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Sirkka Hämäläinen

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Mailing address:
P.O.Box 160,
FIN-00101 HELSINKI,
FINLAND

Phone:
National (09) 1831
International +358 9 1831

Telex: 121224 SPFBFI
Fax: +358 9 174872
Cables: SUOMENPANKKI

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Finland and the EMU: Some Perspectives[1]

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

Finland, after 22 months of EU membership, is now actively preparing for economic and monetary union. Two successive Governments, with fairly different political complexions, have committed Finland to EMU participation. This was done first by signing the Maastricht treaty without derogation and subsequently by making an explicit political declaration of intent to fulfil the Maastricht convergence criteria so that Finland would qualify for inclusion in the first wave of countries to join EMU.

According to opinion polls, a clear majority of Finns are positively disposed toward EU membership, and more so than in the two other new member countries. On the other hand, the polls in Finland – as in many other EU countries – indicate a clear lack of majority support for the single currency or Stage Three of EMU. Of course, one reason behind this could be the lack of adequate understanding of the project. Another may be the emotional attitude with which people approach the loss of a national currency.

Assessing hesitancy towards EMU

The main argument raised by EMU opponents in the economic and political discussion is that Finland would immediately lose its economic policy autonomy, especially as regards monetary policy, and gradually its political sovereignty. Another important argument is the exceptionally difficult economic adjustment and recession that Finland has experienced in the 1990s and the associated high level of unemployment that still prevails. The stubbornness of the unemployment problem is often attributed to Finland's ambitious efforts to fulfil the criteria for participation in the single currency regime.

Before examining Finland's prospects for meeting those criteria and the advantages and challenges that we anticipate from EMU membership, I would like to expound briefly on the Finnish integration philosophy, and show why the two arguments against the single currency are misleading.

To start with, it is naturally not easy for any country to give up its national currency – that being an emotionally charged national symbol – in favour of a single European currency. In the case of Finland, there is an additional historical factor: Finland obtained its own currency unit already in 1860 when it was still an autonomous Grand Duchy of the Russian empire. This means that the Finnish markka is 136 years old and over 50 years older than Finland as a sovereign state.

The birth of the Finnish markka prior to Finland's sovereignty is an interesting case of how currency reform can anticipate political development. There is a curious parallel here to what is happening in Europe now: the creation of the euro is seen as an essential step toward closer political cooperation and a closer union between the participating countries.

The reason for Finland's adoption of its own currency in the 1860s was a desire to replace the then unstable Russian rouble with a strong currency that would be absolutely fixed in relation to the silver-standard currencies of Scandinavia and Northern Germany. Regarding the policy autonomy question, it is worth noting that obtaining its own currency was not at all intended to lead to anything like monetary policy autonomy for Finland. On the contrary, it was seen as a stabilizing measure and as a means of facilitating the vital commercial and financial links with other northern and western European economies.

There is nothing unique in this. To Finland, it has always been obvious that it is in our interests to promote free trade and aim for economic integration, in the changing frames of reference that history has given us. As regards exchange rate and monetary policy in particular, there has been a long series of arrangements meant to stabilize the markka in a durable way vis-à-vis the currencies of our trading partners. Many things have changed, of course, since the days of the silver and gold standards and Finland's joining the Bretton Woods system, but the underlying policy goals have stayed the same.

Ever since the time of war-related setbacks and regulatory needs, Finland has gradually and methodically moved forward in its policy efforts aimed at integration and international liberalization. As with the other European free market economies, the opening of Finland's borders began in the 1950s with trade liberalization and reinstitution of currency convertibility within the global framework of the IMF and GATT.

[1] Based on a speech presented at a meeting of the Trilateral Commission in Helsinki, 12 October 1996.

In the 1960s and 1970s, Finland considered participation in European integration a high priority, despite complications caused by the Cold War environment. In 1961 Finland joined the European Free Trade Area and in 1974 the free trade agreement with the European Community entered into force. At the same time, Finland carried on extensive bilateral trade with the Soviet Union. Based largely on our energy imports, this trade absorbed about 20 per cent of Finland's exports and was bound to lead to some serious adjustment problems when the Soviet system disintegrated.

Membership in the EU and the related participation in the single currency area thus represent a natural outgrowth of the traditional Finnish strategy according to which a rising standard of living can only be based on participation in the continuous process of international economic integration, particularly in relation to our principal market area in Europe.

Is the timing right?

Even if we accept the idea that monetary union represents a continuation of Finland's long-term economic strategy, could the timing be wrong? Is this the right moment, from Finland's viewpoint, for a deepening of European integration and adoption of a single currency? This issue comes up often in an environment in which unemployment is undoubtedly a big challenge to our economic policy.

Unemployment in Finland surged in the early 1990s at a time of recession and structural adaptation. It is still high despite the fact that the level of economic activity has by now returned to the European historical trend after an unprecedented drop of 11 per cent in just three years. It is clear that we cannot solve our unemployment problem by greater budget deficits or a soft monetary policy. The problem is structural in nature – as it is in other EU countries – and requires a critical review of the factors which hamper the functioning of labour markets. These factors include high tax rates and indirect labour costs on the one hand and generous unemployment and social benefits on the other hand, as well as labour market rigidities partly connected to our highly unionized labour market. The unionization rate of employees in Finland is over 70 per cent, the second highest in the EU.

Finland's recession and its need for large-scale adaptation were not connected with its efforts toward EU and EMU participation; they were much more 'home-grown'. The reasons can be found mainly in the rapid growth of the public sector and social services in the 1980s, as well as the overheating largely connected to financial deregulation in an environment in which economic behaviour and economic policy were still largely based on patterns developed during the era of regulation and low – even negative – real interest rates. The problems were ultimately triggered and aggravated by the 1991 collapse of Soviet trade, which had been an important factor in maintaining the demand for labour-intensive industrial production.

The economic contraction also threw the government finances seriously off balance and led the banking sector into a crisis. Monetary stability was shaken, forcing the floating of the markka in September 1992. All this prompted a thorough reconsideration of our economic policy strategy. The policy response to the crisis was to initiate a medium-term programme for restoring balance to government finances and to adopt an inflation target of 2 per cent as an anchor for monetary policy.

It is sometimes claimed that this economic policy course, chosen in the beginning of the 1990s, was based on an overemphasis on qualifying for EMU and an underemphasis on domestic needs. However, Finland was compelled to choose this policy line independently of the requirements of the Maastricht criteria; the only conceivable way to stabilize the exchange rate and get interest rates back down to reasonable levels was to convince the markets that fiscal balance would be restored and that monetary policy would be conducted in accord with the goal of price stability.

Successful convergence

Although it is important to understand that the stability-oriented economic policy that Finland is pursuing would be prudent and unavoidable even without the Maastricht treaty, the results of that policy are clearly visible when tested against the convergence criteria laid out in the treaty. Indeed, according to the Finnish convergence programme, which was approved about a year ago and has just recently been updated, Finland is in a good position to meet the Maastricht convergence criteria by 'examination' time in 1998.

The monetary criteria, which concern the inflation rate and the interest rate, have already been fulfilled. Finland is now one of the lowest inflation countries in the EU, and there is every reason to expect that inflation will remain subdued over the coming years.

The improvement in monetary stability is especially apparent in that, as interest rates have recently converged toward the corresponding German rates, the exchange rate has simultaneously been stabilized. These gratifying successes cannot be attributed to monetary policy alone, however. Without the confidence that Finnish fiscal policy has earned in the financial markets, and without the moderate wage agreements of the last wage round, monetary policy could not have been so successful.

The significant improvement in monetary stability made it possible for Finland to join the Exchange Rate Mechanism of the EMS on 14 October 1996. Participation in the ERM ensures that Finland will qualify for EMU also with respect to the exchange rate criterion. Moreover, the fact that this could be done without significantly adjusting the stance of monetary policy demonstrates the degree of de facto convergence which Finland has achieved in the monetary sphere.

Due to determined fiscal consolidation, satisfying the fiscal convergence criteria on time is a very realistic goal. The deficit criterion, which originally was the biggest problem, is very likely to be fulfilled next year. This should happen even in the case that the economy grows at a slower pace than we now expect. And the public sector debt ratio, which is fairly low compared to other EU countries, should also start to decline.

However, the very satisfactory forecast for the financial balance of the public sector as a whole conceals a large deficit in the central government budget, which is technically offset by a surplus in the mandatory pension funds. In reality, the funds' surplus is illusionary in view of the pension obligations over the next several decades. This is why the Finnish convergence programme is more ambitious in this regard than the Maastricht treaty requires: a medium-term target for the public sector deficit of zero instead of 3 per cent of GDP, as stipulated by the treaty.

Challenges and priorities

The general benefits of monetary union for the EU, such as a more efficient internal market, lower transaction costs, and reduced uncertainty from exchange rate changes are well known and there is no need to repeat them here. From the Finnish perspective, particularly important economic benefits from EMU would probably ensue from the stability and credibility that monetary union could help to maintain.

In our case, we no longer have an acute demand for 'borrowed' credibility. There is an urgent need, however, to consolidate the credibility gains of the last few years, and monetary integration serves a useful purpose in achieving this goal.

On the other hand, EMU is also a challenge to us. In particular, the loss of flexibility in monetary policy and the intensification of competition and structural change in financial services imply a need for greater efficiency and flexibility in companies and labour markets. It is often argued, on these grounds, that the Finnish economy is so dependent on countries not participating in EMU and the importance of the cyclically sensitive forest industry is so great that it would be ill-advised to bind ourselves to the single currency.

It is true that the volatility of manufacturing output in Finland has generally been greater than in the larger EU economies, and the cyclical position of the forest industry in particular has often been a source of problems for monetary policy. However, the structure of this sector has for many reasons recently been considerably strengthened. In particular, the industry has been able to reduce its reliance on debt, thus improving its ability to cope with cyclical fluctuations. All in all, there seems to be a clear trend in the Finnish economy towards greater flexibility of markets, more moderate and disciplined price and wage behaviour, greater solidity of firms, and a more efficient industrial structure.

It can also be seen that changes in Finnish exports, in particular the diversification of the structure of output in the forest as well as metal and engineering industries, and the recent changes in economic legislation and economic policy are promoting convergence with the EU and have already reduced Finland's vulnerability to economic shocks. Furthermore, the EMU and the single currency will most likely increase intra-industry trade within the EU and thus promote the diversification of national manufacturing bases. To the extent that asymmetric economic developments and shocks have been the result of EU members' national economic policies, the single currency and resultant convergence of participating countries' fiscal and incomes policies will likely cause cyclical patterns to converge across the EU.

The positive credibility and efficiency aspects of participation in the single currency are clearly more relevant than the much discussed loss of policy flexibility. It is too often forgotten how limited the scope for independent monetary policy or even fiscal policy is in today's world of integrated capital markets and efficient financial arbitrage – especially in the absence of market confidence.

'Ins' and 'outs'

Considering the structure of its export markets, a fairly extensive EMU would be desirable from Finland's viewpoint. Of Finnish exports, presently almost a third, in value terms, go to Germany, France, Benelux and Austria; about a third go to the other EU countries; and slightly more than a third go to non-EU countries. With this trade pattern, Finland would have a lot to gain from realizing 'one market – one money' in the true sense of the slogan.

As this does not seem to be very likely, to start with, it is important to guarantee sustainable exchange rate stability between the 'ins' and 'outs'. The same of course is true for external exchange rates between the euro and the other leading currencies of the world. It is important to underline that successful coordination of monetary and fiscal policies is a necessary condition for sustainable exchange rate stability. For this reason, it is crucial that plans to strengthen the convergence programme procedure for the 'outs' be carefully developed and implemented.

On the other hand, and not least because of the need to consolidate its recent credibility gains, Finland also has a special interest in economic convergence and stability inside the euro area. It is essential that the economic and monetary union itself actually succeeds in maintaining first-class policy discipline and stability. So, it is natural that Finland would place a high priority on developing ways to ensure fiscal prudence throughout Europe.

To be both credible and fair, arrangements which are to safeguard fiscal discipline in the monetary union must not only be sufficiently demanding and strict but also flexible enough to take into account the diversity of economic structures and circumstances that will exist within the monetary union. I feel that the stability pact outlined at the informal Dublin ECOFIN meeting in September forms a good point of departure for these efforts.

The top priority – policy coordination

I began by noting the political aspects of currency reform, and now my remarks on the economic issues that are essential to a successful monetary union have brought me almost all the way back to the political realm. The success of the EMU in delivering its potential benefits would seem to depend critically on whether the EU countries – both EMU participants and others – manage to coordinate their macroeconomic policies well enough to avoid, on the one hand, credibility problems within the euro area and, on the other hand, tensions between the 'ins' and 'outs'.

Europeans are and will continue to be dependent on the outside world. From the Finnish perspective, the EU should be seen as a step toward promoting global economic integration and coordination and thus global monetary stability. Regarding the future relation of the euro to the other world currencies, the problems of global monetary policy coordination should therefore be high on the agenda of the European institutions. Working in this future framework will mean new challenges, especially for those of us representing the smaller European economies. After all, we have so far mostly confined our interest to the 'internal' affairs of Europe. In the future, global issues will inevitably take on a new importance to all European policymakers.

8 November 1996

• Key words: EMU, convergence, policy coordination

Fiscal policy and public finances

by **Martti Lehtonen**, Head of Office
Economics Department
Bank of Finland

Reductions in public expenditure have begun to show up as decreases in central government and general government[1] deficits. This favourable development is partly attributable to the spread of the economic recovery into the domestic sector, which has increased public sector revenues and eased the pressure for expenditure increases. In the near future, Finland's public finances will meet the convergence criteria for Stage Three of Economic and Monetary Union (EMU). The improved outlook for public finances has contributed to a decline in interest rates on central government borrowing and more generally in domestic bond yields. Even when economic conditions are favourable, the indebtedness of the central government will limit the room for economic policy manoeuvring in the coming years, too. Tax cuts are hardly possible without spending cuts.

Built-in stabilizers substantially weakened the central government's financial position in the early 1990s

Large central government deficits – aggravated by interest payments on the debt – have kept the debt on an upward trend. Efforts to halt the trend have necessarily entailed a strict curbing of expenditure, which has been implemented by savings programmes aimed at cutting statutory expenditure. There have been no other realistic alternatives; any postponement of expenditure cuts would only have led to a need for even larger cuts later on.

Cuts in the central government's statutory expenditure amounted to an estimated total of FIM 45 billion for the years 1991–1996, ie to 8 per cent of 1996 GDP. The last two Governments have increased savings every year since 1991; the largest increases were implemented in 1993 (FIM 14 billion) and1996 (FIM 9.5 billion) (Chart 1). After some difficulties in the early stages, the expenditure cuts have been implemented as planned. The foundation for the spending cuts was laid by a legislative amendment in 1992, which enabled decisions on spending cuts in most cases by simple parliamentary majority.

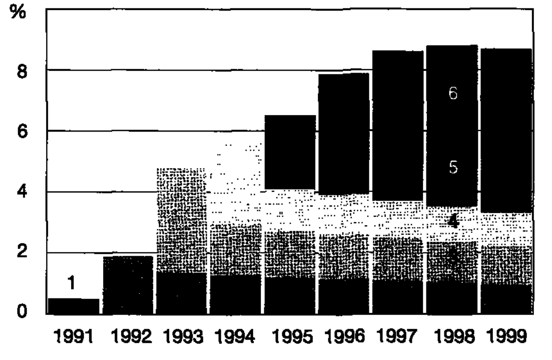
Despite the spending cuts, total expenditure of the central government and the entire public sector increased in real terms every year in the first half of the 1990s. Besides interest payments, built-in stabilizers, particularly increases in unemployment-related expenditure, have sustained the growth of public expenditure (Charts 2 and 3). Expenditure, as defined in this article, does not include capital support provided to banks in the form of loans in connection with the banking crisis. This support has nonetheless increased central government debt and hence the related interest payments. Finland's entry into the EU at the beginning of 1995 caused an increase in central government expenditure, eg in payments into the EU budget, that could not be foreseen at the beginning of the 1990s.

Another channel through which fiscal policy affects the financial position of the public sector is taxation. The tax ratio, ie tax revenues relative to

Chart 1.

Cuts in central government statutory expenditure, 1991–1999

Impact of measures in per cent of GDP



1. Implemented in 1991
2. Implemented in 1992
3. Implemented in 1993
4. Implemented in 1994
5. Implemented in 1995 (one year cuts, to be continued in 1996–1999)
6. Cuts for 1995–1999 decided by the present Government

[1] The figures for 1996 and 1997 are based on estimates and forecasts by the Ministry of Finance.

Table. Overall economic performance and public finances in Finland, 1990–1997

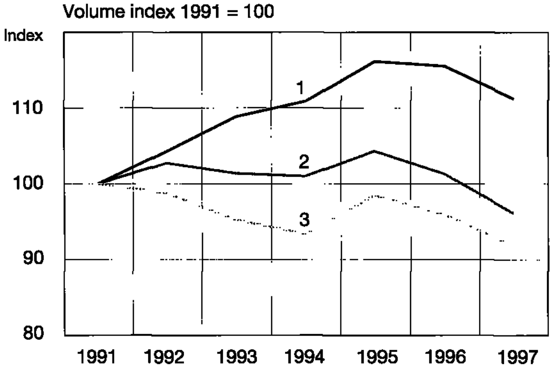
	1990	1991	1992	1993	1994	1995*	1996[p]	1997[p]
GDP, FIM bill., current prices	515	491	477	482	510	546	569	601
GDP, volume change, %	0.0	–7.1	–3.6	–1.2	4.4	4.2	2.8	3.9
Private fixed investment and private consumption, volume change, %	–2.0	–9.7	–8.8	–6.8	1.5	5.2	5.2	5.3
Unemployment rate, %	3.4	7.6	13.1	17.9	18.4	17.2	16.4[1]	15.4
Consumer price index, change, %	6.1	4.1	2.9	2.2	1.1	1.0	0.8	1.5
Current account, % of GDP	–5.1	–5.4	–4.6	–1.3	1.3	4.5	3.5	3.5
Private sector net lending (saving minus investment), % of GDP	–10.5	–3.9	1.1	6.7	7.5	9.7	6.4	4.9
Government bond yields (8–10 years)	13.2	11.6	12.1	8.8	9.0	8.8	6.5[1]	..
Public expenditure, % of GDP	46.8	55.5	60.8	61.9	61.0	59.8	59.4	56.8
Tax ratio, % of GDP	45.4	46.9	46.8	45.4	47.7	46.5	48.4	47.9
General government outlays, excl. financial transactions, volume change, %	7.2	7.2	4.0	0.9	2.5	3.1	1.9	–0.5
Central government outlays, excl. financial transactions, volume change, %	3.4	13.0	4.1	4.4	1.8	4.8	–0.5	–3.7
General government net lending (EMU criterion), % of GDP	5.4	–1.5	–5.9	–8.0	–6.2	–5.2	–2.9	–1.4
– central government	1.2	–4.5	–7.6	–11.2	–11.4	–9.9	–6.9	–5.1
– local government	0.9	–0.9	–0.8	0.4	1.3	0.7	0.7	0.1
– social security funds	4.1	3.9	2.6	2.8	3.9	4.0	3.3	3.6
General government consolidated gross debt (EMU definition), % of GDP	14.5	23.0	41.5	57.3	59.5	59.4	61.8	61.0
Central government gross debt, % of GDP	10.5	17.1	34.7	53.0	60.3	65.8	70.8	71.9

[1] October.
[p] = projections by Ministry of Finance

Chart 2.

Central government expenditure, 1991–1997

Volume index 1991 = 100



1. Total expenditure, excl. financial transactions
2. (1) minus interest on central gov. debt
3. (2) minus unemployment-related expenditure

GDP, has remained relatively stable on average thus far in the 1990s (Chart 3). GDP figures however reflect the vigorous growth in exports. Relative to domestic demand and income, taxes have risen, ie the tax wedge has widened.

The increase has been greatest in social security contributions: whereas employers' and employees' statutory social security contributions together amounted to 27.5 per cent of wages and salaries on average in 1990, in 1995 they amounted to 38 per cent. Also other taxes on wage income were raised in the early 1990s. The average municipal tax rate rose by one percentage point to 17.5 per cent between 1990 and 1995. Increases in indirect taxes have raised consumer prices and thus reduced consumers' real purchasing power; in 1991–1995 this effect amounted to 1.1 percentage points a year on average. Central government taxation of earned income remained virtually unchanged in the first half of the 1990s with the exception of an additional withholding tax, which was levied in the form of a tax loan in 1993–1995. The 1993 reform of capital income taxation resulted in an easing of these taxes during a transitional period.

The general government deficit continued to deepen up until 1993, ie the flow of funds from the government sector to the private sector exceeded the reverse flow by increasing amounts. Thus the growth of the general government deficit during the recession years helped support purchasing power *in the private sector.*

The large changes that have taken place in the economy, many of them permanent, have made it virtually impossible to estimate the effects that the public sector deficit has had on economic performance. In a phase where companies and households were paying down their debts, the expansionary effects of public sector built-in stabilizers were not clearly visible in the level of economic activity. For the same reason, the effects of surging exports on domestic demand were felt only after a long lag.

There were yet other unfavourable circumstances that restricted and otherwise influenced the consolidation of public finances in the early 1990s. At times, the rapid build-up of central government debt was reflected in a fairly large risk premium which boosted long-term market rates. For example, up until spring 1993 the long-term interest rate differential vis-à-vis Germany was 3–4 percentage points and even more at times (Chart 4). High interest rates further increased the private sector's cautious attitude toward investment and consumption spending. The financial surplus of the private sector, ie the excess of income over consumption and investment, increased continuously during the years 1992–1995.

All in all, the development of total public sector expenditure and the deficit shows that fiscal policy was not as tight in the early 1990s as would be indicated by the spending cuts themselves. Nonetheless, excluding transfer payments stemming from automatic stabilizers and rising interest expenditure, central government spending has decreased. Moreover, the spending cuts have had a gradual confidence-building effect on expectations regarding economic performance.

Recovery in the domestic sector is alleviating the general government deficit

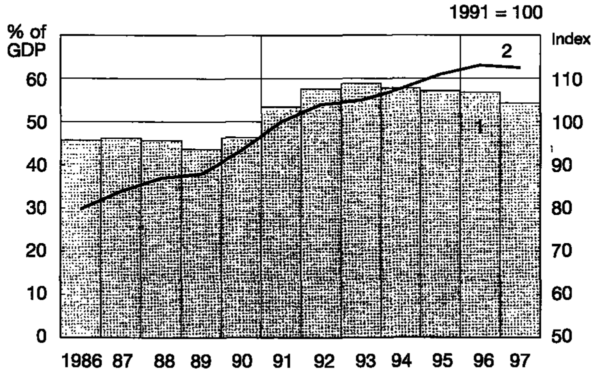
The recovery of domestic demand in 1994 was reflected in an increase in tax revenue, and the growth of the central government's budget deficit came to a halt even though the deficit/GDP ratio was still above 11 per cent. In 1995 the growth of domestic demand continued to accelerate and unemployment started to decline. The current account, which had swung to a surplus in the previous year, improved considerably.

Confidence in an easing of the deficit and debt problems was strengthened when the Government which took office in April 1995 committed itself to continuing the consolidation of central government finances. To achieve this objective, the Government presented, as a part of its programme, a detailed list of expenditure cuts stretching over the entire four-year parliamentary term. The markets' positive response was reflected in a narrowing of the risk premium in long-term interest rates; the differential against corresponding German rates narrowed from nearly 3 percentage points in March

Chart 3.

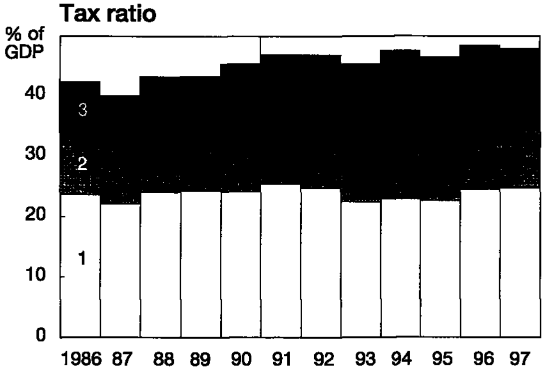
General government finances, 1986–1997

Expenditure excl. financial transactions



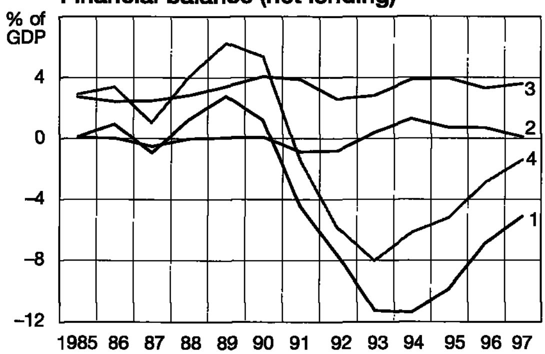
1. General government expenditure, % of GDP (left scale)
2. General government, volume index 1991 = 100 (right scale)

Tax ratio



1. Central government
2. Local government
3. Social security funds

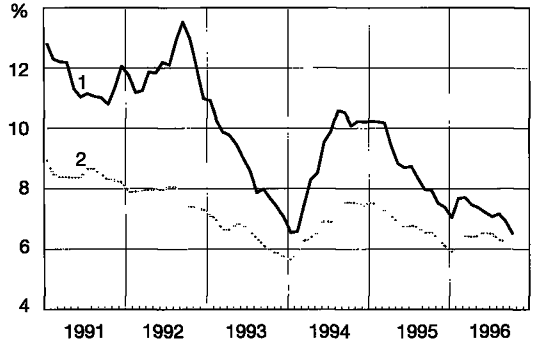
Financial balance (net lending)



1. Central government
2. Local government
3. Social security funds
4. General government

Chart 4.

Long-term interest rates



10-year government bond yield:

1. Finland
2. Germany

1995 to 1.3 percentage points in December 1995. The appreciation of the markka's external value continued up until 1995, partially offsetting the expansionary effect of the previous depreciation on the central government's external debt. The general government deficit continued to narrow, and central government revenue picked up enough to signal a downward trend in the corresponding deficit.

Spending restraint, declining taxes on earned income and improvement in general government finances will continue in 1996–1997

The Government front loaded its new expenditure cuts by scheduling nearly FIM 10 billion (about 2 per cent of GDP) in cuts for 1996 (Chart 2). The aim was to strengthen the credibility of fiscal policy. The bulk of the cuts affect revenue transfers to municipalities (about FIM 4 billion) and to households (over FIM 4 billion including cuts in subsidies to agriculture).

