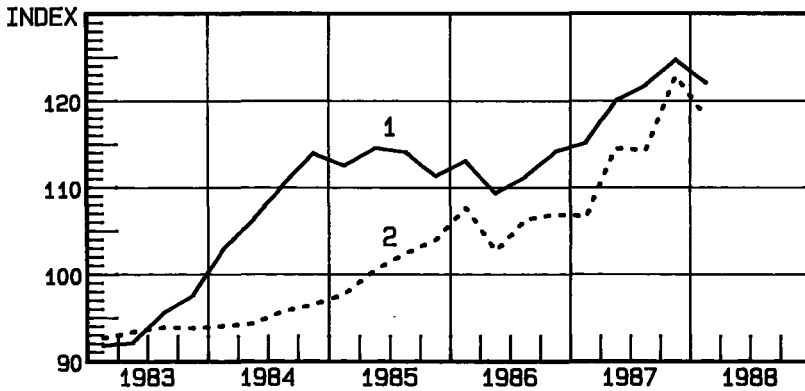
1. Interest payments
 2. Redemptions
- As a percentage of current account earnings

24. FOREIGN TRADE



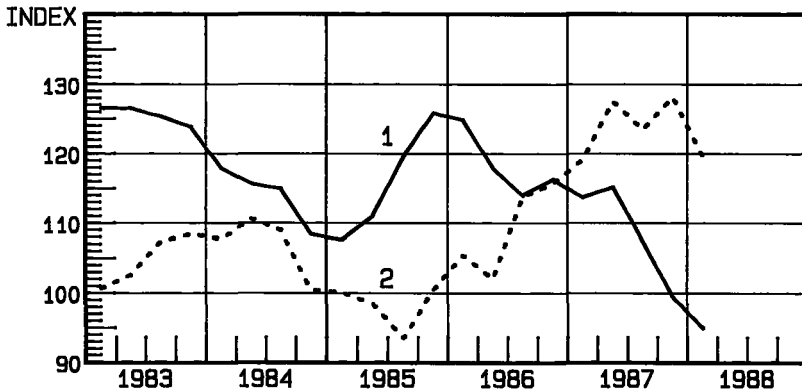
1. Total exports
2. Total imports
Volume index, 1980 = 100,
four-quarter moving average
shown as at the last quarter

25. WESTERN TRADE



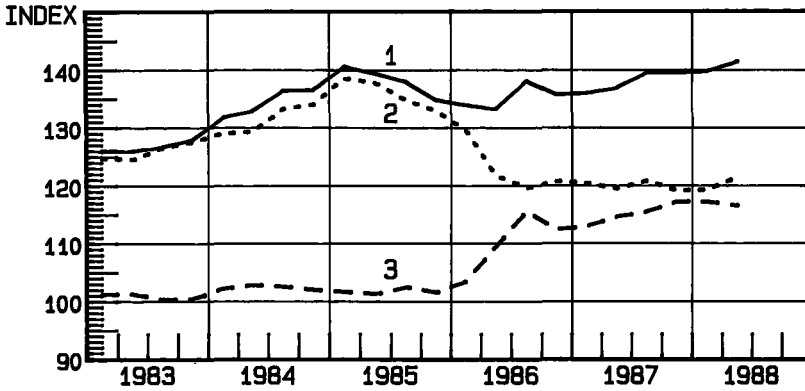
1. Western exports
2. Western imports
Volume index, 1980 = 100,
four-quarter moving average
shown as at the last quarter

26. BILATERAL TRADE



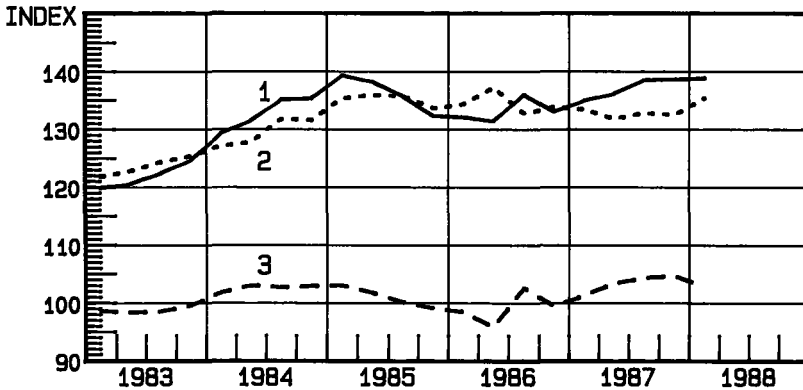
1. Bilateral exports
2. Bilateral imports
Volume index, 1980 = 100,
four-quarter moving average
shown as at the last quarter

