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Recent Economic Developments
and Monetary Policy

Finland's Economic Crisis
+ No Easy Way Out

Structural Diversification in the
Finnish Securities Markets

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RECENT ECONOMIC DEVELOPMENTS AND MONETARY POLICY

by Ari Aaltonen, Advisor
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Recent months have witnessed a continuation of the sharply contrasting performance of the foreign and domestic sectors of the economy, with exports showing further strong growth and domestic demand continuing to contract. While central government finances and employment have deteriorated, the external balance has improved. Another positive development has been the moderate rate of inflation. The Finnish markka has appreciated in the foreign exchange market. This, together with the fall in international interest rates and economic developments at home, has made possible a further modest decline in domestic interest rates.

DIVERGENT TRENDS IN THE ECONOMY ACCENTUATED

For almost two years now, economic developments in Finland have been characterized by sharply divergent trends. Finland's price competitiveness has improved substantially as a result of the depreciation of the markka, wage constraint and good productivity. In the export sector, the trough of the recession was reached in autumn 1991, since when companies' output has been gradually recovering. In contrast, the position of companies largely dependent on domestic demand has weakened further.

The duality in economic performance has become more pronounced since the early months of 1993. In the first six months of the year, the volume of goods exports increased by 15 per cent in comparison with same period a year ago. Export growth was strong in almost all of the main industries. The

chemicals industry was the only one to record a decline in exports; in the textiles, clothing and leather industries exports remained unchanged from the previous year's level. Export prices rose by 7.7 per cent over the same period.

The strong growth in exports has sustained growth in manufacturing output. Output has expanded in the forest and metal and engineering industries, in particular. By contrast, output in the sector reliant on domestic demand has not recovered. In the six months to June, output in the building materials industry, which is dependent on activity in the construction sector, fell by 7.3 per cent. In addition to the manufacturing industries operating in the domestic market, the slump in the services and construction sectors has deepened further. Despite good export performance in the first quarter of 1993, real GDP declined by 3.4 per cent from the corresponding period last year, according to preliminary data. Indicators of developments in output show that the slump in domestic demand and in the activity of domestic sector companies continued in the second quarter of this year.

SLIGHT IMPROVEMENT IN BUSINESS AND CONSUMER CONFIDENCE

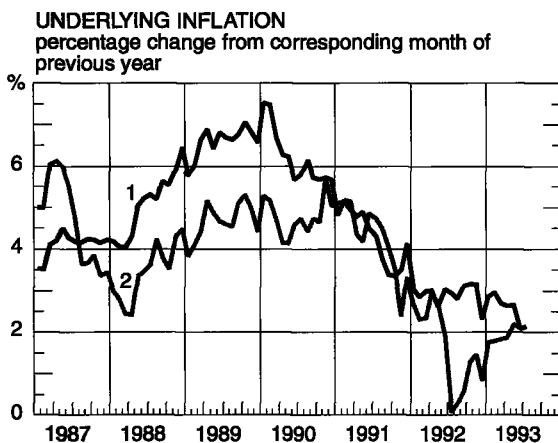
Despite the deep recession in the domestic market, both companies and households became slightly more optimistic about economic prospects during the spring and summer months. The Bank of Finland's latest investment inquiry, conducted in May, points to a further sharp contraction in fixed in-

vestment in industry this year. Investment in total industry (manufacturing plus energy and water supply) is estimated to decline by 17 per cent and investment in the forest industries by as much as 40 per cent. Though the downturn in investment activity is expected to come to an end in 1994 the recovery is likely to be subdued. There is still a large amount of spare capacity in manufacturing, and this will be a factor slowing new investment activity.

The latest survey of business confidence by the Confederation of Finnish Industry and Employers, published in July, also reveals that firms are more optimistic about business prospects. Output and exports are expected to grow, orders are gradually increasing and profitability has clearly improved. However, expectations vary across industries. While the forest and metal and engineering industries expect prospects to improve distinctly in the near future, the construction and construction materials industries expect a further deterioration in prospects.

As far as domestic consumer demand is concerned, household behaviour is of key importance. According to the latest survey of consumer confidence conducted by Statistics Finland in May, Finland's economic situation is expected to remain broadly unchanged. However, the majority of households expect their own financial situation to deteriorate over the next twelve months. Although households considered the time opportune for major acquisitions, their purchasing intentions remain modest. Mainly spending plans related to the purchase of owner-occupied dwellings have

CHART 1.



1. Consumer prices
2. Indicator of underlying rate of inflation*

* Consumer price index, excl. effect of taxes, subsidies and housing-related capital costs (house prices plus mortgage interest payments)

increased during the course of this year.

EXTERNAL BALANCE IMPROVES...

