



# BULLETIN

BANK OF FINLAND

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What's Wrong with the Economy?  
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## EUROPEAN CURRENCY – A FINNISH VIEW<sup>1</sup>

by **Sirkka Hämäläinen**,  
Governor of the Bank of Finland

**F**inland applied for EC membership just a couple of months ago. The reasons for Finland's application are, of course, both economic and political. The application is a logical continuation of the Finnish trade and integration policies pursued throughout the post-war period. Finnish trade policies have always aimed at reducing trade barriers with the rest of Europe in order to enable us to better exploit the comparative advantages of our economy. Finland joined EFTA in 1961, and concluded a bilateral free trade agreement with the Community in 1973. Just a few weeks ago Finland, together with the other EFTA countries, signed the European Economic Area agreement, which will further reduce existing obstacles between EFTA and the EC.

The obvious implication here is that Finland's well-being is best served by membership of the Community. Whether a member or not, Finland must conform to most of the decisions made within the EC. But, membership offers us the chance to participate in the decision making process and to have at least some say.

From a central banker's point of view the most important aspects of membership relate to monetary cooperation. In this particular area, the application underlines our firm commitment to a regime of monetary and financial stability – a commitment that is in harmony with the goals of European monetary union.

Moving to a fixed exchange rate regime has in many coun-

tries involved the painful task of convincing markets of the firmness of the authorities' commitment. Lack of credibility is typically accompanied by interest rate volatility and high levels of real interest rates.

Finland's experience is no exception. Indeed it constitutes an object lesson in how long, laborious and costly the process of winning credibility for a fixed exchange rate policy can be, particularly when the country has a history of periodic devaluations and relatively high inflation.

Although the fixed exchange rate has been a central target in Government programmes for a decade, and the Bank of Finland has been strongly committed to this policy, its implications were apparently not fully understood in the past. Moreover, mixing incomes policy with fiscal policy in Finland often obscured the division of responsibility for economic decision making. This, in turn, had adverse effects on credibility.

One essential requirement for credibility is a policy that is clearly in conformity with a fixed exchange rate and low inflation. In addition, it is necessary to have institutional arrangements which underpin the policy. In their absence the markets will tend to test the strength of the commitment from time to time, thereby adding further to the costs of the disinflation process.

It is – and was at the time – obvious that Finland's unilateral decision almost a year ago to peg the markka to the ECU would not in itself be enough to convince the markets of the authorities' intention to follow a fixed exchange rate policy. Concrete decisions and policy action were essential in what were ex-

ceptionally difficult, and in many respects unique, economic and political conditions. The economy was adjusting to the overheating that took place in the period 1988–89. At the same time, exports to the former Soviet Union collapsed and even though the share of Soviet trade in total exports was no more than just over one tenth, the drastic fall, with its multiplier effects, dealt a heavy blow to our production. In addition, in some other important export markets, notably Sweden and the UK, demand contracted. On top of that, the forest industries, which account for about 40 per cent of our exports, had to cope with global excess capacity in many key product lines. As a result, the economy went into a very deep recession.

The task of policy making was complicated by disagreement within political circles about policy choices and by the fact that the Government was dependent on support from the opposition if public expenditure was to be cut.

However, the rather turbulent events of last November, including the 12.3 per cent devaluation of the markka – paradoxical though it may sound – helped to establish a very wide consensus about the need for a fixed exchange rate. This was illustrated by the measures taken to calm unrest in the financial markets in early April of this year. Budgetary expenditure cuts amounting to about 2 per cent of GDP were achieved without the need for negotiations with the opposition parties or the representatives of labour and industry, and bilateral support arrangements were worked out with other central banks.

Finnish participation in the EMU process will be very useful 3

<sup>1</sup> Based on a speech delivered by the Governor to the European Parliamentarians and Industrialists Council in Strasbourg on May 13, 1992.

and will further demonstrate that we have broken with the past and embarked on a course of low inflation.

At the same time, we are fully aware of the demanding adjustments that need to be undertaken in many member countries as well as in countries seeking membership. In addition, strong political will has to be present before the final step towards a single currency can be taken.

In Finland, as elsewhere, there are people who fear a real or imagined loss of autonomy in monetary policy. I do not share this view. It is a simple fact that any small country loses its monetary autonomy in the presence of free capital movements, irrespective of whether it is inside a union or not.

Our earlier monetary autonomy did not allow us to escape pronounced cycles of growth and recession and inflation and devaluation. In fact, it may have even made them worse. Companies and other entities had little incentive to exercise self-restraint when making decisions about investment and expanding business or about costs. They simply assumed that exchange rate policy would take care of competitiveness. The very exchange rate flexibility that was supposed to give us monetary autonomy actually gave rise to strong cyclical fluctuations and inflation problems.

In addition, in today's world of liberalized financial markets, exchange rate changes are easily neutralized by offsetting changes in interest rates. We have found that when expectations of an appreciation of a currency take hold in a boom period, interest rates tend to decline, thereby further stimulating economic activity. Similarly, in a recession expectations of a depreciating exchange rate lead to rising interest rates, which tend to reduce demand. Monetary policy autonomy is thus illusory at best, and damaging at worst.

Excessive reliance on monetary policy as an instrument of counter-cyclical policy also tended to divert attention from the

need for urgent changes in markets and institutions that would make *real* – rather than nominal – adjustment easier and faster. By emphasizing the need for just those changes, a policy of fixed exchange rates promotes steady and sustainable economic growth.

It is worth mentioning a few areas where changes are inevitable in Finland. The first is in the area of fiscal reform. Tax structures are out of line with those found in the Community and they also give rise to distortions and a waste of resources in the form of tax arbitrage.

Secondly, flexibility in the labour market is vital. Compared with earlier decades, much has been achieved in Finland and the signs of recovery now appearing owe much to moderation in the labour market and the "zero" incomes agreement worked out in the autumn after the devaluation. However, it is essential that flexibility be shown in good times as well as in bad times.

Finally, there is the question of competition and efficiency in our market. Greater European integration will help improve their functioning, but we can also do much ourselves in this area.

I would like to conclude with a few words on the economic situation in Finland with respect to the EMU criteria.

There are signs that the Finnish economy is gradually returning to a sustainable, export-led growth path. Recent data on the balance of payments and price developments are encouraging. The surplus on the trade account is increasing, while consumer price inflation has remained below 3 per cent. But interest rates are still clearly higher than in the EC countries.

Although the favourable price developments are to some extent due to the current low level of economic activity, I believe that recent steps to curb the growth of government spending, together with new legislative measures to remove impediments to competition, will make the Finnish economy less prone to inflation. This will not be

enough, however. There is a pressing need for continued wage moderation in the coming years and for enhancing the flexibility of the labour market.

Attaining the convergence criteria would appear to be a realistic target as regards fiscal conditions. Compared with most other European countries, public debt in Finland is low. Although the recent deterioration in government finances is to some extent a result of the recession, part of the deficit is structural. Thus, further actions are needed to reduce public expenditure, if we are to meet the budget deficit target by the middle of the decade.

Progress towards European economic and monetary union appears to be taking place. The successful pursuit of anti-inflationary policies is the key to whether or not a country can meet the economic conditions for monetary union. I am confident that Finland can pass this test, although it will be – and should be – a demanding task. This is the real challenge facing policy-makers in the years ahead.

June 1, 1992

# WHAT'S WRONG WITH THE ECONOMY?<sup>1</sup>

by **Sixten Korkman**, Director General  
Economics Department  
Ministry of Finance

**T**he Finnish economy has performed very well in this century, also in the post-war period. The country's capital base has expanded substantially and the general level of education has risen. Total output has grown rapidly and the economy has become diversified. Thanks to these developments, Finland, a small economy dependent on foreign trade, today has a high standard of living and little poverty by international standards.

Thus the achievements of the past decades give much cause for satisfaction. We should bear this in mind for two reasons. First, this course of development has not always been viewed in a positive light. On the contrary, throughout the decades people have constantly lamented over the troubles besetting the economy. Looking back on all this, something Mark Twain once said about Wagner's music readily comes to mind: "Wagner's music is better than it sounds".

The second reason for satisfaction with the achievements of the past decades relates to the current economic situation. The present recession, which our economy entered a couple of years ago, has, even when viewed from a long historical perspective, already established itself as a unique, exceptionally severe crisis. So, without dwelling any longer on past decades, those 'good old days', I would like to turn instead to the current recession, its causes and its nature.

It has become commonplace to characterize the present plight of the economy – sharply lower

production and record unemployment as well as large current account and budget deficits – by means of a multi-shock theory. This view simply states that our troubles stem from the fact that the economy has been hit simultaneously by a number of disturbances, both international and domestic in origin. Among the main external factors are the collapse of exports to the former Soviet Union, the recession in western markets and global oversupply of forest products.

As for the domestic factors, among the most important are probably those related to the liberalization of the financial markets – excessive lending, unsustainable rises in real estate and share prices, the bursting of the bubble that followed, bankruptcies and credit losses. For other reasons too, the economy overheated significantly in the latter half of the last decade, leaving in its wake serious imbalances in the form of weakened competitiveness and profitability, as well as heavy domestic and foreign debt. One might also point out that the structure of our economy has for long been distorted by a trendwise decline in exports in relation to production.

According to the multi-shock theory, the uniqueness of the situation lies simply in the fact that this time everything that could possibly go wrong did in fact go wrong and all at the same time. Also, the various factors have reinforced each other, pushing the economy into a recession that feeds upon itself. Moreover, society was ill-prepared for these fateful blows, as neither our own Economics Department nor indeed any other official body or research institute was able to foresee the depth of the plunge.

The multi-shock theory is in itself irrefutable, and we can perhaps also agree that we all share the blame for what has happened: banks, companies, labour market organizations, Governments, the Bank of Finland, economists etc. Our problems can be put in a nutshell in the same way as has been done, for example, in Norway, the United Kingdom and the USA: bad luck, bad policies, bad banking.

There is, however, another way of looking at our economic problems, which is perhaps more fruitful from the standpoint of economic policy. I would argue that both the world and Finland have changed in recent years in such a way that certain basic institutions that govern the economy are no longer in harmony with the economic environment. I am thinking here of three special features that have been at the centre of the Finnish economy throughout the post-war period.

The first of these features relates to the financial system. Financing in Finland has traditionally been debt-oriented and dominated by banks. This is due primarily to the fact that taxation has in many ways favoured debt financing, especially through banks, over equity financing. Strict regulation of the financial system was also an essential ingredient for many years.

The regulated financial system was inherently stable. Credit losses hardly ever occurred, as customers who ran into difficulty with their payments were bailed out by means of interest-free loans. The resultant costs were shifted onto other customers through the regulation of average interest rates. Hence, the banking system was capable of

<sup>1</sup> Based on a speech delivered on the occasion of the 50th anniversary of the Economics Department of the Ministry of Finance on March 5, 1992.

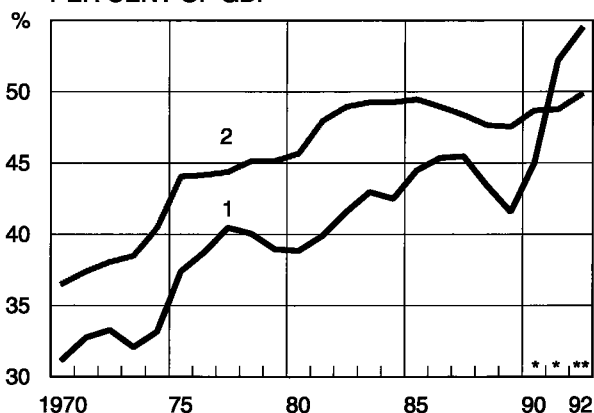
bearing risks because other customers were forced to pay for losses caused by problem-customers. Risks were also spread more widely in the economy as a whole by devaluing the currency whenever necessary, in other words by changing the distribution of income in favour of the open sector and reducing the real value of debt through inflation.

Now the situation is different. In free financial markets interest rates and asset prices may fluctuate widely, as a result of which risks are high. The problems of customers in difficulties cannot be easily shifted onto other customers, and hence credit losses are greater. The changed external environment and the need to stabilize interest rates also imply the need for a commitment to a fixed exchange rate. But success in these endeavours is possible only if the economy has the capability to bear risk that is based on a sound financial system and if both firms and banks have adequate capital.

The recovery of investment requires both willingness and ability to bear risk. We need stronger financial structures. The taxation of capital income and investments should be swiftly reformed so as to favour, or at least permit, risk financing rather than favouring debt capital as at present.

Another distinctive institutional feature of Finland is the central role of corporatism. Indeed, Finland is more a society of organizations than a market economy. Centralized incomes policy is perhaps considered more important in our country than anywhere else. However, one can question whether centralized, and hence inevitably rigid, pay settlements still provide the best framework for economic activity that takes many different forms. Is there not cause for transferring more power and responsibility to the company level, to the people who must in any case bear the consequences of the decisions made? Does the present system allow wage adjustments – including pay cuts

**CHART 1.**  
**TOTAL PUBLIC SECTOR EXPENDITURE,**  
**PER CENT OF GDP**



1. Finland  
2. OECD Europe

\* Preliminary  
\*\* Forecast

Sources: OECD and Economics Department,  
Ministry of Finance; incl. all pensions

when necessary – as might sometimes be required in order to ensure a high level of employment under a fixed exchange rate regime? These are questions one can ask; it is not my intention here to provide the answers.

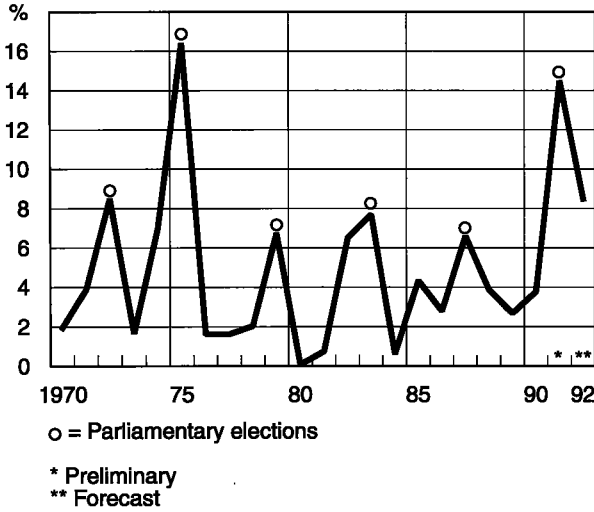
The third question regarding institutions, which in my opinion is now seen in a new light, concerns the public sector. Finland's public sector has been growing rapidly for a long time and its share of total output has consequently risen to a level that is now high even by international standards (Chart 1). There are a great many reasons for this expansion. Essentially, it is a question of our wanting to build a welfare society after the model of the other Nordic states; in this, we have been reasonably successful. The problem now is that the level of public expenditure is very high relative to the rest of the economy. Furthermore, because of existing statutory requirements there is a tendency for expenditure to continually expand faster than GDP.

While public expenditure has grown rapidly, tax revenue has, on account of the recession, decreased even in nominal terms. Because of this scissor-like movement, the central govern-

ment is currently accumulating debt at an unprecedented pace. Rising debt that is due to recession and expansive fiscal policy would not give cause for alarm if it were a temporary phenomenon. This, however, does not appear to be the case.

The indebtedness of the central government and of the public sector as a whole is growing rapidly. Moreover, according to our calculations, growth will continue for some years to come, even if the economy returns to an acceptable growth path, spending is frozen in real terms and the ratio of gross taxes to GDP remains at the current level. In other words, the public sector deficit is structural. The bases on which public sector expenditure and taxes are determined are not consistent with each other; either expenditure must be cut or taxes raised. Since raising the level of taxation would be extremely difficult for many reasons, not the least of which is the ongoing process of integration, it seems inevitable that sooner or later public expenditure will have to be cut back with a heavy hand. The problem is not made any easier – on the contrary it is exacerbated – by Finland's very large net foreign debt.

**CHART 2.**  
**CENTRAL GOVERNMENT EXPENDITURE,**  
**PERCENTAGE VOLUME CHANGE**



Stopping the upward spiral in central government debt calls for a re-evaluation of the role and tasks of the public sector, which is, of course, largely a political issue. In fact, problems concerning fiscal policy are almost inevitably political problems as well. This can be seen in the fact that central government outlays over the past two decades have risen fastest in years in which parliamentary elections have been held (Chart 2). Thus there appears to be a political cycle in Finland, whereby each Government, in turn, tries to win votes by raising the level of public services and other benefits, at the

same time raising current taxes or future taxes (through borrowing). I believe that the Ministry of Finance will be successful in slowing or stopping the growth of public spending only if it can persuade decision makers and citizens alike that public services are not after all free; someone must pay for them, even when they bear no price tag.

As stated above, basic changes of attitudes and institutions are needed in Finland in three areas: in the financial system, in the labour market and in the public sector. We need to improve the private sector's ability to take and bear risk and the abil-

ity of firms and the labour market to respond flexibly to changing conditions. Finally – perhaps most difficult of all – we must adapt the public sector to the bounds set by the economy.

Needless to say, the view set forth above can be challenged. Experience has taught us that our ability to forecast, to understand and to draw the right conclusions is regrettably limited. Keynes, the teacher of all macro-economists, once said about the British Treasury that it occasionally made the right decision, but only after having tried all the other alternatives.

June 1, 1992

# THE BOND MARKET IN FINLAND

by Yrjö Koskinen, M.Pol. Sc.  
and Pertti Pylkkönen, M.Pol. Sc.  
Financial Markets Department  
Bank of Finland

## BACKGROUND

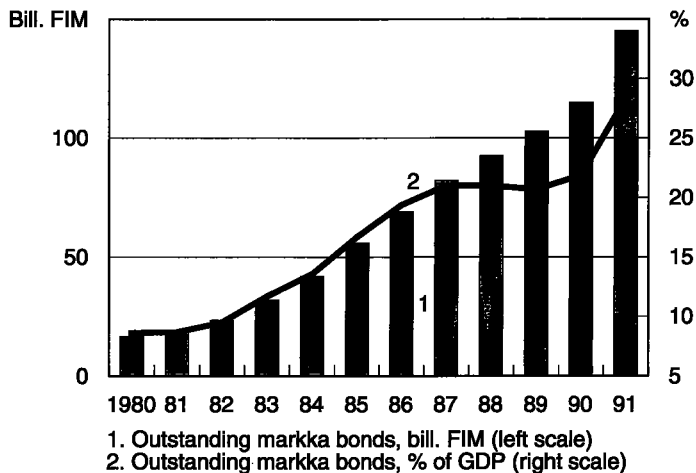
The significance of the bond market in Finland's bank-dominated financial markets has increased markedly over the past two years. The volume of markka-denominated debt issues has grown substantially, whereas the growth of other financial instruments has practically come to a halt. Bank lending has been particularly subdued.

Besides expanding rapidly, the bond market has undergone significant structural change. Underlying the change has been the rapid rise in the deficits of the public sector and the problems of the banking sector. Furthermore, the introduction of the withholding tax on interest income at the beginning of 1991, which involved a substantial easing of the taxation of interest earnings, made bonds more attractive to domestic investors.

Despite this rapid growth, the amount of bonds outstanding is still fairly low in relation to gross domestic product (Chart 1). Although the secondary market has also expanded rapidly, it remains rather thin owing to the modest size of the outstanding stock and the heterogeneity of the terms applied.

At the end of the first quarter of 1992, there was some FIM 150 billion worth of bonds outstanding. Bonds sold to the public amounted to FIM 97 billion. Of this amount, tax-exempt bonds, which are held mainly by households since their tax-exempt status applies only to investments by individuals, accounted for FIM 13 billion. As institutional investors have not acquired these bonds because of their poor rates of return, they are not actively traded in the secondary market.

CHART 1.  
MARKKA BOND MARKET



The present structure of the bond market reflects the dominant position of the banks in the financial markets, which stems from, inter alia, the tax exemption of deposits and bonds as well as from the system of interest rate regulation and exchange control applied until fairly recent times. The strong financial position – even occasional surpluses – of the public sector was also a factor curbing the expansion of the bond market in Finland.

The bond market has been of only minor significance as a source of long-term financing for companies, particularly in industry. Long-term market interest rates have been at a high level for several years, and this has discouraged firms from raising long-term markka-denominated loans.

Apart from being high by international standards, interest rates in Finland have been very volatile in recent years. This has also had a dampening effect on the sale of corporate debt securities. Almost all of these have,

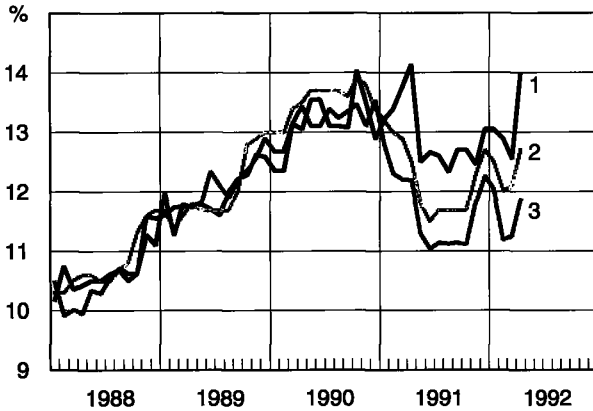
been fixed-rate bonds; a market for variable rate bonds has not developed as yet. The pricing of corporate bonds is hampered by the fact that there is still no credit rating system operating publicly in Finland, even though the risk associated with lending to companies has increased substantially.

The pricing of bonds has been rather obscure in the thin domestic market. Furthermore, domestic investors have not, up until now, even demanded risk premiums on their investments, apparently because the market has not seen bankruptcies and because loans have generally been guaranteed by banks. It was not until last year that the market began to react to differences in risk associated with different issuers (Chart 2).

The issuance of long-term corporate bonds has also been curbed by the arrangement whereby contributions to employment pension schemes in the private sector have been lent back to companies and by other

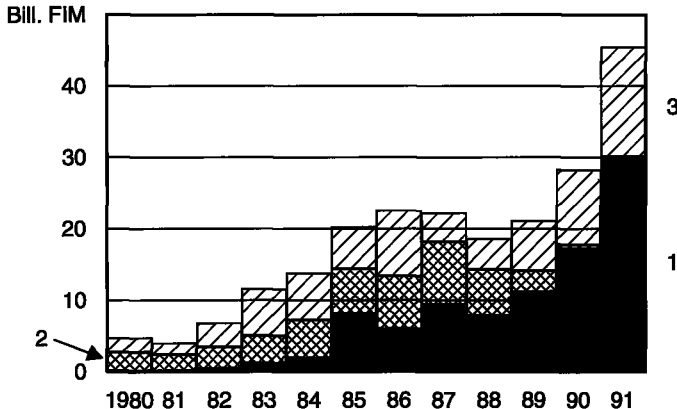


**CHART 2.  
MARKKA BOND YIELDS**



1. Corporate bonds, 3-6 years
2. 5-year reference rate (bank risk)
3. Government bonds, 4-5 years

**CHART 3.  
MARKKA BOND ISSUES**



1. Taxable public issues
2. Taxfree public issues
3. Private placements

direct lending by insurance companies.<sup>1</sup> Borrowing from these sources has largely satisfied companies' needs for long-term market financing and, at the same time, absorbed insurance companies' investment capacity. Companies have also utilized foreign currency financing in lieu of markka financing. Borrowing from abroad has taken place mainly through banks because most Finnish firms are too small or too little known to issue bonds in their own names in the international markets.