Although these savings measures will halt the growth in central government expenditure, general government expenditure will increase in 1996 by about 2 per cent in real terms. The tightening effect of expenditure cuts will be further eased by growth of local government tax revenues and, for the private sector, by a net reduction in taxes of about FIM 2.5 billion. The rapid growth of general government tax revenue in 1996 is attributable to a broadening of the tax base and to the timing of tax collections and refunds. The growth in revenue has clearly helped to shrink budget deficits.

Companies' investment spending and households' consumption spending are forecast to grow vigorously in 1996. Households' improving expectations for the economy can be seen in the increase in the average propensity to consume. The growth in private sector income and demand in turn are increasing the tax base.

The general government deficit (excl. financial investment) is forecast to contract to 2.9 per cent of GDP. Nonetheless, the ratio of general government debt to GDP will continue to rise, to just over 60 per cent, according to estimates.

The steadfast reduction of expenditure will continue in 1997. When the growth of central government debt in 1995 turned out to exceed expectations, the Government decided in February 1996 to increase its savings planned for 1997 by FIM 1.7 billion. The 1997 budget contains a total of more than FIM 7 billion in expenditure cuts. On the other hand, the Government has increased spending items aimed at alleviating structural unemployment, though these increases are small relative to the expenditure cuts.

Because of favourable developments regarding the outlook for the consolidation of central government finances in the course of 1996, the Government included measures for alleviating the tightening effect of fiscal policy in its 1997 budget proposal submitted to Parliament in September. The alleviation is to be implemented through a greater easing of wage and salary taxation than had been initially planned. The tax changes slated for 1997 – including a slight tightening of indirect taxation – will reduce tax revenue by about FIM 4 billion, ceteris paribus. Thus these measures aimed at the private sector will facilitate growth in incomes and demand.

If the favourable economic performance continues as forecast, the general government deficit and debt problems will ease in 1997. The deficit would remain well below the Maastricht treaty EMU convergence criterion of 3 per cent and the debt/GDP ratio would start to decline, though still remaining slightly above 60 per cent of GDP, according to Ministry of Finance estimates.

Market confidence in an improving general government financial balance has continued to strengthen in the course of 1996. The yield on government bonds has declined and the differential against the ten-year rate in Germany (the EU's monetary anchor country) has narrowed to about fi percentage point. The decline in interest rates also means a slowing of the growth of interest payments on general government debt.

Growth in pension funds narrows the general government deficit and facilitates debt stabilization

Because the central government deficit is narrowing, local government finances are nearly in balance and social security funds (especially employment pension funds) are posting surpluses, the general government deficit will decline to just below 3 per cent in 1996. A deficit/GDP ratio of no more than 3 per cent is one of the two public finance convergence criteria for Stage Three of EMU.

The growth of the general government gross debt is de facto entirely attributable to central government borrowing. The growth phase of local government debt lasted until 1993 when the level of the gross debt was about FIM 32 billion, ie 6 fi per cent of GDP. It has subsequently declined, even in markka terms. Social security funds actually are carrying virtually no debt.

A notable improvement in the financial balance of the economy, which is evidenced by a growing current account surplus, has made it possible to finance the central government deficit to an increasing extent by domestic borrowing. In 1995 and 1996 the central government's foreign currency-denominated net borrowing, ie borrowing minus amortizations of previous loans, has been close to zero. Employment pension funds' investment of surpluses in government bonds has proven to be the central government's most important source of financing. As companies have paid down their employment pension scheme loans (TEL-lending) and as pension funds have for various reasons been disinclined to invest in real estate and certain other outlets, government bonds have provided virtually the only viable investment alternative.[1]

In assessing the attainment of the EMU debt/GDP criterion, intra-sector debts are deducted from the gross general government debt. Finland's general government debt/GDP ratio has been below the 60 per cent limit laid down as one of the convergence criteria in the Maastricht treaty. The ratio is however expected to exceed the limit slightly in 1996 and 1997.

Debt will continue for some time as a constraining factor

The turnaround in the growth of indebtedness, for which prospects are good vis-à-vis the general government for the near term and vis-à-vis the central government for the 1–2 year horizon, will facilitate the continued reduction of the deficit throughout the final years of the decade. This stems also from the fact that the growth of the interest burden will slow down compared to recent years.

The consolidation of public finances in 1996 and 1997 described above will depend on favourable economic performance. Uncertainties inherent in the forecast seem to roughly balance out in this respect. Even if economic growth turns out to be somewhat slower than forecast, there would still be room for a narrowing of the general government deficit to less than the EMU criterion of 3 per cent. By contrast, lowering the debt/GDP ratio might prove difficult if economic growth fails to attain the forecast rate.

Even though the general government's deficit and debt ratios will be reduced in the near future and on towards the end of the decade, the central government deficit will remain large over the next couple years and debt reduction is uncertain. The central government's persistently high indebtedness is the reason that public sector interest payments relative to GDP will still be about 5–6 per cent at the end of the 1990s. In order to reduce the deficit, it will be necessary that other expenditure be clearly less than tax revenue.

Halting the growth of the central government debt is an important part of ensuring the stable development of the Finnish economy quite aside from from the EMU process. Some room is needed for manoeuvre with respect to central government finances, inter alia, so that the tax ratio can be lowered. This is particularly important as regards the taxation of wages and salaries because of the beneficial effects that lower taxes would have on the employment situation. But this kind of room for manoeuvre cannot be created without an on-going programme of spending restraint.

8 November 1996

• Key words: fiscal policy, public finances, deficits, debt

[1] The Government has declared its intent to take any additional measures necessary to ensure the attainment of its fiscal policy goals in the event that those goals should be jeopardized.

The use of ATMs in Finland and selected EU countries

by **Jukka Ahonen**, M Soc Sc (Econ)
Financial Markets Department
Bank of Finland

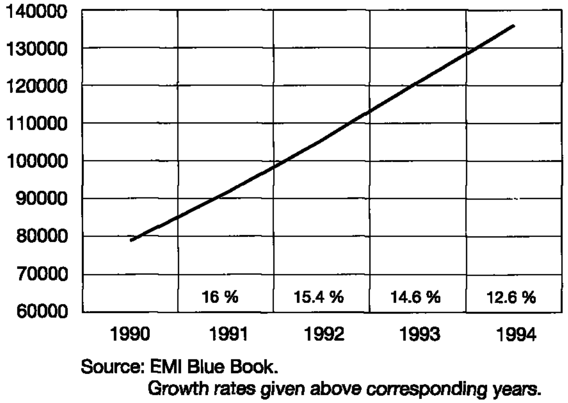
The number and usage of automated teller machines (ATMs) have increased rapidly in the current decade. Whereas the aggregate number of ATMs in the present 15 member states of the European Union was about 80 000 in 1990, their number had reached 140 000 by 1994[1] (Chart 1).

ATMs have spread because both users and banks benefit from their use. For the user, an ATM means lower costs and more freedom in managing his cash. In many countries, ATMs are in operation 24 hours a day and seldom require queuing. Banks, on the other hand, have found the usage of ATMs to be less expensive than having bank personnel serving customers in branch offices. Thus the spread of ATMs has been promoted by both demand and supply factors.

There are however distinct differences between the EU countries as regards the spread of ATMs. This article compares the number and utilization rate of ATMs in Finland against five other EU countries[2], and considers the reasons for the cross-country differences. Finally, possible lessons to be learned from the Finnish experience are discussed.

Chart 1.

Number of ATMs in EU countries



Source: EMI Blue Book.
Growth rates given above corresponding years.

The number of cash dispensing ATMs has decreased in Finland

Of all six countries examined, Spain recorded the highest number of cash dispensing ATMs per capita in 1995 (Chart 2) while Sweden recorded the lowest. The figures for other countries were clearly closer to the EU average, which was 0.37 ATMs per 1000 inhabitants in 1994.

The number of cash dispensing ATMs has increased in all the countries examined except Finland, where their number has decreased by more than a fifth in two years. The first decrease occurred in 1994, when Automatia Ltd, a company established and jointly owned by four Finnish banks[3], started to manage and rationalize the banks' ATM network. The banks' branch network in Finland has been considerably downsized. At the same time, extensive structural changes have taken place in the banking sector.

However, the number of cash dispensing ATMs in Finland is still high and exceeds the EU average. Spurred by competition, the Finnish cash dispensing ATM network expanded considerably in the latter half of the 1980s, leading to ATM overcapacity while at the same time there was a large number of bank branches.

Finns have had ample time to learn to use their ATMs, having had a very extensive ATM network for ten years. Measuring the use of ATMs by withdrawals per capita, Finland tops the list: on average every Finn withdraws cash from ATMs 40 times a year (Chart 3).

In Spain the network of cash dispensing ATMs has expanded rapidly in the 1990s. However, this

[1] These figures are based on the EMI publication 'Payment Systems in the European Union', April 1996 (EMI Blue Book), which does not distinguish between cash dispensing ATMs and other ATMs (ie an ATM is defined as an electro-mechanical device that permits authorized users to withdraw cash and/or access other services, such as transfer of funds). Differentiated data used in this article are based on special survey information obtained from the countries studied. In this article the main emphasis is on cash dispensing ATMs.

[2] Germany, Spain, the Netherlands, Sweden and United Kingdom.

[3] The banks were Union Bank of Finland, Kansallis-Osake-Pankki, Okobank and Postipankki. In 1995 Kansallis-Osake-Pankki and Union Bank of Finland merged to form the new Merita Bank.

has not as yet induced the Spanish to use their ATMs as much as the Finns. Although Spain has the largest number of cash dispensing ATMs per capita, the number of withdrawals per inhabitant corresponds roughly to the EU average.

Of the countries examined, Finland has the highest number of withdrawals per capita, but the highest number of withdrawals per ATM was recorded in Sweden (Chart 4). For Finland, the Netherlands and United Kingdom, the corresponding figures are above the EU average whereas in Germany and Spain they remain below the average. In the last few years, the number of withdrawals per ATM in Finland has increased, owing to both an increase in the total number of withdrawals and a decrease in the number of ATMs.

The number of withdrawals per ATM indicates the degree to which an ATM is used. Naturally, the figure does not serve as an indicator of the optimality of the situation from the viewpoint of the consumer: a large number of withdrawals per ATM may be connected with long queuing times.

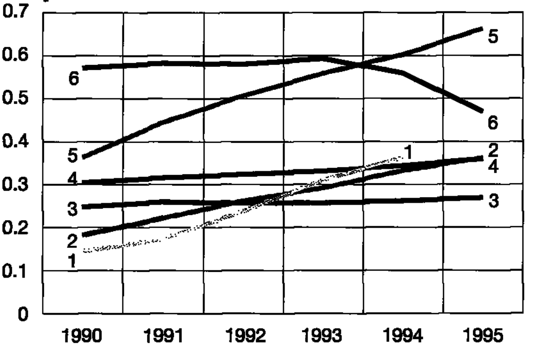
An interesting aspect of the use of ATMs is how many 'times' cash held by the public circulates via ATMs. In this respect, Finland differs clearly from the other countries (Chart 5). The total value of cash withdrawals from ATMs in Finland is more than six times the amount of cash held by the public. This ratio is twice as high as that of the United Kingdom, for example, and actually six times that of Spain. Finland's high ratio is explained by the fact that the amount of cash circulating in the country is very small (Chart 6) and it circulates through ATMs, at a high velocity. From the standpoint of the Bank of Finland and currency supply maintenance, the high velocity of cash is not totally unproblematic, because it requires frequent transport of cash. At present, Finnish households are estimated to withdraw 70 per cent of their cash funds from ATMs and only 30 per cent through bank tellers.

The high velocity figure is also an indication of the bank-centredness of the Finnish financial system, which is characterized by rapid circulation of cash. Finnish retailers, for instance, deposit cash funds received from customers directly in a bank while retailers in some other countries use such cash funds to pay wages and purchase goods.

The average amount of a cash withdrawal – and thus the aggregate amount of cash withdrawn from ATMs and held by the public – is smaller in Finland than in the other EU countries (Chart 7). Cash funds do not bear interest. Therefore, rational economic units minimize the amount of cash held relative to the cost and convenience of ATM withdrawals. At least in Finland, banks that provide ATMs have consistently encouraged their customers to use them actively; for example, withdrawals from ATMs are free of charge. In the context of the international comparisons presented in Chart 7, one should remember that exchange rates have also contributed to the changes that occurred between 1990 and

Chart 2.

Number of cash dispensing ATMs per 1000 inhabitants

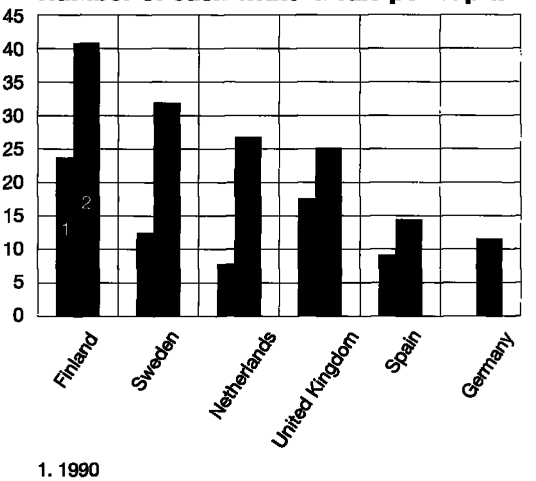


1. Germany
2. Netherlands
3. Sweden
4. United Kingdom
5. Spain
6. Finland

Sources for charts 2-5 and 7:
Banco de España,
EMI Blue Book,
Finnish Bankers' Association,
De Nederlandsche Bank,
Swedish Banks' Association and
Yearbook of Payment Statistics (APACS).

Chart 3.

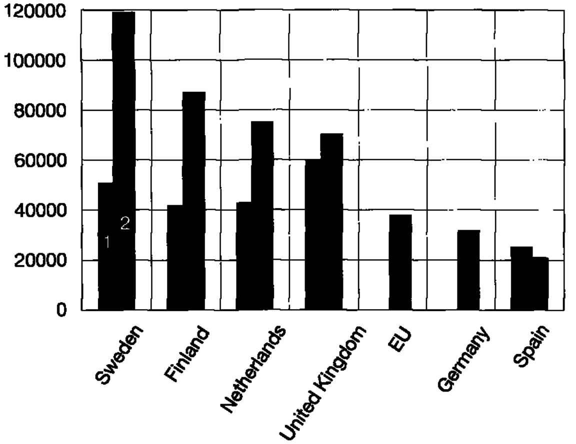
Number of cash withdrawals per capita



1. 1990
2. 1995/for Germany 1994

Chart 4.

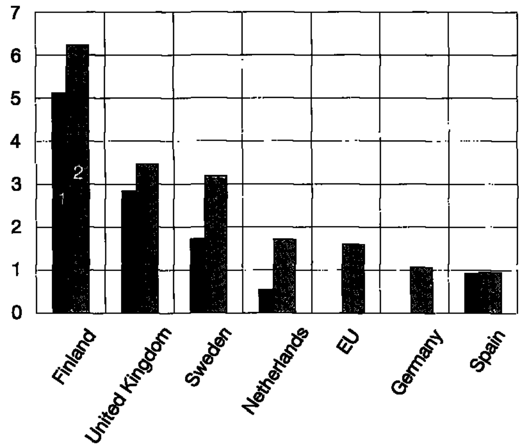
Number of cash withdrawals per cash dispensing ATM



1. 1990
2. 1995/for Germany and EU 1994

Chart 5.

Value of cash withdrawals relative to cash in circulation



1. 1990
2. 1995/for Germany and EU 1994

1995. In the case of Finland, for instance, the decrease in the ECU value of an ATM withdrawal was mainly due to the weakening of the value of the markka.

Cross-country differences are due to several factors

The large number of cash dispensing ATMs in Finland developed much in line with the overcapacity of the banking sector in the 1980s. By 1990 the number of bank branches and other places of business offering payment services was about 1.2 per 1000 inhabitants (Chart 8), and the branches were often equipped with ATMs. Thus far in the 1990s, banking sector overcapacity has been dismantled at such a pace that the number of bank branches has been reduced by more than a half. Often all that remains of a former bank branch is an ATM.

By international standards, Spain has both a large number of ATMs and an extensive bank branch network, as did Finland in the late 1980s. In 1994 the number of bank branches and post offices offering payment services in Spain was more than 0.9 per 1000 inhabitants. This is the highest figure among the six countries examined in this article. In Spain branches of savings banks in particular are usually equipped with ATMs.

In Finland the number of ATMs was boosted by the intense competition for customers between the banks that took place particularly in the 1980s. While price competition was hampered by interest rate control, banks competed in the provision of services: customers were enticed by luxurious bank offices, ATMs and various free extra services. When a bank installed an ATM at a new location, other banks soon followed suit. It was typical that even the smallest Finnish towns and villages were equipped with ATMs of several banking groups.

There are however also natural causes for the larger-than-average ATM network in Finland. In a sparsely populated country, an ATM network is an equally integral part of the infrastructure as an extensive road network. To illustrate the spacial dimensions, consider that in Finland there are only seven ATMs per 1000 square kilometres, whereas the corresponding figure for the Netherlands is 134. Comparable figures for other countries are: United Kingdom 85, Germany 82, Spain 51, Denmark 47 and Sweden 5.

Another reason for the increase in the number of cash dispensing ATMs in Finland has probably been the high wage costs of bank employees compared with the costs of automatization. In Finland a cash withdrawal at an ATM takes about 15 seconds and costs the bank about two Finnish markkaa. A cash withdrawal through a bank teller is estimated to cost three times as much. Moreover, ATMs are usually operative 24 hours a day and they do not demand overtime compensation. It is estimated that on each business day, a third[4] of the transactions involving cash dispensing ATMs occur outside banking hours.

Another factor that undoubtedly contributes to the number and use of ATMs in different countries is the degree of technical sophistication of the payment systems. In 1995, for example, the use of EFTPOS terminals (electronic funds transfer at point of sale) and ATMs with credit transfer facilities[5] increased considerably in Finland. As these both represent cashless payment media, it is likely that their increased use has curbed the need for cash dispensing ATMs in particular.

Willingness to use ATMs also reflects a country's culture. People are not interested in technology to the same degree in every country. In some countries, citizens may prefer to handle their banking business with a human being rather than with a machine.

Are there lessons to be learned from the Finnish experience?

In Finland the number of cash dispensing ATMs per capita has been historically higher than in any other EU country. The large number of ATMs stems from banks' service competition and expansion of the banking sector in the 1980s, and the recent rapid decrease in the number implies that there have been 'too many' ATMs. From the customers' viewpoint, the large number of ATMs has naturally improved the availability of cash, but not without costs.

On the other hand, over a period of ten years during which there has been an abundant supply of ATMs, the Finns have learned to withdraw cash via ATMs instead of bank tellers. On the basis of the Finnish experience, it may be presumed that the use of ATMs in the other EU countries will increase in the next few years, as people get accustomed to withdrawing cash from ATMs.

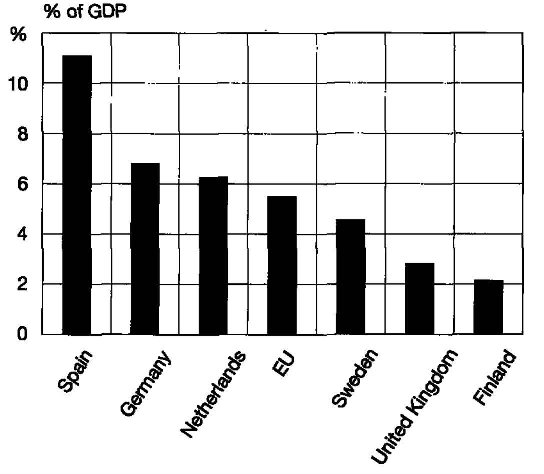
Nevertheless, it is likely that the number of cash dispensing ATMs in the EU is gradually approaching the saturation point, which, together with increased use, will improve the efficiency of the networks in operation. In Europe the increase in the number of ATMs is likely to be constrained especially by the rapid increase in EFTPOS terminals, which will curb the demand for cash. One interesting question to consider is whether ATMs with credit transfer facilities will become more widespread in Europe, as has happened in Finland, or whether banks and customers in other EU countries will move directly to the payment of bills by terminals at home or in the workplace. The electronic purse is

[4] The estimate is based on transactions via Kansallis-Osake-Pankki's ATMs on a randomly selected day in September 1994.

[5] In Finland there were in 1995 almost as many ATMs with credit transfer facilities as cash dispensing ATMs. In many European countries there are still no ATMs with credit transfer facilities.

Chart 6.

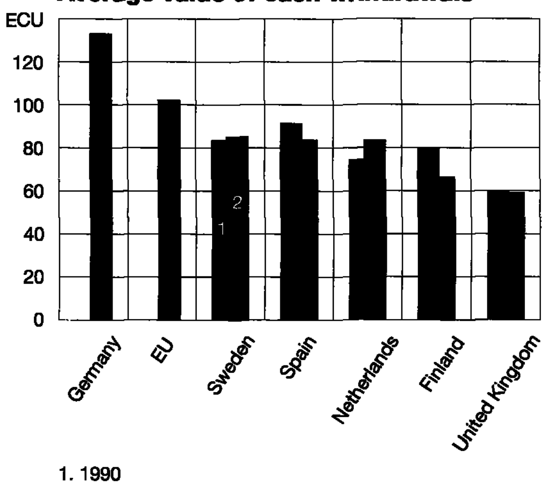
Notes and coins in circulation outside credit institutions



Source: EMI Blue Book; statistics refer to the year 1994.

Chart 7.

Average value of cash withdrawals



1. 1990
2. 1995/for Germany and EU 1994

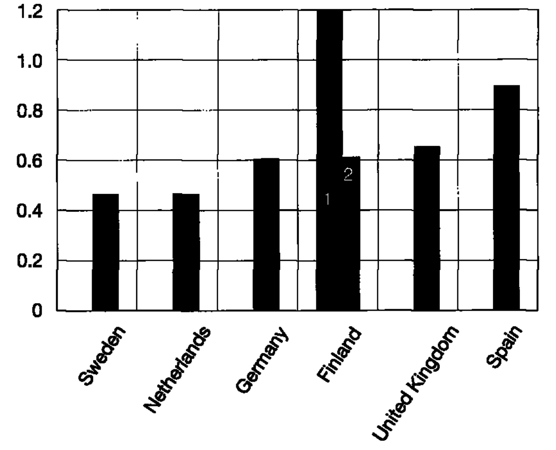
another innovation which will undoubtedly affect the nature of cash dispensing ATMs over the long run. Next year ATMs by which a customer can load electronic cash into a card will be introduced in Finland.

1 November 1996

- Key words: payment systems, cash dispensing, automated teller machines, ATMs, banking efficiency

Chart 8.

Number of branches offering payment services per 1000 inhabitants



1. 1990
2. 1994

Sources: EMI Blue Book, Finnish Bankers' Association.

Items

Supplementary budgets

The first and second supplementary budgets for 1996 were approved by Parliament in April and November. Both consist mainly of measures designed to boost the domestic economy and improve the unemployment situation. Most of the measures were agreed to in October 1995 in the context of the Government's employment programme for 1996–1999.

The first supplementary budget provides some FIM 2.1 billion in gross expenditure. The change in housing finance expenditure and revision of other expenditure is predicted to cut spending by about FIM 1.2 billion. Net lending will remain virtually unchanged, since the net increase in budgeted central government outlays will be financed by higher-than-expected revenue.

The second supplementary budget comprises an estimated FIM 6.9 billion net increase in central government spending and a FIM 3.3 billion net increase in revenue, ie an increase in net lending of about FIM 3.6 billion. All in all, budgeted central government expenditure for 1996 under the proposals totals FIM 201.3 billion. The net borrowing requirement is forecast at less than FIM 42 billion.

About FIM 1.2 billion has been allocated to the promotion of employment, and year-on-year economic growth is predicted to remain lower than assumed in the Government's budget proposal of autumn 1995. Hence, transfers to social security funds will be increased by FIM 1 billion. A sum of FIM 1.2 billion has also been earmarked for labour market support. Payments to the EU and unemployment benefits are to be cut by FIM 1 billion.

Some FIM 1.2 billion has been set aside to finance the transfer of Sponda (a property holding company created out of the banking crisis) and its subsidiary Solidium from the Bank of Finland to the Ministry of Finance. In addition, the supplementary budget includes an appropriation of FIM 1.8 billion to compensate the Bank of Finland for interest incurred in the takeover of Skopbank.

Income tax revenue is expected to exceed previous estimates by FIM 1.6 billion. Similarly, interest income and income from state-owned enterprises are budgeted to increase by FIM 0.6 billion and miscellaneous revenue by FIM 4.1 billion. Indirect taxes and other tax revenue are predicted to lag behind earlier forecasts by FIM 3.1 billion.

Change in the design of the 20 markka note

The design of the 20 markka banknote will be altered by adding a hologram and changing colours. The Parliamentary Supervisory Board made the decision on a proposal of the Board of the Bank of Finland. The new 20 markka note will be issued in late spring 1997.

The colours of the 20 markka note will be changed to make the note readily distinguishable from the 100 markka note.

The present 20 markka note was issued in 1993. After the new version is issued in spring 1997, the old 20 markka notes will be gradually withdrawn from circulation. However, they can still be used as before for making payments.

In connection with the issue of the new 20 markka note, the Bank of Finland will arrange a publicity campaign in order to familiarize the public with the new note.

Publications of the Bank of Finland

Two publications have appeared in the Bank of Finland economic studies' series.

Deposit Insurance: Pricing and Incentives by Eelis Hein (E:6) analyzes the valuation and bank risk-incentive effects of deposit insurance using an approach based on options theory.

While the value of deposit insurance can obviously be set under existing regulatory measures such as capital adequacy and reserve requirements, the actual and expected behaviour of the regulator is shown to exert an effect on bank risk policy and thus on the stability of the banking sector. The following factors are identified as possible causes of increased preference for risk on the part of banks:

- an expectation that in the event of insolvency the deposit insurance will cover claim holders not otherwise initially insured;
- an expectation on the part of shareholders that they are not threatened with losing their position; and

• underpricing of deposit insurance premium in relation to a bank's market-valued capital adequacy.

These expectations increase preference for higher risk because they remove both the need for debt holders to require any risk premium for their investment and the threat that shareholders might lose their participation in the bank's future earnings. Thus, banks are not 'penalized' for taking on risk. Instead, the costs of higher risk are borne by the deposit insurer, which in Finland's case, is ultimately the government and the taxpayer. A related issue is that the efficiency of bank inspection seems to affect the risk-taking behaviour of banks (ie if a bank believes that the inspection authority is incapable of determining its true financial condition and actual risk exposure, it has incentive to take a riskier position).