The improvement in the external balance has accelerated as a result of the divergent trends in economic performance. The depressed level of domestic demand has led to a further contraction in the volume of imports. As this has been accompanied by strong growth in exports, the trade surplus has widened, amounting to FIM 12.8 billion for the first six months of the year. The deficit on the services account narrowed to FIM 2.5 billion in the same period, with the travel account showing a particularly marked improvement. On the other hand, interest payments on foreign debt continued to grow compared with the previous year and were the main contributor to the current account deficit of FIM 7.3 billion in the first half of 1993. The current account deficit has, however, narrowed to about half of the level for the corresponding period a year ago. As a result of the current account deficit and exchange rate changes, Finland's net foreign debt grew

to FIM 264 billion in the first six

...CENTRAL GOVERNMENT FINANCES AND EMPLOYMENT DETERIORATE

The improvement in the external balance has been based largely on an improvement in the financial balance of the private sector. This, in turn, is due to the sharp decline in investment. By contrast, the financial balance of the public sector has weakened drastically in the 1990s along with the recession, and this trend has continued in recent months. In the first half of 1993, central government (budget plus extra budgetary funds) expenditure exceeded revenue by FIM 25.7 billion. This compares with a deficit of FIM 20.8 billion in the corresponding period last year. When financial transactions, such as support for the banking sector, are added to this figure, the resultant net financing requirement amounted to FIM 31.6 billion. Weaker-than-expected economic developments have affected primarily tax receipts, which de-

creased by 7.4 per cent in the first half of 1993.

The employment situation has continued to deteriorate this year. According to Ministry of Labour statistics, the number of unemployed exceeded the 500 000 mark in July and the unemployment rate rose to over 20 per cent. The highest increase in unemployment this year has been recorded in the service sector. For those unemployed in the manufacturing and construction industries, the largest growth in the number of unemployed occurred in 1991 and 1992, in the early stages of the recession.

INFLATION UNDER CONTROL

Because of the slump in domestic demand and moderate cost developments, consumer price inflation slowed down in the first half of 1993. In July, the twelve-month rise in consumer prices was 2.1 per cent. By contrast, the Bank of Finland's indicator of the underlying rate of inflation accelerated slightly during the spring months and was 2.1 per cent in June (Chart 1). The rate of increase will accelerate further in July for technical reasons related to the calculation of the index. The contrasting behaviour of underlying inflation and consumer price inflation is mainly explained by the fact that the fall in mortgage interest rates is reflected in consumer prices but not included in the calculation of the underlying rate of inflation. The fact that the indicator of the underlying rate of inflation exceeded the 2 per cent limit, which the Bank of Finland has set as its inflation target from the beginning of 1995, did not imply a divergence from the projected path. The rise is mainly due to increases in import prices caused by the depreciation of the markka. A temporary increase was already anticipated in February when the inflation target was first announced. With the subsequent appreciation of the markka, the rise in import prices came to a halt in the spring.

Inflation expectations have also remained fairly subdued. According to the survey of consumer confidence by Statistics Finland, the rate of increase in consumer prices is expected to accelerate slightly but to remain very moderate over the next twelve months. According to the survey of business confidence by the Confederation of Finnish Industry and Employers, manufacturing firms expect the overall rate of inflation to pick up in the autumn. Expectations are, however, notably more subdued than, for example, after the 1991 devaluation.

The steepest decline in construction costs took place in summer 1992. In the course of the current year, the rate of increase in construction costs has accelerated. The increase is mainly attributable to the rise in the price of material inputs since the price of labour inputs has remained virtually unchanged. In the housing market, the fall in prices seems to have levelled off in several localities. In the greater Helsinki area, prices of small flats have even risen slightly. The fall in mortgage interest rates has been the main factor behind the pick-up in sales of dwellings, and has thus supported the stabilization of the price level.

MARKKA APPRECIATES

The money and foreign exchange markets experienced a clear turnaround when the markka began to appreciate in mid-April. In the first quarter of the year, there was a substantial outflow of currencies as companies converted foreign currency loans into markka loans on a large scale. Without imports of capital by the central government, the Bank of Finland's foreign exchange reserves would have decreased substantially in the early months of the year.