### **VOLUME OF ISSUES GROWING**

There was a sharp increase in issue activity in the bond market in 1991. The amount of new issues grew substantially and the liquidity of the secondary market improved. Besides experiencing vigorous growth, the market underwent significant structural change. Contributing to this change were the rapid increases in public sector deficits, the introduction of the withholding tax and the tightening of banks' capital adequacy requirements. As a result, the volume of issues by banks and the central government, in particular, increased substantially. At the same time,

the volume of loans to the public that are tradeable in the secondary market grew as a share of the total volume of new issues (Chart 3).

Because of the severe economic recession, the financial positions of both the central and local government sectors deteriorated rapidly in 1991 and the deficits have widened at a still faster pace in the current year. In order to cover their financing needs, the central government and municipalities have sharply increased their bond issues.

The borrowing activity of the central government over the past year and a half has focused on the international capital markets. During this time, it has raised new long-term capital totalling almost FIM 50 billion in gross terms both domestically and abroad.

Of the total gross debt financing raised in the markets, two-thirds, i.e. FIM 33 billion, comprised foreign currency-denominated debt raised in the international debt markets, making the Republic of Finland one of the largest borrowers in the Euro-market.

During the same period, the central government issued some FIM 14 billion worth of long-term markka-denominated debt, over half of which was sold to foreign investors. However, sales to foreigners dried up after the November devaluation, and this has also been reflected in the volume of bonds auctioned by the central government since the start of the current year. The bond auctions have also been disturbed by sharply fluctuating interest rates.

The central government's borrowing needs will remain substantial for several years to come; its overall net financing requirement for 1992 is currently estimated at FIM 50 billion. The central government has announced that its aim for the current year is to divide its borrowing roughly equally between markka and foreign currency-denominated debt.

From the point of view of the Finnish bond market, the marked

<sup>1</sup> For details, see the article by Pertti Pylkkönen and Jaakko Tuomikoski in the December 1991 issue of the Bulletin.

increase in issue activity by the local government sector can be regarded as a welcome development, though of still relatively modest proportions. In addition to the municipalities' own issues, the recently established Municipality Finance Ltd, which is owned by the municipalities' pension insurance company, has begun to raise long-term markka and foreign currency financing in the bond market for intermediation to municipalities.

The financial institutions have traditionally played a central role in the issuance of bonds in Finland. Previously, issues were launched primarily by mortgage banks and finance companies, whereas deposit banks seldom resorted to the bond market for long-term funding. Long-term domestic funding was obtained almost exclusively from tax-exempt fixed-term deposits.

However, with the introduction of the withholding tax at the beginning of 1991, there has been a gradual shift in the structure of banks' long-term markka funding. Last year witnessed a precipitous increase in the amount of bond issues by banks. The issues were concentrated in the early and latter parts of the year, when substantial amounts of tax-exempt fixed-term deposits matured. In addition, private individuals have shifted funds from tax-exempt markka deposits into bonds issued by banks, whose after-tax returns have clearly exceeded those of the former.

At the same time, there has been marked improvement in the functioning of the market in that investors have begun to demand a clear risk premium on these bonds, as compared to government issues, as the banks' problems have worsened. The extra premium that investors have demanded on loans to banks because of the relative illiquidity of the secondary market has further increased the costs of such bonds relative to government bonds. For private individuals in particular, it has been difficult, if not practically impossible, to obtain information on trade prices.

The risk premium between government bonds and bonds issued by the banks has actually grown noticeably since the beginning of 1991. The central government and the banks are the two main sectors that compete for long-term markka financing in the domestic capital market. Recently, the banks' poor financial results have substantially weakened their capital positions. Despite this, the banks have issued only a very small amount of debentures, which are included in supplementary (Tier 2) capital. These issues have been undertaken primarily by local (savings and cooperative) banks; the large commercial banks have scarcely made any issues at all. The supply of debentures has also been restrained by the risk premium demanded by investors, which makes this type of funding expensive.

Business investment has contracted sharply in the last two years because of the recession, and this has reduced the need for long-term financing. Companies have in practice acquired long-term markka financing only from insurance institutions. This borrowing activity continued to expand at a vigorous pace right up until last year, but it too has slowed in the current year.

The volume of corporate bonds sold to the public has

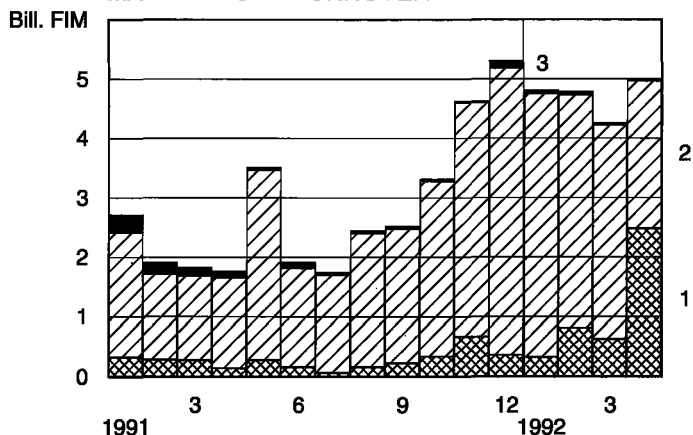
been small. Furthermore, a large share of these have been convertible bonds, as companies have found it impossible to increase their share capital by equity issues because of the current recession.

## SECONDARY MARKET

In spite of the increased activity, the secondary bond market in Finland remains in a very underdeveloped state. The prime reason for this is the scarcity of tradeable instruments. Moreover, the small number of institutional investors and the large share, by international standards, of debt held by households have hindered the development of a well-functioning, liquid secondary market.

The rapid growth of the central government's budget deficit has, in recent years, increased the supply of risk-free paper that is marketable in the secondary market. The central government has begun to attach more importance to the tradeability of its debt. A good indication of this change of attitude is the fact that all recent issues targetted at institutional investors have been tranche issues. The aim has been to make the size of each issue as large as possible so as to improve liquidity in the secondary market. Notwithstanding this trend towards better functioning

CHART 4.  
MARKKA BOND TURNOVER



1. Interbank deals
2. Customer deals outside the Stock Exchange
3. Transactions on the Stock Exchange

of the secondary market, the central government has continued to float small issues aimed at private individuals and which have poor liquidity in the secondary market.

Secondary market activity has almost completely moved out of the stock exchange into the interbank and OTC markets (Chart 4). Apart from the banks, there are a few securities broking firms operating in the wholesale market. These firms have become active participants in the bond market. This, together with the entry of foreign investors, has given a strong boost to activity in the secondary market.

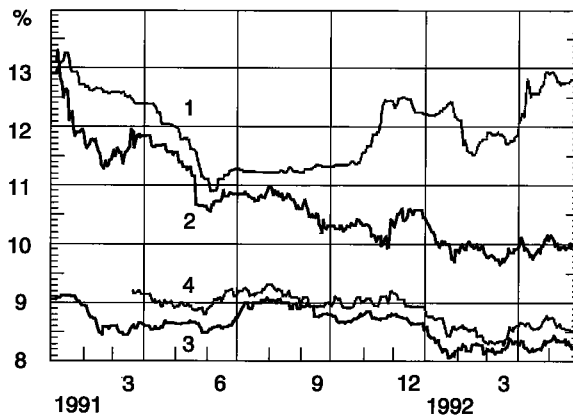
Despite the growing long-term importance of foreign investors, they have demonstrated a distinct lack of confidence in markka-denominated assets since the devaluation of the markka last November. This is most clearly evident in the marked widening of the interest rate gap vis-à-vis other European currencies. Prior to the currency speculation that led to the devaluation last autumn, the interest rate on four to five-year markka-denominated government bonds was nearly the same as the rate on comparable issues of government debt in Sweden. This spring, the interest rate gap has actually exceeded 2.5 percentage points (Chart 5).

### CAPITAL MOVEMENTS

The restrictions on the sale to foreign investors of domestically issued markka-denominated bonds were eased in February 1990. Net sales of markka bonds by Finnish residents to non-residents were still fairly modest in 1990, amounting to some FIM 3.1 billion. However, foreign investors' interest in markka bonds increased in spring 1991, as witnessed by a noticeable pick-up in sales abroad. At that time, there was also a number of issues of markka-denominated bonds by international borrowers in the Euromarket.

However, as Finland's economic difficulties and uncertainty about exchange rates began to mount, markka bond sales

**CHART 5.  
BOND YIELDS FOR SELECTED CURRENCIES**



1. Government bonds, 4–5 years, quoted by HELIBOR banks
2. 5-year bond yield for SEK
3. 5-year bond yield for DEM
4. 5-year bond yield for ECU

slackened in autumn 1991. After the devaluation, foreign investors began to sell their markka loans back to Finland, and they have continued to do so during the first quarter of the current year.

At the end of 1991, foreign investors held long-term markka bonds amounting to some FIM 19 billion; by the end of March this year the amount had fallen to just over FIM 17 billion. Bonds issued by the troubled financial sector, in particular, have been sold back to Finland in large amounts. The banks' poor financial results last year and their rapidly worsening credit ratings have prompted many investors to dispose of their holdings of markka debt.

The sale of markka loans to foreign investors has been hampered by many uncertainties concerning the Finnish economy. In April, the increase in uncertainty in the financial markets was also reflected in the primary market. New issues in April were down considerably from the level in previous months.

### FUTURE PROSPECTS

The major shortcoming of the Finnish bond market is the underdeveloped state of the secondary market. This year will see a marked improvement in the in-

frastructure of the secondary market. It is planned to introduce a primary dealer system for key government bonds. The institutions – both domestic and foreign – chosen to act as primary dealers will be accorded the sole right to participate in the government's benchmark bond auctions. In return for this right, the primary dealers will be required to act as market makers for these bonds. Moreover, the Bank of Finland is prepared to promote the development of the secondary market for government bonds by making more information on trading volumes and prices available to the public.

Legislation governing the Finnish bond market is being reformed and updated. In its report published at the beginning of the year, the securities market committee recommended repealing the current legislation on the bond market and adding the necessary market supervision provisions to the Securities Market Act. The main change from the point of view of issuers would be more precise provisions concerning their disclosure obligations. The changes would bring the regulation of the bond market into line with EC directives.

Other imminent changes in capital markets legislation which will improve the operating condi-

tions of the domestic bond market include the revision of unit trust (mutual fund) legislation in line with EC directives. At present, the establishment of fixed-income unit trusts is still not permitted. This has been particularly apparent in the functioning of the secondary market, as unit trusts have not been important players in the Finnish bond market. This has also meant that one of the major groups of institutional investors has been absent from the domestic market.

The shortcomings in the Finnish secondary market are gradually disappearing. Although it will still take some time, the Finnish bond market is well on the way to becoming just like any normal European marketplace, where investors can adjust their portfolios with the minimum of difficulty.

June 4, 1992

## ITEMS

### **THE BOARD OF MANAGEMENT OF THE BANK OF FINLAND**

The President of the Republic, on the proposal of the Parliamentary Supervisory Board, appointed Mr Matti Vanhala, M.Pol.Sc., to the Board of Management with effect from June 8, 1992. Mr Vanhala replaces Mr Ele Alenius, who resigned from the Board as from June 4, 1992.

### **THE GOVERNMENT GUARANTEE FUND BECOMES THE NEW OWNER OF SKOPBANK**

On June 12, the Parliamentary Supervisory Board of the Bank of Finland approved a deal whereby Scopulus Oy, owned by the Bank of Finland, sold its shareholding in Skopbank and holding of Skopbank's capital certificates to the Government Guarantee Fund. The deal, worth FIM 1.5 billion, was signed and became effective on June 15, 1992.

The Bank of Finland took control of Skopbank on September 19, 1991 in order to restore confidence in Skopbank's activities and preserve the stability of the country's financial system. The Bank of Finland purchased, through its holding companies, Skopbank's major equity and real estate investments and the major part of Skopbank's claims on Oy Tampella Ab. In addition, the Bank of Finland invested FIM 1.5 billion in Skopbank in the form of preferred capital certificates. The purpose of these measures was to safeguard the solvency of Skopbank and pave the way for negotiations leading to the sale of Skopbank.

The measures taken by the Bank of Finland to restructure Skopbank have been of the kind that the Government Guarantee Fund could have taken, had the fund existed at the time. The Government Guarantee Fund will

continue negotiations concerning the sale of Skopbank and the restructuring of the savings bank group.

The deal resulted in a direct loss of FIM 2 billion to the Bank of Finland. So far, capital losses and lost interest income – calculated on the basis of all investments by the Bank – have amounted to about FIM 4.9 billion. Assets of about FIM 9.6 billion are still held by the Bank of Finland's holding companies; these assets will be sold within the next few years, when market conditions so permit.

### **FINLAND'S BALANCE OF PAYMENTS IN JANUARY-MARCH 1992**

#### **Current Account**

The current account showed a deficit of FIM 7.2 billion in January-March of this year, FIM 1.5 billion less than in the corresponding period a year ago. Since the surplus on the trade account was almost equal to the deficit on the services account, the current account deficit was primarily due to net interest payments abroad.

**Goods.** Compiled on a balance-of-payments basis, the trade account posted a surplus of FIM 2.0 billion, as against a deficit of FIM 0.1 billion in the first quarter of 1991. Exports grew by 13 per cent in value and by just under one-tenth in volume. The sharpest increase was recorded for exports by the chemical industry and the basic metals industry. There was also a marked increase in exports of other industrial products. The value of imports grew by 4 per cent, even though they fell by the same amount in volume. The continuing deterioration in domestic demand was most clearly reflected in imports of investment and consumer goods.

**Services.** The deficit on the services account amounted to FIM 2.3 billion, or the same

MAJOR BALANCE OF PAYMENTS ITEMS  
IN JANUARY-MARCH 1992, MILLION FIM<sup>1</sup>

	Receipts	Expenditure	Net
Trade (exports f.o.b., imports c.i.f.)	25 213	23 112	2 101
Adjustment items	-417	-318	-100
Trade account	24 796	22 794	2 001
Transport	1 890	915	975
Travel	1 130	2 726	-1 596
Other services	1 502	3 175	-1 673
Services account	4 521	6 815	-2 294
GOODS AND SERVICES ACCOUNT	29 317	29 609	-292
Investment income	3 586	8 718	-5 132
Unrequited transfers	340	1 829	-1 488
Other	942	1 211	-269
A.CURRENT ACCOUNT	34 185	41 367	-7 182
	Change in assets	Change in liabilities	Net
Loans	-178	-575	-754
Direct investment	-2 518	690	-1 828
Portfolio investment	-269	4 563	4 294
Other long-term capital	-275	806	531
B.LONG-TERM CAPITAL ACCOUNT	-3 240	5 484	2 243
BASIC BALANCE (A+B)			-4 939
Trade credits	-899	120	-779
Short-term capital of banks	4 080	-2 011	2 069
Other short-term capital	-1 747	3 553	1 806
Errors and omissions			201
C.SHORT-TERM CAPITAL ACCOUNT			3 297
OVERALL BALANCE (A+B+C)			-1 641
Change in the foreign exchange reserves of the Bank of Finland			1 641

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

<sup>1</sup> Preliminary figures.

amount as in the first quarter of last year. The surplus on the transport account widened slightly. By contrast, the deficit on the travel account narrowed a little; receipts rose by one-quarter and expenditure by only 5 per cent. The deficit on the other services account grew as a result of an increase in expenditure.

**Investment income.** The largest item on this account consists of net interest payments, which have risen rapidly with the accumulation of foreign debt. In-

terest payments abroad totalled FIM 8.7 billion, about FIM 0.6 billion more than a year earlier. Finland's interest income on its foreign assets amounted to FIM 3.6 billion.<sup>1</sup>

**Capital account.** Capital imports were sluggish in the first quarter of 1992. Net imports of capital amounted to FIM 5.5 billion, of which FIM 3.3 billion represented short-term capital. As

<sup>1</sup> The figures do not include reinvested earnings from direct investment for 1991 and 1992.

the inflow of capital did not cover the current account deficit, the Bank of Finland's foreign exchange reserves decreased by about FIM 1.6 billion.

**Loans.** Net repayments of long-term loans totalled FIM 0.7 billion. Net drawings of long-term export credits granted to foreign customers amounted to FIM 0.4 billion.

**Direct investment.** Finnish direct investment abroad totalled FIM 2.5 billion, slightly more than in the same period a year earlier. Foreign direct investment in Finland amounted to FIM 0.7 billion.

**Portfolio investment.** Net imports of capital in the form of portfolio investment totalled FIM 4.6 billion. Sales of Finnish bonds abroad amounted to FIM 4.4 billion, while markka bonds sold back to Finland totalled FIM 1.1 billion. Net sales of Finnish shares abroad totalled FIM 0.2 billion and Finnish investment in foreign bonds and shares FIM 0.3 billion.

**Short-term capital.** The net inflow of short-term capital totalled FIM 3.3 billion. Short-term trade-related liabilities decreased by about FIM 0.8 billion. Net short-term imports of capital by authorized banks amounted to FIM 2 billion.

**Foreign exchange reserves.** The Bank of Finland's convertible foreign exchange reserves fell by FIM 1 632 million and net tied currency claims by FIM 9 million. At the end of March, the convertible foreign exchange reserves stood at FIM 33 100 million and the tied currency reserves at FIM 24 million.

### Net Foreign Debt

At the end of March, Finland's net foreign debt totalled FIM 185 052 million. Net long-term debt amounted to FIM 143 953 million and net short-term debt to FIM 41 099 million. The central government's share of net foreign debt was FIM 60 859 million.

# MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM AUGUST 1991 TO JULY 1992

1991

## AUGUST

### Cash reserve requirement.

The Bank of Finland lowers the banks' cash reserve requirement from 5.2 per cent to 4.9 per cent of the cash reserve base at end-July 1991.

## SEPTEMBER

### Cash reserve requirement.

The Bank of Finland lowers the banks' cash reserve requirement from 4.9 per cent to 4.6 per cent of the cash reserve base at end-August 1991.

**Skopbank.** On September 19, 1991, the Bank of Finland decides to take control of Skopbank so as to restore confidence in the bank's activities and states that it will ensure Skopbank's solvency and liquidity under all circumstances.

## OCTOBER

### Cash reserve requirement.

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

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

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

## NOVEMBER

### Cash reserve requirement.

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

**Call money credit rate.** On November 8, 1991, the Bank of Finland reinstates the 30 per cent penalty rate on call money credit.

On November 14, 1991, the Parliamentary Supervisory Board of the Bank of Finland extends the powers of the Bank of Finland to set interest rates. The maximum call money credit rate is raised from 30 per cent to 50 per cent. The Bank of Finland raises the interest rate on call money credit from 15 per cent to 20 per cent, implying a penalty rate of 40 per cent. On November 19, 1991, the Bank of Finland lowers the interest rate on call money credit to 15 per cent again, implying a 30 per cent penalty rate.

### Devaluation of the markka.

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

**Till-money credits.** The Bank of Finland revises the base amounts, the share of banks' till-money holdings which is not financed by the Bank of Finland under the till-money credit arrangement. The combined total of base amounts is kept

unchanged in proportion to currency in circulation with the public. Owing to a reduction in currency in circulation with the public, the combined total of the banks' base amounts falls by FIM 49 million and amounts to FIM 1 194 million as from the last business day in November.

1992

## JANUARY

### Cash reserve requirement.

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

## APRIL

### Interest on cash reserve deposits.

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

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

**The Government Guarantee Fund.** The law establishing the Government Guarantee Fund is approved by Parliament on April 30. The purpose of the fund is to help ensure the stability of deposit banking and secure depositors' claims. The fund is authorized to use up to FIM 20 billion for these purposes.

Decisions on possible support measures by the fund are taken by the representatives of the Ministry of Finance, the Banking Supervision Office and the Bank of Finland on the board of the fund.

## MAY

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

## JUNE

**Government offer of capital for banks.** Based on the decision by the Government in March to make available FIM 8 billion for investment in banks' core capital, the Government makes a formal offer of invest-

ment to the banks on June 17. Capital will be offered to Finnish deposit banks according to their size, as measured by the BIS risk-weighted assets and off-balance-sheet commitments. The capital will be available at two dates, either in August or in December 1992, depending on the preference of the bank. The investment will take the form of a preferred capital certificate, and will count as core (Tier 1) capital according to the Deposit Bank Act.

The investment will carry a non-cumulative contract rate of return that corresponds to the State's funding costs plus a margin. The margin will increase over time from 0.50 percentage point to 14 percentage points, so as to create an incentive for the bank to pay the investment back. And, under certain conditions, the State has the right to convert the investment into shares with full voting rights or to enlist other means to guarantee its influence.

The offer is conditional on certain changes in legislation regarding the inclusion of the investment instrument in restricted capital and the tax treatment of the return to be paid on the investment. Should such changes fail to materialize, the offer will be cancelled and any amounts that may have been paid out must be immediately paid back by the bank.

## JULY

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

The new arrangement is designed to reduce the fluctuation in money market interest rates in so far as such fluctuation is not due to attempts to stabilize conditions in the foreign exchange market. Under the new system, both the call money deposit rate and the liquidity credit rate are tied to the Bank of Finland's tender interest rate, ie the weighted average of all accepted bids for central bank funds or certificates offered for sale in the money market. The current tender rate and maturity for liquidity credit will be displayed continuously on the electronic money market information systems.





# Visiting Scholars Programme

BANK OF FINLAND

**T**he Bank of Finland welcomes applications from foreign scholars for a post available to academic visitors.

A visiting scholar would be expected to conduct research on a subject relevant to the field of monetary / financial economics and policy, as agreed between the applicant and the Research Department. The results of the research could be presented in a report, publishable in the Bank's series; the scholar would also be expected to participate in the exchange of comments and advice among researchers working at the Bank.

The department is willing to consider both short and long-term (up to one year) visits. Normally, only one scholar could be received at any one time.

Remuneration for visiting scholars will be determined on the basis of the research experience of the selected applicant.

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

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

# FINLAND IN BRIEF

## LAND, CLIMATE AND POPULATION

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

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

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

## FORM OF GOVERNMENT

Finland is a parliamentary democracy with a republican constitution. From the twelfth century to 1809 Finland was part of the Kingdom of Sweden. In 1809, Finland was annexed to Russia as an autonomous Grand Duchy with the Tsar as Grand Duke. On 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 1991, the seats of the various parties in Parliament are distributed as follows:

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

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

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

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

## INTERNATIONAL RELATIONS

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

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

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

## THE ECONOMY

**Output and employment.** The Finnish economy is essentially based on private enterprise, with over 80 % of manufacturing output and some 90 % of banking services produced by private companies. Of the gross domestic product of FIM 458 billion in basic values in 1990, 3 % was generated in agriculture and fishing, 3 % in forestry, 23 % in industry, 9 % in construction, 11 % in trade, restaurants

and hotels, 8 % in transport and communications, 5 % in finance and insurance, 20 % in other private services and 18 % by producers of government services. Of total employment of 2.3 million persons in 1991, 8 % were engaged in primary production, 29 % in industry and construction and 63% in services.

In 1991, expenditure on the gross domestic product in purchasers' values amounted to FIM 510 billion and was distributed as follows: net exports -0.5 % (exports 21.6 %, imports -22.1 %), gross fixed capital formation 23 %, private consumption 54 % and government consumption 24 %. Finland's gross tax ratio (gross taxes in relation to GDP) was 37 % and the net tax ratio (net taxes in relation to GDP) 20 %, which is about the average for OECD countries.