Using bank stock prices, point estimates of the value of deposit insurance are calculated for listed Finnish banks in 1987–1993. The results indicate that the value of the insurance has varied among banks and over time. Generally, deposit premia have been too low relative to the risk position of the banks included in the study. Thus, one consequence of the shakeout in Finland's banking sector appears to be that a sizable wealth transfer from the government to bank shareholders has taken place.

• Key words: banking, deposit insurance, risk incentives, option pricing, regulatory behaviour

Helsinki 1996. ISBN 951-686-517-8. ISSN 1238-1691.

* * *

Finland's Balance of Payments: Compilation Methods, sources of information and the time series for 1975 to 1992 by Jarmo Kariluoto (A:98) describes the compilation methods and source data for Finland's balance of payments and presents revised time series (starting from 1975) on the balance of payments. It also includes an examination of quality control of basic data and an evaluation of the quality of published balance of payments statistics. As a special topic, the work includes a breakdown by components of changes that have occurred in Finland's net international investment position, including those components that are not part of the regular balance of payments flows (ie valuation changes).

Finland's balance of payments compilation methods have been thoroughly revamped in recent years. These changes have been essentially influenced by the lifting of foreign exchange control, which had been completed by the start of the 1990s. As a result data collection has been revised so as to rely largely on surveys specifically designed for balance of payments purposes.

The quality of Finnish balance of payments statistics has remained high during the period covered in this study. The 'errors and omissions' item stayed almost without exception within internationally accepted limits. Nonetheless, with the onset of the 1990s the situation has changed in that it is now increasingly important to focus attention on fluctuations in securities prices.

• Key words: balance of payments, current account, capital account, financial account, international investment position

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Measures concerning monetary and foreign exchange policy and the financial markets

1995

NOVEMBER

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 5.25 per cent to 5.00 per cent with effect from 1 November.

Tender rate. The Bank of Finland lowers its tender rate from 5.50 per cent to 5.00 per cent on 1 November and from 5.00 per cent to 4.75 per cent on 20 November. In addition, the interest rate on banks' excess reserves is cut from 3.50 per cent to 3.00 per cent on 1 November and from 3.00 per cent to 2.75 per cent on 20 November.

The Savings Bank of Finland – SBF and Siltapankki become asset management companies. The Ministry of Finance revokes the authorization of the Savings Bank of Finland and Siltapankki as from 30 November. In addition, Siltapankki is transferred to the Arsenal Group.

DECEMBER

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 5.00 per cent to 4.75 per cent with effect from 15 December.

Tender rate. On 19 December, the Bank of Finland lowers its tender rate from 4.75 per cent to 4.25 per cent. In addition, the interest rate on banks' excess reserves is cut from 2.75 per cent to 2.25 per cent.

1996

JANUARY

Reorganization of the responsibilities of the government and the Bank of Finland. On 9 January, the Cabinet Economic Policy Committee took the following decisions in principle:

– responsibility for the Sponda group, which is owned by the Bank of Finland and which was set up to manage Skopbank's assets (real estate and shares), will be transferred to the Council of State

– the government will settle its coinage-related debt to the Bank of Finland in the amount of some FIM 2 billion.

The required measures will be prepared in connection with the first supplementary budget for 1996.

The Government Guarantee Fund. On 9 January, the Cabinet Economic Policy Committee decides to propose that the Government Guarantee Fund be transferred to the authority of the Council of State as from the beginning of April.

FEBRUARY

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 4.75 per cent to 4.50 per cent with effect from 1 February.

MARCH

Tender rate. On 13 March, the Bank of Finland lowers its tender rate from 4.25 per cent to 3.75 per cent. In addition, the interest rate on banks' excess reserves is cut from 2.25 per cent to 1.75 per cent.

MAY

The Government Guarantee Fund moves to the Ministry of Finance. On 1 May, the Government Guarantee Fund ceased to operate as a separate unit and its employment contracts were allowed to expire. The Fund, which was previously subordinate to Parliament was made subordinate to the Government, operating in connection with the Ministry of Finance. Fund personnel were also transferred to the Ministry.

The Government takes over Sponda. On 23 May, the Finnish Government bought the entire share capital of Sponda Oy at a purchase price of FIM 1 248 million. The Bank of Finland originally set up Sponda Oy in 1991 to manage the real estate and equity assets transferred from Skopbank after the bank ran into severe liquidity and solvency problems.

JUNE

Currency Act amended. On 10 June, the amendments to the Currency Act enter into force. The amendments enable the joining of the markka to the EU Exchange Rate Mechanism (ERM).

Tender rate. On 14 June, the Bank of Finland lowers its tender rate from 3.75 per cent to 3.60 per cent. In addition, the interest rate on banks' excess reserves is cut from 1.75 per cent to 1.60 per cent.

JULY

Tender rate. On 5 July, the Bank of Finland lowers its tender rate from 3.60 per cent to 3.50 per cent. In addition, the interest rate on banks' excess reserves is cut from 1.60 per cent to 1.50 per cent.

AUGUST

Bank of Finland's guidelines for credit institutions. On 1 August, the Bank of Finland issues its monetary policy-related guidelines for credit institutions as a complete set. The contents remain essentially unchanged.

Tender rate. On 23 August, the Bank of Finland lowers its tender rate from 3.50 per cent to 3.25 per cent. In addition, the interest rate on banks' excess reserves is cut from 1.50 per cent to 1.25 per cent.

SEPTEMBER

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 4.50 per cent to 4.00 per cent with effect from 16 September.

Tender rate. On 18 September, the Bank of Finland lowers its tender rate from 3.25 per cent to 3.10 per cent. In addition, the interest rate on banks' excess reserves is cut from 1.25 per cent to 1.10 per cent.

OCTOBER

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

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

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 (25E F) in February.

Finland has a population of 5 116 800 (31 December 1995) and an average population density of 16.6 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 525 000 inhabitants, Espoo (Esbo) 191 200, Tampere (Tammerfors) 182 700, Vantaa (Vanda) 166 500 and Turku (Åbo) 164 700.

There are two official languages: 92.9 % of the population speaks Finnish as its mother tongue and 5.8 % Swedish. There is a small Lapp population in the north. Finnish is a member of the small Finno-Ugrian group of languages, which also includes Estonian and Hungarian.

Form of government

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

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

Parliament, comprising 200 members, is elected by universal suffrage for a period of four years. Following the parliamentary elections of 1995, the seats of the various parties in Parliament are distributed as follows:

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

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

Finland is divided into 455 self-governing municipalities. Members of the municipal council are elected by universal suffrage for a period of four years.

International relations

Finland became a member of the BIS in 1930, the IMF in 1948, the IBRD in 1948, GATT in 1950, the UN in 1955, the Nordic Council in 1955, the IFC in 1956, IDA in 1960, EFTA in 1961, the ADB in 1966, the OECD in 1969, the IDB in 1977, the AfDB in 1982, the MIGA in 1988, the Council of Europe in 1989, the EBRD in 1991 and the EU in 1995.

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

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

The economy

Output and employment. Of the gross domestic product of FIM 478 billion in basic values in 1995, 2 % was generated in agriculture and fishing, 3 % in forestry, 29 % in industry, 5 % in construction, 11 % in trade, restaurants and hotels, 8 % in transport and communications, 3 % in finance and insurance, 20 % in other private services and 19 % by producers of government services. Of total employment of 2.1 million persons in 1995, 7.6 % were engaged in primary production, 27.8 % in industry and construction and 64.6 % in services.

In 1995, expenditure on the gross domestic product in purchasers' values amounted to FIM 546 billion and was distributed as follows: net exports 9 % (exports 38 %, imports –29 %), gross fixed capital formation 15 %, private consumption 54 % and government consumption 22 %. Finland's tax ratio (gross taxes including compulsory employment pension contributions relative to GDP) was 46.5 per cent, which is somewhat below the average for the Nordic countries.

Average annual (compounded) growth of real GDP was 4.7 % in the period 1950–59, 5.0 % in 1960–69, 3.7 % in 1970–79, 3.7 % in 1980–89 and 3.6 % in 1950–95. Finland's GDP per capita in 1995 was USD 24 500.

Foreign trade. EU countries absorb the bulk of Finnish merchandise exports. In 1991–1995 their average share was 51.0 %. Over the same period, Finland's exports to other European countries (including Russia) accounted for 25.4 % and to the rest of the world for 23.6 %. The regional distribution of Finland's merchandise imports in the same period has been quite similar to that of exports: EU countries accounted for 48.6 %, other European countries for 27.5 % and the rest of the world for 23.9 %.

In 1995, the share of forest industry products in total merchandise exports was 36 %, the share of metal and engineering products 36 % and the share of other goods 28 %. Raw materials and intermediate goods (incl. crude oil) accounted for 60 % of merchandise imports, fuels for 5 %, investment goods for 14 % and consumption goods for 20 %.

Forest resources. Finland has fairly abundant forest resources, but only limited amounts of other raw materials. The growing stock comprises 1 887 million cubic metres, of which 46 % is pine, 36 % spruce and 15 % broad-leaved species, chiefly birch.

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

Finance and banking

Currency. Finland has had its own monetary system since 1865. The currency unit is the markka (plural: markkaa), abbreviation FIM, which is divided into 100 penniä (singular: penni). From 1 November 1977 to 7 June 1991 the external value of the markka was officially expressed in terms of a trade-weighted currency index, which was permitted to fluctuate within a prescribed range (from 30 November 1988 the range was 6 percentage points). From 7 June 1991 to 7 September 1992, the markka was pegged to the European Currency Unit, the ECU. The fluctuation margins and the midpoint were set so as to correspond to the fluctuation margins and midpoint of the old currency index. The midpoint was first 4.87580 (FIM/ECU). Owing to the devaluation of the markka on 15 November 1991, the midpoint was increased to 5.55841 and the fluctuation limits to 5.39166 and 5.72516. On 8 September 1992, the fluctuation limits of the markka were abandoned and the markka was allowed to float. On 14 October 1996, the markka was joined to the Exchange Rate Mechanism (ERM) of the European Monetary System (EMS) at the central rate of 5.80661 per ECU.

The Central Bank. The Bank of Finland (Suomen Pankki – Finlands Bank), founded in 1811, operates under the supervision of the Parliamentary Supervisory Board, the nine members of which are entrusted with overall supervision of the Bank and certain specific decisions such as fixing the Bank's base rate and the limits for other rates. The Governor and a maximum of five other Members of the Board are appointed by the President of the Republic. The Board manages all affairs not expressly entrusted to the Parliamentary Supervisory Board, including the terms of banks' central bank finance and open market operations in the money and foreign exchange market. The powers vested in the Bank and its independence of the Government make the Bank of Finland one of the world's stronger central banks. In practice, the Bank liaises closely with the Government, so as to coordinate economic policy. The Bank of Finland has a head office in Helsinki and 4 branch offices in other towns.

Other banks (31 December1995). Finland has three major groups of deposit banks with a total of 1 953 offices. There are two big commercial banks with national branch networks and five smaller ones. The commercial banks have a total of 19 foreign branches, subsidiaries and associate banks and 21 representative offices abroad. There are 40 savings banks and 301 cooperative banks with their own extensive branch networks. In addition, foreign banks have four branches and nine representative offices in Finland.

Financial market. Of the total stock of FIM 679 billion in outstanding domestic credit at the end of September 1995, 50 % was provided by deposit banks, 26 % by insurance companies, 5 % by other private credit institutions, 6 % by public financial institutions and 12 % 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, 69 % of the instruments, which totalled approximately FIM 142 billion at end-1995, were bank certificates of deposit (including central bank paper). Other negotiable money market instruments consist of Treasury bills, commercial paper and local authority paper.

There are 73 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 191 billion (at end-1995). Domestic bonds and debentures in circulation at end-1995 totalled FIM 234 billion; government bonds made up 62 % of the total. Turnover on the Stock Exchange in 1995 amounted to FIM 84 billion; the share of shares and subscription rights in the total was approximately 99 %.

1. The balance sheet of the Bank of Finland

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

	1995	1996			
	31 Dec.	8 Oct.	15 Oct.	23 Oct.	31 Oct.
ASSETS					
Reserve assets	48 865	36 809	37 089	37 024	36 703
Gold	1 742	1 742	1 742	1 742	1 742
Special drawing rights	1 569	1 402	1 401	1 394	1 017
IMF reserve tranche	1 685	1 923	1 927	1 933	1 915
ECU-claim on the European Monetary Institute	3 363	2 611	2 510	2 524	2 519
Foreign exchange assets	40 506	29 131	29 509	29 431	29 510
Other foreign claims	3 969	4 052	4 052	4 053	4 053
Markka subscription to Finland's quota in the IMF	3 911	3 994	3 994	3 994	3 994
Share in the European Monetary Institute	58	58	58	59	59
Claims on financial institutions	8 831	13 728	13 698	13 698	12 578
Liquidity credits	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Securities with repurchase commitments	7 076	11 803	11 803	11 803	10 683
Term credits	–	–	–	–	–
Bonds	417	206	206	206	206
Other claims on financial institutions	1 339	1 719	1 689	1 689	1 689
Claims on the public sector	1 882	5 999	5 999	5 998	5 982
Treasury bills	–	–	–	–	–
Bonds	–	–	–	–	–
Total coinage	1 882	1 883	1 883	1 882	1 882
Loans for stabilizing the money market	–	3 268	3 268	3 268	3 268
Other claims on the public sector	–	848	848	848	832
Claims on corporations	2 886	2 428	2 426	2 422	2 419
Financing of domestic deliveries (KTR)	185	100	99	94	92
Other claims on corporations	2 700	2 327	2 327	2 327	2 327
Other assets	5 645	664	630	649	618
Loans for stabilizing the money market	4 532	–	–	–	–
Accrued items	972	559	526	547	511
Other assets	141	105	104	103	107
Valuation account	643	–	–	–	–
Capitalized expenditures and losses due to safeguarding the stability of the money market	1 400	1 400	1 400	1 400	1 400
Total	74 121	65 080	65 295	65 243	63 753
LIABILITIES					
Foreign currency liabilities	1 214	936	934	989	988
Other foreign liabilities	4 837	4 932	4 934	4 937	4 928
IMF markka accounts	3 911	3 994	3 994	3 994	3 994
Allocations of special drawing rights	927	938	940	942	934
Other foreign liabilities	–	–	–	–	–
Notes and coin in circulation	15 611	15 201	15 207	15 120	15 296
Notes	13 868	13 449	13 457	13 370	13 548
Coin	1 743	1 752	1 750	1 750	1 747
Certificates of deposit	27 090	23 530	24 460	24 920	24 920
Liabilities to financial institutions	16 777	9 576	8 763	8 127	6 632
Reserve deposits	15 676	8 076	7 263	6 626	5 131
Term deposits	–	–	–	–	–
Other liabilities to financial institutions	1 101	1 500	1 500	1 500	1 501
Liabilities to the public sector	75	–	–	–	–
Cheque accounts	0	–	–	–	–
Deposits of the Government Guarantee Fund	75	–	–	–	–
Other liabilities to the public sector	–	–	–	–	–
Liabilities to corporations	994	685	677	671	665
Deposits for investment and ship purchase	994	685	677	671	665
Other liabilities to corporations	–	–	–	–	–
Other liabilities	327	248	240	251	258
Accrued items	300	209	208	220	225
Other liabilities	27	38	32	32	33
Valuation account	–	2 777	2 885	3 033	2 872
Provisions	1 431	1 431	1 431	1 431	1 431
Pension provision	1 431	1 431	1 431	1 431	1 431
Other provisions	–	–	–	–	–
Capital accounts	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Net earnings	–	–	–	–	–
Total	74 121	65 080	65 295	65 243	63 753

1.2 Time series for the balance sheet items of the Bank of Finland, *mill. FIM*

End of period	Foreign sector								Public sector		
	Gold	Special drawing rights	IMF reserve tranche	ECU-claim on the European Monetary Institute	Foreign exchange assets	Reserve assets (1+2+3+4+5)	Other claims, net	Net claims (6+7)	Claims	Liabil-ities	Net claims (9–10)
	1	2	3	4	5	6	7	8	9	10	11
1991	2 180	932	1 136	.	29 381	33 629	–424	33 204	1 375	3	1 372
1992	2 180	564	1 732	.	25 041	29 517	–2 998	26 519	2 446	90	2 356
1993	2 180	664	1 747	.	28 882	33 473	–1 324	32 148	1 788	784	1 004
1994	2 180	1 537	1 354	.	47 672	52 743	–1 114	51 629	1 806	93	1 713
1995	1 742	1 569	1 685	3 363	40 506	48 865	–2 082	46 783	1 882	75	1 807
1995											
Oct.	1 742	1 385	1 671	3 315	39 624	47 738	–1 954	45 784	1 801	76	1 725
Nov.	1 742	1 421	1 666	3 279	42 396	50 503	–2 113	48 390	1 819	75	1 744
Dec.	1 742	1 569	1 685	3 363	40 506	48 865	–2 082	46 783	1 882	75	1 807
1996											
Jan.	1 742	1 174	1 716	3 337	36 023	43 993	–1 378	42 615	1 879	132	1 747
Feb.	1 742	1 061	1 767	3 376	37 832	45 778	–1 484	44 294	1 880	54	1 826
March	1 742	1 165	1 802	3 435	35 330	43 475	–1 364	42 111	1 874	40	1 834
April	1 742	1 401	1 864	3 070	33 986	42 063	–1 481	40 582	1 873	342	1 531
May	1 742	1 474	1 953	3 002	27 814	35 985	–1 725	34 260	6 670	0	6 670
June	1 742	1 243	1 908	2 964	26 851	34 707	–2 015	32 692	6 460	0	6 460
July	1 742	1 187	1 880	2 642	26 402	33 854	–2 066	31 788	6 460	0	6 460
Aug.	1 742	1 186	1 909	2 613	27 139	34 590	–2 588	32 002	6 297	–	6 297
Sept.	1 742	1 412	1 928	2 614	27 619	35 315	–1 774	33 541	5 998	–	5 998
Oct.	1 742	1 017	1 915	2 519	29 510	36 703	–1 863	34 840	5 982	–	5 982

End of period	Domestic financial sector				Corporate sector				
	Term claims on deposit banks, net	Reserve deposits of deposit banks[1]	Other claims on financial institu-tions, net	Net claims (12+13+14)	Claims in the form of special financing	Special deposits and other items, net	Net claims (16+17)	Notes and coin in circu-lation	Out-standing CDs issued by the Bank of Finland
	12	13	14	15	16	17	18	19	20
1991	11 882	–10 361	3 325	4 846	1 086	–6 854	–5 768	14 528	8 880
1992	3 738	–13 165	4 022	–5 405	747	–2 651	–1 904	14 508	4 880
1993	7 337	–6 398	–463	476	496	720	1 216	14 994	14 837
1994	1 480	–6 526	–347	–5 392	316	1 285	1 601	14 315	35 236
1995	7 076	–15 676	655	–7 945	185	1 706	1 891	15 611	27 090
1995									
Oct.	6 178	–5 768	728	1 138	202	1 752	1 954	14 129	37 596
Nov.	5 409	–7 011	711	–891	192	1 631	1 823	14 321	38 082
Dec.	7 076	–15 676	655	–7 945	185	1 706	1 891	15 611	27 090
1996									
Jan.	3 182	–18 155	624	–14 349	170	1 756	1 926	14 293	16 743
Feb.	2 095	–8 092	2 046	–3 951	159	1 808	1 968	14 428	28 325
March	2 244	–6 564	598	–3 722	153	1 825	1 978	14 448	25 426
April	3 430	–8 831	304	–5 097	138	1 628	1 767	14 759	20 350
May	10 237	–8 790	527	1 974	129	1 541	1 670	14 967	20 700
June	7 887	–4 191	498	4 194	124	1 560	1 685	15 275	21 420
July	6 540	–7 203	487	–176	117	1 581	1 698	15 251	16 445
Aug.	9 988	–5 400	472	5 060	108	1 592	1 700	15 201	21 920
Sept.	10 147	–3 676	443	6 914	102	1 630	1 732	15 331	24 650
Oct.	10 683	–5 131	394	5 946	92	1 662	1 754	15 296	24 920

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

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

	Reserve requirement			Required reserves [1], mill. FIM	Excess reserves, mill. FIM	Total reserves, mill. FIM (4+5)	Liquidity credits, mill. FIM
	On deposits payable on demand, %	On other deposits, %	On other items, %				
	1	2	3	4	5	6	7
1993	2.0	1.5	1.0	6 398	.	.	440
1994	2.0	1.5	1.0	6 526	.	.	14
1995 I-IX	2.0	1.5	1.0	6 557	.	.	123
X-XII	2.0	1.5	1.0	6 530	616	7 146	37
1995							
Oct.	2.0	1.5	1.0	6 557	140	6 697	0
Nov.	2.0	1.5	1.0	6 545	196	6 741	112
Dec.	2.0	1.5	1.0	6 487	1 512	7 999	0
1996							
Jan.	2.0	1.5	1.0	6 541	217	6 758	0
Feb.	2.0	1.5	1.0	6 681	251	6 932	50
March	2.0	1.5	1.0	6 699	240	6 939	278
April	2.0	1.5	1.0	6 672	148	6 821	153
May	2.0	1.5	1.0	6 624	105	6 730	0
June	2.0	1.5	1.0	6 689	481	7 171	0
July	2.0	1.5	1.0	6 728	139	6 868	0
Aug.	2.0	1.5	1.0	6 672	308	6 981	544
Sept.	2.0	1.5	1.0	6 636	1 634	8 270	0
Oct.	2.0	1.5	1.0	6 703	631	7 334	0

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

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1–2–3)
	1	2	3	4
1991	109 568	30 380	81 969	–2 781
1992	76 230	137 940	–60 417	–1 293
1993	86 521	146 899	–50 486	–9 892
1994	35 540	351 820	–295 165	–21 115
1995	50 435	434 810	–393 930	9 555
1995				
Oct.	5 380	37 610	–28 110	–4 120
Nov.	4 680	38 080	–30 380	–3 020
Dec.	5 100	31 240	–37 290	11 150
1996				
Jan.	3 250	26 000	–22 850	100
Feb.	2 100	27 420	–24 080	–1 240
March	2 280	24 350	–21 300	–770
April	3 500	16 320	–26 040	13 220
May	10 500	20 060	–12 880	3 320
June	7 900	14 020	–2 390	–3 730
July	6 700	16 450	–13 510	3 760
Aug.	14 800	21 920	–9 892	2 772
Sept.	11 900	24 650	–15 530	2 780
Oct.	10 600	24 920	–12 030	–2 290

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

During period	Intervention in the foreign exchange market			Spot transactions related to forward contracts, net	Central government's foreign exchange transactions, net
	Spot purchases	Spot sales	Forward exchange intervention = change in forward exchange position		
	1	2	3	4	5
1991	35 120	–69 940	–14 820	12 820	12 260
1992	20 050	–70 640	–1 650	390	45 060
1993	25 120	–45 080	7 460	–6 910	33 240
1994	20 930	–12 900	9 060	–8 930	24 660
1995	4 910	–5 960	–6 170	9 170	–9 645
1995					
Sept.	450	–1 970	–100	–	–2 640
Oct.	–	–180	–830	860	–330
Nov.	60	–	–2 580	2 570	120
Dec.	–	–820	–	–	–2 310
1996					
Jan.	–	–3 970	–	–	–1 150
Feb.	–	–1 330	–	–	2 440
March	–	–440	–	–	–1 970
April	–	–1 100	–	–	–1 710
May	1 200	–	–	–	–6 230
June	240	–	–	–	–720
July	60	–	–	–	–50
Aug.	1 350	–	–	–	–658
Sept.	2 310	–	–	–	–2 210

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

Stock at end of period	Finnish banks' forward contracts							Non-residents' forward contracts with Finnish customers (excl. Finnish banks)			The Bank of Finland's forward contracts
	With Finnish customers (excl. Finnish banks)			With foreign customers			Total				
	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net (1–2)	Currency purchases from foreign customers	Currency sales to foreign customers	Net (4–5)	Net (3+6)	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net (8–9)	Net currency sales
	1	2	3	4	5	6	7	8	9	10	11
1991	33 004	36 352	–3 348	40 056	37 505	2 550	– 798	1 404	645	759	8 953
1992	39 195	32 939	6 256	21 142	32 339	–11 197	–4 941	1 614	1 929	– 315	7 133
1993	38 373	23 721	14 652	14 346	21 895	–7 548	7 104	11 632	2 173	9 459	1 939
1994	51 096	22 093	29 003	19 236	32 791	–13 555	15 448	18 372	4 780	13 592	–6 080
1995	60 280	19 095	41 185	31 837	48 906	–17 069	24 116	12 829	6 871	5 957	0
1995											
Sept.	58 838	21 341	37 497	23 891	38 339	–14 448	23 049	13 741	6 046	7 695	–3 416
Oct.	56 689	20 187	36 503	25 509	39 525	–14 015	22 488	14 986	6 228	8 758	–2 572
Nov.	58 789	21 279	37 510	29 384	45 295	–15 911	21 599	15 154	6 539	8 615	0
Dec.	60 280	19 095	41 185	31 837	48 906	–17 069	24 116	12 829	6 871	5 957	0
1996											
Jan.	62 881	24 416	38 465	38 155	61 008	–22 854	15 611	15 426	9 221	6 205	0
Feb.	69 329	29 225	40 105	44 599	67 131	–22 532	17 573	16 168	9 036	7 132	0
March	69 288	29 810	39 478	47 057	66 398	–19 341	20 137	15 413	8 400	7 013	0
April	65 120	29 781	35 340	42 328	63 860	–21 532	13 808	15 326	8 836	6 490	0
May	63 924	29 718	34 206	43 553	66 290	–22 737	11 469	17 851	8 327	9 525	0
June	60 709	27 714	32 995	43 406	61 302	–17 896	15 099	16 731	8 494	8 237	0
July	57 388	27 873	29 514	42 949	62 681	–19 733	9 781	16 977	8 127	8 849	0
Aug.	56 042	26 638	29 404	43 992	68 884	–24 891	4 513	17 407	7 513	9 894	0
Sept.	54 160	23 422	30 738	46 476	69 507	–23 031	7 707	18 761	7 536	11 225	0

3. Rates of interest

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

Average of daily observations	Interbank overnight rate	HELIBOR 1 month	HELIBOR 3 months	HELIBOR 6 months	HELIBOR 12 months	Bank of Finland rates: Liquidity credit rate[1]	Bank of Finland rates: Excess-reserve rate[2]	Bank of Finland rates: Base rate
	1	2	3	4	5	6	7	8
1991	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50
1992	13.32	13.49	13.27	13.08	12.96	14.90	7.41	9.17
1993	7.71	7.85	7.73	7.59	7.47	8.95	4.95	6.85
1994	4.38	5.11	5.35	5.78	6.33	7.11	3.11	5.27
1995	5.26	5.63	5.76	5.97	6.34	7.63	3.63	5.20
1995								
Oct.	5.61	5.58	5.61	5.65	5.76	7.57	3.57	5.25
Nov.	4.90	4.90	4.93	4.99	5.11	6.90	2.90	5.00
Dec.	4.60	4.56	4.54	4.57	4.66	6.56	2.56	4.86
1996								
Jan.	4.30	4.21	4.20	4.24	4.41	6.25	2.25	4.75
Feb.	4.05	4.27	4.28	4.33	4.58	6.25	2.25	4.50
March	3.83	3.95	4.01	4.12	4.36	5.94	1.94	4.50
April	3.91	3.76	3.82	3.95	4.21	5.75	1.75	4.50
May	4.01	3.75	3.76	3.86	4.16	5.75	1.75	4.50
June	3.38	3.67	3.72	3.84	4.11	5.67	1.67	4.50
July	3.48	3.54	3.63	3.78	4.07	5.52	1.52	4.50
Aug.	3.94	3.45	3.54	3.70	4.00	5.43	1.43	4.50
Sept.	3.16	3.19	3.28	3.43	3.67	5.19	1.19	4.25
Oct.	3.11	3.04	3.10	3.20	3.40	5.03	1.03	4.00

[1] Call money credit rate until 2 July 1992.
[2] Call money deposit rate until 2 October 1995.