The markka's appreciation, which started in mid-April, was mainly attributable to domestic factors. The low rate of inflation and favourable developments in foreign trade in the spring showed that no further depreci-

ation of the markka was required for enhancing the operating capacity of companies in the export sector. The slight improvement in the economic outlook induced chiefly export companies to resume forward sales of foreign currency receivables, thereby reversing the currency outflow. Foreign investors' interest in the markka also contributed to the currency inflow. The markka continued to appreciate in May and June. The Bank of Finland sought to dampen fluctuations in exchange rates – this time too rapid an appreciation of the markka – by selling markkaa in the foreign exchange market. At the same time, the foreign exchange reserves increased. At the end of July, the markka weakened temporarily when ERM rates again came under strong speculative attacks. The situation calmed down, however, after the fluctuation bands of exchange rates in the ERM had been widened considerably, and the markka strengthened against the ECU in the foreign exchange market. During the turmoil in the currency exchanges, the Bank of Finland sought to curb excessive fluctuations in the value of the markka by purchasing markkaa in the foreign exchange market. As the markka is floating, the disturbances in the European foreign exchange markets did not show up to any significant extent in the markka's exchange rate, nor in the exchange rates of other floating currencies.

INTEREST RATES FALL

The appreciation of the markka took place at the same time as short-term market rates came down closer to the level of international interest rates, which also fell in the spring and summer (Chart 2). This is an indication of increased confidence and a gradual return to normal conditions in the financial markets. In June, short-term market rates even fell below the corresponding level of short-term rates for the deutschmark. And though they moved higher in

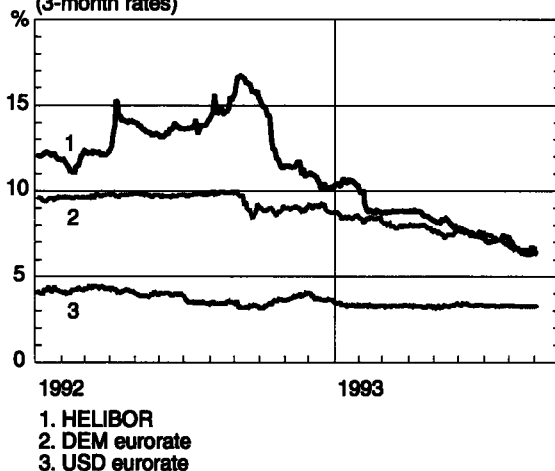
late July during the turmoil in the European currency markets, they resumed their downward trend in August, reaching their lowest level of this year, below 7 per cent. The Bank of Finland has endeavoured to curb fluctuations in interest rates. During the spring and summer, it sought mainly to prevent too rapid a decline in interest rates and, at times, also to counter pressures for higher rates during temporary disturbances.

Available data on economic developments have provided support for a gradual easing of monetary policy. The inflation rate has remained subdued and no major changes have taken place in the money supply or in credit expansion. As, moreover, last autumn's pay settlements and the warding off of a threatened strike in the spring have bolstered Finland's competitiveness and the target of a low rate of inflation in the long term and as international interest rates have also declined, some room has existed for lowering domestic interest rates. However, it has been endeavoured to avoid a situation where too rapid a fall in interest rates would again lead to a marked weakening in the external value of the markka. In the worst case, this could have led to a situation of strongly fluctuating interest rates.

The gradual easing of monetary policy and associated moderate interest rate policy have helped to increase the credibility of economic policy. This has been reflected in the appreciation of the markka and a sharp decline in long-term interest rates in the bond market; eg the three-year reference rate quoted by the Bank of Finland fell from 15 per cent in September last year to 7.4 per cent in August this year. The yield curve still slopes upwards for maturities over twelve months but it has not become steeper as a result of the fall in short-term rates. The decline in long-term rates reflects the lowering of inflation expectations, which is of prime importance for the recovery of

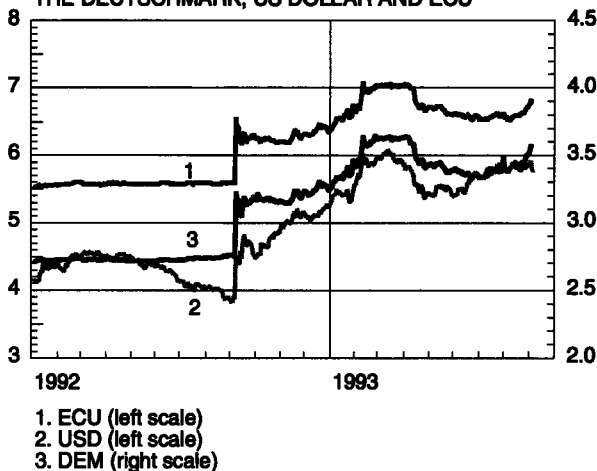
CHART 2.