Average annual (compounded) growth of real GDP was 4.7 % in the period 1950-59, 5.0 % in 1960-69, 3.7 % in 1970-79, 3.7 % in 1980-89 and 4.3 % in 1990-89. Finland's GDP per capita in 1991 was USD 25 100.

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

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

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

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

**Energy.** In 1990, gross consumption of primary energy amounted to 31 Mtoe, of which industry accounted for

46 %, heating for 21 %, transportation for 14 % and other purposes for 19 %. The sources of primary energy in 1988 were as follows: oil 30 %, coal 12 %, nuclear power 14 %, hydro-electric power, peat and other indigenous sources 29 %, others 15 %. Compared internationally (1989), Finland's consumption of 5.8 toe (OECD definition) per capita was 1.8 times higher than the average in European OECD countries. The self-sufficiency rate (including nuclear power) in Finland was 40 %, as compared with 60 % in western Europe on average.

## **FINANCE AND BANKING**

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

**International payments.** Though the use of the markka in foreign trade and as a eurocurrency has increased, most international payments are effected in other currencies. Finland adopted Article VIII status at the International Monetary Fund in 1979.

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

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

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

**The Central Bank.** The Bank of Finland (Suomen Pankki - 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 8 branch offices in other towns.

**Other banks** (Dec. 31, 1991). Finland has three major groups of deposit

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

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

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

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



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# 1. THE BALANCE SHEET OF THE BANK OF FINLAND

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

MILL.FIM

	1991		1992		
	Dec. 31	May 8	May 15	May 22	May 29
<b>ASSETS</b>					
<b>Gold and foreign currency claims</b>	33 662	28 820	30 146	30 610	32 072
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	932	1 063	1 063	1 046	1 045
IMF reserve tranche	1 136	1 235	1 228	1 225	1 235
Convertible currencies	29 381	24 321	25 655	26 139	27 593
Tied currencies	34	21	20	19	18
<b>Other foreign claims</b>	2 690	2 540	2 537	2 536	2 639
Markka subscription to Finland's IMF quota	2 260	2 205	2 205	2 205	2 309
Term credit	430	335	332	331	330
<b>Claims on financial institutions</b>	17 413	15 422	14 475	14 434	14 195
Call money credits	—	1	0	1	0
Certificates of deposit	9 157	4 794	4 071	4 030	4 001
Securities with repurchase commitments	2 725	4 798	4 561	4 561	4 561
Till-money credits	3 528	3 917	3 917	3 917	3 709
Bonds	1 765	1 675	1 686	1 686	1 686
Other claims on financial institutions	238	238	240	238	238
<b>Claims on the public sector</b>	1 375	1 388	1 390	1 396	1 397
Bonds	3	3	3	5	6
Total coinage	1 372	1 386	1 387	1 390	1 391
<b>Claims on corporations</b>	1 288	1 178	1 669	1 662	1 659
Financing of domestic deliveries (KTR)	879	770	764	758	755
Bonds: KTR credits	207	195	192	191	191
Bonds: Other	2	2	502	502	502
Other claims on corporations	201	211	211	211	211
<b>Other assets</b>	2 916	13 126	13 048	13 049	13 054
Loans for stabilizing the money market	1 730	12 982	12 904	12 904	12 904
Accrued items	1 034	—	—	—	—
Other assets	153	144	144	145	150
<b>Total</b>	<b>59 346</b>	<b>62 474</b>	<b>63 265</b>	<b>63 686</b>	<b>65 016</b>
<b>LIABILITIES</b>					
Foreign currency liabilities	46	61	67	68	47
Convertible currencies	45	60	66	67	46
Tied currencies	1	1	1	1	1
<b>Other foreign liabilities</b>	3 102	3 080	3 076	3 074	3 184
IMF markka accounts	2 260	2 205	2 205	2 205	2 309
Allocations of special drawing rights	843	875	870	868	875
<b>Notes and coin in circulation</b>	14 528	13 673	13 619	13 568	13 787
Notes	13 306	12 456	12 405	12 352	12 569
Coin	1 222	1 218	1 214	1 216	1 217
<b>Certificates of deposit</b>	8 880	18 210	18 590	19 230	20 600
<b>Liabilities to financial institutions</b>	12 567	10 266	10 650	10 435	10 601
Call money deposits	2 206	409	793	578	750
Cash reserve deposits	10 361	9 856	9 856	9 856	9 851
Other liabilities to financial institutions	0	1	0	1	1
<b>Liabilities to the public sector</b>	3	4	4	4	4
Cheque accounts	—	—	—	—	—
Other liabilities to the public sector	3	4	4	4	4
<b>Liabilities to corporations</b>	7 057	4 604	4 543	4 514	4 488
Deposits for investment and ship purchase	7 057	4 604	4 543	4 514	4 488
Other liabilities to corporations	—	—	—	—	—
<b>Other liabilities</b>	1 682	101	120	123	127
Accrued items	1 584	—	—	—	—
Other liabilities	98	101	120	123	127
<b>Valuation account and reserves</b>	5 715	6 710	6 832	6 906	6 413
<b>Capital accounts</b>	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Profit/loss for the accounting year	—	—	—	—	—
<b>Total</b>	<b>59 346</b>	<b>62 474</b>	<b>63 265</b>	<b>63 686</b>	<b>65 016</b>

## 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	Convert-ible currencies, net	Convert-ible reserves, total (1+2+3+4)	Tied curren-cies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabil-ities	Net Liabil-ities (11-10)
	1	2	3	4	5	6	7	8	9	10	11	12
<b>1987</b>	2 128	899	793	23 571	27 391	1 212	28 604	1 131	29 735	977	901	-76
<b>1988</b>	2 128	1 120	940	24 373	28 561	945	29 506	1 117	30 623	1 128	1 903	775
<b>1989</b>	2 179	966	950	18 780	22 875	-564	22 312	440	22 752	1 137	5 325	4 188
<b>1990</b>	2 180	791	783	33 451	37 205	-882	36 324	-364	35 960	1 314	1 321	7
<b>1991</b>	2 180	932	1 136	29 336	33 584	33	33 616	-412	33 204	1 375	3	-1 372
<b>1991</b>												
<b>May</b>	2 180	833	1 091	23 154	27 258	-17	27 241	-387	26 854	1 405	4	-1 401
<b>June</b>	2 180	1 021	1 115	29 588	33 904	29	33 933	-394	33 539	1 411	4	-1 407
<b>July</b>	2 180	853	1 111	29 535	33 679	56	33 734	-399	33 335	1 391	4	-1 387
<b>Aug.</b>	2 180	875	1 086	25 966	30 107	55	30 161	-401	29 760	1 382	3	-1 379
<b>Sept.</b>	2 180	863	1 142	22 743	26 928	49	26 976	-400	26 576	1 398	3	-1 395
<b>Oct.</b>	2 180	868	1 145	12 242	16 435	42	16 478	-404	16 074	1 375	3	-1 372
<b>Nov.</b>	2 180	954	1 193	19 868	24 195	38	24 231	-419	23 812	1 388	3	-1 385
<b>Dec.</b>	2 180	932	1 136	29 336	33 584	33	33 616	-412	33 204	1 375	3	-1 372
<b>1992</b>												
<b>Jan.</b>	2 180	946	1 234	29 512	33 872	30	33 901	-482	33 419	1 379	4	-1 375
<b>Feb.</b>	2 180	1 070	1 232	29 834	34 316	27	34 343	-490	33 853	1 382	4	-1 378
<b>March</b>	2 180	1 198	1 201	28 522	33 101	24	33 124	-532	32 592	1 383	4	-1 379
<b>April</b>	2 180	1 199	1 242	22 981	27 602	21	27 622	-540	27 082	1 387	4	-1 383
<b>May</b>	2 180	1 045	1 235	27 547	32 007	17	32 025	-545	31 480	1 397	4	-1 393

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 li-abilities to financial institu-tions, 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	
<b>1987</b>	-	-757	10 941	2 730	-2 350	-6 618	3 449	4 782	-1 333	9 990	4 970	
<b>1988</b>	7 187	335	19 039	2 920	-3 733	-4 864	2 823	6 579	-3 756	11 550	1 130	
<b>1989</b>	33 230	-531	25 506	3 310	-2 248	12 751	2 000	10 604	-8 604	13 129	-	
<b>1990</b>	9 411	-418	17 401	3 427	-2 317	-2 664	1 477	9 724	-8 247	14 555	-	
<b>1991</b>	11 882	-2 206	10 361	3 528	-2 003	4 846	1 086	6 854	-5 768	14 528	8 880	
<b>1991</b>												
<b>May</b>	16 252	1 282	14 700	3 442	-2 181	8 457	1 310	8 076	-6 766	14 405	2 380	
<b>June</b>	12 715	-1 996	14 161	3 786	-2 164	2 508	1 273	8 190	-6 917	13 973	2 850	
<b>July</b>	10 515	-1 877	13 546	3 740	-2 127	959	1 236	8 074	-6 838	13 840	1 090	
<b>Aug.</b>	12 159	-1 078	12 707	3 631	-2 133	4 138	1 212	7 993	-6 781	13 614	370	
<b>Sept.</b>	13 289	285	11 842	3 542	-2 105	7 379	1 172	7 973	-6 801	13 621	610	
<b>Oct.</b>	13 587	13 383	11 047	3 471	-2 066	21 460	1 143	7 896	-6 753	13 500	4 090	
<b>Nov.</b>	20 743	-1 580	10 276	3 519	-2 064	14 470	1 120	7 457	-6 337	13 490	6 650	
<b>Dec.</b>	11 882	-2 206	10 361	3 528	-2 003	4 846	1 086	6 854	-5 768	14 528	8 880	
<b>1992</b>												
<b>Jan.</b>	7 136	-651	9 928	3 806	-1 947	2 310	1 053	5 974	-4 921	13 323	10 640	
<b>Feb.</b>	2 982	468	9 891	3 869	-1 935	-637	1 030	5 535	-4 505	13 271	11 110	
<b>March</b>	3 508	-219	9 783	3 521	-1 925	-1 048	995	5 287	-4 292	14 243	13 030	
<b>April</b>	11 306	-1 997	9 856	3 917	-1 899	5 269	967	4 513	-3 546	13 822	16 450	
<b>May</b>	8 562	-750	9 851	3 709	-1 923	3 593	946	3 775	-2 829	13 787	20 600	

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

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Impact on liquidity (1-2-3)	Call money credits	Call money deposits	Total net change (4+5-6)
	1	2	3	4	5	6	7
<b>1987</b>	1 263	23 658	-17 520	-4 875	-6 818	626	-12 319
<b>1988</b>	13 840	19 190	-16 850	11 500	463	-629	12 592
<b>1989</b>	131 110	3 855	99 245	28 010	-425	441	27 144
<b>1990</b>	163 326	26 379	160 797	-23 850	-38	-151	-23 737
<b>1991</b>	109 568	30 380	81 969	-2 781	-	1 788	-4 569
<b>1991</b>							
<b>May</b>	12 670	1 180	7 950	3 540	1 366	-357	5 263
<b>June</b>	9 603	2 980	9 493	-2 870	-1 305	1 973	-6 148
<b>July</b>	6 865	160	7 366	-661	-71	-190	-542
<b>Aug.</b>	11 430	280	7 380	3 770	21	-778	4 569
<b>Sept.</b>	11 670	680	10 360	630	277	-1 086	1 993
<b>Oct.</b>	15 350	6 710	8 990	-350	13 086	-12	12 748
<b>Nov.</b>	9 850	6 340	7 020	-3 510	-13 371	1 592	-18 473
<b>Dec.</b>	2 430	6 660	2 260	-6 490	-13	613	-7 116
<b>1992</b>							
<b>Jan.</b>	2 000	7 790	-80	-5 710	3	-1 552	-4 155
<b>Feb.</b>	1 710	8 460	1 170	-7 920	476	-643	-6 801
<b>March</b>	2 000	9 420	-5 290	-2 130	-466	221	-2 817
<b>April</b>	11 310	17 310	-9 200	3 200	-13	1 765	1 422
<b>May</b>	6 630	15 240	1 930	-10 540	-	-1 247	-9 293



## 2.2 FORWARD EXCHANGE MARKET, MILL. FIM

End of period	Banks' forward positions with					
	Domestic companies			Foreign banks, net	Bank of Finland, net	Total, net (3+4+5)
	Forward exchange bought by banks	Forward exchange sold by banks	Net (1-2)			
1	2	3	4	5	6	
<b>1987</b>	21 671	1 158	20 513	-233	-1 287	18 994
<b>1988</b>	16 488	1 543	14 946	9 086	-377	23 654
<b>1989</b>	10 531	3 563	6 967	8 031	205	15 204
<b>1990</b>	11 609	4 979	6 631	10 100	-6 098	10 633
<b>1991</b>	33 004	36 352	-3 348	2 550	8 953	8 155
<b>1991</b>						
<b>April</b>	14 088	15 045	-957	6 496	-1 568	3 971
<b>May</b>	15 130	25 075	-9 945	6 181	663	-3 101
<b>June</b>	16 144	23 123	-6 980	8 500	3 159	4 679
<b>July</b>	16 228	20 422	-4 194	5 350	3 257	4 413
<b>Aug.</b>	16 961	30 053	-13 092	7 757	3 187	-2 148
<b>Sept.</b>	17 020	38 496	-21 477	13 454	3 947	-4 076
<b>Oct.</b>	22 174	53 395	-31 222	9 433	9 034	-12 755
<b>Nov.</b>	37 546	51 191	-13 645	1 551	9 601	-2 493
<b>Dec.</b>	33 004	36 352	-3 348	2 550	8 953	8 155
<b>1992</b>						
<b>Jan.</b>	31 732	27 973	3 759	4 673	8 276	16 708
<b>Feb.</b>	31 502	25 516	5 987	2 441	3 774	12 202
<b>March</b>	27 850	22 720	5 130	5 216	2 937	13 283
<b>April</b>	29 812	27 586	2 227	-423	5 815	7 619

## 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 claims on the Bank of Finland (4+5+6)	Net position (3-7)
1	2	3	4	5	6	7	8	
<b>1987</b>	481	1 581	2 062	703	4 705	10 092	15 501	-13 439
<b>1988</b>	128	2 190	2 319	621	5 044	15 159	20 824	-18 505
<b>1989</b>	373	15 146	15 519	403	465	23 035	23 903	-8 384
<b>1990</b>	142	24 056	24 198	790	1 924	23 406	26 120	-1 922
<b>1991</b>	936	12 293	13 229	868	2 728	14 154	17 749	-4 520
<b>1991</b>								
<b>May</b>	148	11 837	11 985	1 319	2 504	15 808	19 631	-7 645
<b>June</b>	535	15 926	16 461	2 332	2 469	14 646	19 447	-2 986
<b>July</b>	34	10 038	10 073	1 132	1 856	14 142	17 130	-7 057
<b>Aug.</b>	24	10 002	10 026	865	683	13 492	15 040	-5 014
<b>Sept.</b>	219	14 983	15 202	418	412	12 678	13 508	1 694
<b>Oct.</b>	5 126	12 287	17 413	405	2 094	11 817	14 316	3 098
<b>Nov.</b>	4 422	20 294	24 716	429	4 043	10 996	15 468	9 248
<b>Dec.</b>	36	15 685	15 721	743	10 325	10 279	21 347	-5 626
<b>1992</b>								
<b>Jan.</b>	33	9 212	9 246	937	9 728	10 347	21 012	-11 766
<b>Feb.</b>	50	4 521	4 571	548	10 951	9 925	21 424	-16 853
<b>March</b>	88	3 923	4 011	366	10 794	9 888	21 047	-17 036
<b>April</b>	1 064	8 904	9 968	989	13 706	9 785	24 480	-14 512
<b>May</b>	87	9 193	9 279	670	18 765	9 856	29 291	-20 012

### 3. RATES OF INTEREST

#### 3.1 MONEY MARKET RATES AND RATES APPLIED

BY THE BANK OF FINLAND, PER CENT

Average of daily observations	Inter-bank overnight rate	HELIBOR				Bank of Finland rates			Cash reserve requirement	
		1 month	3 months	6 months	12 months	Call money credit rate	Call money deposit rate	Base rate	Ordinary	Additional (average)
	1	2	3	4	5	6	7	8	9	10
<b>1987</b>	9.16	9.90	10.02	10.14	10.40	11.71	7.78	7.00	4.8	.
<b>1988</b>	8.47	9.77	9.97	10.16	10.50	11.50	7.04	7.63	6.5	.
<b>1989</b>	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67	8.0	0.5
<b>1990</b>	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50	7.9	.
<b>1991</b>	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50	5.3	.
<b>1991</b>										
<b>May</b>	13.12	12.25	11.98	11.94	11.95	15.00	4.00	8.50	5.8	.
<b>June</b>	13.45	11.29	11.25	11.41	11.56	15.00	4.00	8.50	5.5	.
<b>July</b>	9.48	10.09	10.69	11.19	11.52	15.00	4.00	8.50	5.2	.
<b>Aug.</b>	10.20	10.62	11.09	11.28	11.50	15.00	4.00	8.50	4.9	.
<b>Sept.</b>	19.84	14.80	13.20	12.45	12.07	15.00	4.00	8.50	4.6	.
<b>Oct.</b>	15.72	15.95	14.38	13.01	12.46	15.00	4.00	8.50	4.3	.
<b>Nov.</b>	20.94	16.75	14.66	13.25	12.77	16.23	4.00	8.50	4.0	.
<b>Dec.</b>	10.89	12.55	12.78	12.71	12.63	15.00	4.00	8.50	4.0	.
<b>1992</b>										
<b>Jan.</b>	11.41	12.09	12.26	12.33	12.39	15.00	4.00	8.50	3.7	.
<b>Feb.</b>	10.74	11.78	11.74	11.74	11.75	15.00	4.00	8.50	3.7	.
<b>March</b>	14.27	12.95	12.38	12.08	11.99	15.00	4.00	8.50	3.7	.
<b>April</b>	17.24	15.94	14.21	13.38	13.04	15.00	4.00	8.50	3.7	.
<b>May</b>	14.39	14.05	13.73	13.28	13.10	15.00	4.00	9.50	3.7	.

#### 3.2 WEIGHTED EURORATES AND COMMERCIAL ECU INTEREST RATE, PER CENT

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

#### 3.3 COVERED EURODOLLAR RATE, PER CENT

Average of daily observations	1 month	3 months	6 months	12 months
	1	2	3	4
<b>1987</b>	9.8	9.9	9.9	10.1
<b>1988</b>	9.5	9.8	9.9	10.2
<b>1989</b>	11.8	12.1	12.1	12.1
<b>1990</b>	13.2	13.7	13.9	14.1
<b>1991</b>	13.5	13.0	12.6	12.4
<b>1991</b>				
<b>May</b>	12.1	11.9	11.9	11.8
<b>June</b>	11.7	11.7	11.5	11.6
<b>July</b>	10.3	11.0	11.4	11.6
<b>Aug.</b>	11.1	10.9	11.3	11.5
<b>Sept.</b>	14.9	13.4	12.5	12.0
<b>Oct.</b>	15.7	14.4	13.0	12.3
<b>Nov.</b>	16.3	14.3	13.1	12.6
<b>Dec.</b>	11.9	12.4	12.3	12.3
<b>1992</b>				
<b>Jan.</b>	11.7	12.0	12.0	12.1
<b>Feb.</b>	11.5	11.5	11.5	11.5
<b>March</b>	12.8	12.2	11.9	11.8
<b>April</b>	15.4	14.1	13.4	13.1
<b>May</b>	13.9	13.5	13.1	13.0

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

Average for period	Lending						Markka deposits and other markka funding				
	New credits			Average lending rate	Of which: Commercial banks	24-month tax-exempt deposits <sup>1</sup>	Other tax-exempt deposits, max. rate of interest <sup>1</sup>	Average rate of interest on deposits	Average rate of interest on other funding	Average rate of interest on markka funding	
	Cheque account and postal giro credits	Bills of exchange	Loans								New lending, total
	1	2	3	4	5	6	7	8	9	10	11
<b>1987</b>	10.50	12.31	10.01	10.62	8.99	8.91	7.00	2.75	4.47	10.13	5.29
<b>1988</b>	10.22	12.27	10.50	10.72	9.88	9.74	8.00	3.75	5.24	9.80	6.20
<b>1989</b>	12.97	13.47	11.58	12.07	10.56	10.40	7.50	4.50	5.67	11.92	7.37
<b>1990</b>	13.24	15.62	13.33	13.85	11.84	11.61	7.50	4.50	6.43	13.55	8.41
<b>1991</b>	13.63	15.88	13.40	13.84	12.08	11.80	7.50	4.50	7.10	13.22	8.97
<b>1991</b>											
<b>April</b>	15.85	16.45	14.17	14.80	12.25	11.99	7.50	4.50	7.29	13.93	9.26
<b>May</b>	15.50	15.05	13.37	13.85	12.20	11.96	7.50	4.50	7.14	13.25	9.03
<b>June</b>	13.98	15.55	13.02	13.54	11.91	11.56	7.50	4.50	7.05	12.35	8.61
<b>July</b>	12.00	15.54	12.80	13.19	11.67	11.28	7.50	4.50	6.79	11.69	8.21
<b>Aug.</b>	12.54	15.35	12.70	13.09	11.70	11.38	7.50	4.50	6.82	11.73	8.29
<b>Sept.</b>	12.81	15.74	13.78	13.96	11.96	11.76	7.50	4.50	6.95	12.95	8.87
<b>Oct.</b>	12.48	16.07	13.83	14.01	12.19	11.96	7.50	4.50	7.18	13.63	9.36
<b>Nov.</b>	14.19	16.29	13.71	14.16	12.21	11.87	7.50	4.50	7.24	13.63	9.41
<b>Dec.</b>	10.15	15.25	12.35	12.51	12.15	11.79	7.50	4.50	7.08	12.63	8.71
<b>1992</b>											
<b>Jan.</b>	12.52	15.42	13.14	13.41	12.06	11.76	7.50	4.50	7.19	12.29	8.66
<b>Feb.</b>	13.79	15.58	12.96	13.47	12.00	11.76	7.50	4.50	7.21	12.15	8.67
<b>March</b>	14.21	15.73	13.36	13.81	11.97	11.70	7.50	4.50	7.23	12.32	8.77
<b>April</b>	12.31	16.24	13.75	14.06	12.08	11.76	7.50	4.50	7.33	13.09	9.16

<sup>1</sup> End of period.