3.2 The Bank of Finland's liquidity facility

	The Bank of Finland's tender rate, %
	1
1992[1]	13.85
1993	7.87
1994	5.11
1995	5.63
1995	
Oct.	5.57
Nov.	4.90
Dec.	4.56
1996	
Jan.	4.25
Feb.	4.25
March	3.94
April	3.75
May	3.75
June	3.67
July	3.52
Aug.	3.43
Sept.	3.19
Oct.	3.03
13.3.1996	3.75
14.6.1996	3.60
5.7.1996	3.50
23.8.1996	3.25
18.9.1996	3.10
9.10.1996	3.00

	Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	Call money deposits: interest rate margin, %-points	Excess-reserve rate
	2	3	4	5
1992	+1.00	7	−3.00	.
1993	+2.00	7	−2.00	.
1994	+2.00	7	−2.00	.
1995	+2.00	7	.	2.25
1995				
Oct.	+2.00	7	.	3.50
Nov.	+2.00	7	.	2.75
Dec.	+2.00	7	.	2.25
1996				
Jan.	+2.00	7	.	2.25
Feb.	+2.00	7	.	2.25
March	+2.00	7	.	1.75
April	+2.00	7	.	1.75
May	+2.00	7	.	1.75
June	+2.00	7	.	1.60
July	+2.00	7	.	1.50
Aug.	+2.00	7	.	1.25
Sept.	+2.00	7	.	1.10
Oct.	+2.00	7	.	1.00
13.3.1996				1.75
14.6.1996				1.60
5.7.1996				1.50
23.8.1996				1.25
18.9.1996				1.10
9.10.1996				1.00

[1] July–December.

3.3 Weighted Eurorates and commercial ECU interest rate, per cent

Average of daily observations	ECU	3 currencies	Commercial ECU
	3 months		
	1	2	3
1991	10.1	8.5	9.9
1992	10.4	7.8	10.6
1993	8.0	5.9	8.1
1994	5.9	5.2	6.1
1995	5.9	5.2	6.0
1995			
Oct.	5.7	4.9	5.8
Nov.	5.5	4.8	5.5
Dec.	5.3	4.7	5.3
1996			
Jan.	4.8	4.5	4.9
Feb.	4.6	4.2	4.7
March	4.6	4.3	4.7
April	4.4	4.2	4.5
May	4.3	4.3	4.4
June	4.4	4.3	4.5
July	4.3	4.3	4.5
Aug.	4.3	4.2	4.4
Sept.	4.2	4.1	4.3
Oct.	4.1	4.1	4.2

3.4 *Rates of interest applied by banks, per cent*

Average for period	Lending						Markka deposits and other markka funding					
	New credits				Average lending rate	Of which: Commercial banks	24-month tax-exempt deposits[1]	36-month tax-exempt deposits[1]	Other tax-exempt deposits, max. rate of interest[1]	Average rate of interest on deposits	Average rate of interest on other funding	Average rate of interest on markka funding
	Cheque account and postal giro credits	Bills of exchange	Loans	New lending, total								
	1	2	3	4	5	6	7	8	9	10	11	12
1991	13.63	15.88	13.40	13.84	12.08	11.80	7.50	.	4.50	7.10	13.22	8.97
1992	14.04	15.86	13.32	13.75	12.46	12.13	7.50	8.50	4.50	7.41	12.84	9.14
1993	9.69	13.55	9.40	9.75	10.20	9.92	3.50	4.50	2.00	4.78	8.86	6.15
1994	7.32	11.55	7.13	7.35	8.18	7.91	3.25	4.25	2.00	2.99	5.96	4.01
1995	7.85	11.33	7.30	7.46	8.04	7.75	2.75	3.75	2.00	3.13	6.29	4.08
1995												
Sept.	8.46	11.63	7.68	7.86	8.11	7.82	3.25	4.25	2.00	3.20	6.35	4.14
Oct.	7.73	11.56	7.28	7.43	7.98	7.68	3.25	4.25	2.00	3.09	6.19	4.03
Nov.	6.86	11.48	6.80	6.92	7.78	7.45	3.00	4.00	2.00	2.92	6.04	3.81
Dec.	6.53	9.30	6.10	6.21	7.46	7.13	2.75	3.75	2.00	2.69	5.27	3.38
1996												
Jan.	6.30	11.05	5.81	5.94	7.18	6.88	2.75	3.75	2.00	2.55	5.17	3.29
Feb.	5.79	9.32	6.04	6.08	6.99	6.70	2.50	3.50	2.00	2.44	4.98	3.15
March	5.13	10.78	5.93	5.99	6.88	6.57	2.50	3.50	2.00	2.37	4.63	3.00
April	4.83	8.19	5.71	5.75	6.77	6.43	2.50	3.50	2.00	2.32	4.71	2.99
May	5.96	9.19	5.59	5.73	6.64	6.30	2.50	3.50	2.00	2.27	4.59	2.97
June	5.31	10.66	5.35	5.44	6.55	6.20	2.50	3.50	2.00	2.23	4.10	2.79
July	6.26	9.78	5.48	5.63	6.48	6.12	2.50	3.50	2.00	2.21	4.29	2.81
Aug.	6.19	9.74	5.51	5.66	6.42	6.04	2.50	3.50	2.00	2.07	4.09	2.71
Sept.	6.24	9.95	4.92	5.06	6.23	5.87	2.00	3.00	2.00	1.93	3.92	2.52

[1] End of period.

3.5 *Yields on bonds and shares, per cent*

Period	Bonds				Shares
	Reference rates calculated by the Bank of Finland		Taxable government bonds		Share yield
	3 years	5 years	5 years	10 years	
	1	2	3	4	5
1991	12.3	12.2	11.8	.	3.9
1992	13.1	13.0	12.0	11.5[1]	3.1
1993	8.5	8.9	8.2	8.8	1.8
1994	8.5	9.3	8.4	9.1	1.4
1995	8.2	8.9	7.9	8.8	2.6
1995					
Sept.	7.6	8.1	7.2	8.0	2.6
Oct.	7.4	8.0	7.5	7.9	2.6
Nov.	6.7	7.5	7.0	7.5	3.1
Dec.	6.5	7.3	6.7	7.4	3.5
1996					
Jan.	6.1	6.9	6.3	7.0	2.2
Feb.	6.4	7.3	6.9	7.7	2.1
March	6.4	7.5	6.8	7.7	3.0
April	6.1	7.2	6.5	7.5	3.0
May	6.1	7.4	6.5	7.4	2.4
June	6.0	7.2	6.3	7.2	2.4
July	5.9	6.9	6.2	7.1	2.4
Aug.	5.8	6.9	6.1	7.2	2.3
Sept.	5.4	6.5	5.6	6.9	3.3

[1] November and December only.

4. Rates of exchange

4.1 Middle rates, FIM

Average of daily quotations	New York 1 USD	Montreal 1 CAD	London 1 GBP	Dublin 1 IEP	Stockholm 1 SEK	Oslo 1 NOK	Copenhagen 1 DKK	Reykjavik 1 ISK	Frankfurt am Main 1 DEM	Amsterdam 1 NLG	Brussels 1 BEF	Zurich 1 CHF
	1	2	3	4	5	6	7	8	9	10	11	12
1991	4.0457	3.534	7.131	6.511	0.6684	0.6236	0.6322	0.0684	2.4380	2.1634	0.1184	2.8208
1992	4.4835	3.706	7.875	7.636	0.7714	0.7222	0.7444	0.0778	2.8769	2.5552	0.1397	3.2000
1993	5.7189	4.434	8.582	8.371	0.7350	0.8059	0.8822	0.0846	3.4584	3.0787	0.1655	3.8706
1994	5.2184	3.824	7.982	7.799	0.6758	0.7393	0.8207	0.0745	3.2169	2.8684	0.1561	3.8179
1995	4.3658	3.181	6.891	6.999	0.6123	0.6889	0.7790	0.0674	3.0471	2.7202	0.1481	3.6941
1995												
Oct.	4.2696	3.174	6.738	6.890	0.6248	0.6845	0.7776	0.0661	3.0188	2.6953	0.1468	3.7265
Nov.	4.2400	3.134	6.629	6.814	0.6427	0.6785	0.7724	0.0656	2.9934	2.6724	0.1456	3.7109
Dec.	4.3351	3.165	6.669	6.893	0.6531	0.6822	0.7766	0.0663	3.0083	2.6866	0.1464	3.7246
1996												
Jan.	4.4425	3.251	6.797	7.032	0.6608	0.6923	0.7859	0.0673	3.0398	2.7145	0.1479	3.7670
Feb.	4.5520	3.309	6.991	7.200	0.6611	0.7107	0.8026	0.0687	3.1048	2.7725	0.1510	3.8076
March	4.6019	3.370	7.026	7.234	0.6836	0.7158	0.8062	0.0694	3.1140	2.7818	0.1515	3.8459
April	4.7313	3.482	7.169	7.402	0.7040	0.7285	0.8147	0.0709	3.1434	2.8109	0.1530	3.8805
May	4.7568	3.475	7.207	7.437	0.6996	0.7233	0.8038	0.0706	3.1028	2.7755	0.1509	3.7924
June	4.6713	3.420	7.204	7.398	0.6991	0.7153	0.7933	0.0695	3.0590	2.7310	0.1487	3.7172
July	4.5888	3.352	7.128	7.354	0.6909	0.7113	0.7910	0.0687	3.0495	2.7171	0.1480	3.7178
Aug.	4.4777	3.263	6.941	7.215	0.6765	0.6986	0.7816	0.0676	3.0210	2.6932	0.1466	3.7227
Sept.	4.5383	3.313	7.075	7.309	0.6834	0.7029	0.7826	0.0680	3.0145	2.6889	0.1464	3.6860
Oct.	4.5714	3.383	7.245	7.352	0.6925	0.7049	0.7803	0.0681	2.9918	2.6669	0.1452	3.6337

Average of daily quotations	Paris 1 FRF	Rome 1 ITL	Vienna 1 ATS	Lisbon 1 PTE	Madrid 1 ESP	Athens 1 GRD	Tallinn 1 EEK	Tokyo 1 JPY	Melbourne 1 AUD	ECU Commercial 1 XEU	SDR 1 XDR
	13	14	15	16	17	18	19	20	21	22	23
1991	0.7169	0.00326	0.3464	0.0280	0.0389	0.022	.	0.03008	3.152	5.003	5.52771
1992	0.8486	0.00364	0.4088	0.0332	0.0438	0.024	0.4060	0.03546	3.289	5.798	6.31546
1993	1.0096	0.00364	0.4916	0.0356	0.0451	0.025	0.4323	0.05168	3.885	6.685	7.98641
1994	0.9406	0.00324	0.4573	0.0314	0.0390	0.0215	0.4021	0.05106	3.814	6.175	7.46629
1995	0.8748	0.00268	0.4331	0.0291	0.0350	0.0189	0.3809	0.04663	3.238	5.644	6.61196
1995											
Oct.	0.8643	0.00266	0.4290	0.0287	0.0349	0.0184	0.3773	0.04242	3.237	5.546	6.39697
Nov.	0.8677	0.00266	0.4255	0.0285	0.0348	0.0181	0.3742	0.04162	3.160	5.496	6.33703
Dec.	0.8733	0.00272	0.4276	0.0287	0.0354	0.0182	0.3760	0.04258	3.213	5.530	6.43793
1996											
Jan.	0.8878	0.00281	0.4323	0.0293	0.0361	0.0185	0.3800	0.04206	3.293	5.609	6.51994
Feb.	0.9028	0.00289	0.4414	0.0299	0.0368	0.0188	0.3881	0.04305	3.439	5.704	6.67427
March	0.9095	0.00294	0.4427	0.0301	0.0370	0.0190	0.3892	0.04346	3.549	5.772	6.72716
April	0.9262	0.00302	0.4470	0.0306	0.0377	0.0195	0.3929	0.04411	3.719	5.882	6.86087
May	0.9170	0.00306	0.4412	0.0302	0.0372	0.0196	0.3878	0.04474	3.790	5.844	6.87179
June	0.9026	0.00303	0.4348	0.0297	0.0363	0.0193	0.3824	0.04292	3.698	5.787	6.74035
July	0.9006	0.00301	0.4334	0.0297	0.0361	0.0193	0.3812	0.04200	3.622	5.762	6.65070
Aug.	0.8848	0.00295	0.4293	0.0294	0.0356	0.0189	0.3776	0.04153	3.506	5.683	6.52988
Sept.	0.8854	0.00299	0.4284	0.0295	0.0358	0.0190	0.3768	0.04132	3.598	5.714	6.57191
Oct.	0.8846	0.00300	0.4253	0.0296	0.0355	0.0191	0.3740	0.04071	3.620	5.731	6.58126

4.2 Markka value of the ECU and currency indices

Average of daily observa-tions	Markka value of the ECU FIM/ECU	Currency indices, 1982=100	
		Trade-weighted currency index	Payments currency index
	1	2	3
1991	5.00580	101.4	101.4
1992	5.80140	116.4	115.7
1993	6.69420	132.4	136.0
1994	6.19108	123.2	125.5
1995	5.70936	111.6	111.6
1995			
Oct.	5.64587	110.4	110.0
Nov.	5.61404	110.0	109.5
Dec.	5.65470	111.2	111.0
1996			
Jan.	5.73809	112.7	112.9
Feb.	5.86385	115.0	115.3
March	5.89568	116.2	116.4
April	5.98143	118.3	118.8
May	5.93160	117.8	118.5
June	5.8538	116.3	116.8
July	5.82763	115.3	115.6
Aug.	5.74674	113.5	113.5
Sept.	5.76093	114.0	114.3
Oct.	5.75237	114.3	114.6

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

Average of daily observations	ECU	DEM	FRF	NLG	DKK	BEF	ESP	ATS	PTE	IEP
Central rate as of 14 October 1996	5.80661	3.04000	0.906422	2..69806	0.796976	0.147391	0.0357345	0.432094	0.029657	7.32960
	1	2	3	4	5	6	7	8	9	10
1995	–1.69	0.23	–3.48	0.82	–2.25	0.49	–2.02	0.24	–1.84	–4.52
1995										
Oct.	–2.77	–0.70	–4.65	–0.10	–2.43	–0.43	–2.48	–0.73	–3.32	–5.99
Nov.	–3.32	–1.53	–4.27	–0.95	–3.08	–1.18	–2.56	–1.54	–3.76	–7.03
Dec.	–2.62	–1.04	–3.65	–0.42	–2.56	–0.68	–1.00	–1.04	–3.15	–5.96
1996										
Jan.	–1.18	–0.01	–2.06	0.61	–1.39	0.35	0.92	0.04	–1.16	–4.06
Feb.	0.99	2.13	–0.40	2.76	0.71	2.43	3.07	2.16	0.69	–1.77
March	1.53	2.43	0.34	3.10	1.15	2.79	3.50	2.46	1.46	–1.30
April	3.01	3.40	2.19	4.18	2.23	3.81	5.44	3.45	3.20	0.98
May	2.15	2.07	1.16	2.87	0.85	2.41	4.03	2.10	1.83	1.46
June	0.81	0.62	–0.42	1.22	–0.47	0.90	1.46	0.62	0.16	0.94
July	0.36	0.31	–0.64	0.71	–0.76	0.42	1.05	0.31	0.01	0.34
Aug.	–1.03	–0.63	–2.38	–0.18	–1.93	–0.53	–0.34	–0.64	–0.79	–1.56
Sept.	–0.79	–0.84	–2.32	–0.34	–1.80	–0.66	0.10	–0.85	–0.48	–0.28
Oct.	–0.93	–1.58	–2.40	–1.16	–2.09	–1.46	–0.56	–1.58	–30.18	0.31

5. Other domestic financing

5.1 Bank funding from the public, mill. FIM

End of period	Cheque and giro deposits	Trans-action deposits	Time deposits	Other deposits	Markka deposits, total (1+2+3+4)	Foreign currency deposits	Total deposits (5+6)	Other funding	Total funding (7+8)
	1	2	3	4	5	6	7	8	9
1991	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
1992	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
1993	36 379	92 357	112 413	21 766	262 915	14 883	277 798	63 173	340 971
1994	41 200	99 691	108 922	19 838	269 650	12 774	282 424	44 228	326 651
1995	52 496	110 455	103 573	22 166	288 689	13 679	302 369	37 851	340 220
1995									
June	47 640	105 219	108 954	20 606	282 418	12 759	295 177	44 648	339 825
July	48 359	105 161	108 755	20 811	283 087	12 420	295 507	62 174	357 681
Aug.	46 983	105 397	108 792	20 795	281 966	12 488	294 454	62 337	356 791
Sept.	44 089	105 789	108 047	20 852	278 776	12 165	290 941	57 174	348 115
Oct.	47 040	104 602	105 406	21 553	278 602	12 247	290 849	64 497	355 346
Nov.	48 730	107 047	104 174	21 797	281 748	13 250	294 998	50 785	345 784
Dec.	52 496	110 455	103 573	22 166	288 689	13 679	302 369	37 851	340 220
1996									
Jan.	50 193	112 802	95 502	24 819	283 316	13 011	296 327	50 008	346 335
Feb.	51 099	114 843	92 250	23 683	281 875	14 184	296 059	38 431	334 490
March	47 991	117 400	88 821	24 714	278 925	13 951	292 876	41 906	334 782
April	49 678	118 933	85 792	24 883	279 285	14 896	294 181	43 472	337 653
May	50 828	120 374	82 945	25 001	279 148	15 399	294 547	46 802	341 349
June	51 768	123 948	77 415	27 669	280 800	13 816	294 617	43 867	338 483

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
1991	18 037	4 712	262 859	285 609	107 714	393 323
1992	16 045	3 335	252 163	271 544	95 168	366 712
1993	14 217	2 223	248 406	264 846	66 931	331 777
1994	13 241	1 301	242 417	256 958	45 138	302 096
1995	12 348	901	235 074	248 323	32 252	280 575
1995						
June	12 216	1 070	241 834	255 120	37 831	292 951
July	11 845	1 074	242 045	254 963	36 353	291 316
Aug.	11 860	1 058	242 323	255 242	36 230	291 472
Sept.	12 317	1 004	241 909	255 230	35 166	290 396
Oct.	12 180	992	241 103	254 275	34 006	288 281
Nov.	12 283	943	240 328	253 554	32 926	286 480
Dec.	12 348	901	235 074	248 323	32 252	280 575
1996						
Jan.	12 013	792	234 240	247 046	32 406	279 452
Feb.	12 114	853	235 279	248 246	31 240	279 486
March	12 189	835	235 696	248 720	30 734	279 453
April	12 042	834	235 129	248 005	31 704	279 709
May	12 053	763	235 370	248 187	29 035	277 221
June	11 720	747	237 581	250 049	29 206	279 255

5.3 *Money supply,* mill. FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	Monetary aggregates		
		Claims on the central government	Claims on the public	Total (2+3)		M_1	M_2 (1+4+5)	M_3
	1	2	3	4	5	6	7	8
1991	–86 555	–6 516	470 852	464 336	–102 540	130 644	275 241	310 924
1992	–68 099	81	439 937	440 018	–97 909	134 829	274 011	310 733
1993	–25 989	1 848	403 742	405 589	–100 006	141 759	279 595	322 408
1994	12 844	6 092	365 712	371 804	–97 953	154 357	286 696	328 509
1995*	25 481	19 837	353 340	373 177	–94 870	175 921	303 788	329 820
1995*								
Sept.	25 915	18 486	367 613	386 098	–119 347	161 659	292 667	338 041
Oct.	28 085	20 208	365 657	385 865	–121 619	163 287	292 331	334 378
Nov.	26 219	16 770	363 830	380 600	–110 948	167 812	295 871	328 102
Dec.	25 481	19 837	353 340	373 177	–94 870	175 921	303 788	329 820
1996*								
Jan.	21 471	12 339	350 717	363 056	–87 920	175 684	296 607	331 664
Feb.	29 249	11 358	350 755	362 114	–96 312	178 534	295 050	326 921
March	29 809	12 658	350 873	363 531	–100 364	178 909	292 976	335 117
April	25 644	18 817	351 511	370 329	–103 109	181 799	292 864	327 546
May	24 810	19 008	349 775	368 783	–100 462	184 749	293 131	325 511
June	28 625	23 209	351 923	375 131	–108 995	189 332	294 761	328 990
July	36 492	24 318	349 162	373 481	–118 137	187 996	291 835	327 936
Aug.	34 402	25 936	349 733	375 669	–117 973	189 264	292 098	325 671
Sept.	..	..	..	..	..	190 753	291 014	330 027

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

End of period	Foreign currency-denominated debt			Markka-denominated debt					Total central government debt (3+8)	Outstanding lending	Cash funds
	Bonds	Other debt	Total (1+2)	Public bonds	Other long-term liabilities	Treasury notes and bills	Miscellaneous items	Total (4+5+6+7)			
	1	2	3	4	5	6	7	8	9	10	11
1991	38 703	4 943	43 646	31 018	12 208	5 180	.	48 406	92 052	55 165	15 956
1992	100 244	6 143	106 387	40 578	13 555	14 762	.	68 895	175 282	61 671	19 781
1993	142 824	12 753	155 577	71 082	16 060	22 824	.	109 966	265 543	66 439	36 487
1994	160 587	15 975	176 562	93 008	17 100	33 153	–5 945	137 316	313 878	67 658	43 012
1995	158 545	13 756	172 301	143 948	17 492	37 864	–5 609	193 695	365 996	66 855	41 878
1995											
Sept.	159 093	13 532	172 625	134 142	17 530	31 529	–5 649	177 552	350 177	69 233	35 250
Oct.	158 207	14 100	172 307	134 673	17 530	34 287	–5 692	180 798	353 105	69 390	32 117
Nov.	156 263	14 145	170 408	139 244	17 503	38 769	–5 675	189 841	360 249	67 749	45 082
Dec.	158 545	13 756	172 301	143 948	17 492	37 864	–5 609	193 695	365 996	66 855	41 878
1996											
Jan.	159 917	13 867	173 784	148 462	17 437	40 160	–5 670	200 389	374 173	67 194	38 351
Feb.	167 905	14 099	182 004	150 312	17 437	42 259	–5 682	204 326	386 330	67 257	53 668
March	168 150	14 304	182 454	150 650	17 909	45 136	–5 697	207 998	390 452	67 471	45 117
April	172 009	15 082	187 091	158 510	17 369	44 143	–5 298	214 724	401 815	67 576	48 628
May	162 738	14 670	177 408	163 861	17 369	46 246	–5 294	222 182	399 590	67 077	48 909
June	159 874	15 192	175 066	166 921	17 359	46 220	–5 324	225 176	400 242	66 754	48 626
July	158 676	15 699	174 375	171 787	17 220	44 786	–5 367	228 426	402 801	66 824	50 441
Aug.	156 801	15 491	172 292	177 586	17 220	45 835	–5 405	235 236	407 528	67 027	55 516
Sept.	156 467	15 694	172 161	167 234	17 219	46 806	–5 408	225 851	398 012	..	44 278

5.5 Markka bond market

A) Issues, mill. FIM

During period	Corporations	Financial institutions	Central government	Local government	Others	Total (1+2+3+4+5)
	1	2	3	4	5	6
1991	7 277	25 737	11 073	1 320	–	45 407
1992	6 984	15 043	12 965	2 674	4	37 671
1993	11 691	10 481	36 512	2 235	63	60 981
1994	4 053	9 899	31 553	593	–	46 099
1995*	643	4 881	66 557	26	–	72 107
1995*						
Sept.	110	1 696	9 752	–	–	11 557
Oct.	–	150	5 020	–	–	5 170
Nov.	–	204	4 761	–	–	4 965
Dec.	–	410	4 717	–	–	5 126
1996*						
Jan.	–	–	6 405	–	–	6 405
Feb.	–	157	1 899	–	–	2 056
March	–	467	2 661	–	–	3 128
April	850	–	7 887	–	–	8 737
May	540	3 154	6 351	–	–	10 044
June	–	522	3 847	–	–	4 370
July	–	–	4 876	–	–	4 876
Aug.	–	360	9 671	–	–	10 031
Sept.	–	900	5 373	–	–	6 273

B) Stock, mill. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placings	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1991	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
1992	26 624	82 153	44 005	5 238	3 358	89 382	13 918	58 078	161 378
1993	32 459	73 893	73 682	6 884	2 009	119 552	10 391	58 984	188 927
1994	30 179	66 467	94 865	6 981	953	141 935	7 581	49 929	199 445
1995*	26 468	55 166	145 177	6 914	357	187 830	5 034	41 218	234 082
1995*									
Sept.	27 635	60 015	135 365	7 372	665	181 295	5 251	44 506	231 052
Oct.	27 602	59 561	135 897	7 463	363	181 435	5 058	44 393	230 886
Nov.	27 233	57 647	140 404	7 462	359	184 619	4 976	43 510	233 105
Dec.	26 468	55 166	145 177	6 914	357	187 830	5 034	41 218	234 082
1996*									
Jan.	26 039	53 393	149 692	5 814	357	190 594	4 521	40 180	235 295
Feb.	25 942	52 432	151 541	5 679	357	191 827	4 290	39 834	235 951
March	25 636	51 545	152 376	5 619	355	191 745	3 910	39 876	235 531
April	26 394	50 933	159 728	5 612	355	200 101	3 899	39 022	243 022
May	25 973	52 631	165 080	5 558	150	207 717	3 636	38 039	249 392
June	25 534	50 500	168 139	4 647	149	209 827	3 622	35 520	248 969
July	25 016	49 621	173 505	4 646	148	213 851	3 617	35 468	252 936
Aug.	24 756	49 370	179 304	4 638	148	219 536	3 360	35 320	258 216
Sept.	24 649	48 651	168 951	4 632	148	208 881	3 113	35 037	247 031