27. FOREIGN TRADE: PRICES AND TERMS OF TRADE



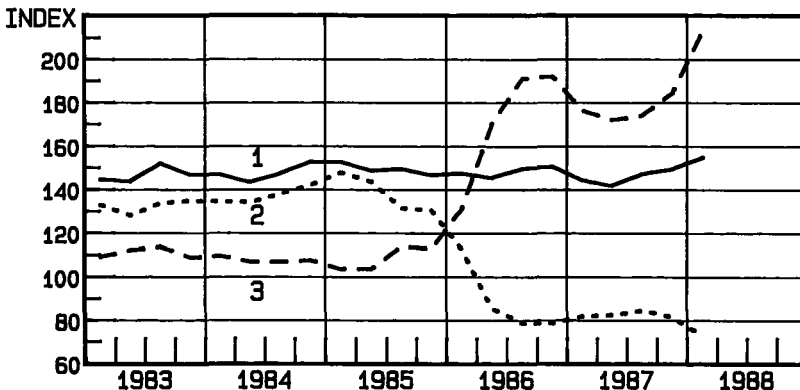
- 1. Unit value index of exports
 - 2. Unit value index of imports
 - 3. Terms of trade
- 1980 = 100

28. WESTERN TRADE: PRICES AND TERMS OF TRADE



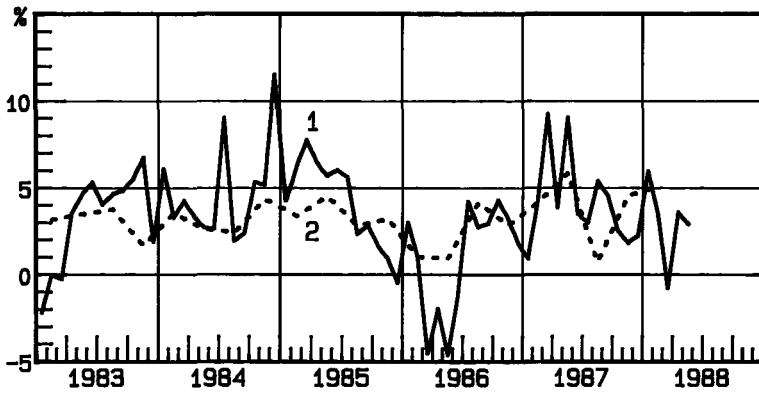
- 1. Unit value index of western exports
 - 2. Unit value index of western imports
 - 3. Terms of trade in western trade
- 1980 = 100