DOMESTIC AND FOREIGN INTEREST RATES
(3-month rates)



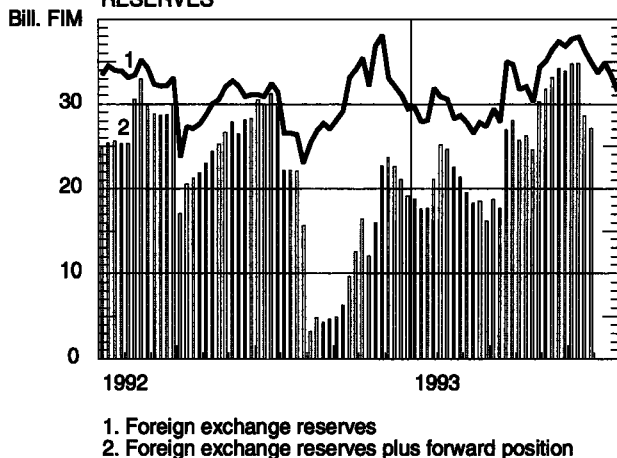
- 1. HELIBOR
- 2. DEM eurorate
- 3. USD eurorate

MARKKA'S EXCHANGE RATE AGAINST
THE DEUTSCHMARK, US DOLLAR AND ECU



- 1. ECU (left scale)
- 2. USD (left scale)
- 3. DEM (right scale)

THE BANK OF FINLAND'S FOREIGN EXCHANGE
RESERVES



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

the economy and investment, in particular.

Long-term rates are still higher in Finland than in most European countries but the differential has narrowed considerably in the course of the current year. The differential is not necessarily a reflection of the fact that the markets expect the rate of inflation in Finland to exceed that of benchmark European countries in the longer term; rather, it is partly explained by the liquidity associated with the Finnish markka. The differential with respect to the Swedish krona disappeared in early August.

The decline in market rates has created room for the lowering of the Bank of Finland's base rate. In mid-July, the base rate was lowered by half a percentage point to 6.5 per cent. In mid-August, the base rate was cut for the fifth time this year, and it now stands at 6 per cent.

BANKS' LENDING AND DEPOSIT RATES MOVE LOWER

As a result of the decline in market rates and the base rate, bank lending and deposit rates have also fallen this year. While the average interest rate on markka bank deposits was still slightly more than 7 per cent at the end of December 1992, it had fallen to 4.5 per cent by the end of July. Similarly, the average interest rate on outstanding markka loans fell from 12.23 per cent to 9.86 per cent over the same period. The average interest rate on new loans has fallen more than the average interest rate on outstanding loans. The average interest rate on new loans was still at the level of 14-15 per cent in autumn 1992 but in June-July it was barely more than 9 per cent.

Besides market rates and the base rate, banks' prime rates have fallen in the course of this year. The decision to lower the interest rate on the highest tax-exempt transaction accounts from 4.5 per cent to 2.5 per cent in May has also contributed to the fall in deposit rates.

CHANGES IN THE STRUCTURE OF LENDING AND DEPOSITS

The fall in interest rates has affected bank lending. The contraction in the amount of outstanding markka loans, which started in 1991, seems to have come to at least a temporary halt in the first half of 1993. At the end of July, outstanding markka loans were at virtually the same level as at the turn of the year. This is largely due to the fact that companies have converted their foreign currency loans into markka loans. In contrast, banks' markka lending to households has continued to contract. The decline in interest rates on markka loans in relation to foreign currency loans and efforts to reduce currency risks have boosted the demand for markka loans. The amount of outstanding foreign currency loans decreased substantially – by 12.6 per cent – in the first seven months of the year.

Though the growth of narrow money (M1) was quite rapid at the turn of the year, the broad monetary aggregates (M2, M3) remained fairly stable in the first half of 1993. The growth of M1 is largely the result of flows of funds between different types of accounts. Developments in the broad monetary aggregates are consistent with the fairly stable developments in markka lending.

The total amount of markka deposits with banks declined slightly in the early part of the year. The decline came to a halt in May–June, mainly due to seasonal factors. The most striking feature of the developments in different types of deposit has been the decline in the total amount of deposits in accounts subject to withholding tax. In the first seven months of the year, they decreased by as much as 11.2 per cent. At the same time, the total amount of deposits in tax-exempt accounts and other accounts has even grown slightly. The decline in the amount of deposits in accounts subject to withholding tax was probably

prompted by the sharp fall in market interest rates and an increase in the withholding tax rate at the beginning of the year. Investors, who have grown used to high deposit rates, have switched part of their funds into better yielding bonds, into transaction accounts to await for forthcoming investment decisions or into the equity and housing markets.