C) Turnover, mill. FIM

During period	Interbank transactions	Transactions between banks and customers	Primary dealers' transactions in benchmark government bonds: Purchases from other primary dealers	Purchases from others	Sales to others
	1	2	3	4	5
1991	3 343	29 134	.	.	.
1992	18 383	58 757	10 744	12 156	13 354
1993	47 803	246 104	42 945	95 647	117 489
1994	184 599	359 697	173 096	150 908	176 647
1995	147 037	436 052	133 357	190 069	215 879
1995					
Oct.	11 843	40 102	11 615	17 944	21 776
Nov.	10 782	40 739	10 060	18 386	21 090
Dec.	11 970	44 723	11 387	21 621	21 833
1996					
Jan.	22 987	59 858	22 069	26 431	29 781
Feb.	28 639	49 337	28 117	23 641	24 870
March	21 686	47 221	21 298	22 895	23 603
April	12 424	35 405	12 336	15 989	15 769
May	13 809	27 849	13 505	12 223	11 995
June	10 679	23 361	9 499	8 982	10 037
July	13 411	26 745	12 763	10 069	12 616
Aug.	13 452	50 597	12 908	22 320	22 356
Sept.	20 933	58 941	20 680	26 345	29 739
Oct.	26 602	52 158	26 298	25 293	26 064

5.6 Helsinki Stock Exchange

Average of daily observations	Share prices: HEX index (28 Dec., 1990=1000): All-share index	By industry: Banks and finance	Insurance and investment	Manufacturing	Of which: Forest industries	Metal and engineering	Conglomerates	Turnover[1], mill. FIM: Shares and subscription rights	Bonds and debentures	Total
	1	2	3	4	5	6	7	8	9	10
1991	962	901	898	1 003	1 075	1 076	1 021	6 339	1 315	7 655
1992	772	425	467	943	1 123	1 206	890	10 277	15 377	25 654
1993	1 240	608	644	1 601	1 695	1 749	1 751	46 337	59 977	106 314
1994	1 847	719	802	2 464	2 284	2 675	3 068	68 671	2 147	70 818
1995	1 918	500	638	2 741	2 062	2 255	4 251	83 019	1 075	84 094
1995										
Oct.	2 031	455	688	2 955	1 967	2 309	4 716	8 721	60	8 781
Nov.	1 887	417	657	2 708	1 807	2 105	4 478	6 942	132	7 074
Dec.	1 769	437	635	2 496	1 740	2 109	4 448	7 515	126	7 641
1996										
Jan.	1 710	476	671	2 363	1 686	2 116	4 452	7 241	62	7 302
Feb.	1 810	472	735	2 507	1 796	2 267	4 798	8 238	51	8 289
March	1 851	458	776	2 568	1 951	2 330	5 051	7 758	54	7 812
April	1 867	412	747	2 618	2 040	2 399	5 188	7 940	32	7 972
May	1 995	418	754	2 820	2 095	2 622	5 532	10 860	42	10 902
June	2 019	408	787	2 851	2 079	2 616	5 627	7 681	36	7 717
July	2 002	400	779	2 819	2 174	2 588	5 815	5 885	17	5 902
Aug.	2 082	407	805	2 945	2 240	2 732	6 175	6 995	44	7 039
Sept.	2 131	401	862	3 012	2 188	2 778	6 125	7 204	49	7 253
Oct.	2 217	520	967	3 084	2 087	2 764	6 367	10 410	53	10 463

[1] During period.

6. Balance of payments, foreign liabilities and assets

6.1 Current account, mill. FIM

During period	Exports of goods, fob	Transport receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Investment income	Transfers and other income	Current account receipts (6+7+8)	Imports of goods, cif	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
1991	91 100	7 508	5 044	5 636	18 189	109 289	10 003	5 336	124 628	86 348	3 974	11 089	11 011
1992	105 809	8 643	6 089	7 730	22 462	128 272	6 423	5 920	140 614	93 187	4 360	10 962	13 369
1993	132 550	10 430	7 079	9 379	26 888	159 438	6 137	6 506	172 080	101 559	5 646	9 237	17 008
1994	152 022	11 385	7 314	11 808	30 508	182 530	9 617	4 919	197 067	118 684	5 862	8 697	16 800
1995*	174 629	11 616	7 536	15 366	34 519	209 148	13 729	8 420	231 297	126 738	6 716	10 450	19 150
1994													
I	34 382	2 663	1 524	2 839	7 026	41 408	1 764	1 289	44 462	24 767	1 295	1 998	4 213
II	38 486	2 902	1 860	2 649	7 411	45 897	2 802	1 190	49 889	29 458	1 455	2 151	3 967
III	37 322	3 092	2 230	2 960	8 282	45 604	2 027	1 180	48 811	28 743	1 549	2 256	3 899
IV	41 832	2 728	1 700	3 360	7 788	49 620	3 025	1 260	53 905	35 716	1 563	2 291	4 721
1995*													
I	41 583	2 901	1 499	3 956	8 356	49 939	3 285	1 499	54 724	30 223	1 635	2 326	5 039
II	46 371	2 917	1 891	3 654	8 462	54 833	3 446	1 505	59 784	32 083	1 720	2 639	4 825
III	40 069	2 926	2 243	3 802	8 970	49 039	2 907	2 099	54 045	30 190	1 753	2 707	4 349
IV	46 606	2 873	1 903	3 954	8 730	55 336	4 092	3 316	62 744	34 242	1 609	2 779	4 937
1996*													
I	42 752	2 862	1 679	3 539	8 079	50 831	3 856	1 634	56 322	34 127	1 670	2 590	4 314
II	46 275	3 099	1 983	3 535	8 617	54 892	3 288	1 846	60 027	33 057	1 718	2 834	3 935
III	41 468	3 000	2 099	4 248	9 347	50 815	2 807	1 715	55 337	31 109	1 846	2 612	4 020

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
1991	26 074	112 421	28 674	10 229	151 325	4 752	3 534	–6 044	–5 374	–7 885	–3 132	–18 671	–4 893	–26 696
1992	28 690	121 878	30 424	10 347	162 649	12 622	4 283	–4 873	–5 639	–6 228	6 394	–24 001	–4 428	–22 035
1993	31 891	133 450	34 580	10 390	178 421	30 991	4 784	–2 159	–7 629	–5 004	25 988	–28 443	–3 885	–6 340
1994	31 359	150 043	31 801	8 596	190 440	33 339	5 523	–1 382	–4 992	–851	32 487	–22 184	–3 676	6 627
1995*	36 316	163 054	32 529	12 606	208 190	47 891	4 900	–2 914	–3 784	–1 797	46 094	–18 800	–4 186	23 107
1994														
I	7 506	32 274	9 423	2 683	44 380	9 614	1 368	–474	–1 374	–480	9 134	–7 659	–1 393	82
II	7 573	37 031	8 733	1 959	47 722	9 028	1 447	–291	–1 318	–162	8 866	–5 930	–769	2 167
III	7 704	36 447	6 246	1 971	44 664	8 580	1 542	–26	–939	578	9 157	–4 220	–791	4 147
IV	8 575	44 291	7 399	1 984	53 673	6 117	1 166	–591	–1 361	–787	5 330	–4 375	–724	231
1995*														
I	8 999	39 222	9 295	2 814	51 331	11 360	1 266	–827	–1 082	–643	10 717	–6 009	–1 316	3 393
II	9 184	41 267	10 067	3 180	54 514	14 288	1 197	–748	–1 171	–722	13 566	–6 622	–1 675	5 269
III	8 809	38 999	6 630	3 194	48 823	9 879	1 173	–464	–548	161	10 040	–3 723	–1 095	5 222
IV	9 324	43 566	6 538	3 417	53 521	12 364	1 264	–875	–983	–594	11 770	–2 446	–101	9 223
1996*														
I	8 574	42 701	8 084	4 204	54 988	8 625	1 192	–911	–776	–494	8 130	–4 227	–2 570	1 333
II	8 487	41 544	10 354	4 093	55 990	13 218	1 381	–851	–400	130	13 348	–7 066	–2 246	4 037
III	8 478	39 587	6 774	2 975	49 336	10 360	1 153	–513	227	868	11 228	–3 966	–1 260	6 001

6.2 Capital and financial account, mill. FIM

During period	Capital account, imports of capital	Financial account											
		Direct investment in Finland	Portfolio investment in Finland						Other investment in Finland				Total (2+8+12)
			Shares	Bonds	Of which: markka denominated bonds	Money market instruments	Financial derivatives	Total (3+4+6+7)	Trade credits	Loans	Other capital	Total (9+10+11)	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1991	0	–997	47	38 751	11 786	–4 511	..	34 287	–3 987	7 496	–9 606	–6 098	27 192
1992	0	1 822	397	39 309	–5 312	–1 791	..	37 915	3 639	2	–15 725	–12 084	27 653
1993	0	4 945	12 748	30 353	3 616	–4 382	..	38 719	4 467	5 457	–29 801	–19 877	23 787
1994	0	8 240	13 400	21 977	–5 783	–2 134	59	33 302	3 107	647	–1 392	2 361	43 903
1995*	487	4 642	8 734	–17 868	–3 634	1 421	2 345	–5 369	–1 216	–6 985	8 376	176	–551
1994													
I	0	3 844	4 389	4 669	526	–1 665	31	7 423	–616	–3 980	7 459	2 864	14 131
II	0	3 029	2 404	5 341	–3 808	3 264	482	11 492	–848	1 312	–4 826	–4 362	10 159
III	0	2 372	5 181	16 528	783	–2 119	–474	19 116	204	–1 363	–4 571	–5 729	15 759
IV	0	–1 005	1 426	–4 562	–3 283	–1 614	20	–4 729	4 366	4 678	545	9 589	3 855
1995*													
I	0	2 625	392	150	–1 423	–1 889	146	–1 200	–2 601	–333	8 549	5 615	7 040
II	0	–1 243	3 482	–9 335	–3 501	–974	523	–6 303	865	–3 206	–2 136	–4 477	–12 023
III	0	151	2 940	–2 503	932	1 618	1 079	3 134	–1 089	–3 192	–744	–5 025	–1 740
IV	487	3 109	1 920	–6 181	358	2 666	596	–999	1 609	–254	2 707	4 063	6 173
1996*													
I	0	1 837	1 216	2 635	1 155	502	974	5 327	–3 502	4 697	–552	644	7 807
II	0	1 011	6 143	–5 152	2 554	363	754	2 108	–720	4 595	–3 119	756	3 875
III	0	2 689	374	–4 841	277	–229	–168	–4 865	–78	2 540	4 371	6 833	4 657

During period	Capital account, exports of capital	Financial account										Errors and omissions	Change in central bank's reserve assets (increase –)
		Direct investment abroad	Portfolio investment abroad					Other investment abroad			Total (15+20+24)		
			Shares	Bonds	Money market instruments	Financial derivatives	Total (16+17+18+19)	Trade credits	Loans	Other capital	Total (21+22+23)		
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1991	299	–501	–369	–3	1 499	..	1 128	–726	2 341	7 570	9 184	9 810	2 239	7 375
1992	0	–3 372	46	321	2 748	..	3 115	3 634	3 409	7 720	14 763	14 506	–293	9 180
1993	0	8 050	873	767	1 932	..	3 571	1 923	–839	9 576	10 660	22 282	6 055	–1 219
1994	0	22 447	434	–4 294	–855	–279	–4 994	1 213	–7 460	9 762	3 516	20 968	–4 058	–25 504
1995*	206	7 339	892	3 685	–5 492	–168	–1 084	3 839	–2 712	11 750	12 877	19 132	–5 186	1 480
1994														
I	0	5 401	356	–558	215	–202	–188	–1 958	–1 849	–2 327	–6 135	–922	–4 856	–10 279
II	0	4 808	100	–3 337	–4 448	–27	–7 713	1 600	–2 625	6 080	5 055	2 150	–3	–10 172
III	0	4 897	–41	–1 166	422	–53	–839	–153	–251	9 532	9 127	13 186	–2 799	–3 921
IV	0	7 341	19	768	2 956	2	3 745	1 724	–2 734	–3 522	–4 532	6 555	3 600	–1 132
1995*														
I	0	2 212	–128	1 757	–2 249	–48	–668	660	–1 234	9 695	9 121	10 665	1 924	–1 691
II	104	1 490	375	104	–2 798	31	–2 288	2 379	–150	–7 809	–5 580	–6 377	–808	1 288
III	0	1 027	461	28	521	–37	973	–132	1 044	3 431	4 343	6 343	1 269	1 592
IV	102	2 610	184	1 797	–967	–115	898	933	–2 373	6 433	4 993	8 502	–7 570	291
1996*														
I	0	4 964	577	4 019	2 424	–26	6 993	–605	2 416	6 397	8 208	20 166	3 771	7 254
II	0	6 461	1 041	3 041	162	71	4 315	718	–2 030	4 832	3 520	14 297	–2 072	8 457
III	0	3 852	591	3 921	–2 391	–51	2 069	–819	1 574	1 872	2 626	8 547	–982	–1 129

6.3 *Finland's international investment position,* *mill. FIM*

Position at end of period	Liabilities												
	Direct invest-ment in Finland	Portfolio investment						Other investment					Total liabilities (1+7+12)
		Shares	Bonds	Of which: markka denominat-ed bonds	Money market instru-ments	Finan-cial deriva-tives	Total (2+3+5+6)	Trade credits	Loans	Curren-cy and deposits	Other	Total (8+9+10+11)	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1991	17 443	4 149	141 055	19 036	22 079	..	167 283	9 532	68 892	8 555	84 036	171 015	355 741
1992	19 348	5 138	211 361	14 366	19 391	..	235 889	13 305	78 330	11 880	78 804	182 320	437 557
1993	24 391	30 375	266 269	27 402	14 995	–6 103	305 536	18 206	90 825	4 025	54 188	167 243	497 170
1994	31 846	60 558	258 823	22 285	10 309	–5 179	324 511	19 852	82 649	3 430	46 566	152 498	508 855
1995*	36 894	63 746	228 676	19 638	10 099	1 355	303 877	18 540	69 249	2 568	53 557	143 914	484 684
1994													
I	27 918	39 079	269 077	30 065	12 245	–7 239	313 162	16 274	85 196	4 724	58 746	164 939	506 019
II	30 846	42 719	272 094	23 945	15 286	–6 937	323 162	15 411	86 412	2 964	55 420	160 208	514 216
III	33 010	56 036	272 306	26 009	11 864	–5 704	334 501	15 539	79 730	3 752	47 152	146 174	513 685
IV	31 846	60 558	258 823	22 285	10 309	–5 179	324 511	19 852	82 649	3 430	46 566	152 498	508 855
1995*													
I	34 509	53 488	254 534	21 433	7 065	–5 996	309 092	17 218	79 143	3 369	53 433	153 163	496 764
II	33 386	79 430	243 399	18 054	5 577	–6 768	321 638	18 049	75 411	2 580	51 169	147 208	502 233
III	33 665	93 020	233 054	20 230	7 262	–520	332 815	16 930	68 882	2 364	50 032	138 208	504 688
IV	36 894	63 746	228 676	19 638	10 099	1 355	303 877	18 540	69 249	2 568	53 557	143 914	484 684
1996*													
I	38 795	68 674	241 179	20 771	11 192	2 115	323 159	14 975	77 998	1 518	55 412	149 902	511 857
II	39 810	80 962	234 480	24 003	11 126	2 812	329 380	14 326	81 788	1 939	51 588	149 640	518 831
III	42 463	91 198	225 343	23 676	11 312	2 665	330 517	14 014	82 338	1 742	55 621	153 715	526 696

Position at end of period	Assets											
	Direct invest-ment abroad	Portfolio investment					Other investment					Total assets (14+19+24)
		Shares	Bonds	Money market instruments	Financial deri-vatives	Total (15+16+17+18)	Trade credits	Loans	Curren-cy and deposits	Other	Total (20+21+22+23)	
	14	15	16	17	18	19	20	21	22	23	24	25
1991	44 823	426	7 004	4 154	..	11 584	16 388	28 504	7 647	73 392	125 931	182 338
1992	44 921	469	8 697	7 917	..	17 083	21 389	35 251	12 665	78 257	147 562	209 565
1993	53 090	1 783	10 709	11 030	447	23 968	26 256	35 981	5 799	91 127	159 162	236 221
1994	59 451	1 984	5 109	9 115	488	16 696	25 500	24 847	8 257	109 847	168 451	244 598
1995*	66 150	3 216	9 619	2 736	177	15 748	28 358	20 381	7 290	115 543	171 571	253 469
1994												
I	54 424	2 047	9 576	10 911	622	23 156	23 989	32 788	8 842	93 378	158 996	236 575
II	58 238	2 109	5 961	6 339	550	14 960	25 551	29 981	8 300	108 953	172 785	245 983
III	58 314	1 991	4 319	6 087	561	12 959	24 158	28 350	7 493	115 752	175 753	247 025
IV	59 451	1 984	5 109	9 115	488	16 696	25 500	24 847	8 257	109 847	168 451	244 598
1995*												
I	60 274	1 751	6 557	5 835	157	14 300	25 254	22 668	6 352	118 897	173 172	247 746
II	61 007	2 158	6 930	2 977	115	12 180	27 440	22 142	5 915	108 686	164 183	237 370
III	61 479	2 661	6 870	3 503	200	13 233	27 092	22 978	6 397	108 057	164 524	239 236
IV	66 150	3 216	9 619	2 736	177	15 748	28 358	20 381	7 290	115 543	171 571	253 469
1996*												
I	73 847	3 994	14 063	5 670	169	23 896	28 205	23 594	5 435	121 238	178 472	276 215
II	79 193	5 009	16 834	5 842	93	27 778	29 055	21 533	5 525	118 005	174 118	281 090
III	81 456	5 694	20 370	3 242	48	29 354	28 034	22 944	6 435	119 256	176 668	287 479

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

Position at end of period	Corporate sector	House-holds and nonprofit institutions	Banks	Bank of Finland	Other financial institutions	Central govern-ment	Local govern-ment	Net (1+2+3+4+5+6+7)	Net interest and dividend expenditure	Net interest and dividend expenditure in relation to current account receipts, %
	1	2	3	4	5	6	7	8	9	10
1991	31 277	–2 794	107 434	–34 046	18 960	51 854	719	173 403	15 671	12.7
1992	33 761	–3 260	82 343	–27 546	28 283	112 064	2 347	227 992	19 011	13.6
1993	54 315	–3 436	45 658	–33 279	29 737	164 892	3 062	260 949	21 897	12.8
1994	82 428	–3 503	33 800	–52 606	21 931	179 113	3 093	264 257	20 296	10.5
1995*	71 574	–2 293	18 970	–47 708	13 107	174 481	3 085	231 215	17 490	7.6
1994										
I	64 980	–3 692	52 014	–42 504	28 987	166 321	3 339	269 444	7 187	16.2
II	65 677	–3 781	51 328	–52 617	26 127	178 145	3 354	268 233	5 458	10.9
III	77 901	–3 564	34 039	–52 998	24 992	183 115	3 175	266 659	3 748	7.7
IV	82 428	–3 503	33 800	–52 606	21 931	179 113	3 093	264 257	3 903	7.2
1995*										
I	73 872	–3 359	23 396	–53 298	19 524	185 724	3 159	249 018	5 681	10.4
II	94 745	–3 495	27 092	–50 742	18 024	175 932	3 305	264 861	6 295	10.5
III	103 212	–3 599	20 558	–47 488	17 173	172 368	3 227	265 451	3 396	6.3
IV	71 574	–2 293	18 970	–47 708	13 107	174 481	3 085	231 215	2 118	3.4
1996*										
I	75 557	–2 507	4 716	–42 679	9 197	188 188	3 169	235 642	3 732	6.6
II	85 227	–2 601	–4 362	–33 647	4 752	185 254	3 118	237 741	6 571	10.9
III	94 399	–1 109	–5 699	–34 479	1 156	182 405	2 545	239 217	3 471	6.3

7. Foreign trade

7.1 Exports, imports and the trade balance, mill. FIM

During period	Exports, fob	Imports, cif	Balance (1–2)
	1	2	3
1991	92 842	87 744	5 098
1992	107 463	94 947	12 516
1993	134 114	103 165	30 949
1994	154 164	120 612	33 552
1995*	176 021	128 556	47 465
1995*			
Sept.	15 126	10 714	4 412
Oct.	15 616	11 806	3 810
Nov.	16 007	11 815	4 192
Dec.	15 331	11 080	4 251
1996*			
Jan.	13 039	10 204	2 835
Feb.	14 916	11 445	3 471
March	14 673	11 824	2 849
April	15 037	11 610	3 427
May	15 741	11 688	4 053
June	16 709	11 356	5 353
July	12 783	9 610	3 173
Aug.	13 800	10 300	3 500
Sept.	15 000	11 300	3 700

[1] See Notes and explanations to the statistical section.

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

Period	Volume (seasonally adjusted)		Prices		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1991	93.0	84.3	98.5	100.9	97.6
1992	102.7	84.7	103.1	108.6	95.0
1993	120.6	83.6	109.7	119.6	91.7
1994	136.6	98.0	111.4	119.3	93.3
1995*	145.7	104.6	119.2	119.2	100.0
1995*					
Sept.	146.5	105.9	121.6	119.2	102.0
Oct.	143.8	110.9	122.6	118.4	103.5
Nov.	147.6	110.3	122.7	118.1	103.9
Dec.	144.2	105.2	123.0	118.2	104.1
1996*					
Jan.	127.3	107.2	123.2	119.1	103.4
Feb.	149.1	115.3	122.4	119.3	102.6
March	138.8	109.1	123.2	120.4	102.3
April	147.6	107.2	122.5	122.2	100.2
May	150.7	108.1	121.8	121.8	100.0
June	164.6	110.4	121.3	121.6	99.8
July	132.0	101.2	119.6	121.8	98.2
Aug.	148.1	103.2	118.2	120.9	97.8
Sept.	150.2	109.3	117.6	121.6	96.7

7.3 Foreign trade by main groups, mill. FIM

During period	Exports by industries, fob					Imports by use of goods, cif				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
	1	2	3	4	5	6	7	8	9	10
1991	6 984	29 695	10 539	29 188	16 436	42 505	9 399	13 973	21 195	672
1992	7 892	32 587	12 172	35 741	19 071	49 514	9 745	13 348	20 826	1 514
1993	10 910	37 430	14 205	48 158	23 411	54 792	10 904	15 396	21 066	1 007
1994	14 198	41 249	15 725	55 895	27 097	66 156	11 687	17 227	24 684	858
1995*	13 451	48 754	15 877	69 336	28 603	71 397	9 685	19 660	25 514	2 300
1995*										
July	743	4 064	1 190	3 967	1 802	5 328	822	1 290	1 975	170
Aug.	898	4 315	1 231	4 625	2 456	5 846	849	1 404	2 073	172
Sept.	1 081	4 342	1 311	5 740	2 652	6 083	725	1 487	2 205	214
Oct.	1 129	3 991	1 386	6 594	2 516	6 228	849	2 101	2 414	214
Nov.	1 190	3 987	1 268	6 871	2 691	5 948	898	2 503	2 197	269
Dec.	918	3 666	1 245	7 256	2 246	5 660	1 011	2 118	2 012	279
1996*										
Jan.	960	3 564	1 283	4 767	2 465	5 672	694	1 462	2 219	157
Feb.	940	3 619	1 238	6 636	2 483	5 734	876	2 008	2 623	204
March	1 012	4 137	1 469	5 432	2 623	6 270	700	1 863	2 782	209
April	1 127	3 777	1 515	6 104	2 514	5 955	1 059	1 780	2 603	213
May	1 192	3 765	1 866	5 761	3 157	6 315	1 058	1 675	2 415	225
June	1 073	3 538	1 473	8 060	2 565	6 136	816	1 910	2 224	270
July	820	3 524	1 418	4 877	2 144	4 805	1 199	1 126	2 260	220

7.4 Foreign trade by regions and countries

Region and country	Exports, fob				Imports, cif			
	1995*		July 1995–June 1996*		1995*		July 1995–June 1996*	
	Mill. FIM	Percentage share	Mill. FIM	Year-on-year change calculated from 12-month moving total	Mill. FIM	Percentage share	Mill. FIM	Year-on-year change calculated from 12-month moving total
	1	2	3	4	5	6	7	8
All OECD countries	130 413	74.1	128 969	1.4	103 623	80.6	107 241	6.6
EU	101 538	57.7	99 564	2.4	76 435	59.5	78 996	9.0
Austria	1 524	0.9	1 430	–14.1	1 629	1.3	1 542	0.0
Belgium and Luxembourg	5 196	3.0	4 813	5.5	3 754	2.9	3 765	1.0
Denmark	5 609	3.2	5 415	–1.9	4 126	3.2	4 360	8.7
France	7 989	4.5	7 638	–6.7	5 198	4.0	5 521	7.1
Germany	23 639	13.4	23 195	3.6	19 967	15.5	19 793	0.2
Greece	950	0.5	919	1.2	342	0.3	366	3.5
Ireland	894	0.5	1 007	34.6	1 081	0.8	1 163	20.9
Italy	5 219	3.0	4 771	–9.0	5 111	4.0	5 452	10.0
Netherlands	7 423	4.2	7 184	–9.0	4 916	3.8	4 801	0.4
Portugal	879	0.5	786	–14.4	1 053	0.8	1 063	–2.5
Spain	4 398	2.5	3 861	–7.0	1 669	1.3	1 767	11.3
Sweden	17 985	10.2	18 854	6.9	14 874	11.6	15 505	9.4
United Kingdom	18 276	10.4	18 174	4.5	10 608	8.3	11 523	11.2
Other OECD countries	28 875	16.4	29 405	3.1	27 188	21.1	28 245	–6.3
Of which:								
Australia	2 330	1.3	2 131	–4.6	931	0.7	1 188	45.6
Canada	1 227	0.7	1 152	–1.6	833	0.6	851	–0.2
Japan	4 509	2.6	5 032	33.2	8 170	6.4	7 659	–8.6
Norway	5 279	3.0	5 193	–0.8	5 357	4.2	5 183	–11.1
Switzerland	2 291	1.3	2 197	–7.2	2 176	1.7	2 335	7.4
United States	11 683	6.6	12 090	–7.8	9 268	7.2	10 532	18.9
Other countries	45 608	25.9	48 401	16.1	24 933	19.4	26 214	–6.3
Of which:								
Estonia	4 125	2.3	4 419	17.2	1 561	1.2	1 544	10.0
Czech Republic	779	0.4	947	12.2	463	0.4	482	2.6
Hungary	800	0.5	749	–32.4	338	0.3	355	–15.2
Poland	2 256	1.3	2 193	–14.2	1 374	1.1	1 356	–10.7
Russia	8 450	4.8	9 719	22.5	9 314	7.2	9 032	–17.1
China	2 605	1.5	2 287	–12.2	1 722	1.3	1 841	0.5
Hongkong	2 438	1.4	2 522	17.1	714	0.6	592	–33.5
Korea	2 272	1.3	2 376	4.8	991	0.8	899	–6.3
Malaysia	997	0.6	907	5.6	860	0.7	619	–36.1
Singapore	1 440	0.8	1 614	5.4	578	0.4	501	–22.8
Thailand	1 640	0.9	1 422	–6.1	499	0.4	571	10.1
Taiwan	904	0.5	968	14.7	1 126	0.9	1 195	1.6
Brazil	830	0.5	774	3.1	528	0.4	581	–28.2
TOTAL	176 021	100.0	177 370	5.0	128 556	100.0	133 455	3.8
Of which:								
Africa	2 778	1.6	2 609	1.1	625	0.5	703	–13.7
The Americas	17 378	9.9	16 681	–7.6	12 509	9.7	13 915	10.3
Asia	23 884	13.6	25 524	24.7	16 062	12.5	15 569	–8.1
Europe	129 367	73.5	129 153	3.1	98 315	76.5	100 528	3.3
Oceania	2 615	1.5	2 530	1.1	1 044	0.8	1 356	46.2