29. BILATERAL TRADE: PRICES AND TERMS OF TRADE



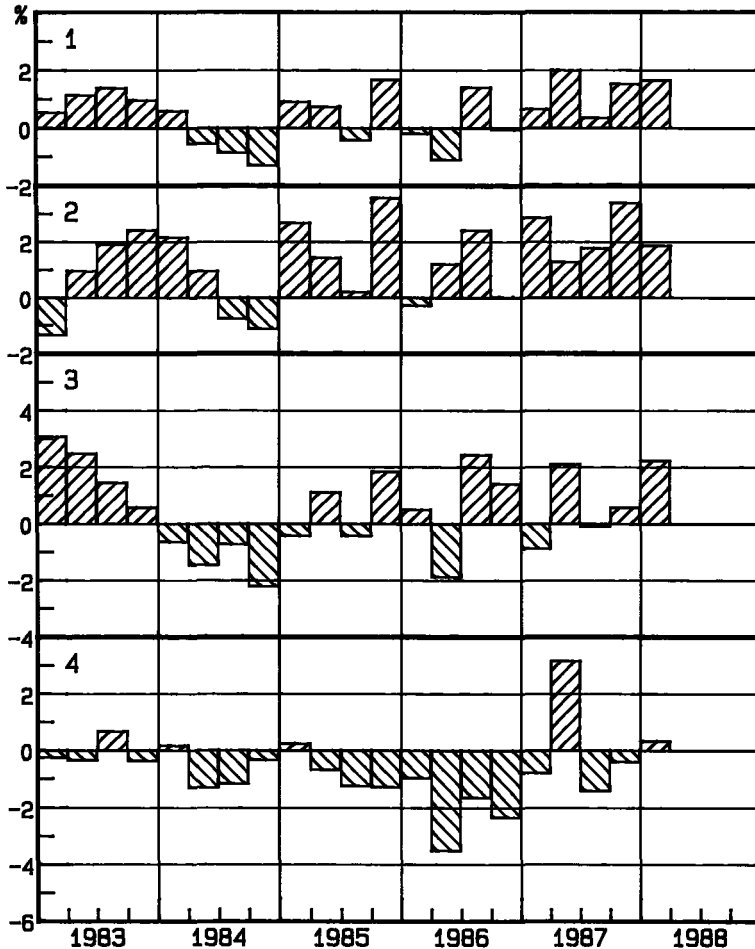
- 1. Unit value index of bilateral exports
 - 2. Unit value index of bilateral imports
 - 3. Terms of trade in bilateral trade
- 1980 = 100

30. PRODUCTION



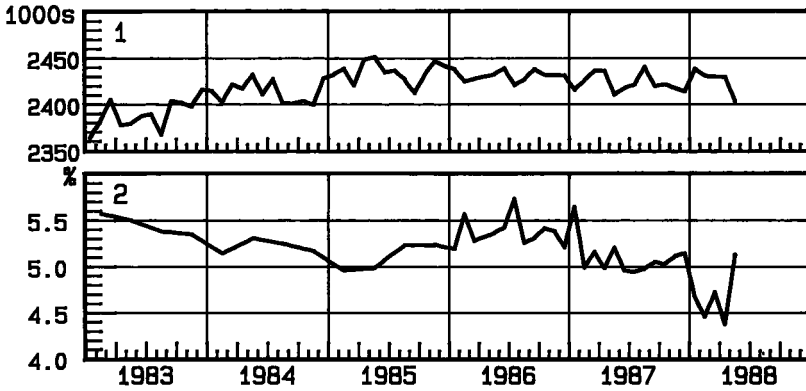
1. Industrial production, change in volume from the corresponding month of the previous year, per cent
2. GDP, change in volume from the corresponding quarter of the previous year, per cent

31. FIXED INVESTMENT



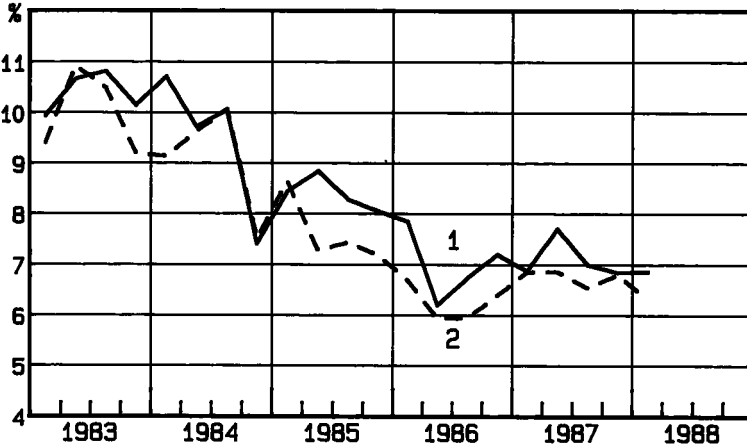
1. Total fixed investment
 2. Investment in machinery and equipment
 3. Building investment, excl. residential buildings
 4. Residential buildings
- Volume changes calculated from four-quarter moving totals and shown as at the last quarter, per cent