### 3.5 YIELDS ON BONDS AND DEBENTURES, PER CENT

Period	Secondary market yields							Offer yield on taxable public issues
	Reference rates calculated by the Bank of Finland		Taxable government bonds	Taxable public issues	Issued by:		Taxfree public issues	
	3 years	5 years			Financial institutions	Corporations		
	1	2	3	4	5	6	7	
<b>1987</b>	..	..	..	11.2	11.1	11.2	8.1	10.7
<b>1988</b>	10.7	10.8	10.6	10.6	10.6	10.6	7.8	10.4
<b>1989</b>	12.2	12.0	12.1	11.9	12.0	12.0	8.1	11.7
<b>1990</b>	13.7	13.5	13.2	13.3	13.3	13.2	9.2	13.0
<b>1991</b>	12.3	12.2	11.9	12.6	12.5	13.0	10.0	11.7
<b>1991</b>								
<b>April</b>	12.7	12.5	12.2	13.0	11.8	14.1	10.3	12.1
<b>May</b>	11.9	11.8	11.5	12.4	12.1	12.5	10.2	11.2
<b>June</b>	11.5	11.5	11.1	11.7	11.5	12.7	10.1	11.1
<b>July</b>	11.8	11.7	11.2	12.4	12.2	12.6	10.0	10.8
<b>Aug.</b>	11.7	11.7	11.2	11.9	11.9	12.3	9.8	11.2
<b>Sept.</b>	11.7	11.7	11.3	12.2	12.0	12.7	9.6	11.3
<b>Oct.</b>	11.8	11.7	11.4	12.2	12.2	12.7	9.6	11.1
<b>Nov.</b>	12.4	12.3	12.1	12.5	12.5	12.5	9.6	11.2
<b>Dec.</b>	12.7	12.7	12.4	13.6	13.6	13.1	9.9	12.2
<b>1992</b>								
<b>Jan.</b>	12.5	12.5	12.3	13.0	12.9	13.1	10.0	11.9
<b>Feb.</b>	12.1	12.0	11.2	12.7	12.4	12.9	9.8	11.3
<b>March</b>	12.1	12.1	11.3	12.4	12.4	12.6	9.8	11.4
<b>April</b>	12.8	12.7	11.9	12.8	12.7	14.0	9.8	12.0

## 4. RATES OF EXCHANGE

### 4.1 AVERAGE SPOT SELLING RATES, FIM

Average New York of daily quotations	Montreal	London	Dublin	Stockholm	Oslo	Copenhagen	Frankfurt a.M.	Amsterdam	Brussels	Zurich	
1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEF	1 CHF	
1	2	3	4	5	6	7	8	9	10	11	
<b>1987</b>	4.404	3.325	7.213	6.556	0.6952	0.6547	0.6444	2.4514	2.1755	0.11806	2.9563
<b>1988</b>	4.191	3.412	7.466	6.397	0.6848	0.6444	0.6235	2.3895	2.1233	0.11421	2.8700
<b>1989</b>	4.295	3.632	7.051	6.104	0.6673	0.6234	0.5886	2.2879	2.0281	0.10925	2.6306
<b>1990</b>	3.831	3.287	6.827	6.347	0.6479	0.6130	0.6197	2.3721	2.1053	0.11480	2.7635
<b>1991</b>	4.053	3.543	7.159	6.540	0.6713	0.6264	0.6345	2.4464	2.1709	0.11887	2.8300
<b>1991</b>											
<b>May</b>	4.047	3.525	6.992	6.320	0.6587	0.6061	0.6164	2.3578	2.0922	0.11469	2.7824
<b>June</b>	4.228	3.699	6.983	6.355	0.6592	0.6088	0.6163	2.3737	2.1072	0.11539	2.7662
<b>July</b>	4.298	3.745	7.087	6.434	0.6647	0.6169	0.6217	2.4030	2.1332	0.11679	2.7733
<b>Aug.</b>	4.245	3.710	7.148	6.509	0.6705	0.6232	0.6292	2.4323	2.1582	0.11820	2.7906
<b>Sept.</b>	4.143	3.646	7.148	6.530	0.6711	0.6244	0.6323	2.4405	2.1656	0.11853	2.7910
<b>Oct.</b>	4.127	3.661	7.113	6.534	0.6706	0.6243	0.6323	2.4413	2.1667	0.11863	2.7910
<b>Nov.</b>	4.202	3.722	7.475	6.920	0.7091	0.6600	0.6670	2.5893	2.2979	0.12575	2.9249
<b>Dec.</b>	4.266	3.732	7.774	7.249	0.7440	0.6912	0.6989	2.7192	2.4131	0.13206	3.0708
<b>1992</b>											
<b>Jan.</b>	4.305	3.725	7.796	7.266	0.7496	0.6946	0.7031	2.7270	2.4215	0.13248	3.0696
<b>Feb.</b>	4.431	3.751	7.877	7.309	0.7543	0.6986	0.7061	2.7354	2.4312	0.13289	3.0435
<b>March</b>	4.541	3.812	7.835	7.298	0.7542	0.6974	0.7047	2.7329	2.4281	0.13286	3.0111
<b>April</b>	4.503	3.793	7.916	7.290	0.7558	0.6982	0.7054	2.7330	2.4278	0.13288	2.9715
<b>May</b>	4.410	3.682	7.996	7.276	0.7560	0.6982	0.7048	2.7212	2.4174	0.13226	2.9589

Average of daily quotations	Paris	Rome	Vienna	Lisbon	Reykjavik	Madrid	Athens	Tokyo	Melbourne	ECU Commercial	SDR
1 FRF	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 GRD	1 JPY	1 AUD	1 XEU	1 XDR	
12	13	14	15	16	17	18	19	20	21	22	
<b>1987</b>	0.7345	0.00341	0.3488	0.0315	0.1163	0.0358	..	0.03050	3.106	5.075	5.68010
<b>1988</b>	0.7060	0.00324	0.3401	0.0294	0.1006	0.0361	..	0.03273	3.309	4.954	5.61826
<b>1989</b>	0.6757	0.00315	0.3254	0.0276	0.0782	0.0364	..	0.03122	3.423	4.731	5.49375
<b>1990</b>	0.7054	0.00321	0.3374	0.0271	0.0681	0.0377	..	0.02654	3.011	4.875	5.18345
<b>1991</b>	0.7208	0.00328	0.3479	0.0283	0.0710	0.0392	0.0234	0.03016	3.176	5.019	5.53082
<b>1991</b>											
<b>May</b>	0.6969	0.00319	0.3354	0.0273	0.0694	0.0382	..	0.02932	3.151	4.847	5.42606
<b>June</b>	0.7013	0.00321	0.3376	0.0273	0.0702	0.0382	0.0230	0.03024	3.231	4.879	5.56841
<b>July</b>	0.7095	0.00324	0.3417	0.0281	0.0711	0.0385	0.0230	0.03117	3.331	4.938	5.66884
<b>Aug.</b>	0.7172	0.00327	0.3459	0.0286	0.0715	0.0391	0.0230	0.03103	3.338	4.992	5.65829
<b>Sept.</b>	0.7186	0.00328	0.3471	0.0287	0.0713	0.0390	0.0230	0.03080	3.304	5.002	5.59644
<b>Oct.</b>	0.7177	0.00328	0.3472	0.0286	0.0713	0.0388	0.0230	0.03158	3.291	5.000	5.61024
<b>Nov.</b>	0.7593	0.00345	0.3681	0.0299	0.0743	0.0410	0.0241	0.03243	3.324	5.285	5.80952
<b>Dec.</b>	0.7973	0.00361	0.3865	0.0309	0.0771	0.0427	0.0250	0.03329	3.317	5.530	5.98926
<b>1992</b>											
<b>Jan.</b>	0.8011	0.00363	0.3877	0.0317	0.0777	0.0432	0.0250	0.03439	3.237	5.560	6.04989
<b>Feb.</b>	0.8051	0.00366	0.3893	0.0320	0.0783	0.0437	0.0250	0.03474	3.350	5.594	6.14937
<b>March</b>	0.8066	0.00365	0.3887	0.0320	0.0785	0.0434	0.0249	0.03419	3.464	5.590	6.19184
<b>April</b>	0.8096	0.00364	0.3885	0.0323	0.0784	0.0435	0.0241	0.03375	3.453	5.596	6.16396
<b>May</b>	0.8109	0.00363	0.3870	0.0329	0.0780	0.0436	0.0240	0.03376	3.353	5.591	6.11371

## 4.2 MARKKA VALUE OF THE ECU AND CURRENCY INDICES

Average of daily observations	Markka value of the ECU		Currency indices, 1982=100		
	FIM/ECU	Deviation from the midpoint, %	Bank of Finland's trade-weighted currency index	Payments currency index	MERM index
	1	2	3	4	5
<b>1987</b>	5.08273	.	103.3	103.2	106.1
<b>1988</b>	4.96108	.	102.0	101.1	104.7
<b>1989</b>	4.73670	.	98.4	98.4	102.8
<b>1990</b>	4.85697	.	97.3	96.1	97.3
<b>1991</b>	5.00580	.	101.4	100.1	102.8
<b>1991</b>					
<b>May</b>	4.84342	.	98.7	97.9	100.8
<b>June</b>	4.86741	-0.2	99.6	99.2	103.0
<b>July</b>	4.92615	1.0	100.8	100.5	104.6
<b>Aug.</b>	4.98131	2.2	101.6	101.0	104.7
<b>Sept.</b>	4.99324	2.4	101.5	100.5	103.9
<b>Oct.</b>	4.98879	2.3	101.5	100.4	104.2
<b>Nov.</b>	5.27668	0.9	106.8	105.2	108.3
<b>Dec.</b>	5.52866	-0.5	111.5	109.4	111.9
<b>1992</b>					
<b>Jan.</b>	5.55238	-0.1	112.1	110.0	113.0
<b>Feb.</b>	5.58207	0.4	112.9	111.2	114.4
<b>March</b>	5.57515	0.3	112.9	111.6	115.0
<b>April</b>	5.58563	0.5	112.9	111.5	114.5
<b>May</b>	5.58167	0.4	112.7	110.9	113.6

## 5. OTHER DOMESTIC FINANCING

### 5.1 BANK FUNDING FROM THE PUBLIC, MILL. FIM

End of period	Cheque and giro deposits	Transaction deposits	Time deposits	Other deposits	Markka deposits, total (1+2+3+4)	Foreign currency deposits	Total deposits (5+6)	Other funding	Total funding (7+8)
	1	2	3	4	5	6	7	8	9
<b>1987</b>	21 327	76 160	83 248		180 735	3 923	184 658	17 892	202 550
<b>1988</b>	25 473	76 958	121 670		224 102	4 643	228 745	28 844	257 589
<b>1989</b>	28 942	85 396	125 748		240 085	7 358	247 444	35 298	282 742
<b>1990</b>	30 953	96 176	124 930		252 058	6 818	258 876	38 835	297 711
<b>1991</b>	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
<b>1991</b>									
<b>Feb.</b>	27 148	82 061	140 027		249 237	8 618	257 855	43 071	300 926
<b>March</b>	26 116	85 099	123 080	16 205	250 500	10 568	261 068	48 606	309 674
<b>April</b>	26 204	83 128	120 397	18 693	248 422	10 264	258 686	47 977	306 663
<b>May</b>	27 279	84 918	120 217	18 685	251 098	10 137	261 235	52 377	313 612
<b>June</b>	29 916	86 765	118 644	19 341	254 667	10 448	265 114	47 550	312 665
<b>July</b>	29 535	86 235	118 362	19 368	253 500	9 746	263 245	49 001	312 246
<b>Aug.</b>	27 517	86 732	118 573	18 569	251 391	11 633	263 024	53 386	316 410
<b>Sept.</b>	28 607	84 769	119 427	18 087	250 890	12 476	263 366	58 761	322 127
<b>Oct.</b>	28 160	83 526	120 091	17 992	249 769	15 774	265 543	58 038	323 582
<b>Nov.</b>	28 911	83 328	121 547	18 277	252 063	16 779	268 841	58 774	327 615
<b>Dec.</b>	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
<b>1992</b>									
<b>Jan.</b>	32 780	84 701	123 513	19 094	260 087	12 274	272 361	54 706 <sup>r</sup>	327 068
<b>Feb.</b>	29 417	86 031	123 652	18 666	257 767	12 350	270 117	56 202	326 319

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

End of period	Cheque account and postal giro credits	Bills of exchange	Loans	Markka lending, total (1+2+3)	Foreign currency credits	Total lending (4+5)
	1	2	3	4	5	6
<b>1987</b>	8 507	5 177	180 360	194 044	36 954	230 998
<b>1988</b>	11 358	5 920	234 268	251 545	50 235	301 780
<b>1989</b>	15 270	5 650	257 768	278 688	73 176	351 864
<b>1990</b>	19 152	5 777	260 790	285 720	103 134	388 853
<b>1991</b>	18 037	4 712	262 859	285 609	107 714	393 323
<b>1991</b>						
<b>Feb.</b>	18 653	5 491	259 415	283 559	104 691	388 250
<b>March</b>	18 428	5 410	259 775	283 612	105 706	389 319
<b>April</b>	18 292	5 416	259 028	282 736	104 407	387 143
<b>May</b>	17 798	5 271	259 334	282 404	106 066	388 470
<b>June</b>	17 947	5 190	259 851	282 988	106 895	389 884
<b>July</b>	17 787	5 021	259 880	282 687	107 005	389 693
<b>Aug.</b>	18 679	4 925	260 927	284 531	106 764	391 295
<b>Sept.</b>	18 677	4 823	262 019	285 519	105 186	390 704
<b>Oct.</b>	18 419	4 714	263 042	286 175	105 113	391 288
<b>Nov.</b>	17 978	4 576	262 685	285 239	113 156	398 395
<b>Dec.</b>	18 037	4 712	262 859	285 609	107 714	393 323
<b>1992</b>						
<b>Jan.</b>	17 450	4 167	262 309	283 926	107 075	391 001
<b>Feb.</b>	17 650	4 099	262 813	284 563	105 703	390 266

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

End of period	Foreign assets, net	Domestic credit			Other items, net	M <sub>1</sub>	M <sub>2</sub> (1+4+5)	M <sub>3</sub>
		Claims on the central government	Claims on the public	Total (2+3)				
	1	2	3	4	5	6	7	8
<b>1987</b>	-25 484	-14 977	277 068	262 090	-45 769	105 829	190 837	206 175
<b>1988</b>	-40 670	-15 356	353 681	338 325	-63 387	111 259	234 268	256 947
<b>1989</b>	-59 049	-18 691	408 344	389 653	-79 084	124 295	251 519	272 603
<b>1990</b>	-82 881	-19 072	453 720	434 648	-85 385	141 524	266 383	291 045
<b>1991*</b>	-86 555	-6 516	470 852	464 336	-103 415	129 769	274 365	310 048
<b>1991*</b>								
<b>Feb.</b>	-86 676	-11 118	458 428	447 310	-99 211	121 053	261 423	288 823
<b>March</b>	-81 750	-10 369	458 152	447 784	-102 628	121 271	263 406	294 244
<b>April</b>	-81 026	-9 228	455 339	446 110	-104 051	119 229	261 033	290 233
<b>May</b>	-81 899	-9 348	456 850	447 502	-99 199	124 190	266 403	297 849
<b>June</b>	-79 812	-9 513	458 943	449 430	-101 091	127 454	268 528	298 899
<b>July</b>	-84 565	-9 819	465 252	455 432	-103 538	126 403	267 329	296 597
<b>Aug.</b>	-79 060	-9 139	467 590	458 451	-114 167	124 941	265 224	296 956
<b>Sept.</b>	-75 824	-9 420	467 933	458 514	-118 380	123 637	264 310	299 216
<b>Oct.</b>	-76 079	-8 627	469 184	460 557	-121 185	122 012	263 293	304 260
<b>Nov.</b>	-85 011	-7 109	482 382	475 274	-125 671	121 627	264 592	301 299
<b>Dec.</b>	-86 555	-6 516	470 852	464 336	-103 415	129 769	274 365	310 048
<b>1992*</b>								
<b>Jan.</b>	-92 949	-5 295	471 797	466 502	-99 925	127 303	273 629	311 649
<b>Feb.</b>	-86 492	-4 895	470 980	466 085	-108 896	124 956	270 697	305 821

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

End of period	Foreign currency-denominated debt				Markka-denominated debt				Total central government debt (4+8)	Out-standing lending	Cash funds
	Bonds	Other bonds and debentures	Long-term promissory notes	Total (1+2+3)	Public bonds	Other long-term liabilities	Treasury notes and bills	Total (5+6+7)			
	1	2	3	4	5	6	7	8	9	10	11
<b>1987</b>	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	38 436	11 553
<b>1988</b>	20 202	1 804	4 273	26 279	24 243	5 272	2 290	31 805	58 084	41 011	15 858
<b>1989</b>	18 505	852	3 429	22 786	24 126	5 750	250	30 126	52 912	43 499	21 248
<b>1990</b>	20 917	732	3 144	24 793	23 982	8 263	-	32 245	57 038	48 121	23 114
<b>1991</b>	38 703	2 437	2 506	43 646	31 018	12 208	5 180	48 406	92 052	55 319	15 956
<b>1991</b>											
<b>April</b>	24 784	1 759	2 675	29 218	25 082	7 783	1 725	34 590	63 808	51 235	24 167
<b>May</b>	25 174	1 779	2 711	29 664	25 994	7 608	2 125	35 727	65 391	51 629	19 794
<b>June</b>	24 909	1 828	2 669	29 406	26 754	7 608	2 330	36 692	66 098	52 139	17 306
<b>July</b>	25 760	1 813	2 689	30 262	27 122	9 008	2 330	38 460	68 722	52 706	17 215
<b>Aug.</b>	26 028	1 837	2 633	30 498	28 315	9 008	2 330	39 653	70 151	53 330	15 108
<b>Sept.</b>	28 417	1 817	2 350	32 584	29 058	9 008	2 530	40 595	73 179	53 998	16 859
<b>Oct.</b>	32 338	1 848	2 362	36 548	30 070	9 008	2 670	41 748	78 296	54 858	17 991
<b>Nov.</b>	37 875	2 014	2 601	42 490	30 825	10 408	4 180	45 413	87 903	55 105	16 909
<b>Dec.</b>	38 703	2 437	2 506	43 646	31 018	12 208	5 180	48 406	92 052	55 320	15 956
<b>1992</b>											
<b>Jan.</b>	38 613	2 525	2 500	43 638	31 064	12 205	6 881	50 150	93 788	55 994	11 536
<b>Feb.</b>	45 885	2 904	2 466	51 255	32 232	12 205	6 430	50 867	102 122	56 721	17 967
<b>March</b>	47 575	2 843	2 401	52 819	32 629	12 199	7 201	52 029	104 848	..	18 423
<b>April</b>	53 972	2 837	2 383	59 192	32 814	11 614	7 257	51 685	110 877	..	..

## 5.5 MARKKA BOND MARKET

### A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
<b>1987</b>	4 477	9 510	8 119	206	69	9 409	8 830	4 142	22 380
<b>1988</b>	3 027	8 418	6 889	268	61	7 861	6 522	4 280	18 663
<b>1989</b>	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
<b>1990</b>	4 640	17 891	4 420	490	1 007	17 234	607	10 607	28 447
<b>1991*</b>	7 277	25 866	11 073	1 320	-	30 170	-	15 366	45 536
<b>1991*</b>									
<b>April</b>	161	1 457	1 800	-	-	2 487	-	931	3 418
<b>May</b>	613	2 030	1 475	50	-	3 488	-	680	4 167
<b>June</b>	880	3 207	-	315	-	2 355	-	2 047	4 401
<b>July</b>	1 592	2 097	-	-	-	1 505	-	2 184	3 689
<b>Aug.</b>	275	817	4 693	50	-	5 680	-	155	5 835
<b>Sept.</b>	449	1 411	300	250	-	2 261	-	149	2 410
<b>Oct.</b>	327	1 302	205	403	-	624	-	1 612	2 236
<b>Nov.</b>	1 142	2 646	100	223	-	1 613	-	2 497	4 111
<b>Dec.</b>	244	6 343	-	-	-	4 100	-	2 486	6 586
<b>1992*</b>									
<b>Jan.</b>	662	886	4 465	70	-	5 400	-	683	6 083
<b>Feb.</b>	770	2 350	-	450	-	2 300	-	1 270	3 570
<b>March</b>	442	1 482	235	310	-	1 975	-	494	2 469
<b>April</b>	53	1 585	-	570	4	391	-	1 821	2 212

### B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
<b>1987</b>	17 509	36 773	26 518	1 200	232	24 831	28 229	29 172	82 232
<b>1988</b>	19 195	42 892	28 953	1 413	292	32 028	30 054	30 663	92 745
<b>1989</b>	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
<b>1990</b>	23 522	59 756	28 812	1 756	1 298	52 273	22 970	39 902	115 145
<b>1991*</b>	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
<b>1991*</b>									
<b>I</b>	24 169	62 451	29 594	1 466	4 006	58 366	20 638	42 680	121 684
<b>II</b>	23 269	67 588	30 932	1 760	4 395	63 588	19 971	44 384	127 943
<b>III</b>	25 034	69 492	33 235	2 037	3 744	70 002	18 614	44 926	133 542
<b>IV</b>	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
<b>1992*</b>									
<b>I</b>	26 650	77 864	36 796	3 555	3 724	80 892	15 977	51 720	148 589



## 5.6 HELSINKI STOCK EXCHANGE

Average of daily observations	Share prices									Turnover <sup>1</sup> , mill. FIM		
	HEX index (Dec. 28, 1990=1000)									Shares and subscription rights	Bonds and debentures	Total
	All-share index	By ownership		By industry								
		Re-restricted	Non-restricted	Banks and finance	Insurance and investment	Manufacturing	Of which					
						Forest industries	Metal and engineering	Conglomerates				
	1	2	3	4	5	6	7	8	9	10	11	12
<b>1987</b>	1 284	1 264	1 385	1 449	1 054	1 285	1 421	1 342	1 369	26 641	4 604	31 245
<b>1988</b>	1 692	1 727	1 473	1 825	1 371	1 705	1 591	1 629	2 013	31 734	5 718	37 452
<b>1989</b>	1 827	1 850	1 689	1 958	1 528	1 818	1 728	1 748	2 061	33 160	7 375	40 536
<b>1990</b>	1 330	1 322	1 393	1 260	1 182	1 374	1 435	1 281	1 472	15 521	4 550	20 071
<b>1991</b>	962	949	1 062	901	898	1 003	1 075	1 076	1 020	6 339	1 315	7 655
<b>1991</b>												
<b>May</b>	1 071	1 051	1 210	1 001	1 000	1 123	1 169	1 171	1 179	692	62	754
<b>June</b>	1 031	1 010	1 184	977	963	1 076	1 089	1 128	1 139	710	111	821
<b>July</b>	983	971	1 076	912	942	1 023	1 032	1 094	1 076	307	51	358
<b>Aug.</b>	986	971	1 095	915	950	1 025	1 049	1 098	1 073	324	58	382
<b>Sept.</b>	914	897	1 032	829	904	948	1 007	1 037	974	373	61	433
<b>Oct.</b>	846	833	945	755	807	891	988	994	889	447	40	487
<b>Nov.</b>	831	819	927	727	745	884	1 038	978	856	406	36	442
<b>Dec.</b>	787	779	853	664	618	857	1 060	955	807	487	125	612
<b>1992</b>												
<b>Jan.</b>	852	837	961	681	646	950	1 187	1 056	909	790	69	859
<b>Feb.</b>	904	889	1 011	649	653	1 040	1 252	1 244	990	648	65	712
<b>March</b>	858	845	959	595	612	991	1 159	1 204	941	581	41	622
<b>April</b>	805	791	907	530	552	941	1 124	1 171	878	418	23	441
<b>May</b>	849	838	929	542	538	1 014	1 202	1 317	950	674	104	778

<sup>1</sup> During period.