8. Domestic economic developments

8.1 Supply and use of resources, mill. FIM, 1990 prices (seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7–8)
	Private	Public	Private	Public					
	1	2	3	4	5	6	7	8	9
1991	260 031	111 256	93 722	17 243	–2 451	479 801	110 965	111 755	479 011
1992	247 363	108 799	75 338	16 899	4 534	452 933	122 059	112 989	462 003
1993	240 177	103 028	60 638	13 890	10 221	427 954	142 459	113 842	456 571
1994	244 761	102 728	60 543	14 107	21 555	443 694	161 376	128 411	476 659
1995*	254 112	104 059	67 120	13 253	20 109	458 653	174 773	136 520	496 906
1994*									
I	61 019	25 591	14 411	3 491	1 445	105 957	38 021	28 428	115 550
II	60 358	25 628	14 724	3 540	6 086	110 336	39 666	31 252	118 750
III	61 236	25 577	15 445	3 526	6 277	112 061	41 282	32 785	120 558
IV	62 148	25 932	15 963	3 550	7 747	115 340	42 407	35 946	121 801
1995*									
I	62 861	25 524	16 930	3 369	4 655	113 339	44 033	33 547	123 825
II	63 722	26 039	16 511	3 342	4 322	113 936	44 613	34 357	124 192
III	63 485	26 071	17 544	3 258	6 286	116 644	42 100	34 163	124 581
IV	64 044	26 425	16 135	3 284	4 846	114 734	44 027	34 453	124 308
1996*									
I	64 908	26 065	17 021	3 523	7 808	119 325	41 308	35 029	125 604
II	64 650	26 278	16 737	3 506	3 104	114 275	44 313	32 610	125 978

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

Period	Total Industry (100.0)	Mining and quarrying (1.3)	Manu-facturing (89.6)	Wood and paper industries (16.8)	Metal and engineering industries (31.3)	Other manu-facturing (41.5)	Energy and water supply (9.1)
	1	2	3	4	5	6	7
1991	91.2	91.3	89.9	91.5	85.6	92.6	103.6
1992	92.4	88.4	91.4	94.6	91.1	90.2	103.0
1993	97.4	86.1	96.4	104.5	99.7	90.8	107.9
1994	108.5	96.2	108.1	117.0	119.5	95.8	114.3
1995	116.6	95.7	117.5	118.0	143.8	97.4	111.1
1995							
Aug.	117.3	174.2	117.7	120.2	145.8	97.2	109.7
Sept.	117.8	92.0	118.7	117.0	148.9	96.7	108.9
Oct.	116.3	86.5	117.4	112.4	147.8	97.0	107.2
Nov.	117.5	90.6	118.5	110.0	152.1	96.4	108.9
Dec.	117.7	81.5	118.4	102.6	154.3	96.5	114.2
1996							
Jan.	116.0	90.5	116.3	110.5	146.6	97.4	117.4
Feb.	115.6	80.9	115.5	109.1	145.3	96.9	124.4
March	118.2	84.1	118.5	110.3	148.6	98.2	119.1
April	117.9	92.7	118.2	111.6	147.8	99.2	118.4
May	119.9	81.4	120.3	110.9	151.7	99.4	124.4
June	121.5	83.6	122.0	111.2	153.9	100.9	120.0
July	120.0	63.0	120.7	115.2	148.2	101.1	121.1
Aug.	119.5	163.9	119.4	115.7	149.0	100.1	120.5

8.3 *Indicators of domestic supply and demand,* *1990=100 (seasonally adjusted figures)*

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which: Residential buildings	Industrial buildings	Other buildings	Imports of investment goods	Monthly indicator of GDP
	1	2	3	4	5	6	7	8
1991	82.9	92.6	81.6	75.6	79.0	90.0	86.1	93.9
1992	72.7	83.2	62.5	59.1	47.1	71.7	78.1	91.1
1993	68.8	78.4	46.7	48.5	32.7	48.9	72.9	89.9
1994	73.0	79.9	42.0	45.5	35.4	39.8	84.4	93.7
1995*	76.2	82.6	39.9	39.7	52.6	36.1	85.2	97.7
1994								
IV	80.7	75.2	42.4	43.5	43.9	40.2	97.4	95.7
1995*								
Aug.	78.2	81.9	..	..	..	..	..	98.1
Sept.	75.4	83.4	..	..	..	..	..	97.9
Oct.	77.5	82.1	..	..	..	..	..	97.9
Nov.	78.5	84.0	..	..	..	..	..	98.5
Dec.	77.4	84.8	..	..	..	..	..	97.9
1995*								
I	75.4	82.3	41.0	44.1	47.9	35.3	83.8	97.7
II	75.2	82.6	41.3	42.6	57.4	36.4	83.9	97.4
III	76.6	82.0	39.5	37.9	53.3	37.4	84.2	97.5
IV	77.8	83.6	37.9	34.1	51.6	35.4	88.9	98.1
1996*								
Jan.	80.0	86.4	..	..	..	..	..	98.5
Feb.	79.7	85.0	..	..	..	..	..	98.2
March	74.0	82.9	..	..	..	..	..	97.4
April	79.8	85.1	..	..	..	..	..	98.5
May	77.1	85.6	..	..	..	..	..	99.6
June	72.3	82.1	..	..	..	..	..	99.5
July	81.1	88.1	..	..	..	..	..	100.2
Aug.	74.5	87.1	..	..	..	..	..	100.2

8.4 *Wages and prices, 1990=100*

Period	Index of wage and salary earnings	By sectors: Private	By sectors: Of which: Manufacturing (SIC 3)	By sectors: Public	Consumer price index	Indicator of underlying inflation	Basic price index for domestic supply	By origin: Domestic goods	By origin: Imported goods	Producer price index for manufacturing	By marketing area: Exported goods	By marketing area: Home market goods	Building cost index
	1	2	3	4	5	6	7	8	9	10	11	12	13
1991	106.4	106.4	106.1	106.4	104.3	104.1	100.0	99.8	100.8	99.4	98.5	99.8	102.2
1992	108.4	108.1	108.3	109.0	107.4	107.1	101.4	99.5	108.5	101.6	102.7	101.1	100.4
1993	109.2	108.8	110.0	110.1	109.7	109.9	104.8	100.8	119.3	105.5	109.2	103.9	100.7
1994	111.4	111.6	115.0	111.1	110.9	111.4	106.2	102.8	118.7	107.1	110.1	105.8	102.2
1995[1]	116.6	117.4	123.1	114.7	112.0	111.3	106.9	103.8	118.5	110.8	118.0	107.7	103.5
1995													
Sept.	..	..	..	..	112.2	111.3	106.0	102.7	118.4	111.8	120.4	108.1	103.7
Oct.	..	..	..	..	112.2	111.4	105.9	102.7	117.7	112.1	121.3	108.1	103.4
Nov.	..	..	..	..	111.9	111.1	105.7	102.5	117.4	111.9	121.4	107.9	103.2
Dec.	..	..	..	..	111.8	111.0	105.7	102.5	117.4	112.1	121.5	108.1	103.2
1995[1]													
II	116.0	116.8	122.8	114.2	112.1	111.5	108.1	105.1	119.3	110.6	117.2	107.7	103.6
III	116.7	117.5	123.2	114.9	112.2	111.3	106.5	103.3	118.5	111.3	119.3	107.8	103.6
IV	119.1	119.9	125.4	117.3	112.0	111.2	105.8	102.6	117.5	112.0	121.4	108.0	103.3
1996													
Jan.	..	..	..	..	112.0	110.8	106.2	102.0	118.4	112.4	121.6	108.5	102.1
Feb.	..	..	..	..	112.4	111.4	106.1	102.7	118.6	112.3	120.7	108.7	101.9
March	..	..	..	..	112.5	111.6	106.0	102.2	119.7	112.0	121.3	108.0	102.0
April	..	..	..	..	112.7	111.6	106.1	102.0	121.5	111.7	120.6	107.9	102.1
May	..	..	..	..	112.9	111.7	105.9	101.7	121.0	111.4	120.0	107.7	102.4
June	..	..	..	..	112.9	111.7	105.5	101.4	120.9	110.8	119.5	107.1	102.7
July	..	..	..	..	112.8	111.5	105.5	101.2	121.0	110.2	117.8	106.9	102.8
Aug.	..	..	..	..	112.6	111.1	105.4	101.3	120.2	109.7	116.4	106.8	103.1
Sept.	..	..	..	..	112.8	..	105.9	101.9	120.8	109.8	115.8	107.2	103.0
1996[1]													
I	120.3	121.1	126.7	118.3	112.3	111.3	106.1	102.3	118.9	112.2	121.2	108.4	102.0
II	120.5	121.3	127.0	118.5	112.8	111.6	105.8	101.7	121.1	111.3	120.0	107.6	102.4

[1] Preliminary figures for columns 1–4.

8.5 *Labour, employment and unemployment* *(seasonally adjusted figures)*

Period	Labour force partici-pation rate among 15–74 year olds	Labour force	Total employ-ment (4+5) = (6+7+8)	By industrial status: Self-employed	By industrial status: Wage and salary earners	By industry: Agri-culture, forestry and fishing	By industry: Mining, manufac-turing and energy supply	By industry: Other industries	Unem-ployed	Unem-ploy-ment rate
	%	1000 persons								%
	1	2	3	4	5	6	7	8	9	10
1991	67.4	2 533	2 340	340	2 000	197	502	1 640	193	7.6
1992	66.1	2 502	2 174	325	1 849	188	454	1 534	328	13.1
1993	65.3	2 484	2 041	312	1 729	173	423	1 444	444	17.9
1994	64.8	2 480	2 024	312	1 712	167	426	1 430	456	18.4
1995	65.1	2 497	2 068	304	1 764	158	456	1 454	430	17.2
1995										
Sept.	65.3	2 506	2 078	305	1 773	161	452	1 465	421	16.9
Oct.	65.3	2 509	2 086	306	1 781	154	486	1 446	419	16.7
Nov.	65.1	2 499	2 078	306	1 772	156	455	1 466	420	16.9
Dec.	64.8	2 490	2 070	295	1 775	149	460	1 460	422	17.1
1996										
Jan.	65.3	2 511	2 095	305	1 790	152	468	1 475	418	16.9
Feb.	65.1	2 503	2 089	309	1 780	155	458	1 476	415	16.8
March	65.1	2 502	2 083	299	1 784	148	461	1 475	414	16.6
April	65.4	2 517	2 107	309	1 798	153	468	1 486	407	16.2
May	65.1	2 506	2 088	302	1 786	149	451	1 488	424	16.9
June	64.7	2 489	2 072	294	1 778	137	453	1 482	420	16.8
July	64.7	2 496	2 092	306	1 787	146	462	1 485	412	16.2
Aug.	65.4	2 519	2 101	307	1 794	144	453	1 504	416	16.5
Sept.	64.4	2 479	2 086	296	1 790	140	439	1 508	387	15.6

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)	Redemp-tions of loans granted by the state	Revenue before borrowing (5+6)	Consump-tion	Trans-fers and subsidies	Of which: Local govern-ment	Of which: Other domestic sectors
	1	2	3	4	5	6	7	8	9	10	11
1991	41 054	73 251	1 136	19 182	134 624	4 442	139 069	45 085	101 220	42 297	55 160
1992	34 312	69 541	1 512	21 251	126 616	5 054	131 669	49 291	105 184	42 990	59 180
1993	31 667	67 291	1 443	28 823	129 224	7 366	136 593	46 880	108 608	42 720	63 535
1994	34 588	68 124	1 792	24 095	128 599	7 308	135 900	48 750	108 155	40 388	65 519
1995	40 092	66 902	1 720	35 837	144 550	7 923	152 473	51 446	113 644	39 481	67 514
1995											
Aug.	3 365	6 294	142	2 654	12 455	173	12 628	3 668	6 995	2 256	4 254
Sept.	3 015	5 826	63	3 228	12 131	299	12 431	3 732	8 566	3 104	4 942
Oct.	3 237	5 825	51	2 752	11 865	405	12 270	4 090	8 265	3 110	4 484
Nov.	4 994	5 973	74	2 838	13 879	2 165	16 044	4 514	9 696	2 768	6 481
Dec.	5 347	5 549	60	5 700	16 657	598	17 254	5 846	10 189	3 292	6 954
1996											
Jan.	3 735	7 182	110	3 792	14 818	165	14 983	3 930	12 283	2 974	7 880
Feb.	3 693	7 341	1 089	3 784	15 907	233	16 141	4 064	7 922	2 839	4 692
March	5 458	5 992	150	1 841	13 441	137	13 578	4 486	9 261	3 475	5 194
April	3 590	5 237	58	4 298	13 184	3 469	16 653	4 154	9 517	2 945	5 752
May	3 016	5 805	75	2 979	11 876	843	12 719	4 095	8 753	2 996	5 189
June	3 435	5 863	72	5 222	14 592	850	15 443	5 032	8 952	2 863	5 459
July	3 817	6 187	59	2 003	12 067	323	12 390	5 036	8 707	2 891	5 151
Aug.	3 766	6 125	59	2 483	12 433	219	12 652	3 913	6 090	1 476	4 505

During period	Expenditure					Financial balance			
	Fixed invest-ment	Other expendi-ture	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)
	12	13	14	15	16	17	18	19	20
1991	5 370	6 368	158 044	13 328	171 372	–23 420	–32 304	25 659	–6 645
1992	5 042	8 499	168 016	35 501	203 516	–41 400	–71 847	70 691	–1 155
1993	4 306	18 076	177 870	19 753	197 623	–48 646	–61 030	84 036	23 009
1994	3 737	22 358	183 000	17 886	200 760	–54 401	–64 860	73 193	8 336
1995	3 208	26 336	194 635	16 765	211 399	–50 085	–58 926	54 071	–4 854
1995									
Aug.	223	784	11 671	469	12 140	784	488	5 741	6 230
Sept.	227	3 574	16 100	813	16 913	–3 968	–4 483	1 450	–3 033
Oct.	332	1 755	14 442	613	15 056	–2 578	–2 786	2 191	– 595
Nov.	315	1 113	15 638	590	16 228	–1 759	– 184	8 689	8 505
Dec.	603	2 089	18 726	– 159	18 567	–2 070	–1 313	1 905	593
1996									
Jan.	151	5 235	21 599	623	22 221	–6 781	–7 238	6 755	– 484
Feb.	260	1 544	13 790	454	14 243	2 117	1 897	10 359	12 256
March	185	4 560	18 491	393	18 884	–5 050	–5 306	760	–4 546
April	175	2 759	16 605	3 605	20 210	–3 421	–3 557	6 544	2 987
May	207	1 291	14 346	770	15 117	–2 470	–2 398	2 496	98
June	219	3 060	17 262	2 075	19 338	–2 670	–3 895	3 503	– 392
July	316	1 154	15 214	437	15 651	–3 147	–3 261	3 900	639
Aug.	334	1 090	11 427	457	11 884	1 006	768	6 829	7 597

Notes and explanations to the statistical section

General

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

Symbols used

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

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

Notes and explanations to tables

1 The balance sheet of the Bank of Finland

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

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

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

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

Table 2.3 Foreign exchange transactions are recorded according to trade dates. In addition to spot transactions (Columns 1, 2, 4 and 5) the Bank of Finland's foreign exchange reserves are affected by interest payment and by changes in both the prices of securities and exchange rates. Spot transactions related to forward contracts (Column 4) refer to the combined effects on the foreign exchange reserves of forward transactions in the form of swaps and maturing forward transactions. The central government's foreign exchange transactions (Column 5) comprise transactions related to drawings and redemptions of government loans and associated interest payments.

Table 2.4 The markka value of forward contracts is given.

3 Rates of interest

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

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

Credit institutions which are subject to the minimum reserve requirement and maintain a current account with the Bank of Finland may obtain liquidity credit to cover overdrafts and to fulfil their minimum reserve requirement. They can obtain liquidity credit with a maturity of 1 day, 7 days, 14 days, 21 days or 28 days. The maturity of liquidity credit is determined by the Bank of Finland. The rate of interest on liquidity credit is obtained by adding together the Bank of Finland's tender rate and the interest rate margin for liquidity credit. The call money deposit rate in use prior to October 1995 was obtained by subtracting the interest rate margin for call money deposits from the Bank of Finland's tender rate. Since 2 October 1995, the monthly average of a bank's call money deposits exceeding the minimum reserve requirement has been treated as excess reserve. The interest rate paid on excess reserves is determined separately by the Bank of Finland. The values for maturity and interest rate margins are the last values recorded in each period.

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

Table 3.4 *Lending.* New credits (Columns 1–4): rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts. Annual rates are arithmetic average of monthly observations until 1987 after which they are weighted by loan amounts. Average lending rates (Columns 5 and 6) are all weighted by loan amounts. As from January 1989, the loans of Postipankki Ltd have been included in the commercial banks' outstanding stock of loans. *Deposits*. 24-month and 36-month tax-exempt deposits (Columns 7 and 8): from May (September) 1992, 24-month (36-month) deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less two percentage points (one percentage point). In the period from January 1989 to April 1992, 24-month deposits (Column 7) were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less one percentage point. Other tax-exempt deposits (Column 9): in the peri-od from January 1989 to April 1992, deposits other than 24-month deposits were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less 4 percentage points. From May 1992, deposits other than 24-month or 36-month deposits are tax-exempt if they carry a maximum rate of interest as prescribed by law. The maximum rate was first set at 4.5 per cent. From 6 May 1993 it has been 2.5 per cent. All markka deposits (Column 10): the stock of deposits comprises all markka deposits by the public. The monthly and annual average rates of interest are weighted by deposit amounts. Other funding (Column 11): CDs outstanding + promissory notes + bonds. The average rate of interest is weighted by amounts. Total markka funding (Column 12); markka deposits by the public + banks' other markka funding. The rate of interest is weighted by amounts.

Table 3.5 Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered rates for taxable, fixed-rate bonds quoted daily by the five largest banks. The yields on five-year and ten-year government bonds (Columns 3 and 4) are calculated by the Bank of Finland as averages of the bid rates quoted daily by the primary dealers. The five-year yield is based on quotations for a fixed-rate bullet serial bond (1/94, 15 September 1994 – 15 September 2001). The ten-year yield is based on quotations for a fixed-rate bullet housing bond (1/92, 15 March 1992 – 15 March 2002). As from 1 June 1993, the ten-year yield is based on quotations for a fixed-rate bullet serial bond (1/93, 15 March 1993 – 15 March 2004). The share yield (Column 5) is the weighted effective yield on shares quoted on the Helsinki Stock Exchange. Source: Statistics Finland.

4 Rates of exchange

Table 4.2 FIM/ECU (Column 1): The markka value of the ECU is calculated as the sum of the dollar amounts of the currencies in the ECU valued at current market rates quoted daily at noon Finnish time. The markka was floated on 8 September 1992, continuing until 14 October 1996, when it was joined to the EU's Exchange Rate Mechanism (ERM) at the central rate of 5.80661 per ECU. Trade-weighted currency index (Column 2): The weights are moving averages of the shares of (currently) 14 countries in Finland's foreign merchandise trade (only convertible currencies are included). The payments currency index (Column 3): The weights are moving averages of shares of payments currencies (14 convertible currencies) in Finland's foreign trade.

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

5 Other domestic financing

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

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

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

Table 5.4 Source: State Treasury Office. Other foreign currency-denominated debt (Column 2) consists of other bonds and debentures and long-term promissory notes. Other bonds and debentures are so-called private placings; long-term promissory notes are bank loans. Miscellaneous items (Column 7) include, inter alia, the liability for coinage (total coinage), promissory notes given to international financial organizations and, as a minus item, the liability to the State Pension Fund. Outstanding lending (Column 10) comprises the stock of loans granted from the central government budget and from extra-budgetary funds. Cash funds (Column 11) comprise the cash funds held in central government accounting offices, funds held in cheque and postal giro accounts, as well as placements of central government cash funds. The main part of the latter is reserved for covering transferable allocations budgeted in previous years.

Table 5.5 Source: Table A: Financial Supervision from the beginning of 1994. Table B: Statistics Finland from the beginning of 1991. Tables A and B include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland. Table C includes transactions in markka-denominated bonds outside the Helsinki Stock Exchange. Interbank transactions (Column 1) and transactions (purchases and sales) between banks and customers (Column 2) are transactions by primary dealers and banks entitled to central bank financing. As from 14 July 1995 the following act as primary dealers: Alfred Berg Pankkiiriliike Oy, Evli Fixed Income Securities, Goldman Sachs International, Merita Bank, Okobank, Postipankki, Skandinaviska Enskilda Banken, Svenska Handelsbanken AB (publ), Branch Operation in Finland and Unibank A/S. Purchases from and sales to others (Colums 4 and 5) consist of transactions in benchmark government bonds between primary dealers and other parties. Other parties refer to all parties that are not primary dealers. Bank of Finland releases data daily (page SPFI on Reuters and page 20981 on Telerate) on the trading in benchmark government bonds among primary dealers and between primary dealers and their customers.

Table 5.6 Source: The Helsinki Stock Exchange.

6 Balance of payments, foreign liabilities and assets

Table 6.1 The figures for the trade and goods and services accounts are compiled in accordance with the System of National Accounts. The trade figures for 1995 have been estimated on the basis of a survey of firms carried out by the Bank of Finland. The official foreign trade statistics published by the Board of Customs are delayed owing to changes in statistical systems caused by Finland's entry into the EU. The figures for investment income and expenditure (Columns 7 and 16) include reinvested earnings on direct investment. Preliminary data on reinvested earnings in the previous year have been included in the current account figures. (The annual figure is divided evenly between quarterly figures.)

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

Table 6.2 The capital account (Columns 1 and 14) reflects unrequited capital transfers such as forgiven debts and aid from EU funds. Financial derivatives include payments arising from currency and interest rate swaps related to loans, ie outstanding loans are recorded according to the original loan contract. Medium-term notes (MTNs) are included under bonds (Columns 4 and 17). The category other investment (Columns 9–12 and 21–24) covers transactions related to trade credits, loans, currency and deposits and other assets and liabilities. Transactions in assets and liabilities related to short- and long-term supplier credits and advance payments related to imports and exports are recorded under trade credits (Columns 9 and 21). The item 'Other capital' (Columns 11 and 23) includes transactions in currency and deposits and short- and long-term assets and liabilities of different sectors not covered by any of the items above. In addition, this category includes changes in the central government's subscriptions to and quotas in international organizations as well as transactions in the Bank of Finland's short- and long-term assets and liabilities (excl. reserve items). The most important sub-item under the item 'other capital' comprises banks' other short-term assets and liabilities (in practice interbank deposits). The central bank's reserve assets (Column 27) comprise gold, special drawing rights (SDRs), the reserve position in the IMF and convertible currency claims. A negative figure implies an increase in reserves.

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

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

7 Foreign trade

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

Table 7.1 The trade figures for August–September 1996 have been estimated on the basis of a survey of firms carried out by the Bank of Finland. The official foreign trade statistics published by the Board of Customs are delayed owing to changes in statistical systems caused by Finland's entry into the EU.