THE BANK OF FINLAND'S NEW MINIMUM RESERVE SYSTEM

As part of an effort to enhance the efficiency of its monetary policy instruments, the Bank of Finland decided to introduce a minimum reserve system at the beginning of July. The new system replaced the former cash reserve scheme, which was based on an agreement between the central bank and the banks. Under the minimum reserve system, which is based on law, the banks are required to hold a given percentage, prescribed by the Bank of Finland, of their funding as non-interest-bearing deposits at the Bank of Finland. The reserve requirement automatically stabilizes the growth in the amounts of money and credit in the economy. The reserve requirement has been defined on the basis of the monetary aggregates applied by the Bank of Finland. The requirement is highest, 2 per cent, for liquid deposits included in the narrow measure of money (M1). For items included in the broad measure of money (M2), mainly fixed-term deposits, the requirement is 1.5 per cent while for the rest of the banks' domestic funding it is 1.0 per cent. The first minimum reserves, amounting to FIM 6.3 billion, were deposited at the Bank of Finland at the end of July.

STRONG GROWTH IN THE CAPITAL MARKET

Since autumn 1992, the Finnish financial markets have been characterized by strong

growth in the capital market. Both the equity market and bond markets have expanded rapidly. Trading on the Helsinki Stock Exchange has grown strongly and equity prices have risen sharply. The HEX all-share index rose by 150 per cent from the end of August 1992 to the end of August 1993 and it has risen by 68 per cent since the beginning of this year. The shares of banks and export companies have experienced the highest rise in value.

The bond market has also developed rapidly. A major contribution to this has come from the primary dealer system, which was introduced in August 1992 to promote trading in government bonds. In less than twelve months trading in bonds has increased manyfold on the Helsinki Stock Exchange, between the banks and their customers as well as in the inter-bank market. As a result of the deepening of the bond market, market liquidity has improved and interest rate formation has become more efficient.

The Bank of Finland has sought to support the development of the bond market. In mid-June, the Bank of Finland decided on a range of measures designed to enhance trading in government bonds. The Bank of Finland decided to start holding weekly auctions of repos (repurchase agreements) with the primary dealers. The Bank announced its readiness to grant primary dealers intraday credit to facilitate trading. In addition, the Bank is prepared, in exceptional circumstances, to extend special financing to those securities broking firms which operate as primary dealers but which are not banks. By these measures, the Bank sought primarily to enhance the ability of securities brokers to operate in the bond market.

1 September 1993

FINLAND'S ECONOMIC CRISIS - NO EASY WAY OUT

by Sirkka Hämäläinen,
Governor of the Bank of Finland

In January 1993, the Bank of Finland commissioned reports on the Finnish economy from three well-known, all recognized authorities in their field. The professors were asked to assess Finland's economic situation and the priorities for economic policy in both the short and medium term. It was hoped that this would make a constructive, independent contribution to the sometimes rather destructive discussion on economic policy in Finland. Professors Christian Bordes from France, David Currie from the United Kingdom and Hans Tson Söderström from Sweden completed their reports by the end of June,¹ and the reports have already been discussed in public. The discussion between the writers and Finnish economists will continue in the course of the autumn.

The reports by "the three wise men" contain extensive analyses of Finnish economic policy and the interplay of its various elements. Despite the writers' different backgrounds and approaches, their recommendations are broadly similar, albeit with slight differences in timing and emphasis in some areas. As was to be expected, the reports do not offer any easy new remedies; rather the recommendations largely adhere to the principles that it has already been sought to observe in the conduct of economic policy in Finland. This does not, of course, detract from their value in any way.

Though the reports also address some structural prob-

lems, they mainly focus on short-term problems and on the possibilities of economic policy to alleviate the current recession and speed economic recovery. This is understandable given the depth and length of the recession. According to the professors, structural reform is needed but it cannot be implemented on a major scale until the recession has been brought to an end. In the following I shall evaluate what in my view are the most important economic policy recommendations put forward in the reports.

INDEBTEDNESS IS IMPEDING RECOVERY

All three experts agree that economic recovery is being hampered by the debt problem. Whereas, during the previous boom, the private sector became heavily overindebted, during the current recession, it has sought and is still seeking to reduce its debt ratio. This is holding back the recovery of private consumption and investment demand. As a result of the contraction in private demand, tax receipts have collapsed and some expenditure items, for example, employment-related outlays, have increased to the extent that the contraction in private debt has been matched by increased public indebtedness in recent years. The entire economy has accumulated foreign debt, which now amounts to almost twice Finland's annual earnings from exports of goods and services; of the OECD countries, only Australia has a higher ratio. Moreover, some 80 per cent of Finland's net foreign debt is denominated in foreign currencies, which makes the debt ratio

sensitive to exchange rate changes.