## 6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

### 6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, i.e.b.	Transport receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Investment income	Transfers and other income	Current account receipts (6+7+8)	Imports of goods, c.i.f.	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>1987</b>	83 826	6 387	3 736	6 099	16 222	100 048	6 162	3 231	109 441	81 867	2 610	6 811	6 488
<b>1988</b>	91 313	7 026	4 280	6 132	17 438	108 750	9 377	4 415	122 543	91 232	3 338	7 907	7 390
<b>1989</b>	98 265	7 662	4 497	6 277	18 436	116 701	10 212	3 652	130 565	104 400	3 869	8 969	8 759
<b>1990</b>	99 750	8 347	4 650	6 081	19 077	118 827	12 739	4 461	136 027	101 967	4 363	10 766	9 503
<b>1991*</b>	91 263	8 111	5 041	5 218	18 370	109 633	13 875	5 112	128 619	86 696	4 082	11 089	10 968
<b>1989</b>													
<b>IV</b>	27 418	1 879	1 129	2 114	5 122	32 540	3 211	944	36 694	29 708	1 080	2 446	2 285
<b>1990</b>													
<b>I</b>	24 356	1 984	794	1 621	4 399	28 755	3 190	1 084	33 028	24 733	928	2 514	2 250
<b>II</b>	26 482	2 096	1 070	1 546	4 712	31 194	3 299	1 142	35 635	27 406	1 104	2 581	2 190
<b>III</b>	22 902	2 189	1 598	1 186	4 973	27 875	2 607	1 104	31 587	23 063	1 054	2 912	2 089
<b>IV</b>	26 010	2 078	1 188	1 728	4 994	31 004	3 642	1 130	35 776	26 765	1 277	2 760	2 974
<b>1991*</b>													
<b>I</b>	21 988	1 842	914	1 340	4 097	26 085	3 552	1 239	30 876	22 093	897	2 592	2 830
<b>II</b>	21 245	1 998	1 256	1 140	4 394	25 639	3 586	1 323	30 549	20 972	1 074	2 583	2 597
<b>III</b>	22 790	2 155	1 628	1 124	4 907	27 697	3 462	1 232	32 390	20 602	1 112	2 899	2 447
<b>IV</b>	25 240	2 117	1 242	1 613	4 972	30 212	3 274	1 318	34 805	23 029	999	3 014	3 095
<b>1992*</b>													
<b>I</b>	24 796	1 890	1 130	1 502	4 521	29 317	3 586	1 282	34 185	22 794	915	2 726	3 175

During period	Services expenditure, total (11+12+13)	Imports of goods and services (10+14)	Investment expenditure	Transfers and other expenditure	Current account expenditure (15+16+17)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account (20+21+22)	Goods and services account (19+23)	Investment income, net (7-16)	Transfers and others, net (8-17)	Current account (24+25+26) = (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
<b>1987</b>	15 909	97 775	13 356	5 860	116 990	1 960	3 778	-3 075	-390	313	2 273	-7 194	-2 629	-7 550
<b>1988</b>	18 634	109 866	17 033	6 975	133 874	80	3 689	-3 627	-1 258	-1 196	-1 116	-7 656	-2 560	-11 331
<b>1989</b>	21 596	125 996	21 882	7 561	155 439	-6 134	3 793	-4 471	-2 482	-3 160	-9 294	-11 670	-3 910	-24 874
<b>1990</b>	24 632	126 599	26 973	8 967	162 540	-2 218	3 984	-6 117	-3 422	-5 555	-7 772	-14 234	-4 506	-26 513
<b>1991*</b>	26 139	112 835	29 433	10 172	152 440	4 567	4 030	-6 048	-5 750	-7 769	-3 202	-15 559	-5 060	-23 820
<b>1989</b>														
<b>IV</b>	5 811	35 519	6 299	1 827	43 645	-2 291	799	-1 316	-171	-689	-2 980	-3 088	-883	-6 951
<b>1990</b>														
<b>I</b>	5 693	30 426	6 218	2 167	38 811	-378	1 056	-1 720	-629	-1 293	-1 671	-3 028	-1 084	-5 783
<b>II</b>	5 874	33 281	7 198	2 378	42 857	-924	992	-1 511	-644	-1 163	-2 087	-3 899	-1 236	-7 222
<b>III</b>	6 054	29 117	6 415	2 132	37 665	-161	1 136	-1 314	-903	-1 082	-1 243	-3 808	-1 028	-6 078
<b>IV</b>	7 011	33 776	7 141	2 289	43 206	-755	801	-1 572	-1 246	-2 017	-2 772	-3 499	-1 159	-7 430
<b>1991*</b>														
<b>I</b>	6 319	28 411	8 168	2 973	39 552	-104	945	-1 678	-1 489	-2 222	-2 326	-4 616	-1 734	-8 676
<b>II</b>	6 254	27 226	7 555	2 161	36 943	273	924	-1 327	-1 457	-1 860	-1 587	-3 969	-838	-6 395
<b>III</b>	6 458	27 060	6 921	2 169	36 150	2 188	1 043	-1 271	-1 323	-1 551	637	-3 460	-937	-3 760
<b>IV</b>	7 108	30 137	6 788	2 869	39 795	2 211	1 118	-1 772	-1 481	-2 136	75	-3 514	-1 551	-4 990
<b>1992*</b>														
<b>I</b>	6 815	29 609	8 718	3 039	41 367	2 001	975	-1 596	-1 673	-2 294	-292	-5 132	-1 757	-7 182

## 6.2 CAPITAL ACCOUNT<sup>1</sup>, MILL. FIM

During period	Imports of long-term capital					Exports of long-term capital					Long-term capital account (5-10)	Basic balance
	Direct investment in Finland	Portfolio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Portfolio investment abroad	Loans	Other long-term capital	Total (6+7+8+9)		
	1	2	3	4	5	6	7	8	9	10	11	12
<b>1987</b>	1 165	9 828 <sup>r</sup>	861 <sup>r</sup>	91	11 945	5 015	2 285	1 669 <sup>r</sup>	272	9 241 <sup>r</sup>	2 704 <sup>r</sup>	-4 846 <sup>r</sup>
<b>1988</b>	2 218	14 355 <sup>r</sup>	3 062 <sup>r</sup>	85	19 720	10 919	1 248	3 931 <sup>r</sup>	292	16 390 <sup>r</sup>	3 331 <sup>r</sup>	-8 001 <sup>r</sup>
<b>1989</b>	2 095	14 756	8 608	79	25 538	13 327	180	5 323 <sup>r</sup>	273	19 103 <sup>r</sup>	6 435 <sup>r</sup>	-18 439 <sup>r</sup>
<b>1990</b>	3 010	22 656	19 674	169	45 509	12 471	577	-499	294	12 843	32 666	6 153
<b>1991*</b>	131	34 734	12 639	561	48 064	8 501	-456	915	101	9 060	39 004	15 184
<b>1989</b>												
<b>IV</b>	1 012	2 804	5 323	75	9 214	4 136	-190	-14 <sup>r</sup>	102	4 034 <sup>r</sup>	5 180 <sup>r</sup>	-1 771 <sup>r</sup>
<b>1990</b>												
<b>I</b>	575	6 788	12 238	126	19 727	2 038	302	1 438	156	3 934	15 793	10 010
<b>II</b>	326	2 836	1 657	-34	4 785	2 739	-425	2 374	0	4 688	97	-7 125
<b>III</b>	85	6 702	2 518	-26	9 279	2 640	284	-2 963	10	-29	9 308	3 230
<b>IV</b>	2 024	6 330	3 261	103	11 718	5 054	416	-1 348	128	4 250	7 468	38
<b>1991*</b>												
<b>I</b>	549	8 008	3 402	-267	11 693	2 090	4	18	165	2 278	9 416	739
<b>II</b>	358	14 185	3 779	484	18 806	1 697	-368	643	-19	1 953	16 853	10 458
<b>III</b>	-269	9 400	2 783	-61	11 853	1 966	402	-520	-2	1 846	10 007	6 248
<b>IV</b>	-507	3 140	2 674	404	5 712	2 748	-494	774	-44	2 983	2 729	-2 262
<b>1992*</b>												
<b>I</b>	690	4 563	-575	806	5 484	2 518	269	178	275	3 240	2 243	-4 939

During period	Imports of short-term capital				Exports of short-term capital				Errors and omissions	Short-term capital account (16-20+21)	Overall balance excl. reserve movements (12+22)	Change in central bank's foreign exchange reserves
	Short-term capital imports of authorized banks	Trade credits	Other short-term capital	Total (13+14+15)	Short-term capital exports of authorized banks	Trade credits	Other short-term capital	Total (17+18+19)				
	13	14	15	16	17	18	19	20	21	22	23	24
<b>1987</b>	19 324	-665	3 835	22 494	-6 088 <sup>r</sup>	-183	1 268	-5 003 <sup>r</sup>	-6 915	20 581 <sup>r</sup>	15 736	-15 736
<b>1988</b>	10 950	-399	-811	9 740	2 331 <sup>r</sup>	644	1 995	4 971 <sup>r</sup>	3 415 <sup>r</sup>	8 183 <sup>r</sup>	183	-183
<b>1989</b>	4 285	1 627	3 679	9 592	1 462 <sup>r</sup>	475	710	2 647 <sup>r</sup>	5 533 <sup>r</sup>	12 478 <sup>r</sup>	-5 961	5 961
<b>1990</b>	16 258	1 119	-1 357	16 020	-2 290	-1 254	1 244	-2 300	-9 381	8 939	15 092	-15 092
<b>1991*</b>	-13 133	822	-1 195	-13 506	6 049	963	3 303	10 314	2 232	-21 588	-6 404	6 404
<b>1989</b>												
<b>IV</b>	-16 243	2 915	-148	-13 476	-11 860 <sup>r</sup>	24	-615	-12 451 <sup>r</sup>	-824 <sup>r</sup>	-1 849 <sup>r</sup>	-3 620	3 620
<b>1990</b>												
<b>I</b>	19 514	731	956	21 201	8 907	-593	1 575	9 889	-10 475	836	10 847	-10 847
<b>II</b>	9 095	594	-1 742	7 947	2 936	-593	-103	2 240	2 192	7 899	774	-774
<b>III</b>	-1 155	-201	517	-838	-729	-34	238	-525	-857	-1 170	2 059	-2 059
<b>IV</b>	-11 196	-6	-1 088	-12 290	-13 404	-34	-467	-13 905	-241	1 374	1 412	-1 412
<b>1991*</b>												
<b>I</b>	18 038	-1 035	2 412	19 415	22 472	-602	3 978	25 847	2 591	-3 841	-3 102	3 102
<b>II</b>	-10 815	3	-588	-11 399	515	-516	1 972	1 971	691	-12 679	-2 221	2 221
<b>III</b>	-16 261	392	-541	-16 411	-3 091	1 048	1 873	-170	3 088	-13 153	-6 905	6 905
<b>IV</b>	-4 094	1 461	-2 478	-5 111	-13 847	1 032	-4 520	-17 334	-4 137	8 085	5 824	-5 824
<b>1992*</b>												
<b>I</b>	-2 011	120	3 553	1 661	-4 080	899	1 747	-1 435	201	3 297	-1 641	1 641

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

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

End of period	Long-term liabilities					Long-term assets					Long-term debt, net (8-10)
	Direct investment in Finland	Portfolio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Portfolio investment abroad	Loans	Other long-term capital	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
<b>1987</b>	10 339	54 317	30 379	830	95 865	17 892	6 975	15 371 <sup>r</sup>	2 192	42 430 <sup>r</sup>	53 435 <sup>r</sup>
<b>1988</b>	12 673	68 957	33 117	915	115 662	24 199	8 223	19 417 <sup>r</sup>	2 484	54 323 <sup>r</sup>	61 339 <sup>r</sup>
<b>1989</b>	16 093 <sup>r</sup>	82 313	40 110	994	139 510 <sup>r</sup>	33 234	7 680 <sup>r</sup>	24 572 <sup>r</sup>	2 757	68 243 <sup>r</sup>	71 267 <sup>r</sup>
<b>1990</b>	18 651	98 399	51 744	4 630	173 424	43 931	7 184	25 595	5 487	82 196	91 228
<b>1991*</b>	18 782	143 558	69 264	5 427	237 031	57 402	7 353	27 923	6 161	98 839	138 192
<b>1989</b>											
<b>IV</b>	16 093 <sup>r</sup>	82 313	40 110	994	139 510 <sup>r</sup>	33 234	7 680 <sup>r</sup>	24 572 <sup>r</sup>	2 757	68 243 <sup>r</sup>	71 267 <sup>r</sup>
<b>1990</b>											
<b>I</b>	16 556	85 070	50 790	1 120	153 536	34 829	7 898	25 771	2 913	71 411	82 125
<b>II</b>	16 769	86 559	52 247	1 086	156 661	37 124	7 457	28 102	2 913	75 596	81 065
<b>III</b>	16 741	90 866	54 362	1 060	163 029	39 321	7 330	24 996	2 923	74 570	88 459
<b>IV</b>	18 651	98 399	51 744	4 630	173 424	43 931	7 184	25 595	5 487	82 196	91 228
<b>1991*</b>											
<b>I</b>	19 200	111 648	56 270	4 234	191 352	46 021	7 214	25 982	5 914	85 131	106 221
<b>II</b>	19 558	125 678	61 363	4 741	211 340	47 718	6 885	27 086	6 061	87 751	123 589
<b>III</b>	19 289	130 857	63 708	4 718	218 571	49 684	7 302	26 013	5 934	88 933	129 639
<b>IV</b>	18 782	143 558	69 264	5 427	237 031	57 402	7 353	27 923	6 161	98 839	138 192
<b>1992*</b>											
<b>I</b>	19 472	151 392	70 344	6 422	247 630	59 920	7 931	29 088	6 738	103 677	143 953

End of period	Short-term liabilities					Short-term assets					Short-term liabilities, net (16-21)	Debt, net (11+22)	Net investment expenditure in relation to current account receipts	
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits	Other short-term liabilities	Total (12+13+14+15)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits	Other short-term assets	Total (17+18+19+20)				
	12	13	14	15	16	17	18	19	20	21	22	23	24	25
<b>1987</b>	3 362	73 132	11 470	9 691	97 654	31 134	32 310 <sup>r</sup>	15 397	2 663	81 505 <sup>r</sup>	16 150 <sup>r</sup>	69 585	7 194	6.6
<b>1988</b>	3 341	83 828	11 070	9 039	107 278	32 037	32 108 <sup>r</sup>	16 041	4 789	84 975 <sup>r</sup>	22 303 <sup>r</sup>	83 642 <sup>r</sup>	7 656	6.2
<b>1989</b>	3 558	88 751	12 697	12 883	117 889	25 113	33 569 <sup>r</sup>	16 516	5 666	80 864 <sup>r</sup>	37 024 <sup>r</sup>	108 291 <sup>r</sup>	11 670	9.0
<b>1990</b>	3 922	106 548	13 466	13 864	137 801	39 506	27 190	14 372	6 608	87 676	50 125	141 353	14 234	10.5
<b>1991*</b>	3 149	101 837	14 238	15 765	134 987	35 922	35 615	15 841	10 633	98 011	36 976	175 169	15 559	12.2
<b>1989</b>														
<b>IV</b>	3 558	88 751	12 697	12 883	117 889	25 113	33 569 <sup>r</sup>	16 516	5 666	80 864 <sup>r</sup>	37 024 <sup>r</sup>	108 291 <sup>r</sup>	3 088	8.4
<b>1990</b>														
<b>I</b>	4 036	108 663	13 428	13 808	139 936	35 895	42 476	15 924	7 218	101 513	38 423	120 548	3 028	9.2
<b>II</b>	4 195	118 120	14 023	12 066	148 404	36 764	45 412	15 331	7 126	104 634	43 770	124 835	3 899	10.9
<b>III</b>	4 071	117 679	13 468	12 544	147 763	38 454	44 683	15 297	7 325	105 759	42 004	130 463	3 808	12.1
<b>IV</b>	3 922	106 548	13 466	13 864	137 801	39 506	27 190	14 372	6 608	87 676	50 125	141 353	3 499	9.8
<b>1991*</b>														
<b>I</b>	3 399	127 305	12 323	17 314	160 341	37 748	48 792	13 766	11 366	111 672	48 669	154 890	4 616	14.9
<b>II</b>	2 889	117 997	12 318	17 597	150 801	36 023	50 406	13 271	13 753	113 453	37 348	160 937	3 969	13.0
<b>III</b>	2 826	100 908	12 710	16 845	133 289	29 006	47 064	14 326	15 153	105 549	27 740	157 379	3 460	10.7
<b>IV</b>	3 149	101 837	14 238	15 765	134 987	35 922	35 615	15 841	10 633	98 011	36 976	175 169	3 514	10.1
<b>1992*</b>														
<b>I</b>	3 185	102 919	14 336	18 612	139 051	35 429	32 746	16 858	12 918	97 952	41 099	185 052	5 132	15.0

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

End of period	Long-term liabilities						Long-term assets						Long-term liabilities, net (6-12)
	Corporate sector	Banks	Other financial institutions	Central government	Other	Total (1+2+3+4+5)	Corporate sector	Banks	Other financial institutions	Central government	Other	Total (7+8+9+10+11)	
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>1987</b>	39 522	17 365	9 777	28 691	509	95 865	19 493	16 242 <sup>r</sup>	3 403	2 653	639	42 430 <sup>r</sup>	53 435 <sup>r</sup>
<b>1988</b>	46 471	27 427	14 339	26 926	499	115 662	25 093	21 607 <sup>r</sup>	3 573	3 101	949	54 323 <sup>r</sup>	61 339 <sup>r</sup>
<b>1989</b>	58 009 <sup>r</sup>	40 199	17 665 <sup>r</sup>	23 063	574	139 510 <sup>r</sup>	34 828 <sup>r</sup>	26 048 <sup>r</sup>	2 313	3 517	1 537	68 243 <sup>r</sup>	71 267 <sup>r</sup>
<b>1990</b>	65 553	56 394	21 694	29 174	610	173 424	45 372	28 423	2 075	4 279	2 047	82 196	91 228
<b>1991*</b>	78 794	69 325	31 821	56 377	713	237 031	59 707	29 691	2 092	4 752	2 597	98 839	138 192
<b>1989</b>													
<b>IV</b>	58 009 <sup>r</sup>	40 199	17 665 <sup>r</sup>	23 063	574	139 510 <sup>r</sup>	34 828 <sup>r</sup>	26 048 <sup>r</sup>	2 313	3 517	1 537	68 243 <sup>r</sup>	71 267 <sup>r</sup>
<b>1990</b>													
<b>I</b>	63 564	47 288	19 317	22 763	604	153 536	35 903	27 707	2 388	3 699	1 714	71 411	82 125
<b>II</b>	63 097	49 935	20 635	22 359	636	156 661	37 981	29 908	2 118	3 734	1 855	75 596	81 065
<b>III</b>	62 837	54 562	21 377	23 580	673	163 029	39 882	27 193	1 763	3 772	1 960	74 570	88 459
<b>IV</b>	65 553	56 394	21 694	29 174	610	173 424	45 372	28 423	2 075	4 279	2 047	82 196	91 228
<b>1991*</b>													
<b>I</b>	70 427	58 297	25 781	36 123	724	191 352	47 990	28 124	2 114	4 651	2 252	85 131	106 221
<b>II</b>	75 950	65 895	29 985	38 814	696	211 340	50 227	28 028	2 093	5 040	2 362	87 751	123 589
<b>III</b>	76 261	66 897	30 358	44 332	723	218 571	52 079	27 556	2 109	4 655	2 534	88 933	129 639
<b>IV</b>	78 794	69 325	31 821	56 377	713	237 031	59 707	29 691	2 092	4 752	2 597	98 839	138 192
<b>1992*</b>													
<b>I</b>	80 600	67 645	32 398	65 370	1 617	247 630	62 705	30 634	2 271	5 367	2 700	103 677	143 953

## 7. FOREIGN TRADE

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

During period	Exports, f.o.b.	Imports, c.i.f.	Balance (1-2)
	1	2	3
<b>1987</b>	85 516	82 807	2 709
<b>1988</b>	92 902	92 118	784
<b>1989</b>	99 784	105 516	-5 732
<b>1990</b>	101 327	103 027	-1 700
<b>1991*</b>	92 876	87 720	5 156
<b>1991*</b>			
<b>April</b>	8 704	7 872	832
<b>May</b>	7 651	7 186	465
<b>June</b>	5 294	6 207	-913
<b>July</b>	8 026	7 070	956
<b>Aug.</b>	7 057	6 706	351
<b>Sept.</b>	8 156	7 139	1 017
<b>Oct.</b>	8 494	7 885	609
<b>Nov.</b>	8 950	7 272	1 678
<b>Dec.</b>	8 207	8 130	77
<b>1992*</b>			
<b>Jan.</b>	7 585	7 216	369
<b>Feb.</b>	8 282	7 809	473
<b>March</b>	9 347	8 148	1 199
<b>April</b>	8 744	8 434	310

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

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

### 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
								Investment goods	Consumer goods	
	1	2	3	4	5	6	7	8	9	10
<b>1987</b>	7 470	27 058	7 770	26 230	16 988	41 175	9 406	14 138	17 478	610
<b>1988</b>	7 567	30 474	8 450	29 225	17 186	45 791	7 533	17 274	20 828	692
<b>1989</b>	7 416	32 513	8 844	32 682	18 329	51 786	8 310	20 606	24 055	759
<b>1990</b>	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
<b>1991*</b>	7 009	29 699	10 538	29 163	16 467	42 440	9 445	14 009	21 205	621
<b>1991*</b>										
<b>April</b>	578	2 577	896	3 297	1 356	3 914	600	1 326	1 998	34
<b>May</b>	592	2 454	835	2 396	1 374	3 774	700	1 091	1 612	9
<b>June</b>	283	1 009	804	2 035	1 163	3 011	905	957	1 299	35
<b>July</b>	704	3 277	693	2 135	1 217	3 453	670	1 111	1 833	3
<b>Aug.</b>	571	2 587	733	1 854	1 312	3 225	806	992	1 648	35
<b>Sept.</b>	642	2 442	955	2 578	1 539	3 537	854	1 015	1 727	6
<b>Oct.</b>	654	2 681	965	2 628	1 566	3 607	1 215	1 130	1 803	130
<b>Nov.</b>	661	2 835	1 062	2 880	1 512	3 550	962	1 006	1 732	22
<b>Dec.</b>	576	2 429	976	2 793	1 433	3 576	952	1 658	1 649	295
<b>1992*</b>										
<b>Jan.</b>	528	2 444	987	2 197	1 429	3 574	690	1 090	1 747	115
<b>Feb.</b>	643	2 589	1 087	2 302	1 661	3 904	611	1 282	1 895	117
<b>March</b>	654	2 761	1 180	3 092	1 660	4 259	664	1 047	2 079	99
<b>April</b>	748	2 799	1 066	2 574	1 557	4 301	707	1 392	1 915	119

## 7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, f.o.b.				Imports, c.i.f.			
	1991*		1992* January-March		1991*		1992* January-March	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period on the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
<b>All OECD countries</b>	75 795	81.6	20 976	13.2	70 023	79.8	18 687	3.8
<b>OECD Europe</b>	67 025	72.2	18 998	13.0	57 776	65.9	15 636	5.4
Of which:								
Austria	1 227	1.3	330	14.1	1 054	1.2	265	-6.6
Belgium and Luxembourg	2 403	2.6	706	12.9	2 252	2.6	664	19.8
Denmark	3 445	3.7	960	9.8	2 993	3.4	781	4.7
France	5 492	5.9	1 976	41.0	3 673	4.2	1 063	7.2
Germany	14 331	15.4	4 148	16.9	14 834	16.9	3 858	4.2
Italy	3 303	3.6	1 006	21.5	3 661	4.2	907	-11.3
Netherlands	4 653	5.0	1 317	14.1	2 974	3.4	847	11.5
Norway	3 079	3.3	901	16.2	3 978	4.5	819	-19.5
Spain	2 534	2.7	671	8.5	1 008	1.1	370	22.0
Sweden	12 884	13.9	3 298	2.3	10 806	12.3	2 741	-2.9
Switzerland	1 813	2.0	481	3.3	1 573	1.8	478	12.4
United Kingdom	9 613	10.4	2 576	5.6	6 739	7.7	2 190	38.8
<b>Other OECD</b>	8 770	9.4	1 978	15.8	12 247	14.0	3 051	-3.8
Of which:								
Canada	720	0.8	138	-18.1	547	0.6	137	4.4
Japan	1 393	1.5	379	9.6	5 287	6.0	1 317	-13.7
United States	5 648	6.1	1 198	20.1	6 032	6.9	1 486	4.1
<b>Non-OECD European countries</b>	6 531	7.0	1 815	15.4	9 577	10.9	2 035	-5.1
Of which:								
Russia <sup>1</sup>	4 521	4.9	796	..	7 455	8.5	1 393	-18.8
<b>Other countries</b>	10 550	11.4	2 424	9.9	8 120	9.3	2 452	15.4
Of which:								
<b>OPEC countries</b>	1 977	2.1	371	-14.2	1 306	1.5	181	-63.3
<b>TOTAL</b>	92 876	100.0	25 214	13.1	87 720	100.0	23 173	4.1
Of which:								
<b>EC countries</b>	47 567	51.2	13 863	15.8	40 224	45.9	11 285	10.1
<b>EFTA countries</b>	19 113	20.6	5 033	5.4	17 447	19.9	4 324	-5.1

<sup>1</sup> Until the end of 1991, the Soviet Union; figures for Estonia, Latvia and Lithuania were included in those for the Soviet Union until October 1991.