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

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

8 Domestic economic developments

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

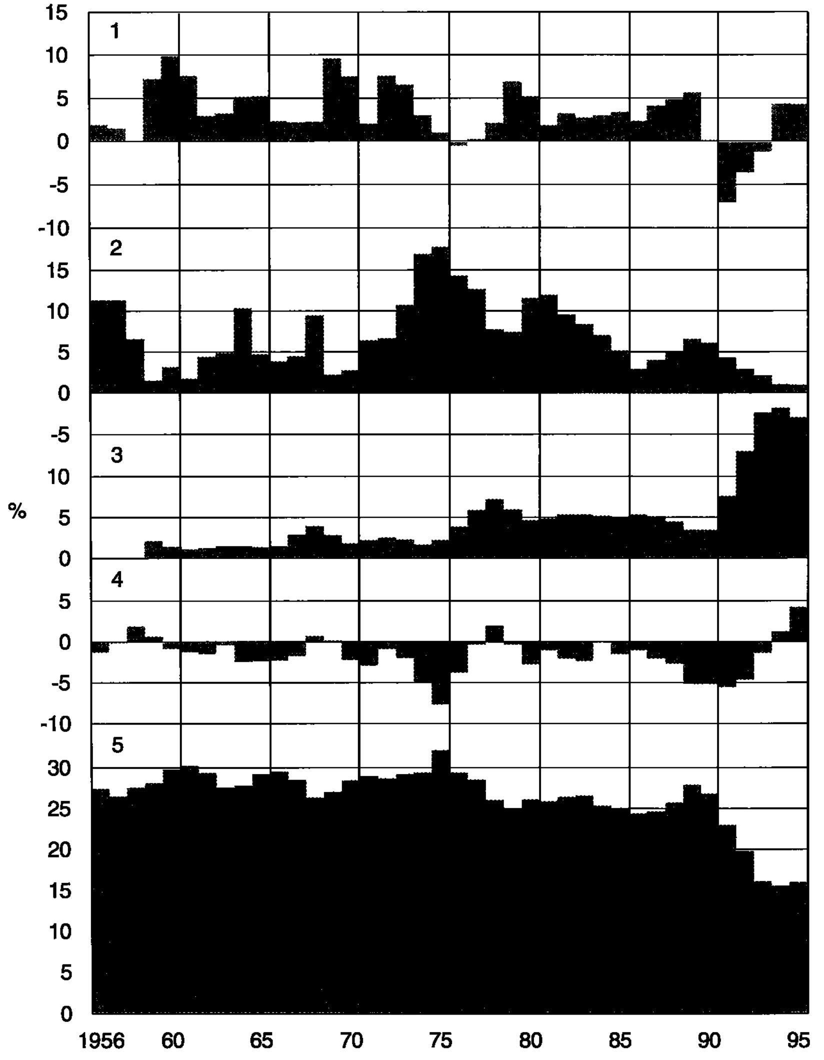
Table 8.2 The indices of industrial production are adjusted for the number of working days in each month. This causes in small differences the annual averages from the corresponding unadjusted figures. For this reason the indices for 1990 also differ marginally from conventional base-year figures, ie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

Table 8.3 The 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 indicator of underlying inflation (Column 6) is the consumer price index from which the effect of indirect taxes, subsidies and housing-related capital costs (house prices and mortgage interest payments) has been removed (see the article by Pentti Pikkarainen and Timo Tyrväinen in the June – July 1993 issue of the Bulletin). Statistics Finland calculates the indicator and publishes it together with the consumer price index on the 15th of every month (or the next business day). It is lagged by one month in comparison with the consumer price index.

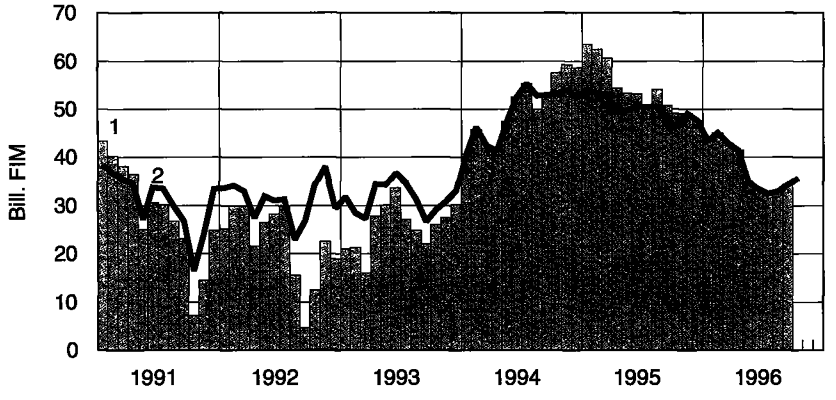
Table 8.6 Source: Ministry of Finance.

1. Long-term indicators



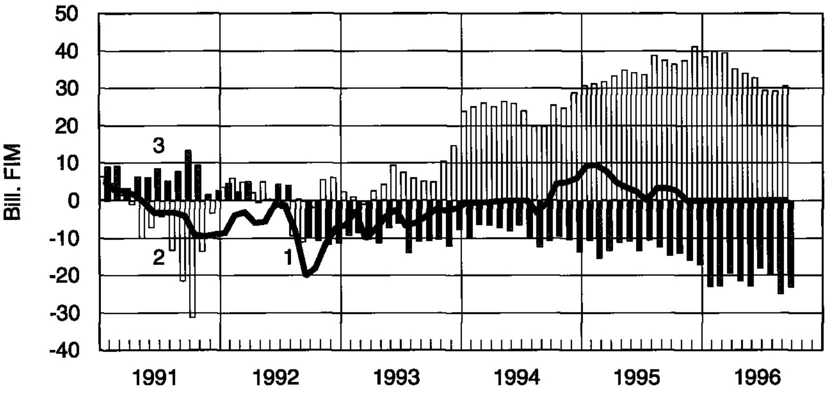
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



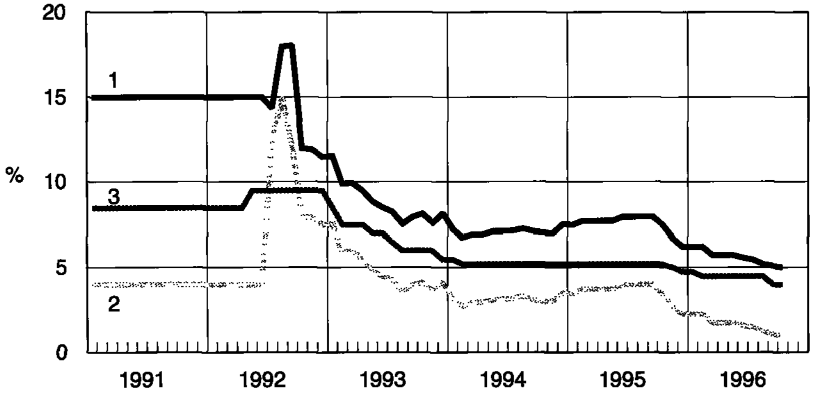
1. Foreign exchange reserves plus forward position
2. Foreign exchange reserves

3. Forward market



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

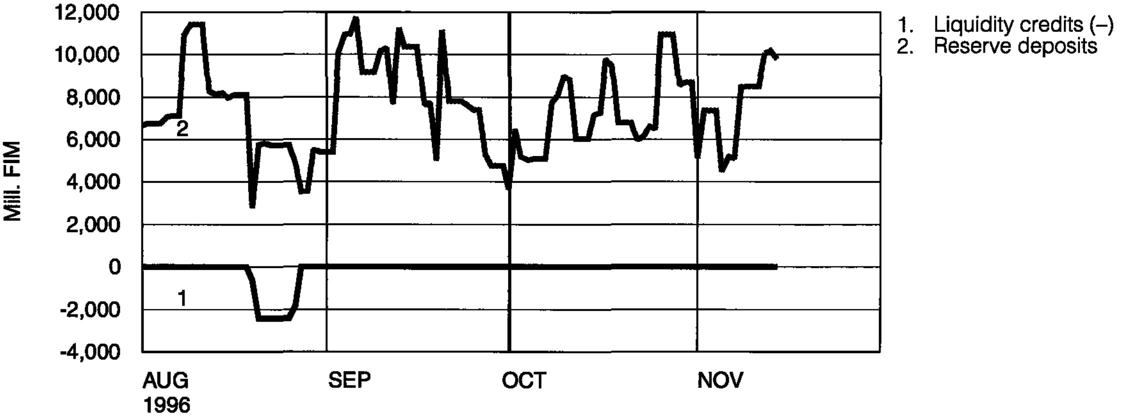
4. Rates of interest set by the Bank of Finland



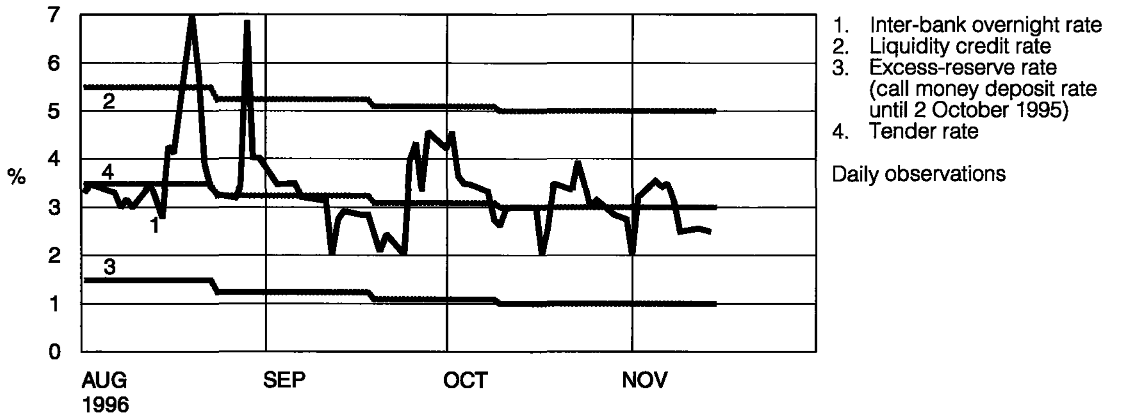
1. Liquidity credit rate (up to 2 July 1992 call money credit rate)
2. Excess-reserve rate (call money deposit rate until 2 October 1995)
3. Base rate

End-of-month observations

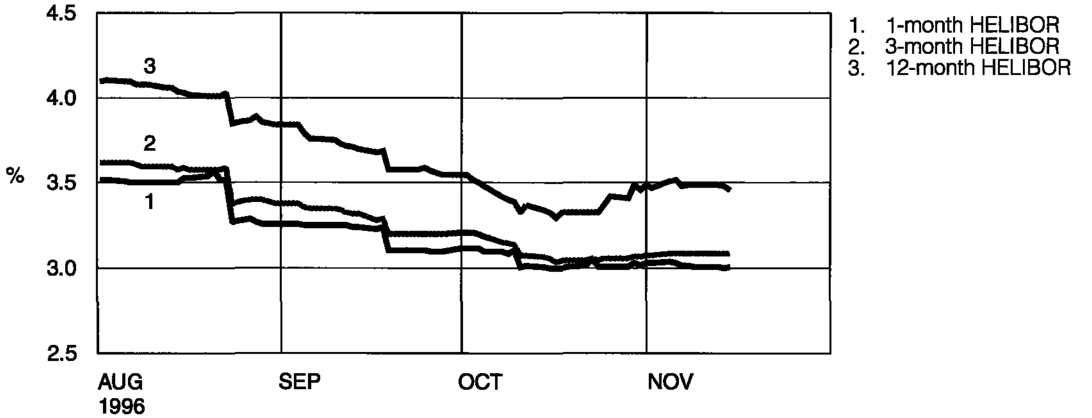
5. Banks' liquidity position at the Bank of Finland



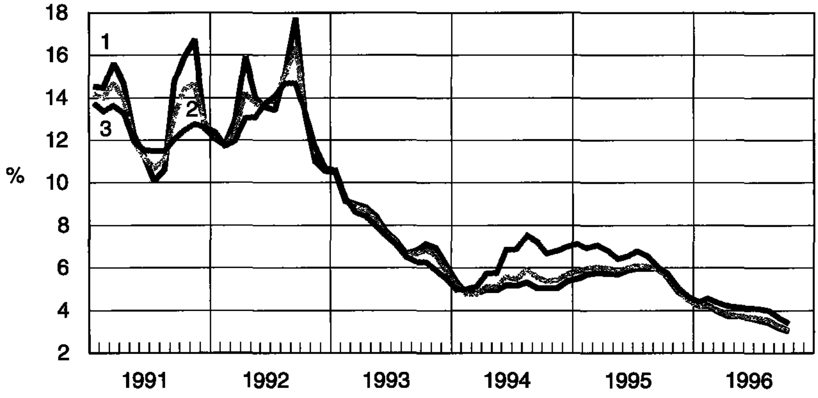
6. Liquidity management interest rates



7. HELIBOR rates of interest, daily

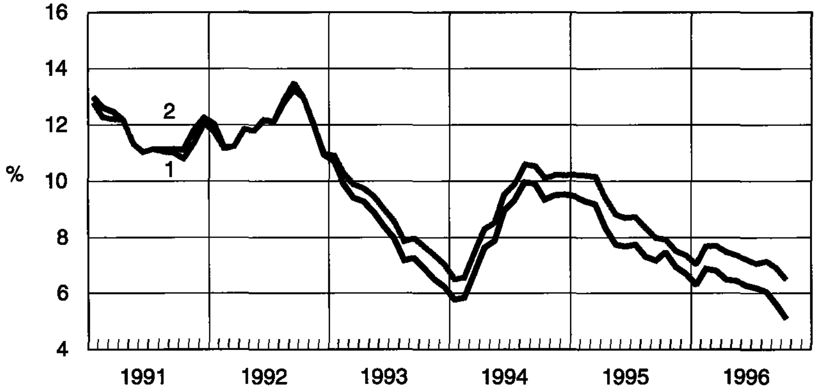


8. HELIBOR interest rates, monthly



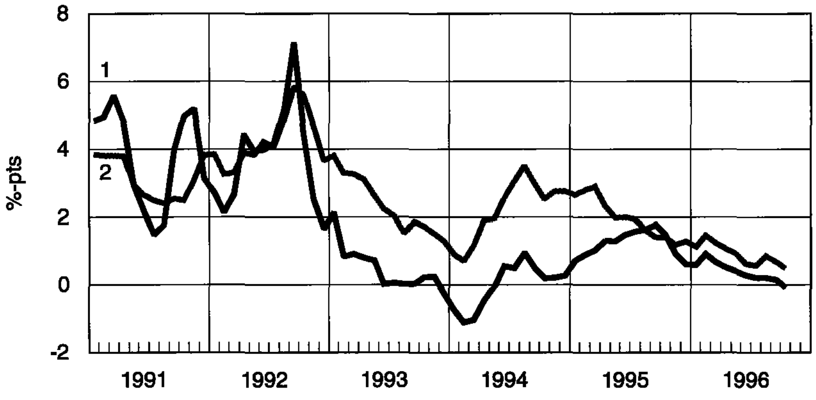
1. 1-month HELIBOR
2. 3-month HELIBOR
3. 12-month HELIBOR

9. Bond yields



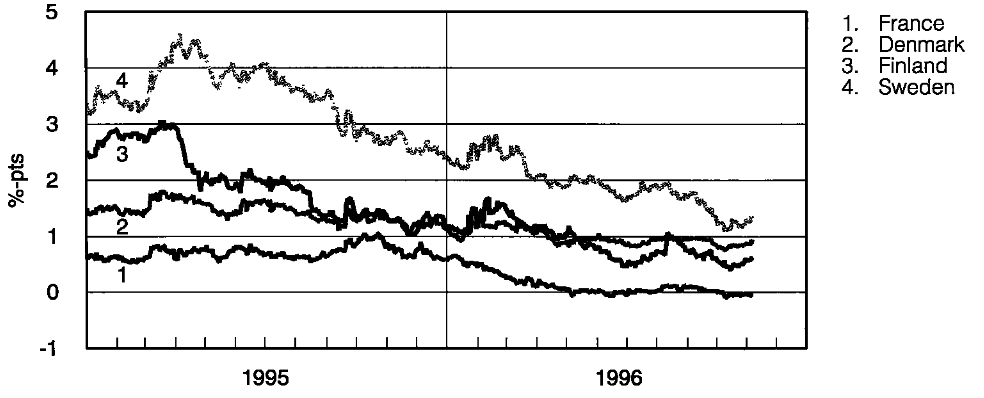
1. Yield on 5-year government bonds
2. Yield on 10-year government bonds

10. Differential between Finnish and German interest rates

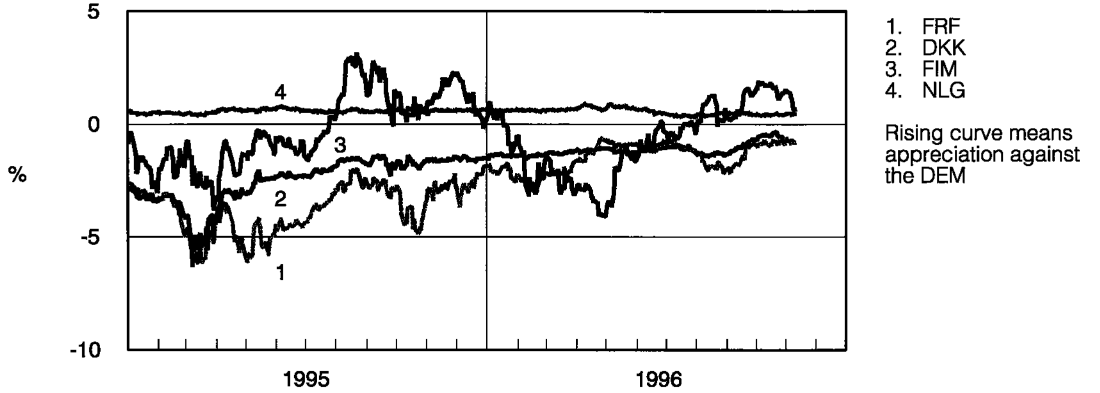


1. 3-month HELIBOR minus 3-month DEM eurorate
2. 10-year Finnish government bond yield minus 10-year German government bond yield

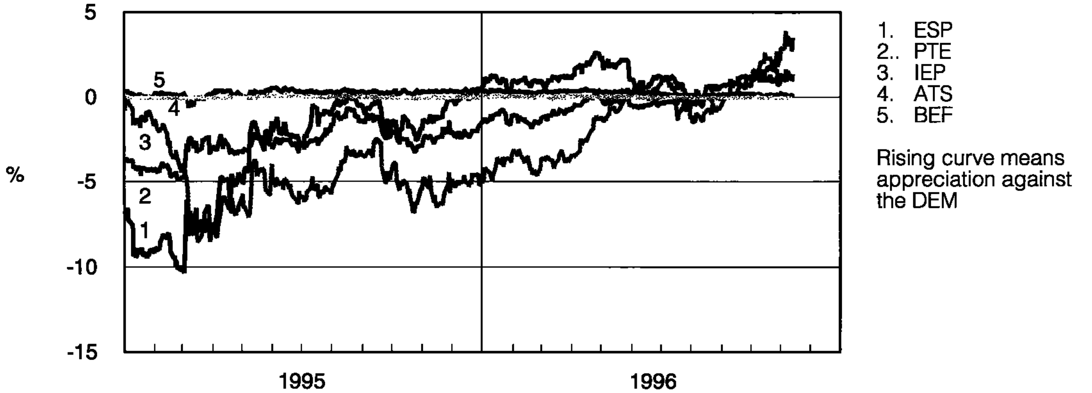
11. Differential between German and selected EU-countries' 10-year interest rates



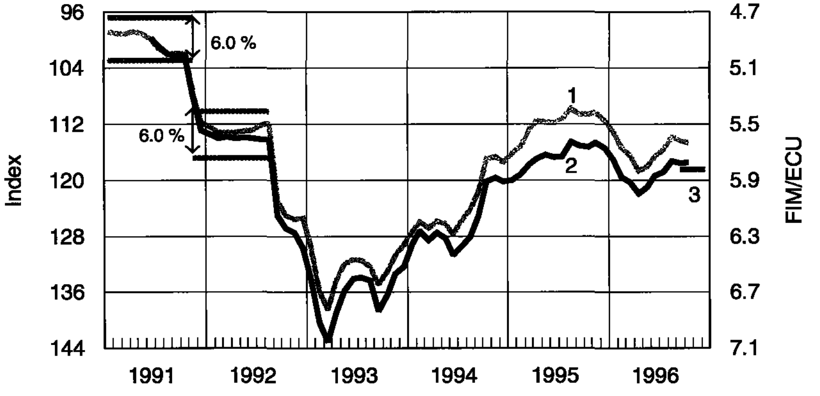
12. ERM exchange rates: deviation from DEM central parity



13. ERM exchange rates: deviation from DEM central parity

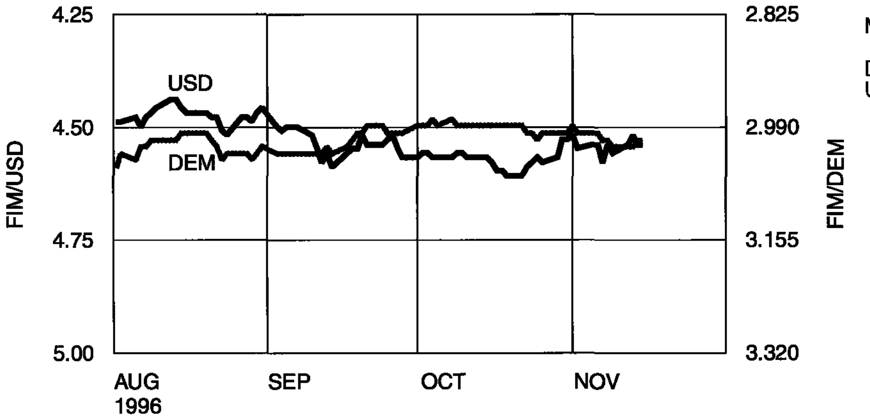


14. Bank of Finland currency index and markka value of the ECU



1. Bank of Finland currency index, 1982 = 100 (left scale)
2. Markka value of the ECU from 7 June 1991 (right scale)
3. ECU central rate from 14 October 1996 (right scale)

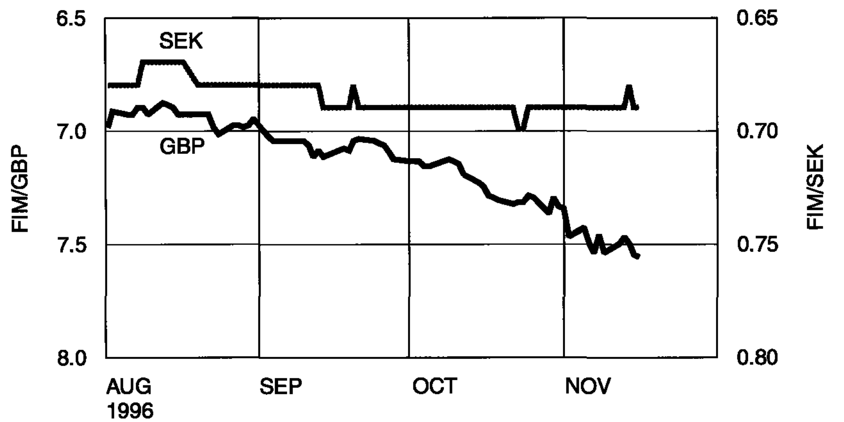
15. Daily spot rates for the markka against the Deutschemark and US dollar



Middle rates

DEM = right scale
USD = left scale

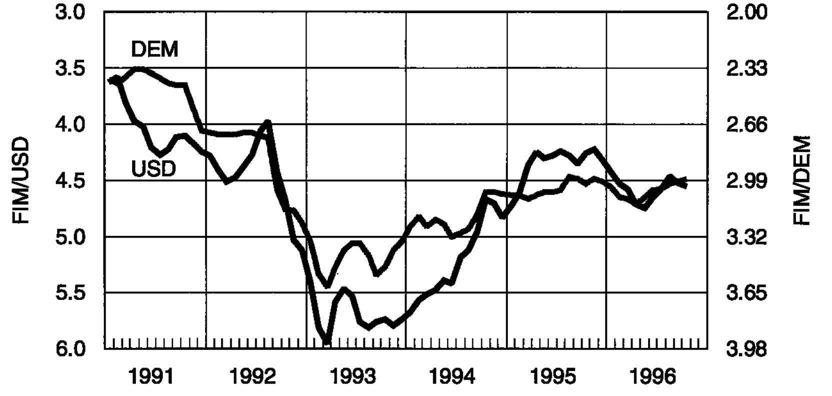
16. Daily spot rates for the markka against the pound sterling and Swedish krona



Middle rates

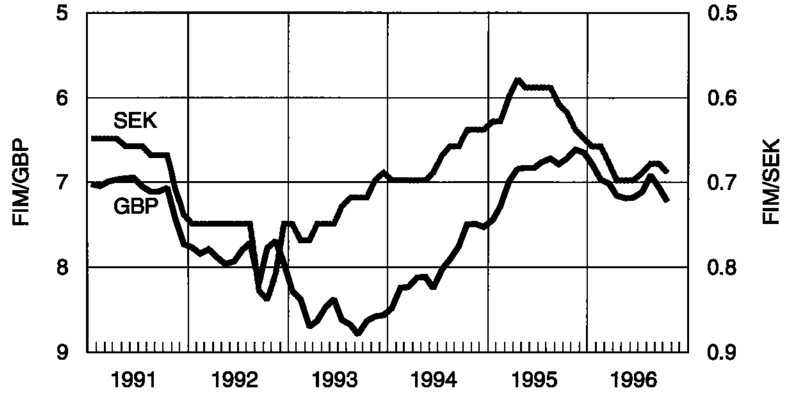
GBP = left scale
SEK = right scale

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



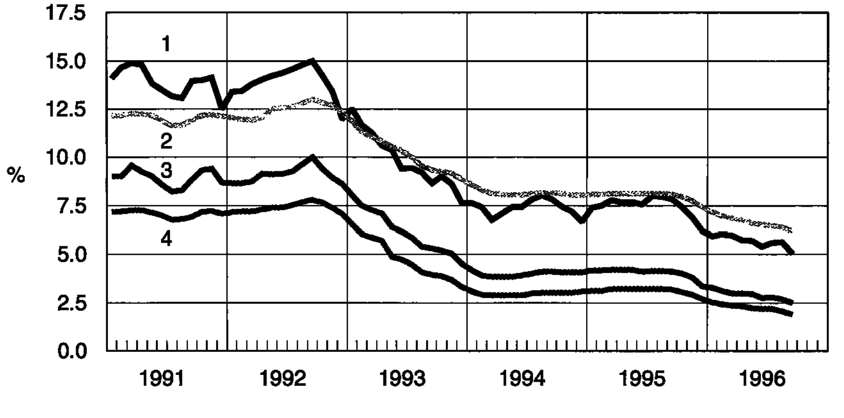
DEM = right scale
USD = left scale

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



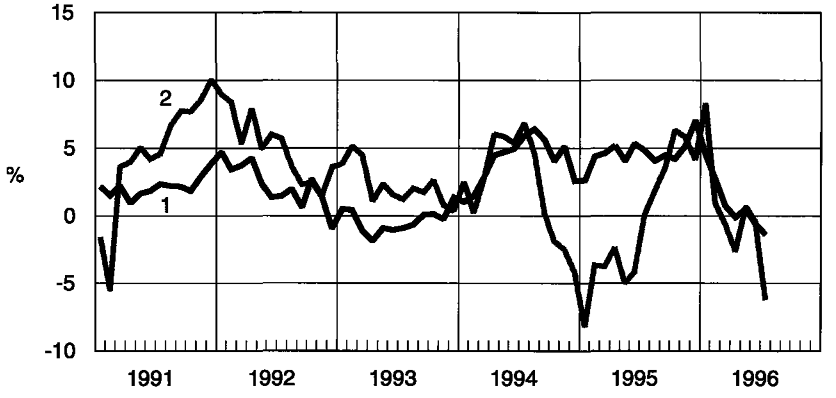
GBP = left scale
SEK = right scale

19. Banks' markka lending rates and markka funding rates



1. Average rate on new markka lending
2. Average rate on outstanding markka lending
3. Average rate on total markka funding (deposits + other funding)
4. Average markka deposit rate