The debt constraint inevitably implies a slow recovery and a long adjustment process: domestic activity can only recover slowly and thus government deficits can only be reduced in the long run. But the professors are unanimous about two vital goals: the growth in external indebtedness must be brought to an end and public borrowing must be kept under control over the next few years. Only in this way can additional room be created for the achievement of a key goal of economic policy, ie to stop and reverse the rise in unemployment. Servicing the foreign debt requires export-led growth and adequate capacity in the export sector.

The experts recommend a policy mix that would pave the way for good international price competitiveness and a low rate of inflation. This approach has, in fact, served as a basis for the economic policy pursued in Finland; any dissenting opinions have concerned mainly the timing of the various elements of the policy mix and their magnitude. The professors put forward their views on the measures they believe should be taken to alleviate the debt problem and to bring about the lowering of real interest rates necessary for a resumption of investment.

PUBLIC DEBT HAS TO BE BROUGHT UNDER CONTROL

The professors are largely agreed that a crucial requirement for creating additional leeway for monetary policy and for the lowering of long-term interest rates, in particular, is a credible consolidation of the central government's fiscal position.

¹ The reports have been published in Series C, volume C:9, of the Bank of Finland's publications. See item on page 17.

Since taxation in Finland is very heavy by international standards and it would be very difficult to tighten taxation any further, partly because of international tax competition and increased mobility of factors of production, fiscal consolidation must be achieved by cutting public expenditure.

The experts' views differ somewhat as to the timing of fiscal consolidation. According to professors Bordes and Currie, it should start immediately – in spite of the recession – and a clear slowdown in the rate of increase in central government debt should be achieved. By contrast, professor Söderström considers it essential to agree on restoring fiscal balance in the longer term. This would then create room for an additional fiscal policy stimulus in the short term, which professor Söderström considers necessary for breaking the trends of declining domestic demand and spiralling unemployment.

It is easy to sympathize with professor Söderström's views. For some time now, the situation in Finland has been such that there has been little scope to consolidate public finances through cuts in public spending and tax increases: both measures reduce demand, erode the tax base and increase expenditure related to unemployment. Given an economic imbalance of the magnitude which now prevails, it is not at all clear how these measures would affect the fiscal balance or the growth of unemployment.

The Government is well aware of the above problem and, since last October, has sought to implement its measures within the framework of a programme extending over several years. One problem, however, has been the fact that while it has been possible to make decisions on short-term measures – and on temporary measures, in particular – longer-term, structural measures have not yet been formulated in the form of concrete decisions as would fully convince those op-

erating in the financial markets. Consequently, the short-term depressive effects on demand have been realized while effects increasing credibility and furthering the lowering of interest rates have so far been minor. Nor can there be any short-term room for manoeuvre in fiscal policy if Parliament is unable to first take binding and sufficiently credible decisions on permanent cuts in medium-term public expenditure.

The experts do not discuss structural problems related to the budget at any great length. They merely note that subsidy systems, especially the agricultural support system, should be dismantled and that taxation should be restructured. Understandably, the foreign experts did not have time to thoroughly examine the structural problems related to the budget owing to the short time in which they had to complete their reports. However, structural problems related to the budget and the entire economy cannot be ignored when trying to find solutions to the problems of the Finnish economy. While growth in employment has for long been based on increasing employment in the public sector, the present unemployment problem must be solved by increasing employment in the private sector. This requires policies that avoid or at least minimize the distortive effects of budget policy measures on business activity.

MORE FLEXIBILITY IN THE LABOUR MARKET

A low and stable interest rate level can only be attained if inflation expectations remain under control and labour market settlements can be reached with less drama than has been the case hitherto. Furthermore, improvement in the employment situation and implementation of the necessary structural changes require a loosening of wage-wage links and increasing labour mobility. In fact, increased labour mobility was a

recommendation put forward by all three experts. They present some ideas which have also come up in discussions in Finland but do not state explicitly what kind of institutional changes might be needed.

Professors Bordes and Currie are of the opinion that the centralized labour market system has been quite successful in the past. By contrast, professor Söderström examines incomes policy and concludes that it has failed and has led to inflexibility in the labour market and rigidity in relative wages. Even though nominal wages have not been raised in the last two years, the three experts doubt whether the centralized labour market system can function in the future because the situation across sectors and firms varies so much and requires changes in relative wages between sectors and flexibility at firm-level.

The present unemployment rate, which stands at about 20 per cent, is intolerable and the aim must be to gradually bring it down. Manufacturing output must be expanded so that the foreign debt can be paid back but as manufacturing is capital-intensive it cannot assume major responsibility for growth in employment. When, in addition, the number of employed in the public sector, banking sector and agriculture will decrease, the role of the private service sector (excluding banks) in increasing employment will be of key importance in the longer run. Thus there is really good reason to ask what kind of labour market structure and collective bargaining system would be best suited for responding to these challenges.