## 8. DOMESTIC ECONOMIC DEVELOPMENTS

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

(seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4	5	6	7	8	9
<b>1987</b>	199 981	73 458	72 761	11 654	2 246	360 100	102 127	106 568	355 659
<b>1988</b>	209 956	75 190	81 839	11 446	9 062	387 493	105 897	118 405	374 985
<b>1989</b>	218 775	77 117	95 178	11 234	14 056	416 360	107 552	128 834	395 078
<b>1990*</b>	219 654	80 600	88 534	12 691	13 675	415 154	109 236	127 735	396 655
<b>1991*</b>	210 048	82 433	71 258	12 718	4 735	381 192	102 255	110 820	372 627
<b>1989</b>									
<b>III</b>	54 850	19 327	24 486	2 832	4 467	105 962	26 153	32 800	99 315
<b>IV</b>	55 135	19 488	25 129	2 990	4 546	107 288	27 626	34 301	100 612
<b>1990*</b>									
<b>I</b>	55 028	19 885	23 746	3 161	2 916	104 736	27 310	32 548	99 497
<b>II</b>	55 396	20 075	22 164	3 306	4 601	105 541	29 005	34 251	100 295
<b>III</b>	54 836	20 244	21 251	3 076	3 409	102 815	26 442	30 242	99 015
<b>IV</b>	54 394	20 396	21 374	3 148	2 750	102 061	26 479	30 694	97 847
<b>1991*</b>									
<b>I</b>	53 206	20 343	20 509	3 084	2 091	99 234	25 740	29 597	95 376
<b>II</b>	52 505	20 541	18 568	3 332	591	95 537	24 376	26 728	93 186
<b>III</b>	52 423	20 704	17 168	3 248	-106	93 438	26 849	27 672	92 614
<b>IV</b>	51 914	20 845	15 013	3 053	2 159	92 983	25 290	26 822	91 451

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

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manu- facturing	Wood and paper industries	Metal and engineering industries	Other manu- facturing	Energy and water supply
	(100.0)	(1.6)	(87.9)	(16.5)	(30.0)	(41.4)	(10.5)
	1	2	3	4	5	6	7
<b>1987</b>	107.2	99.9	107.2	106.5	110.2	105.4	107.8
<b>1988</b>	110.9	108.8	111.0	113.1	114.5	107.6	110.1
<b>1989</b>	114.6	117.9	115.0	116.6	121.5	109.6	110.5
<b>1990*</b>	113.9	115.5	114.0	114.6	121.8	108.0	112.9
<b>1991*</b>	104.2	101.4	102.4	103.9	107.7	97.8	119.6
<b>1991*</b>							
<b>March</b>	108.3	107.5	107.2	107.8	115.2	100.9	116.8
<b>April</b>	105.9	100.4	104.4	107.2	110.3	99.8	119.8
<b>May</b>	105.2	90.2	103.3	106.7	111.3	96.2	124.1
<b>June</b>	100.0	79.7	98.9	90.4	103.0	97.3	115.2
<b>July</b>	106.7	101.8	104.5	105.4	110.0	101.0	122.2
<b>Aug.</b>	102.1	111.7	100.0	102.4	103.0	97.0	120.9
<b>Sept.</b>	101.5	103.9	99.1	103.4	102.0	95.3	125.7
<b>Oct.</b>	100.8	102.5	98.1	103.3	101.6	93.5	123.1
<b>Nov.</b>	100.3	95.9	98.5	103.4	101.2	94.3	114.9
<b>Dec.</b>	102.1	101.6	100.7	104.2	104.7	96.4	112.1
<b>1992*</b>							
<b>Jan.</b>	103.8	102.4	101.8	103.2	109.0	95.9	116.5
<b>Feb.</b>	105.8	105.8	104.1	112.1	113.8	93.9	117.3
<b>March</b>	110.1	117.8	108.8	110.1	124.3	97.0	118.5



### 8.3 INDICATORS OF DOMESTIC SUPPLY AND DEMAND, 1985=100

(seasonally adjusted figures)

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
<b>1987</b>	111.3	107.7	95.6	89.0	101.0	102.6	114.3	107.0
<b>1988</b>	116.7	113.0	108.6	106.0	113.4	110.6	135.0	110.7
<b>1989</b>	124.2	117.0	130.3	132.9	137.6	125.2	161.4	115.5
<b>1990*</b>	119.9	111.7	127.3	124.8	161.7	122.1	144.6	116.7
<b>1991*</b>	101.2	103.9	104.4	95.2	128.5	108.3	102.3	110.7
<b>1990*</b>								
<b>Dec.</b>	107.1	106.7	..	..	..	..	..	113.3
<b>IV</b>	112.8	108.9	118.8	114.0	166.8	117.4	144.1	114.7
<b>1991*</b>								
<b>Jan.</b>	111.1	104.9	..	..	..	..	..	113.8
<b>Feb.</b>	108.4	104.6	..	..	..	..	..	112.3
<b>March</b>	96.2	102.7	..	..	..	..	..	111.3
<b>April</b>	109.0	106.5	..	..	..	..	..	112.1
<b>May</b>	101.8	105.1	..	..	..	..	..	110.9
<b>June</b>	97.8	103.7	..	..	..	..	..	108.7
<b>July</b>	107.3	107.2	..	..	..	..	..	112.6
<b>Aug.</b>	99.3	104.3	..	..	..	..	..	109.9
<b>Sept.</b>	99.5	103.4	..	..	..	..	..	110.0
<b>Oct.</b>	94.8	102.5	..	..	..	..	..	109.0
<b>Nov.</b>	94.9	102.3	..	..	..	..	..	108.6
<b>Dec.</b>	94.5	100.1	..	..	..	..	..	109.3
<b>I</b>	105.2	104.1	112.9	109.4	156.3	109.4	110.0	112.5
<b>II</b>	102.8	105.1	111.6	100.9	153.5	118.0	100.4	110.6
<b>III</b>	102.0	105.0	99.5	90.3	90.6	109.6	86.3	110.9
<b>IV</b>	94.7	101.6	93.6	80.0	113.6	96.1	112.6	109.0

## 8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which: Manufacturing (SIC 3)	Central government	Local government	Non-profit institutions			Domestic goods	Imported goods		Exported goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>1987</b>	114.4	114.5	113.4	115.7	113.3	115.2	107.2	97.9	100.2	89.3	97.3	98.1	96.8	109.1
<b>1988</b>	124.7	124.6	122.7	128.8	122.0	128.0	112.6	101.5	104.9	89.1	101.7	103.8	100.7	116.3
<b>1989</b>	135.7	136.5	133.8	137.4	132.1	137.1	120.0	107.3	111.3	92.6	107.8	110.5	106.4	125.5
<b>1990<sup>1</sup></b>	148.2	148.9	146.9	149.8	144.8	150.1	127.3	110.9	115.7	93.6	110.0	110.4	109.8	134.5
<b>1991<sup>1</sup></b>	157.6	158.3	156.3	158.0	154.8	158.9	132.6	111.2	115.8	94.2	109.9	108.7	110.4	137.3
<b>1991<sup>1</sup></b>														
<b>April</b>	..	..	..	..	..	..	132.2	111.2	116.0	93.5	109.5	108.7	109.9	137.4
<b>May</b>	..	..	..	..	..	..	132.8	111.2	116.0	93.6	109.4	108.4	109.9	137.4
<b>June</b>	..	..	..	..	..	..	132.7	111.1	116.0	93.5	109.8	109.0	110.2	137.2
<b>July</b>	..	..	..	..	..	..	132.7	111.0	115.6	94.0	109.6	108.3	110.2	137.8
<b>Aug.</b>	..	..	..	..	..	..	132.8	110.8	115.2	94.5	109.4	108.2	110.1	137.5
<b>Sept.</b>	..	..	..	..	..	..	133.0	110.8	115.3	94.4	109.7	108.5	110.3	137.8
<b>Oct.</b>	..	..	..	..	..	..	133.3	111.0	115.6	94.4	109.8	108.0	110.7	137.5
<b>Nov.</b>	..	..	..	..	..	..	133.4	111.2	115.3	96.1	110.1	108.4	110.9	137.4
<b>Dec.</b>	..	..	..	..	..	..	134.0	111.3	115.4	96.3	110.8	110.7	110.9	137.1
<b>I</b>	154.6	155.7	153.7	154.5	150.9	154.3	131.4	111.6	116.6	93.4	110.1	108.9	110.6	137.1
<b>II</b>	157.6	158.5	156.5	157.9	154.5	159.0	132.6	111.1	116.0	93.5	109.6	108.7	110.0	137.3
<b>III</b>	158.6	158.9	156.5	159.5	156.6	161.0	132.8	110.8	115.4	94.3	109.6	108.3	110.2	137.7
<b>IV</b>	159.6	160.2	158.3	159.9	157.3	161.4	133.6	111.1	115.4	95.6	110.3	109.0	110.8	137.3
<b>1992<sup>1</sup></b>														
<b>Jan.</b>	..	..	..	..	..	..	134.7	111.8	115.4	98.4	111.1	111.4	111.0	136.5
<b>Feb.</b>	..	..	..	..	..	..	135.0	112.0	115.6	99.0	111.4	111.6	111.3	136.5
<b>March</b>	..	..	..	..	..	..	135.4	112.1	115.6	99.2	111.5	111.7	111.4	136.5
<b>April</b>	..	..	..	..	..	..	135.9	112.3	115.8	99.8	112.0	112.0	112.0	135.5
<b>I</b>	160.2	160.8	159.2	160.5	158.0	161.8	135.0	111.9	115.5	98.9	111.3	111.6	111.2	136.5

<sup>1</sup> Preliminary figures for columns 1—6.

## 8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status		By industry			Unemployed	Unemployment rate	
				Self-employed	Wage and salary earners	Industry	Construction	Service industries			
				1000 persons							%
	1	2	3	4	5	6	7	8	9	10	11
<b>1987</b>	68.6	2 554	2 423	372	2 051	251	569	184	1 419	130	5.1
<b>1988</b>	68.4	2 546	2 431	368	2 062	238	553	188	1 452	116	4.6
<b>1989</b>	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5
<b>1990</b>	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4
<b>1991</b>	67.4	2 533	2 340	340	2 000	197	502	179	1 461	193	7.6
<b>1991</b>											
<b>April</b>	68.1	2 556	2 391	342	2 049	200	515	193	1 483	164	6.4
<b>May</b>	67.4	2 530	2 359	341	2 018	196	516	186	1 460	172	6.8
<b>June</b>	67.2	2 525	2 338	344	1 994	193	511	179	1 456	187	7.4
<b>July</b>	67.2	2 527	2 332	331	2 001	196	499	180	1 456	196	7.7
<b>Aug.</b>	67.2	2 530	2 328	341	1 987	205	495	181	1 447	201	7.9
<b>Sept.</b>	67.0	2 524	2 299	328	1 972	189	486	165	1 459	224	8.9
<b>Oct.</b>	67.0	2 526	2 282	330	1 952	198	481	159	1 445	244	9.7
<b>Nov.</b>	66.9	2 523	2 272	337	1 935	196	473	166	1 438	251	9.9
<b>Dec.</b>	66.9	2 524	2 255	330	1 924	197	472	158	1 428	270	10.7
<b>1992</b>											
<b>Jan.</b>	66.5	2 510	2 231	330	1 901	195	465	152	1 420	279	11.1
<b>Feb.</b>	66.6	2 518	2 222	325	1 897	188	461	161	1 412	296	11.8
<b>March</b>	66.5	2 514	2 217	326	1 891	196	460	152	1 410	296	11.8
<b>April</b>	65.8	2 485	2 190	324	1 866	184	455	150	1 401	296	11.9

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

During period	Revenue							Expenditure			
	Direct taxes	Indirect taxes	Other taxes and similar revenue	Other revenue	Revenue before financial transactions (1+2+3+4)	Redemptions of loans granted by the state	Revenue before borrowing (5+6)	Consumption	Transfers and subsidies	Of which:	
										Local government	Other domestic sectors
	1	2	3	4	5	6	7	8	9	10	11
<b>1987</b>	29 454	57 312	491	12 391	99 648	2 482	102 129	29 419	59 498	26 456	30 964
<b>1988</b>	35 339	66 348	473	13 629	115 789	2 557	118 346	32 266	65 502	29 757	33 108
<b>1989</b>	39 397	76 458	471	15 990	132 316	3 926	136 241	35 082	72 008	33 244	35 715
<b>1990</b>	42 611	77 364	953	18 423	139 351	4 260	143 611	41 535	81 190	37 646	40 313
<b>1991</b>	41 054	73 251	1 136	19 182	134 624	4 442	139 069	45 085	101 220	42 297	55 160
<b>1991</b>											
<b>Feb.</b>	2 995	6 373	111	1 174	10 653	121	10 775	3 421	7 309	3 079	3 422
<b>March</b>	2 876	5 452	126	1 522	9 976	64	10 040	3 453	7 218	3 431	3 667
<b>April</b>	2 954	5 586	44	2 607	11 191	1 771	12 962	3 638	8 726	3 286	5 333
<b>May</b>	1 575	6 096	70	1 471	9 212	341	9 553	3 784	8 164	3 600	4 278
<b>June</b>	5 619	6 144	-81	1 615	13 297	499	13 797	3 789	8 622	4 041	4 109
<b>July</b>	5 450	6 176	97	1 794	13 517	144	13 661	4 778	7 889	3 360	4 290
<b>Aug.</b>	3 120	6 425	77	1 020	10 642	157	10 799	3 247	7 817	3 387	4 205
<b>Sept.</b>	3 336	6 164	69	1 303	10 872	124	10 996	3 610	7 895	3 458	4 271
<b>Oct.</b>	3 080	5 759	99	1 150	10 088	85	10 174	3 763	9 259	3 433	5 574
<b>Nov.</b>	3 296	6 173	229	1 763	11 461	711	12 172	3 728	10 423	4 263	5 979
<b>Dec.</b>	3 876	6 691	66	2 636	13 270	418	13 688	3 927	10 463	3 857	5 844
<b>1992</b>											
<b>Jan.</b>	2 963	5 805	98	867	9 733	10	9 743	4 311	8 447	3 360	4 963
<b>Feb.</b>	2 854	6 461	84	1 098	10 497	7	10 504	4 000	8 004	3 387	4 449

During period	Expenditure					Financial balance			
	Fixed investment	Other expenditure	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)
<b>1987</b>	7 089	4 732	100 738	5 672	106 410	-1 090	-4 280	7 604	3 324
<b>1988</b>	7 565	5 614	110 946	6 529	117 476	4 842	870	1 853	3 287
<b>1989</b>	8 393	5 343	120 826	7 566	128 390	11 490	7 851	-4 009	3 842
<b>1990</b>	5 962	4 927	133 614	9 319	142 934	5 737	678	1 201	1 879
<b>1991</b>	5 370	6 368	158 044	13 328	171 372	-23 420	-32 304	25 659	-6 645
<b>1991</b>									
<b>Feb.</b>	333	288	11 351	774	12 125	-698	-1 350	-152	-1 502
<b>March</b>	380	641	11 692	958	12 649	-1 716	-2 609	4 634	2 025
<b>April</b>	418	1 050	13 832	2 893	16 725	-2 641	-3 763	-17	-3 780
<b>May</b>	505	891	13 344	1 051	14 394	-4 132	-4 841	1 080	-3 760
<b>June</b>	450	311	13 172	1 429	14 601	125	-804	492	-312
<b>July</b>	460	187	13 314	847	14 162	203	-501	2 382	1 881
<b>Aug.</b>	416	-67	11 413	826	12 240	-771	-1 441	1 180	-261
<b>Sept.</b>	498	523	12 526	829	13 355	-1 654	-2 359	3 242	883
<b>Oct.</b>	567	713	14 302	993	15 295	-4 214	-5 121	4 991	-130
<b>Nov.</b>	458	327	14 936	1 012	15 947	-3 475	-3 775	5 865	2 089
<b>Dec.</b>	526	892	15 809	798	16 607	-2 539	-2 920	-211	-3 131
<b>1992</b>									
<b>Jan.</b>	340	846	13 944	792	14 737	-4 211	-4 994	1 161	-3 833
<b>Feb.</b>	314	168	12 486	839	13 324	-1 989	-2 820	7 885	5 065

# NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

## GENERAL

### Source

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

### Symbols used

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

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

## NOTES AND EXPLANATIONS TO TABLES

### 1 THE BALANCE SHEET OF THE BANK OF FINLAND

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

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

**Table 2.1** Money market instruments (Columns 1-3) denote bank certificates of deposit, Treasury bills and banks' fixed-term deposits with the Bank of Finland. Matured money market instruments, net, comprise both purchased and sold instruments.

**Table 2.2** As from the beginning of 1990, the statistics on the forward exchange market are based on data on individual contracts against the Finnish markka as reported by banks (excluding Columns 5 and 6). The new statistical system covers all authorized banks and contracts. The rates of exchange used in the statistics are the forward rates on the contract date.

**Table 2.3** Bank CDs held by the Bank of Finland (Column 2) include term credits. Holdings of CDs issued by the Bank of Finland (Column 5) include term liabilities.

### 3 RATES OF INTEREST

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

**Table 3.2** The rates shown are based on the lending rates quoted for the respective currencies in the Euro-market. ECU (Column 1): the weights of the ECU basket. 3 currencies (Column 2): DEM 60, USD 30 and GBP 10 per cent. 14 currencies (Column 3): weighted according to the relative shares of the respective countries in Finland's foreign trade (= weights of the Bank of Finland's trade-weighted currency index = the old Bank of Finland currency index). Until March 1989, the index consisted of 12 currencies.

**Table 3.3** 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): rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts. Annual rates are arithmetic averages of monthly observations until 1987 after which they are weighted by loan amounts. Average lending rates (Columns 5 and 6) are all weighted by loan amounts. As from January 1989, the loans of Postipankki Ltd have been included in the commercial banks' outstanding stock of loans. **Deposits.** 24-month tax-exempt deposits (Column 7): 24-month deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less 1 percentage point (since December 1989). Other tax-exempt deposits (Column 8): Deposits other than 24-month deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less 4 percentage points (since January 1989). Up till December 1988, the figures for tax-exempt deposits (Columns 7 and 8) are the rates of interest applied to standard tax-exempt deposit accounts as agreed upon between banks. All markka deposits (Column 9): the stock of deposits comprises all markka deposits by the public. The monthly and annual average rates of interest are weighted by deposit amounts. Other funding (Column 10): CDs outstanding + promissory notes + bonds. The average rate of interest is weighted by amounts. Total markka funding (Column 11); markka deposits by the public + banks' other markka funding. The rate of interest is weighted by amounts.

### Table 3.5 Secondary market yields.

Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered rates for taxable, fixed-rate bonds quoted daily by the five largest banks. From June 1990 onwards, the yield on taxable government bonds (Column 3) is calculated by the Bank of Finland as the monthly average of the offered rates quoted daily by the five largest banks. Until January 1992, the yield was calculated on a bullet bond due on March 15, 1994 with a coupon rate of 13 per cent. From February 1992 onwards the yield is calculated on a bullet bond due on January 15, 1999 with a coupon rate of 11 per cent. The annual figure for 1990 is calculated as the arithmetic mean of yields on fixed-rate government bonds with a remaining maturity of between 4 and 5 years. The yield on taxable public issues (Column 4) is calculated as the arithmetic mean of yields on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued by all issuers except the central government with a remaining maturity of between 3 and 6 years. Financial institutions (Column 5): as in Column 4 for issues by financial institutions incl. banks. Corporations (Column 6): as in Column 4 for issues by non-financial corporations. The yield on taxfree public issues (Column 7) is calculated as the arithmetic mean of yields on fixed-rate public bonds with a remaining maturity of between 4 and 5 years. The Bank of Finland calculates the yields for columns 3-7 once a week on the basis of the trading quotations of the Helsinki Stock Exchange. Monthly observations are the averages of weekly observations and annual observations the averages of monthly observations. **The offer yield** on fixed-rate taxable public bonds and debentures (Column 8) is the average yield weighted by issue amounts - in the case of government bonds by amounts sold - on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued during the period.

### 4 RATES OF EXCHANGE

**Table 4.2 FIM/ECU** (Column 1): The markka value of the ECU is calculated as the sum of the dollar amounts of the currencies in the ECU valued at current market rates, for which daily quotations at noon Finnish time are used. The midpoint (Column 2) was FIM 4.87580 from June 7 to November 14, 1991, and has been FIM 5.55841 since November 15, 1991. The markka may fluctuate  $\pm 3$  per cent around the midpoint. The Bank of Finland's trade-weighted currency index (Column 3): The weights are moving averages of the shares of (currently) 14 countries in Finland's for-

oreign merchandise trade (only convertible currencies are included). The payments currency index (Column 4): The weights are moving averages of shares of payments currencies (14 convertible currencies) in Finland's foreign trade. The MERM index (Column 5): The weights are fixed 1977 weights computed on the basis of the IMF's world trade model; fourteen currencies are included in this index.

## 5 OTHER DOMESTIC FINANCING

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

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

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

giro account deposits and transactions account deposits held by the public.  $M_2$  (Column 7) =  $M_1$  + quasi-money (markka time deposits held by the public, excl. deposits with the Bank of Finland).  $M_3$  (Column 8) =  $M_2$  + bank CDs held by the public.