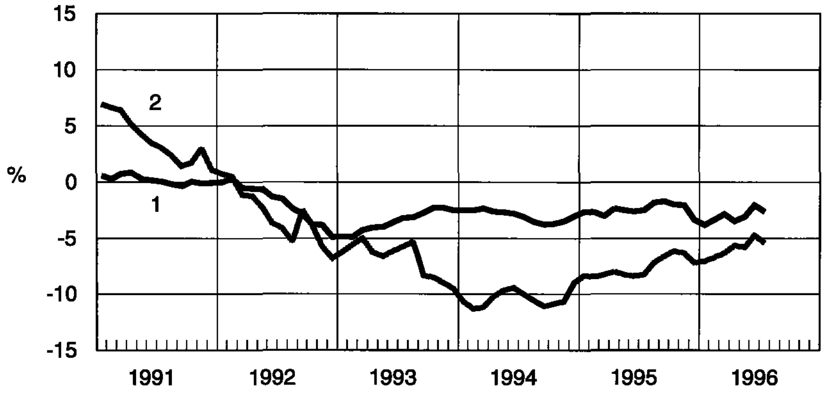
20. Bank funding from the public



1. Markka deposits
2. Total funding

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

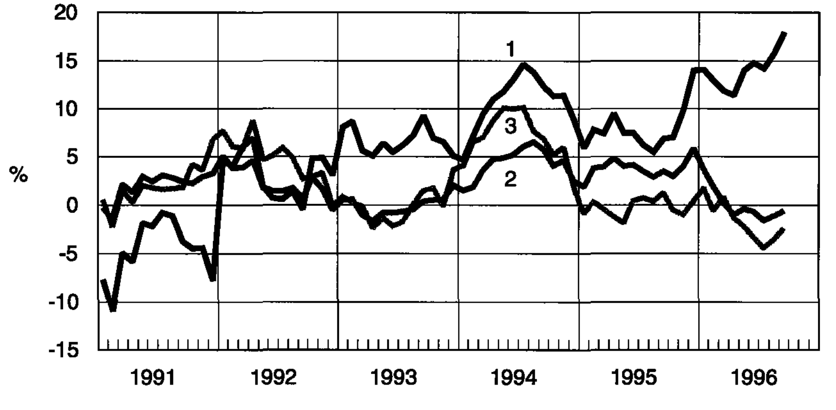
21. Bank lending to the public



1. Markka lending
2. Total lending

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

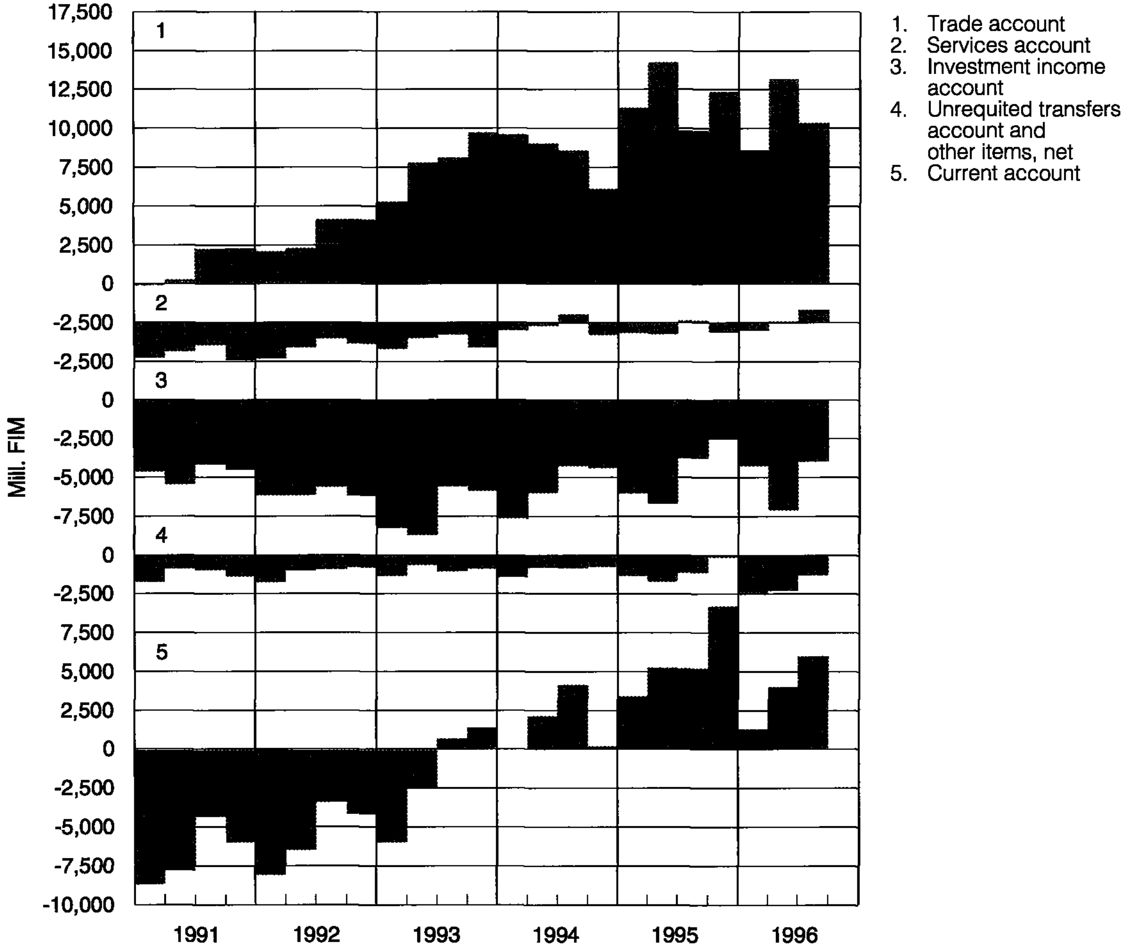
22. Money supply



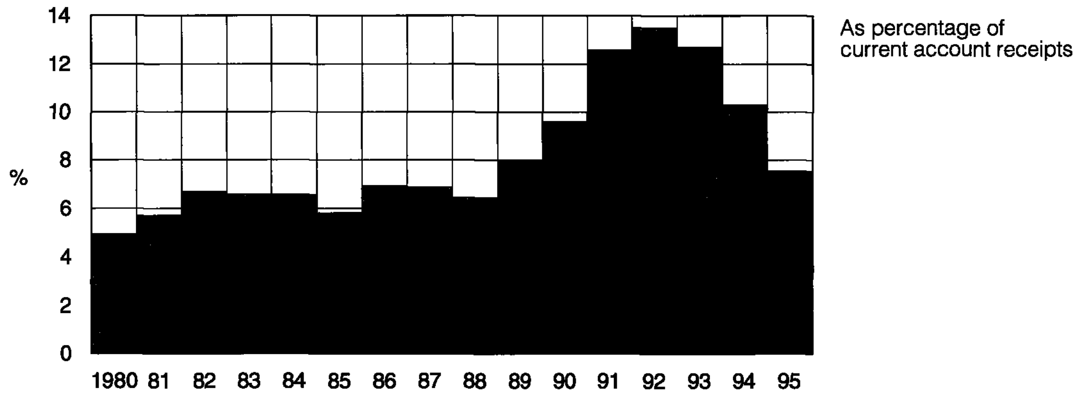
1. Narrow money (M1)
2. Broad money (M2)
3. M2 + bank CDs held by the public (M3)

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

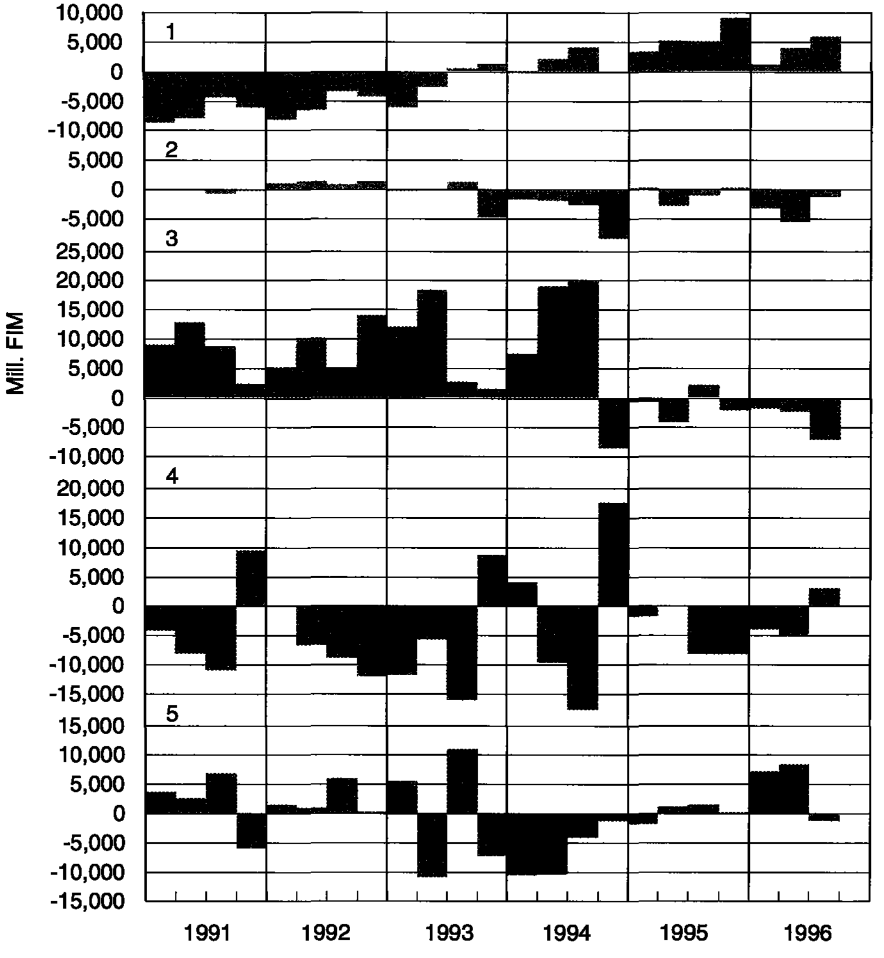
23. Current account



24. Net interest and dividend expenditure

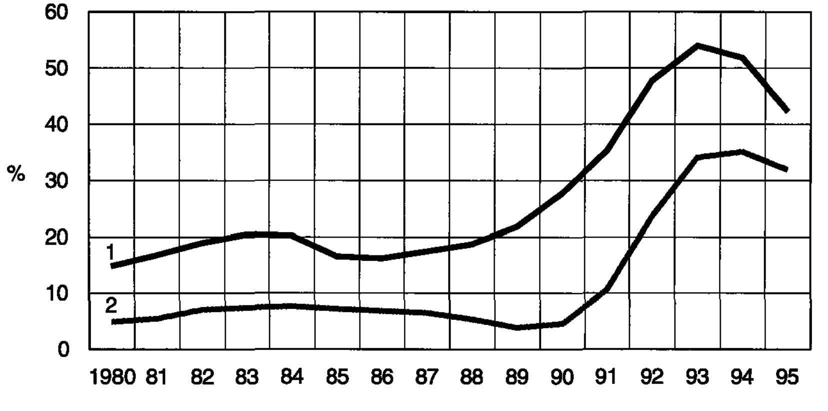


25. Balance of payments



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

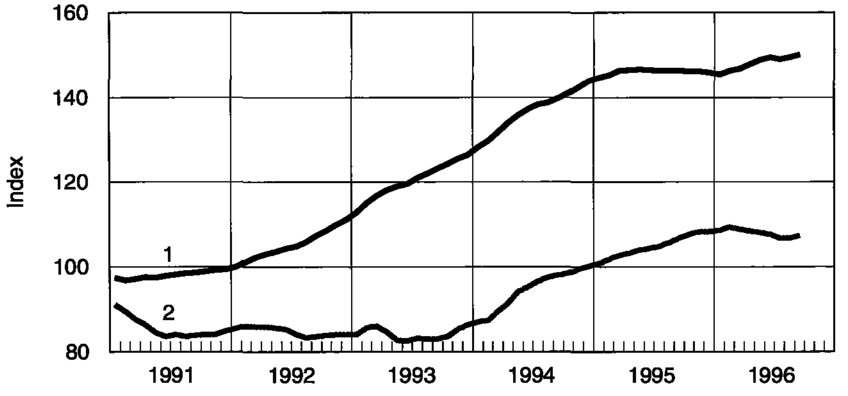
26. Finland's net international investment position



1. Total
2. Of which: central government

The stock of external liabilities minus the stock of external assets, as a percentage of GDP

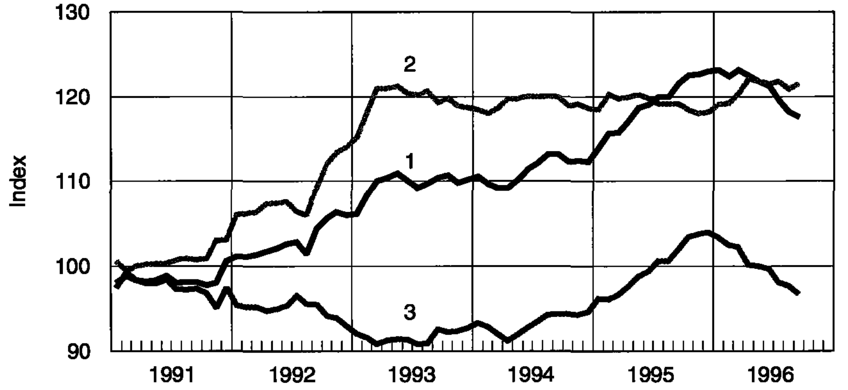
27. Foreign trade



1. Exports of goods
2. Imports of goods

Volume index, 1990 = 100, trend

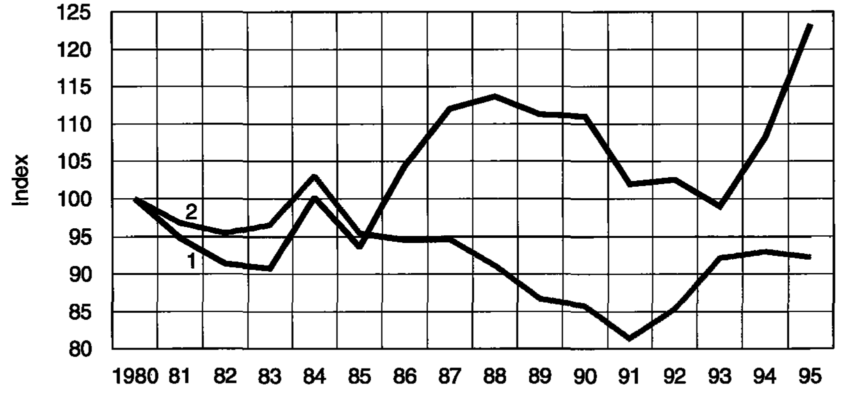
28. Foreign trade: prices and terms of trade



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

Index 1990 = 100

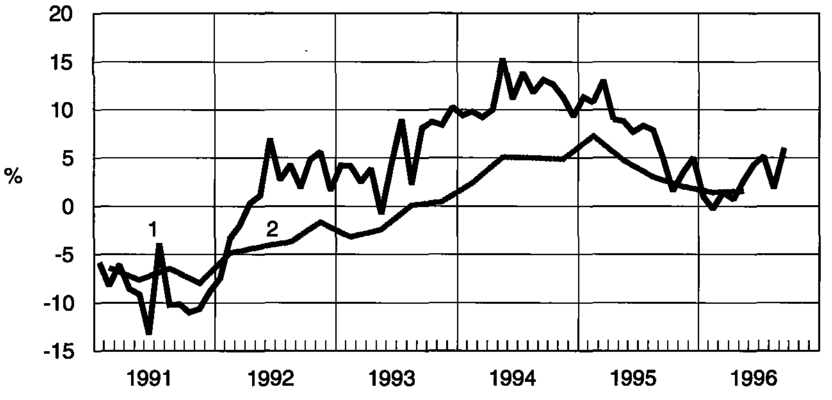
29. Finland's export performance



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

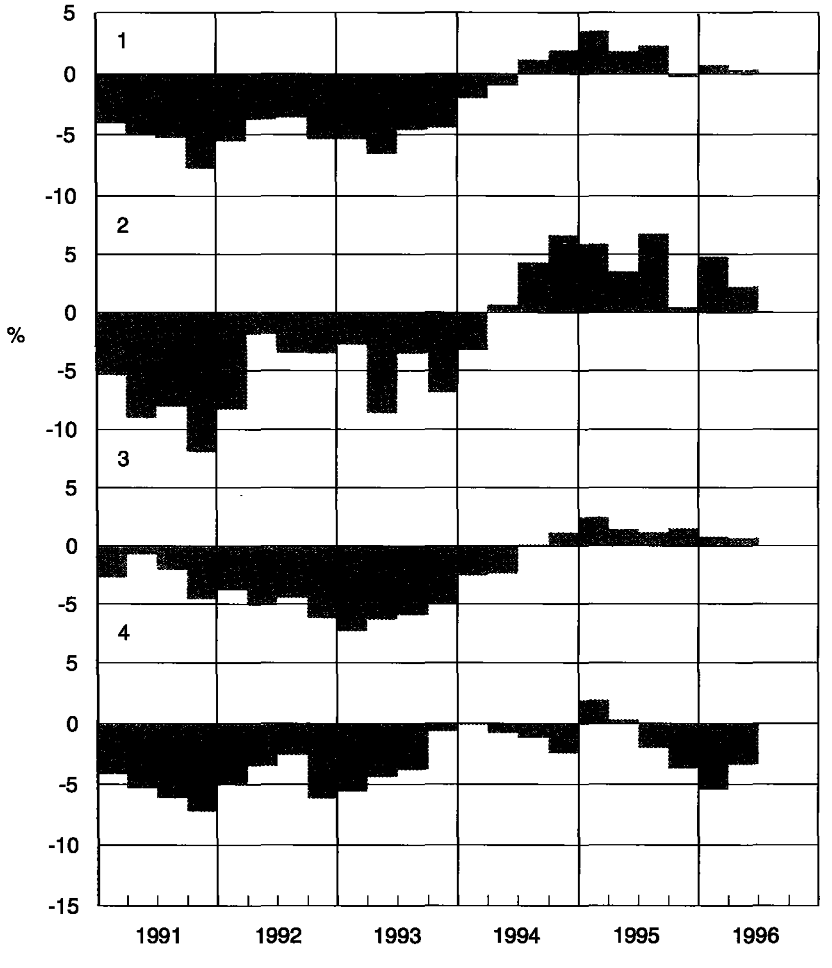
1980 = 100

30. Production



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

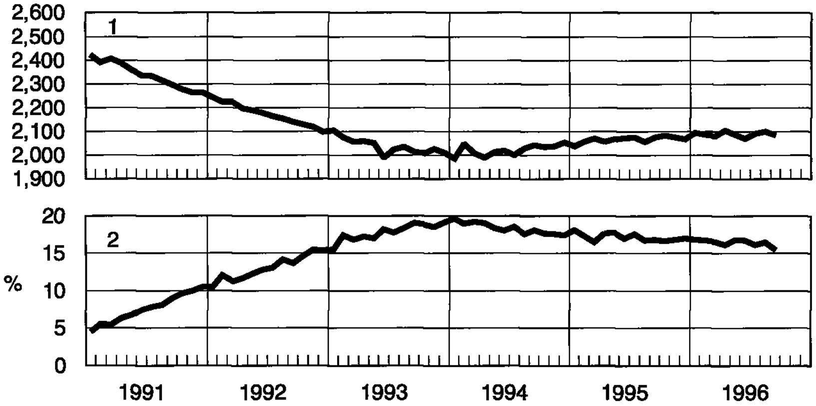
31. Fixed investment



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

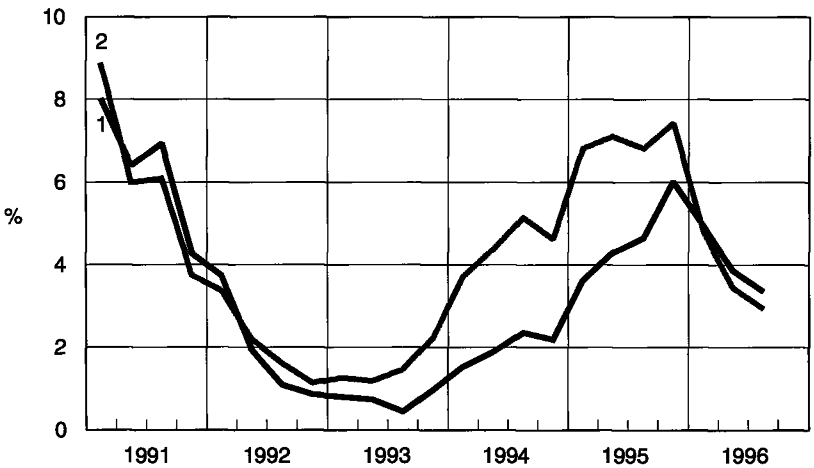
Volume changes calculated from four-quarter moving totals and plotted at the last quarter, per cent

32. Employment and the unemployment rate



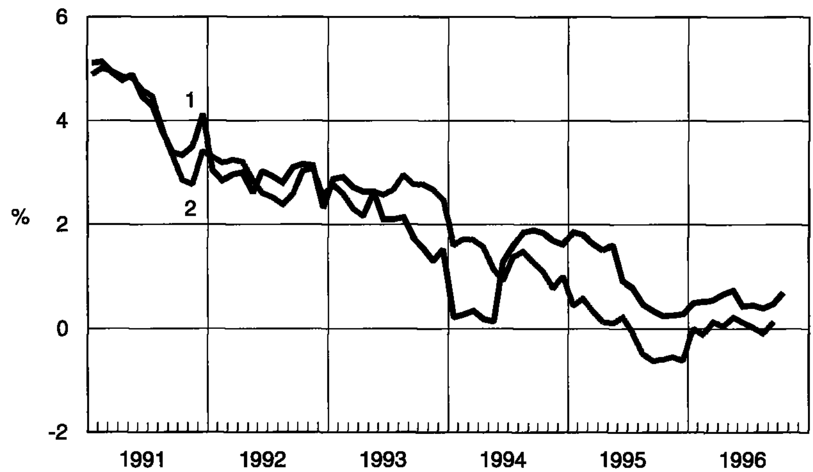
1. Employment, 1000 persons
2. Unemployment rate, per cent

33. Prices and wages



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

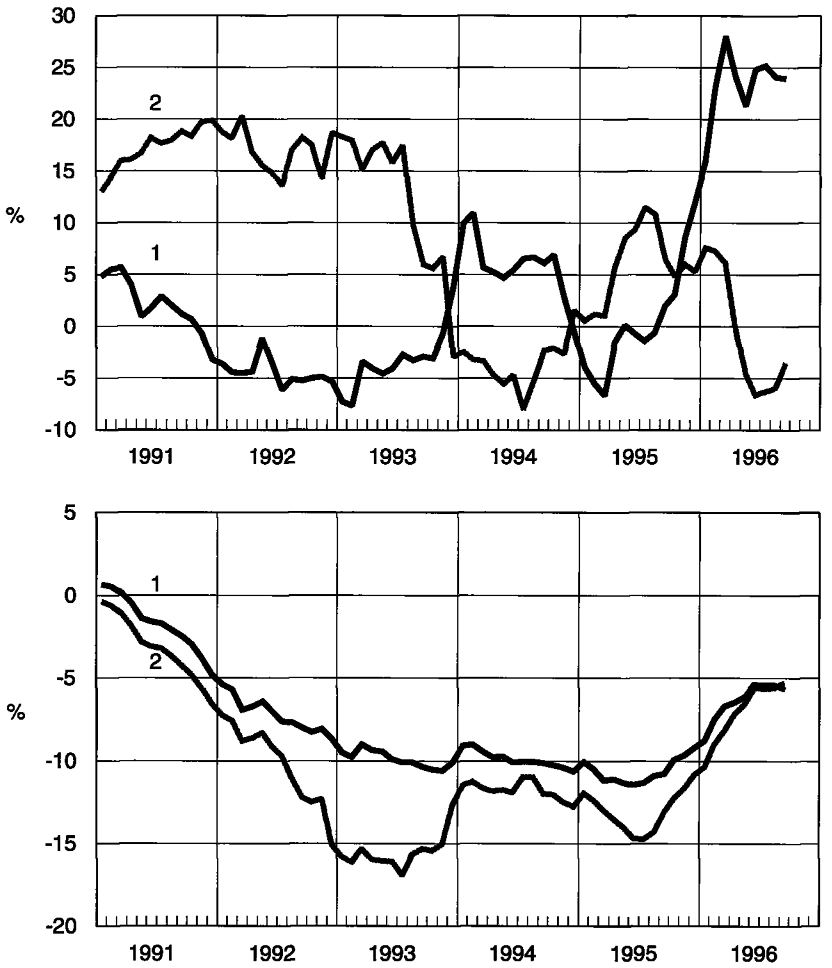
Change from the corresponding quarter of the previous year, per cent



1. Consumer price index
2. Indicator of underlying inflation

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

34. Central government finances



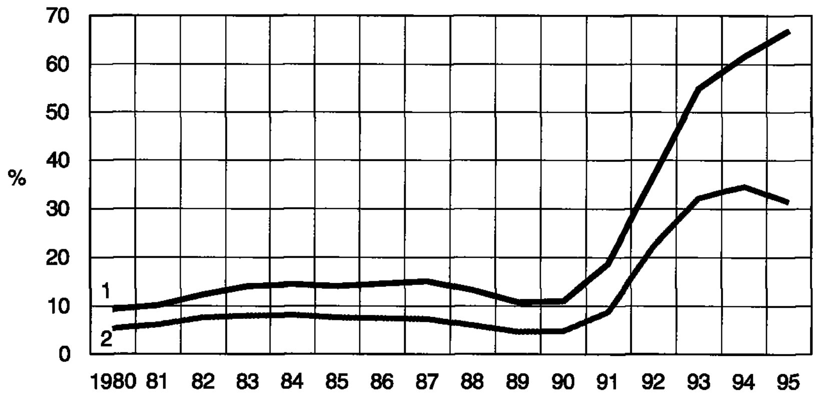
1. Revenue excl. borrowing
2. Expenditure excl. redemptions of central government debt

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

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

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

35. Central government debt



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

As a percentage of GDP

BANK OF FINLAND

15 October 1996

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