MAINTENANCE OF PRICE COMPETITIVENESS

One goal of Finnish economic policy has been a permanent improvement in price competitiveness, ie a lowering of the real exchange rate from the level that prevailed at the end of the

1980s. Rising foreign debt, a sharp fall in exports to the Soviet Union and eg the global excess capacity problems besetting the forest industries have all required a substantial improvement in competitiveness.

Over the last two years, the real exchange rate has fallen by over 50 per cent: the nominal exchange rate has weakened by about 35 per cent on average against major competitors while the increase in productivity combined with moderate pay settlements has improved price competitiveness by 15–20 per cent. The necessary shift of resources from the sheltered sector to the export sector, as a consequence of the weakening in the real exchange rate, has been taking place slowly, at this juncture through an exceptionally low level of capacity utilization and a sharp and distressing rise in unemployment in the domestic sector.

To prevent foreign indebtedness from becoming a permanent obstacle to growth, the continued price competitiveness of the tradeables sector must be safeguarded – a view with which the professors concur – so as to ensure that the share of exports remains at a permanently higher level than in the past. However, it is not easy to estimate just how much the real exchange rate needs to fall from its level at the end of the 1980s, either in the short term or in the long term.

A very steep decline in the real exchange rate in the short term depresses activity excessively in the domestic sector and thus increases unemployment. In the long term, a very weak real exchange rate easily leads to inflationary pressures, in which case it adjusts itself through an acceleration of inflation.

The professors do not provide an answer on the "optimal" path of the real exchange rate. However, it is quite likely that the maintenance of macroeconomic balance will require a strengthening of the real exchange rate, 10 ie a weakening in price compet-

itiveness in the years ahead. By announcing its inflation target for 1995, the Bank of Finland wished to signal that its monetary policy would be designed so that an appreciation of the real exchange rate would take place through an appreciation of the nominal exchange rate, not through an acceleration of inflation. Only in this way can interest rates – long-term interest rates, in particular – be kept low, because inflation expectations are reflected in interest rates in free financial markets.

The professors are not unduly concerned about a possible "excessive" depreciation of the exchange rate. One cannot help getting the impression – quite explicit in some instances – that the professors have not paid attention to the magnitude of the depreciation of the markka's real exchange rate that has already taken place.

FOREIGN CURRENCY DEBT RESTRICTS THE ROOM FOR MANOEUVRE IN MONETARY POLICY

As has already been noted, a fall in real interest rates is a necessary condition for the recovery of an overindebted economy. The professors' reports and the above discussion show that it cannot be achieved by monetary policy measures alone, even though in principle more independence exists in monetary policy now that the markka is floating than at the end of the 1980s. In practice, however, the high rate of indebtedness sets strict limits on the freedom of action in monetary policy.

Finland's indebtedness has risen to a level which easily generates strong self-reinforcing effects. This applies both to central government and national indebtedness. If economic growth remains modest and/or real interest rates high, the debt ratio tends to increase continuously because of interest expenses. From the point of view of bringing the growth in indebtedness to a halt it is important that the real growth of the economy

should exceed real interest rates.

But Finland is, particularly now, crucially dependent on *foreign* real interest rates. The bulk of the country's total foreign debt and as much as two-thirds of central government debt is denominated in foreign currencies. Thus developments in indebtedness largely depend on developments in foreign real interest rates, and of course the Bank of Finland is unable to bring down foreign real interest rates by monetary policy measures. Quite the contrary – monetary policy measures which lower domestic interest rates without support from the rest of economic policy *and* thus lead to a depreciation of the exchange rate, easily increase real interest payments on central government debt in net terms and also real interest payments for companies which have net foreign currency debt.

In short, the solution to Finland's debt problem essentially depends on the recovery of the international economy and a fall in international interest rates on the one hand, and on fiscal and incomes policies supporting the lowering of interest rates and the appreciation of the exchange rate on the other hand.

NORDIC CURRENCY UNION?

Finally, I would like to comment on the idea of Nordic currency co-operation raised by professors Bordes and Currie. Professor Bordes points out that for a small open economy like Finland it is useful to restrict strong movements in exchange rates and that the external value of the markka should be fixed again as soon as conditions allow. Floating can only be brought to an end if the exchange rate is not subject to any major domestic or foreign pressures and the foreign exchange reserves have grown so large that they can be used to defend the external value of the markka. However, it does not seem possible that the conditions for fix-

ing the external value of the markka will exist in the near future.

When the time comes to consider fixing the markka again, professor Bordes proposes as one option an intensification of Nordic currency cooperation, even to the extent that the Nordic countries would form a currency union, ie the Nordic countries would have a single currency and joint central bank. His idea of a Nordic currency union is based on the argument that the Nordic states – especially Finland and Sweden – have very similar economies, that they trade extensively with each other and that to a large

extent they have a common labour market.