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

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

**Table 5.6** Source: The Helsinki Stock Exchange.

## 6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

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

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

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

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

## 7 FOREIGN TRADE

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

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

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

## 8 DOMESTIC ECONOMIC DEVELOPMENTS

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

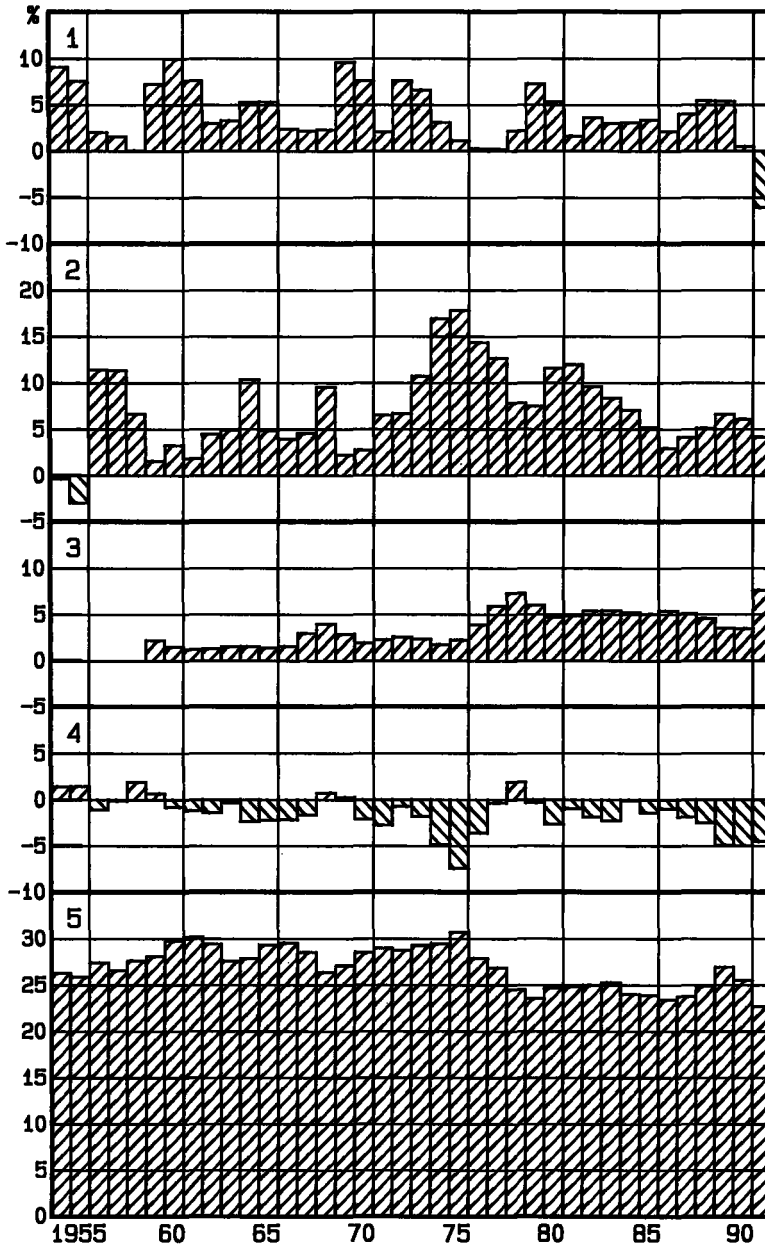
**Table 8.3** The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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

**Table 8.6** Source: Ministry of Finance.

1. Long-term indicators	S28
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6. HELIBOR rates of interest (daily)	S30
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30. Prices and wages	S39
31. Central government finances	S40

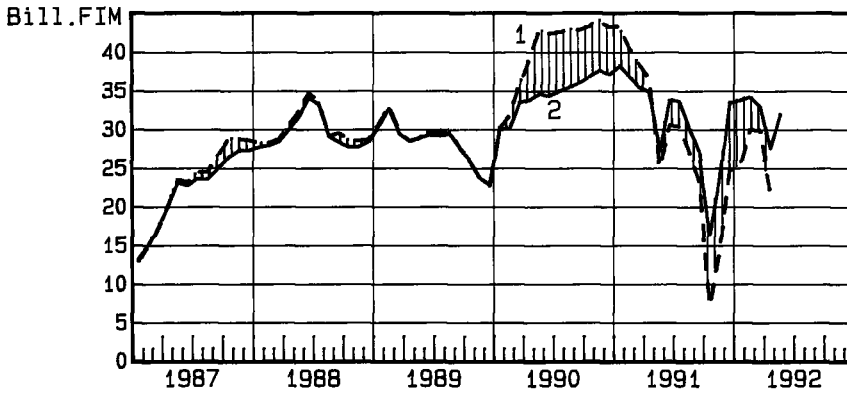
# 1. LONG-TERM INDICATORS



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

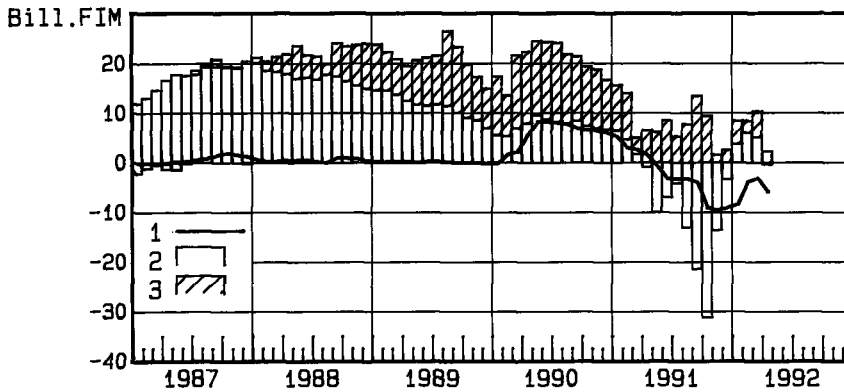


**2. THE BANK OF FINLAND'S FOREIGN EXCHANGE RESERVES AND FORWARD POSITION**



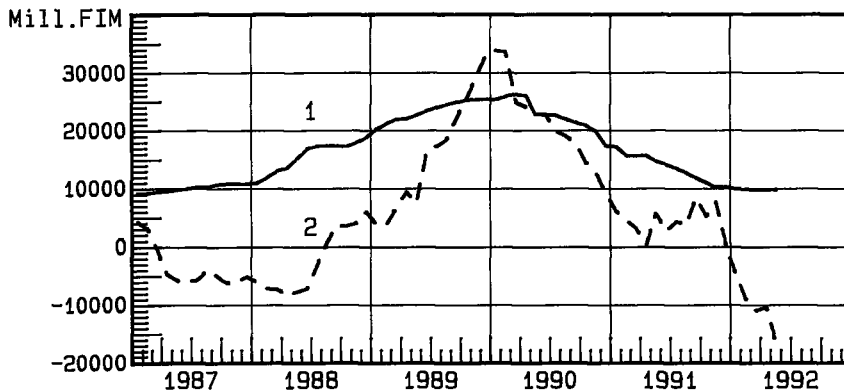
1. Convertible foreign exchange reserves plus forward position
2. Convertible foreign exchange reserves

**3. FORWARD MARKET**



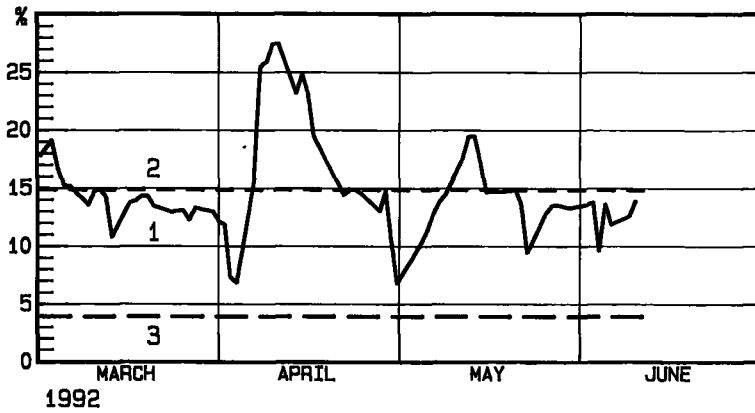
1. Forward exchange purchased by the Bank of Finland from banks
2. Forward exchange sold by companies to banks
3. Forward exchange sold by foreign banks to banks

**4. ITEMS AFFECTING DOMESTIC LIQUIDITY**



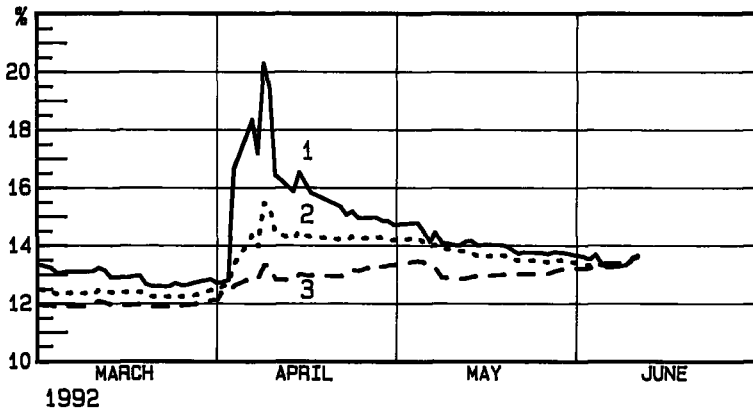
1. Cash reserve deposits
2. Bank of Finland's holdings of money market instruments, net

5. OVERNIGHT RATES



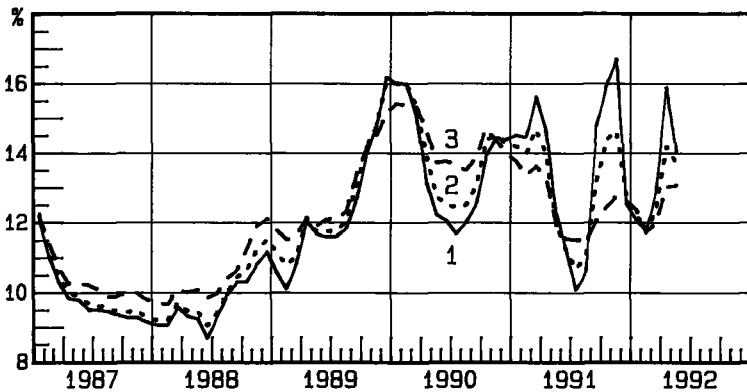
- 1. Inter-bank overnight rate
  - 2. Call money credit rate
  - 3. Call money deposit rate
- Daily observations

6. HELIBOR RATES OF INTEREST



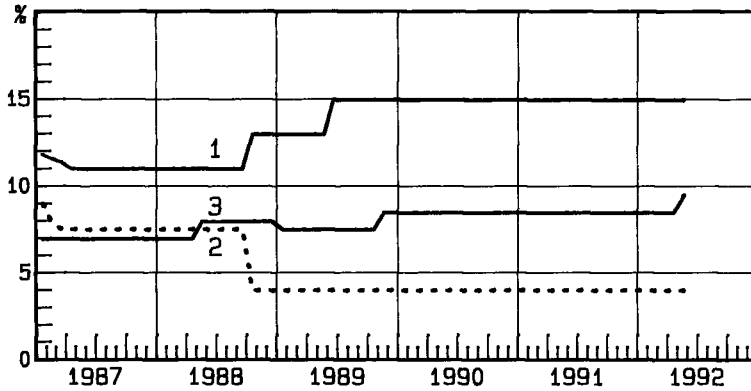
- 1. 1-month HELIBOR
  - 2. 3-month HELIBOR
  - 3. 12-month HELIBOR
- Daily observations

7. HELIBOR RATES OF INTEREST



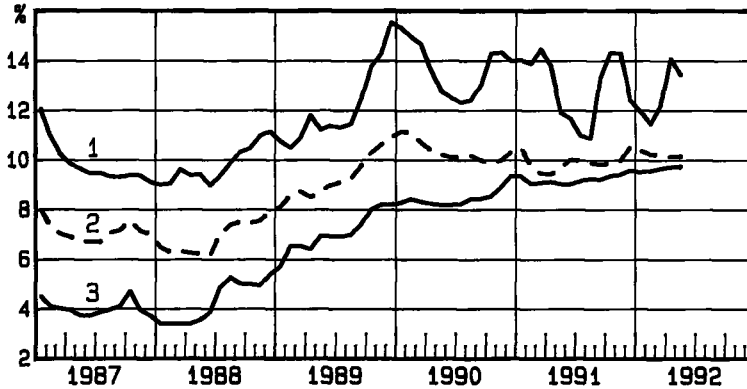
- 1. 1-month HELIBOR
  - 2. 3-month HELIBOR
  - 3. 12-month HELIBOR
- Monthly averages

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



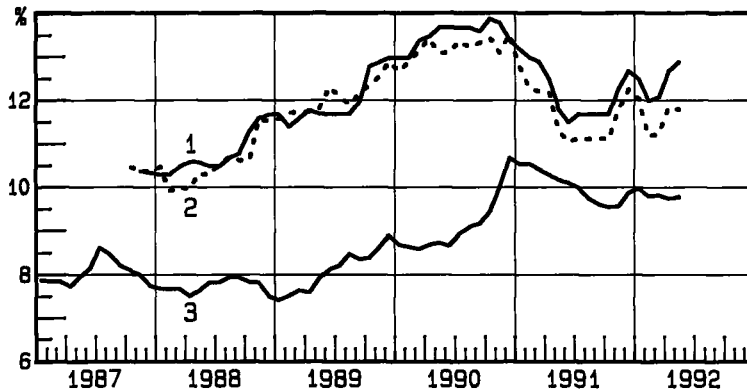
- 1. Call money credit rate
  - 2. Call money deposit rate
  - 3. Base rate
- End-of-month observations

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



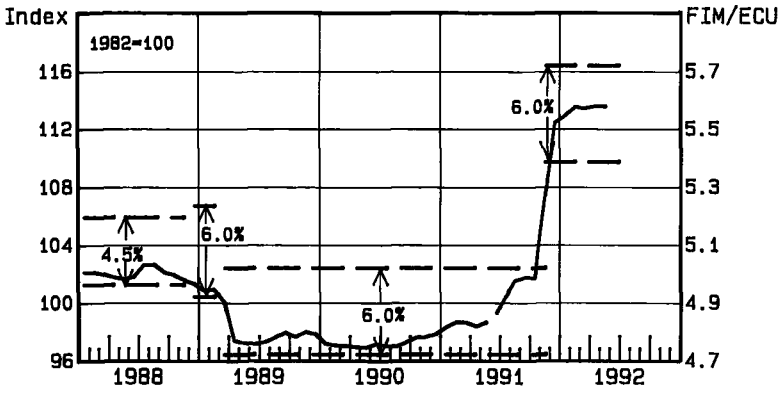
- 1. Covered Eurodollar rate
- 2. ECU rate
- 3. DEM Eurorate

### 10. YIELDS ON BONDS



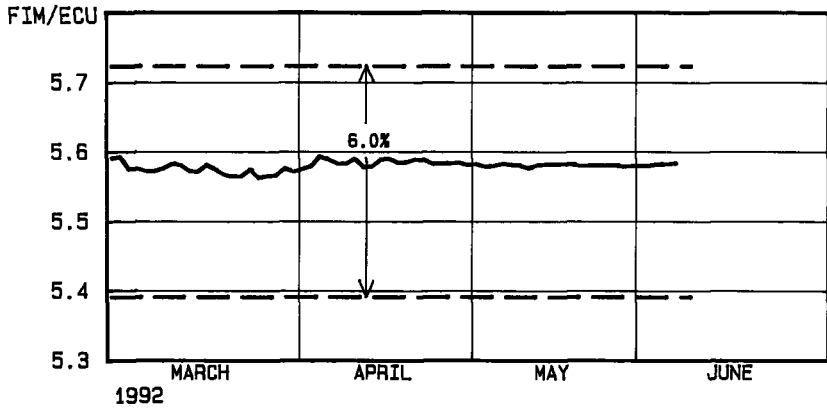
- 1. Bank of Finland's 5-year reference rate
- 2. Until April 1991, yield on (4-5 year) taxable government bonds  
Since May 1991, yield on government bond due on March 15, 1996, coupon rate 11.75 per cent
- 3. Yield on (4-5 year) taxfree government bonds

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



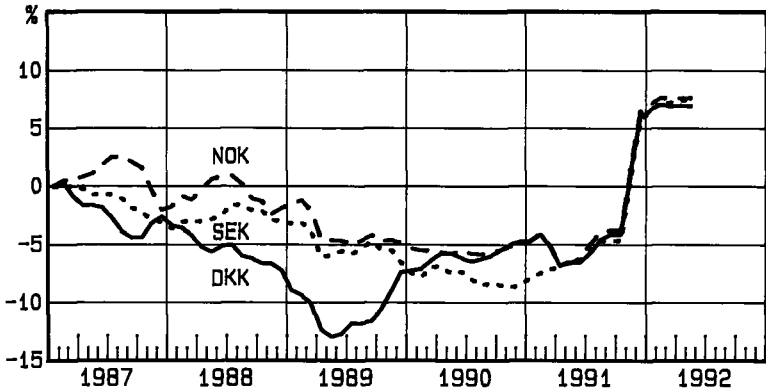
Until June 7, 1991, the Bank of Finland currency index. From June 7, 1991, the markka's exchange rate against the ECU, the fluctuation limits of which were 4.72953 - 5.02207 in the period June 7 - November 14, 1991, and have been 5.39166 - 5.72516 since November 15, 1991. Monthly averages

12. MARKKA VALUE OF THE ECU



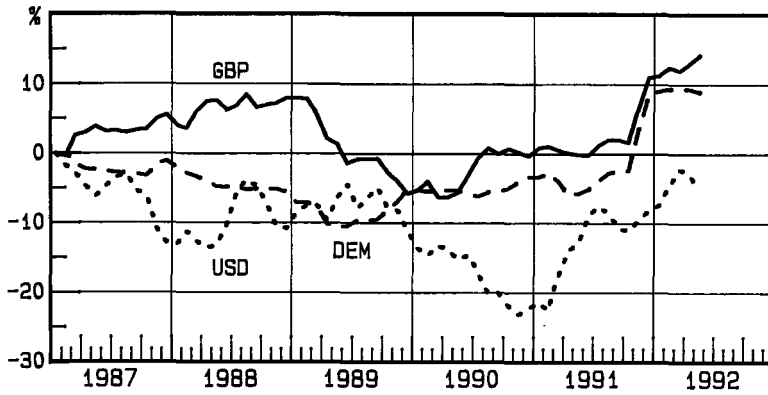
Daily observations

13. CHANGES IN THE EXCHANGE RATES OF SELECTED NORDIC CURRENCIES



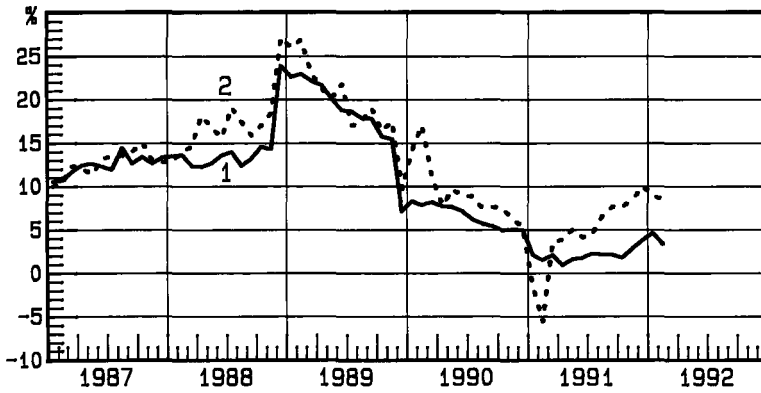
Monthly changes in markka selling rates calculated from the average rates for January 1987

14. CHANGES IN THE EXCHANGE RATES OF SELECTED MAJOR CURRENCIES



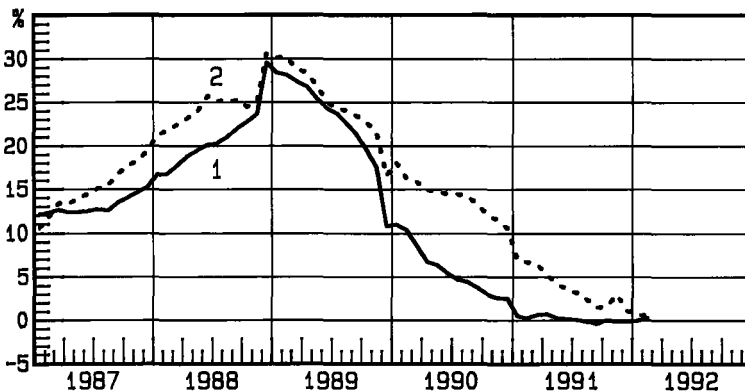
Monthly changes in markka selling rates calculated from the average rates for January 1987

15. BANK FUNDING FROM THE PUBLIC



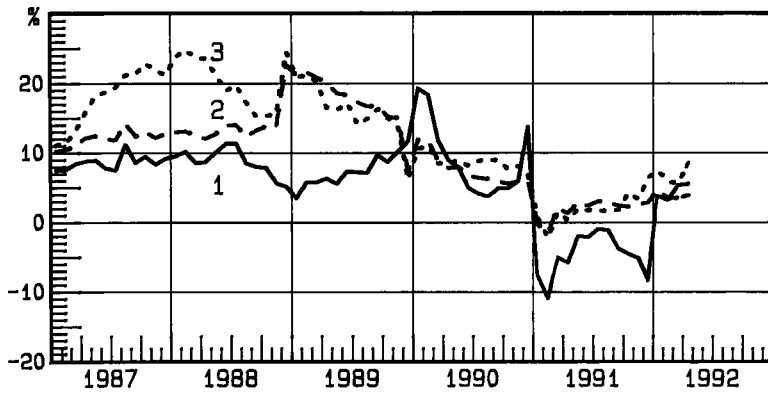
1. Markka deposits  
2. Total funding  
Change from the corresponding month of the previous year, per cent

16. BANK LENDING TO THE PUBLIC



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

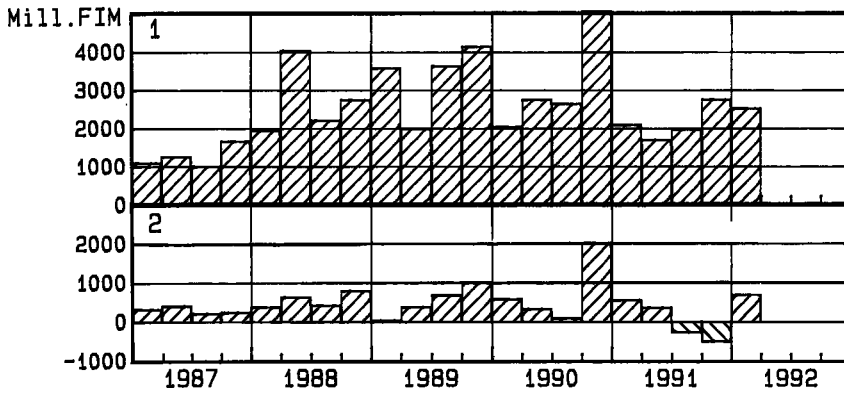
### 17. MONEY SUPPLY



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

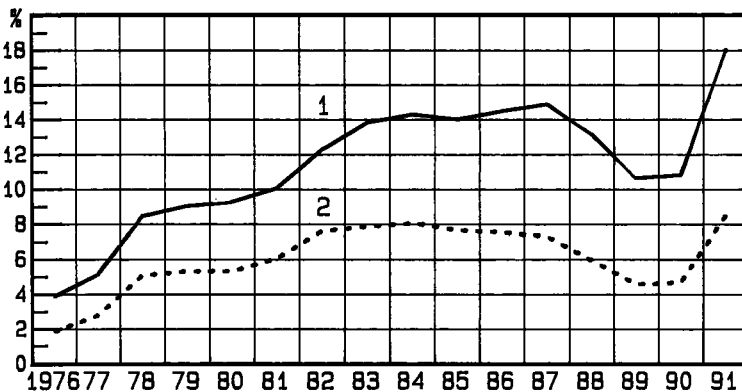
Change from the corresponding month of the previous year, per cent