32. EMPLOYMENT AND THE UNEMPLOYMENT RATE

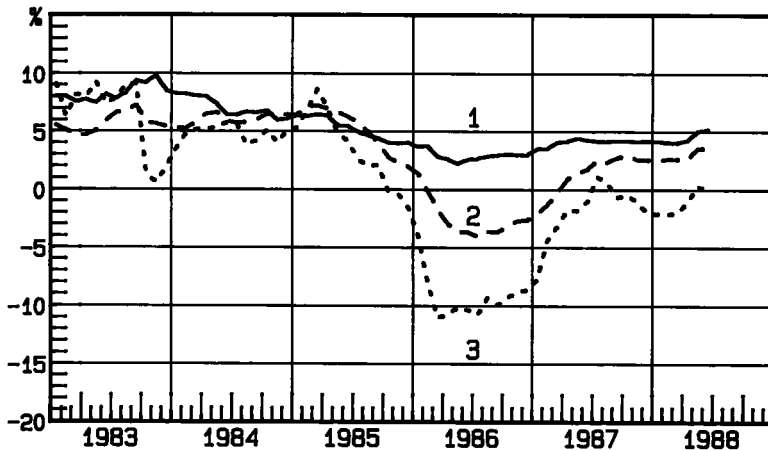


- 1. Employment, 1000 persons
- 2. Unemployment rate, per cent

33. PRICES AND WAGES

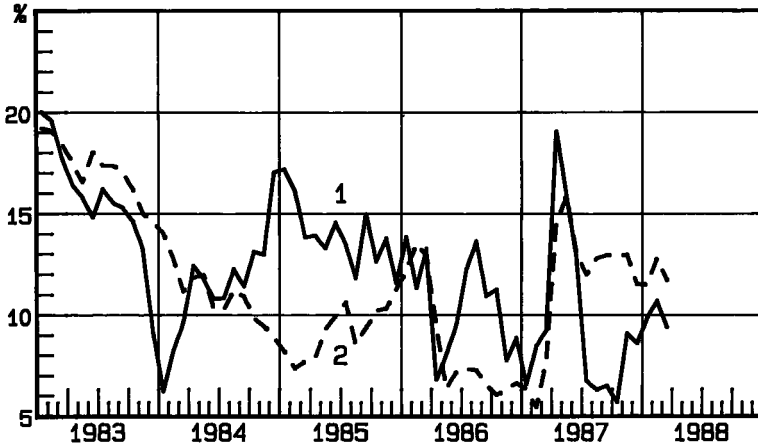


- 1. Index of wage and salary earnings, all wage and salary earners
 - 2. Index of wage and salary earnings, manufacturing workers
- Change from the corresponding quarter of the previous year, per cent



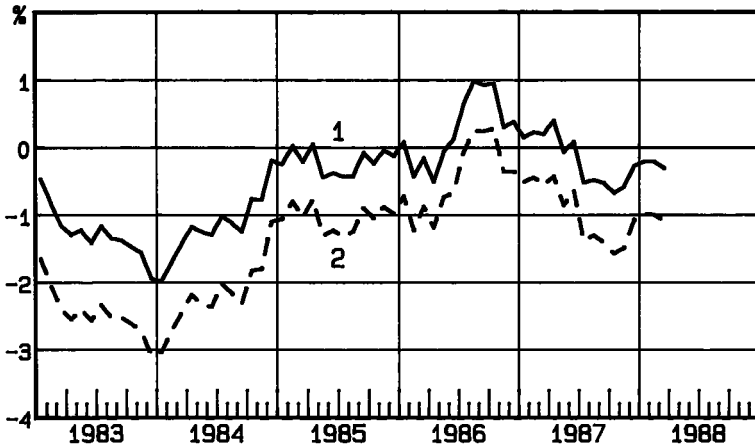
- 1. Consumer price index
 - 2. Wholesale price index
 - 3. Import price index
- Change from the corresponding month of the previous year

34. CENTRAL GOVERNMENT FINANCES



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

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



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

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

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