### 18. DIRECT INVESTMENT



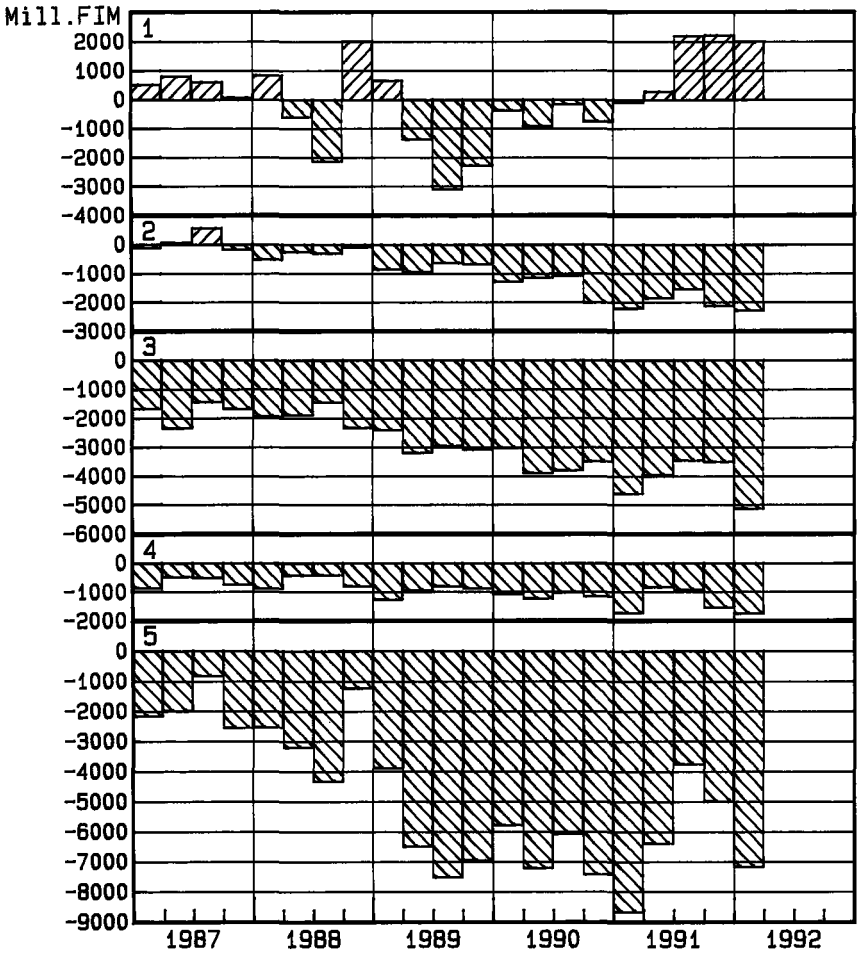
1. Finnish direct investment abroad, net
2. Foreign direct investment in Finland, net

### 19. CENTRAL GOVERNMENT DEBT



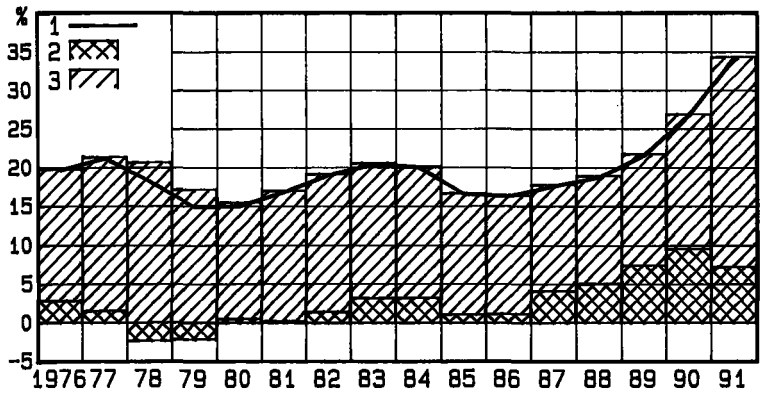
1. Total debt
  2. Of which: foreign currency-denominated debt
- As a percentage of GDP

20. CURRENT ACCOUNT



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

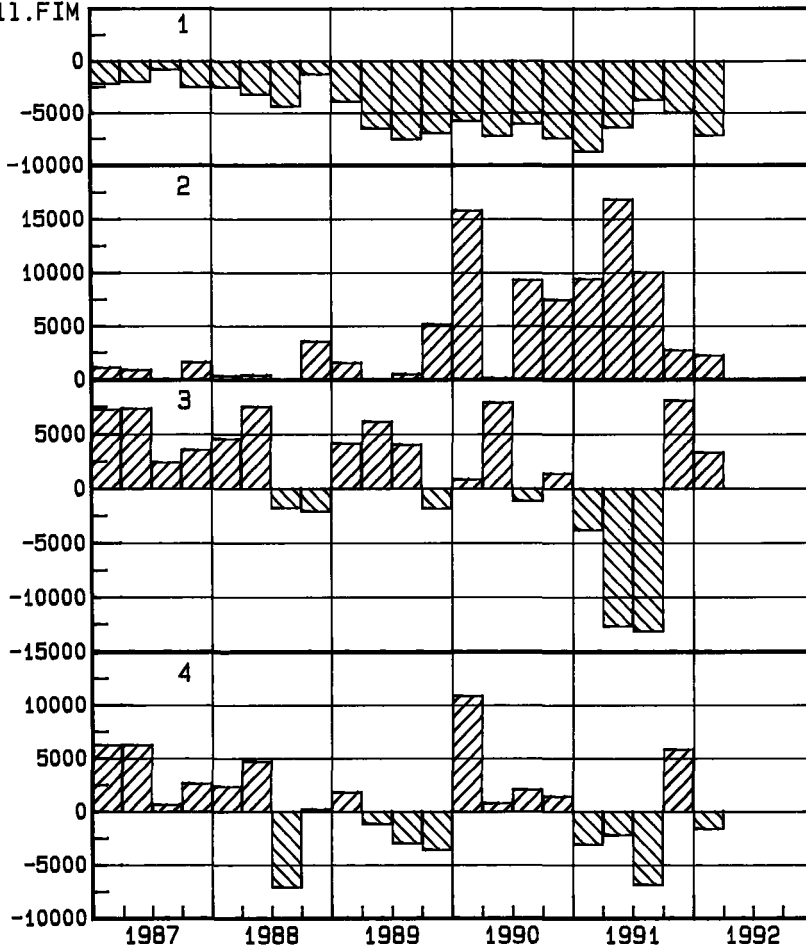
21. FOREIGN DEBT



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

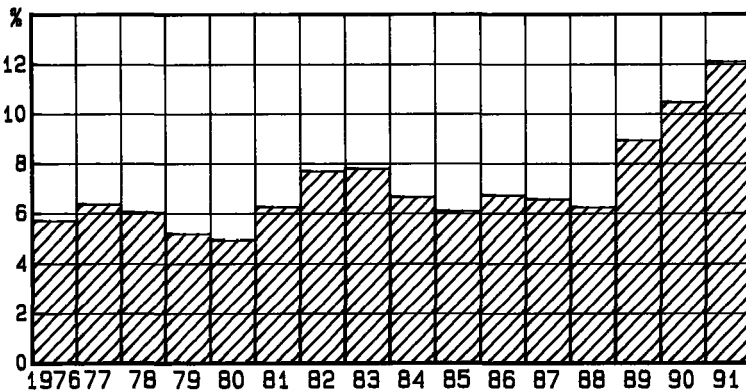
## 22. BALANCE OF PAYMENTS

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

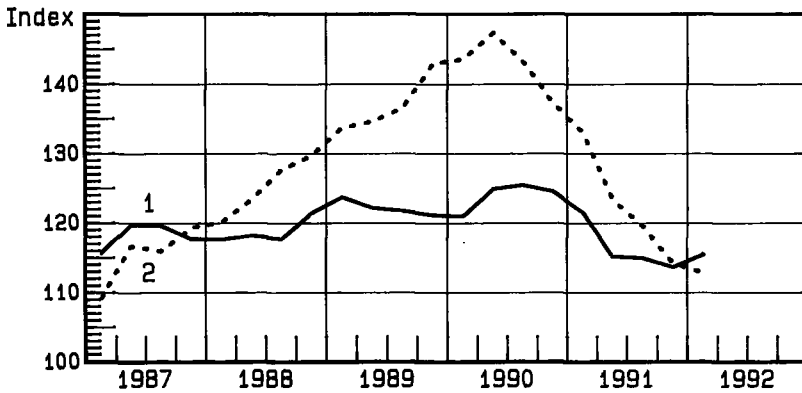
## 23. NET INVESTMENT EXPENDITURE



As a percentage of current account receipts

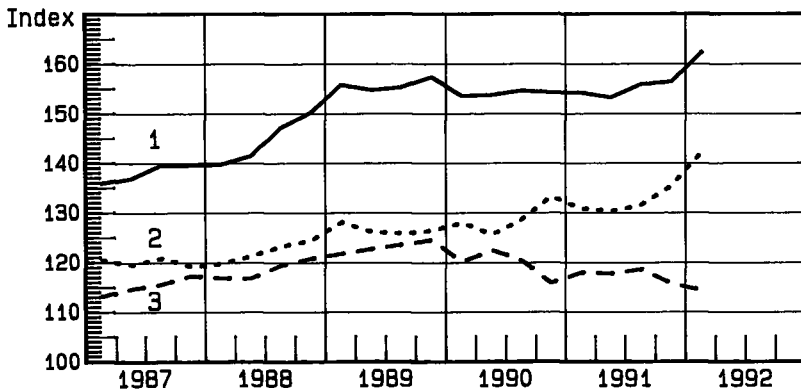


### 24. FOREIGN TRADE



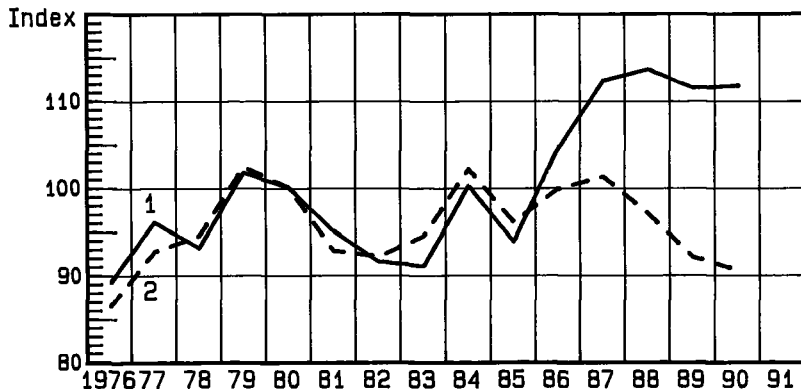
1. Total exports
  2. Total imports
- Volume index, 1980 = 100, four-quarter moving average shown as at the last quarter

### 25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



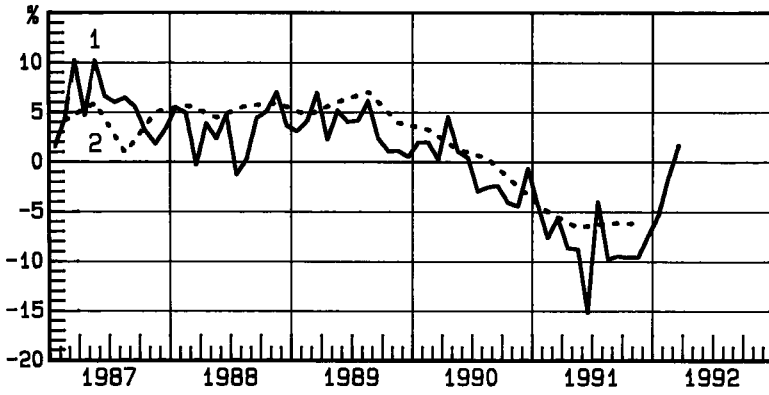
1. Unit value index of exports
  2. Unit value index of imports
  3. Terms of Trade
- 1980 = 100

### 26. FINLAND'S EXPORT PERFORMANCE



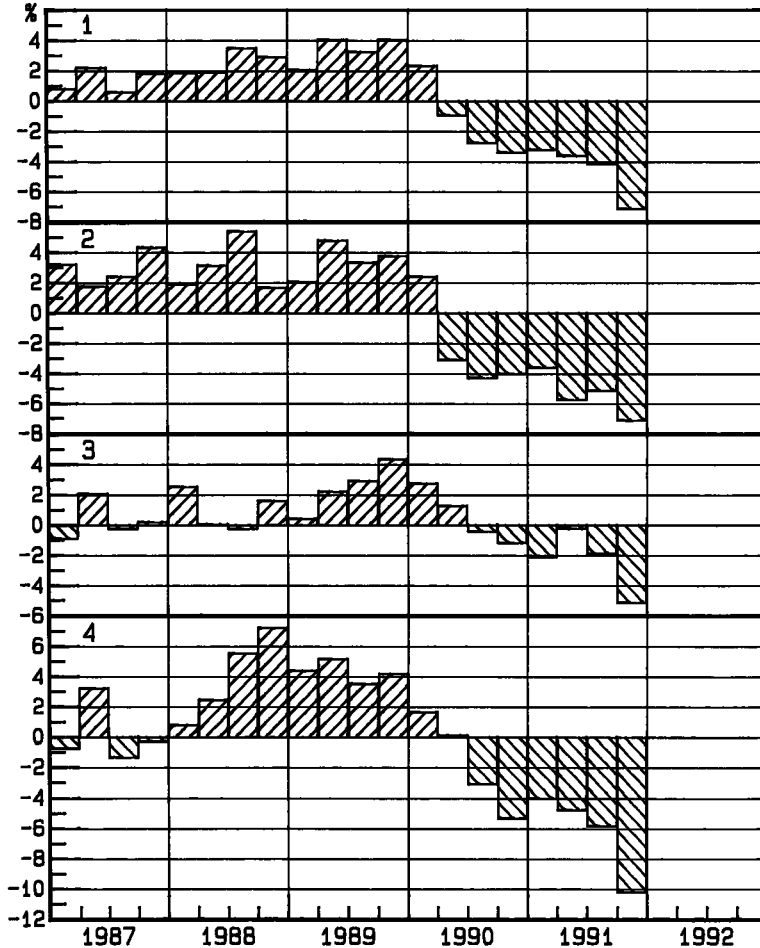
1. Value of exports to OECD countries in relation to imports of OECD countries
  2. Volume of exports to OECD countries in relation to imports of OECD countries
- 1980 = 100

27. PRODUCTION



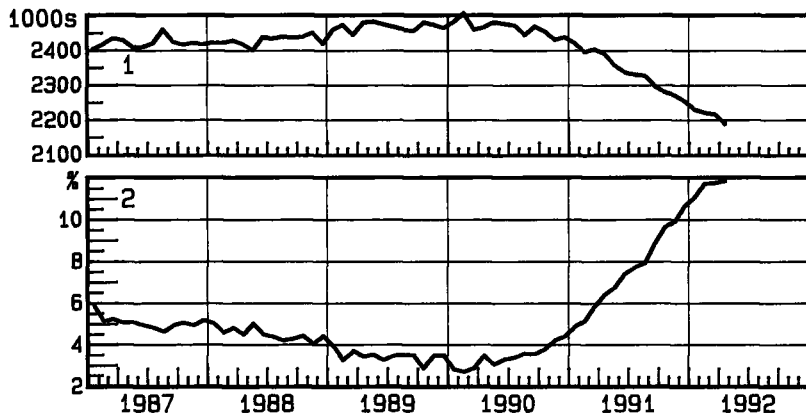
1. Industrial production, change in volume from the corresponding month of the previous year, per cent
2. GDP, change in volume from the corresponding quarter of the previous year, per cent

28. FIXED INVESTMENT



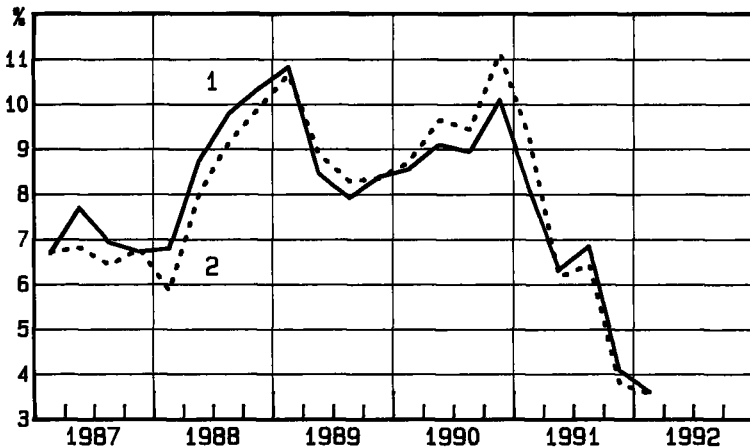
1. Total fixed investment
  2. Investment in machinery and equipment
  3. Building investment, excl. residential buildings
  4. Residential buildings
- Volume changes calculated from four-quarter moving totals and shown as at the last quarter, per cent

### 29. EMPLOYMENT AND THE UNEMPLOYMENT RATE



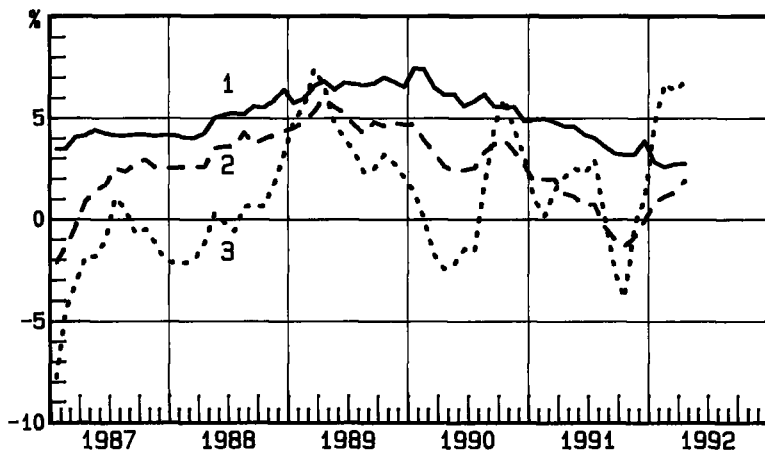
1. Employment, 1000 persons
2. Unemployment rate, per cent

### 30. PRICES AND WAGES



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

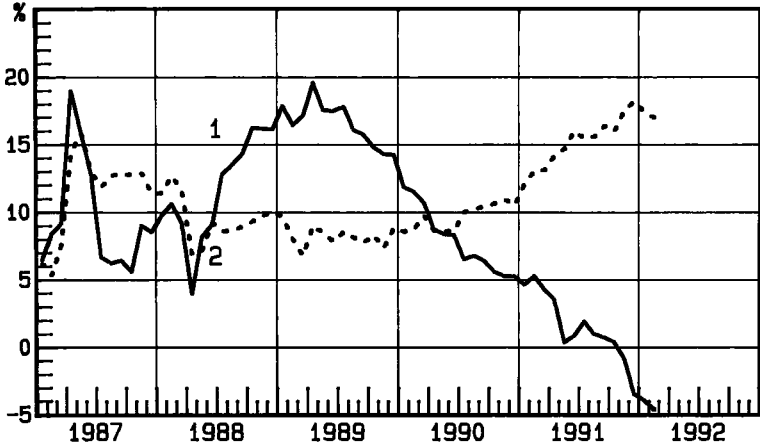
Change from the corresponding quarter of the previous year, per cent



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

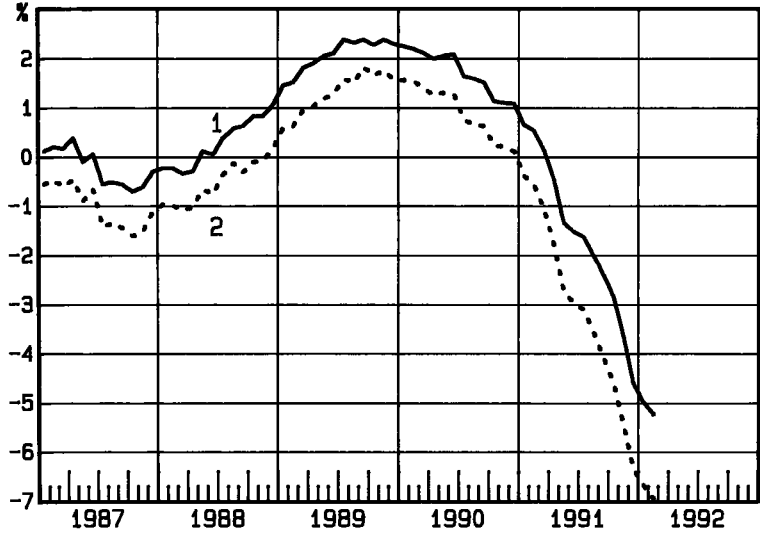
Change from the corresponding month of the previous year, per cent

31. CENTRAL GOVERNMENT FINANCES



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

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



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

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

# BANK OF FINLAND

June 8, 1992

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## THE PARLIAMENTARY SUPERVISORY BOARD

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PENTTI MÄKI-HAKOLA, Chairman  
JUSSI RANTA, Vice Chairman  
SEPPO KÄÄRIÄINEN

HANNU TENHIÄLÄ  
ANNELI JÄÄTTEENMÄKI

TUULIKKI HÄMÄLÄINEN  
ESKO SEPPÄNEN

MAURI MIETTINEN  
JÖRN DONNER

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## THE BOARD OF MANAGEMENT

---

SIRKKA HÄMÄLÄINEN, Chairman

HARRI HOLKERI

KALEVI SORSA

ESKO OLLILA

MATTI VANHALA

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## DIRECTORS      UNITS

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PENTTI KOIVIKKO      Accounting Department OSSI LEPPÄNEN  
Administration Department URPO LEVO  
Building Projects BENGT PALMROOS  
Data Processing Department RIITTA JOKINEN  
Legal Affairs ARNO LINDGREN

Payment Instruments Department REIJO MÄKINEN  
Personnel Department ANTON MÄKELÄ  
Personnel Projects ANNELI SOINI  
Security JYRKI AHVONEN  
Branches

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(excl. International Office)  
JOHNNY ÅKERHOLM  
Economics Department KARI PUUMANEN  
Information Department ANTTI HEINONEN

Market Operations Department  
MARKUS FOGELHOLM  
Research Department HEIKKI KOSKENKYLÄ  
Statistical Services Department ESA OJANEN

—      Financial Markets Department  
KAIJU KALLIO (Acting Head), Advisers:  
RALF PAULI, PETER NYBERG  
International Office of the Central Bank Policy  
Department

Payments and Settlement Department  
RAIMO HYVÄRINEN  
Unit for Eastern European Economies  
KARI PEKONEN

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Internal Audit Department TIMO MÄNNISTÖ

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

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## BRANCH OFFICES

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

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## SETEC OY

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VELI TARVAINEN, Managing Director

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