Professor Currie also refers to the strong economic interdependence between the Nordic countries. He suggests that these countries could form an optimal currency area. He does not, however, propose the establishment of a currency union but suggests instead an exchange rate regime based on cooperation, especially in relation to other European currencies.

It is fairly clear that credibility problems related to monetary policy in the Nordic countries would not diminish as a result of a currency union, though such a

union would prevent competing devaluations between member countries and might also facilitate coordination of monetary policy between the Nordic countries and other countries. However, the proposal is not very realistic. Under the present circumstances, the solutions that Finland and other Nordic countries will adopt are dependent on whether or not they join the EC and on the progress of monetary integration in Europe.

8 September 1993

STRUCTURAL DIVERSIFICATION IN THE FINNISH SECURITIES MARKETS

by **Markku Malkamäki**
 Head of Office
 Financial Markets Department
 Bank of Finland

The significance of the securities markets in Finland's bank-dominated financial markets has increased substantially over the past decade. From 80 per cent in the early 1980s, the share of bank deposits in financial assets has shrunk to less than 50 per cent today (Chart 1). This trend is expected to continue, reflecting the impact of changes that have taken place in the operating environment of Finnish banks.

Following the deregulation of interest rates in the mid-1980s, interest rates on new lending by financial institutions went up in relative terms since new loans were tied to market rates. As a result, the securities markets became an attractive alternative to financing through the banking system. Two additional factors have contributed to the popularity of securities: the rapid pace of technological and legislative change in the markets and the removal of restrictions on the entry of foreign investors to the bond market from 1 January 1991 and to the equity market from 1 January 1993 (Chart 2).

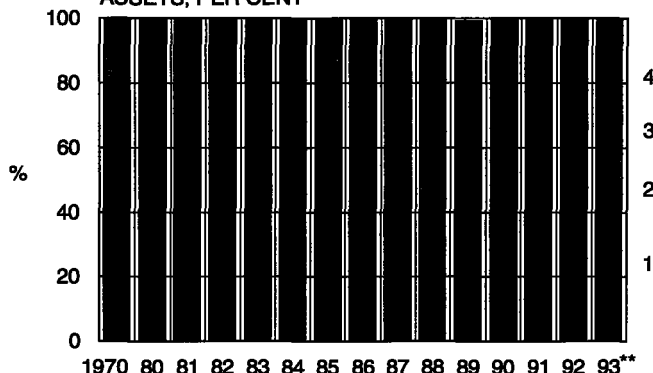
The outstanding amounts of both shares and bonds in relation to GDP are, nevertheless, still quite low by international standards, and considerable scope exists for further expansion (Chart 3). Indeed, developments this year point to very rapid growth in the Finnish securities markets in the future.

THE BOND MARKET IS EXPANDING RAPIDLY

The recent rapid growth in the market for listed bonds is mainly due to the public sector's increased borrowing needs and the lifting of restrictions on the

CHART 1.

RELATIVE SHARES OF DIFFERENT FINANCIAL ASSETS, PER CENT



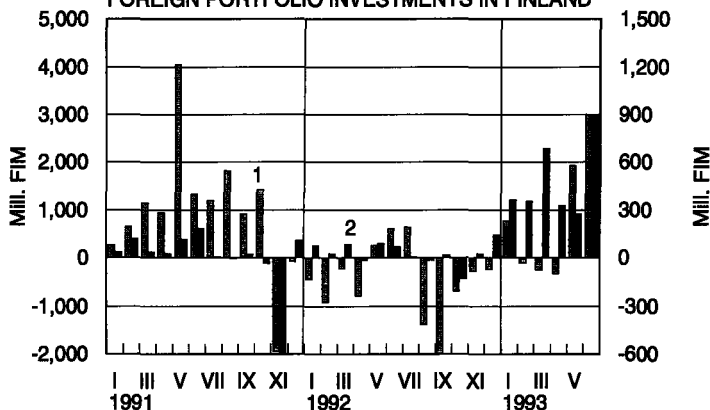
1. Bank deposits
2. Bonds (stock of public issues)
3. Shares (market capitalization of listed companies)
4. Money market instruments *

* Money market assets held by the public: certificates of deposit, commercial paper, Treasury bills, local authority paper, deposits with banks' trust departments, banks' special deposits and corporate sector's forward currency sales to banks, net.

** 1993/6

CHART 2.

FOREIGN PORTFOLIO INVESTMENTS IN FINLAND



1. Bonds, net purchases (left scale)
2. Shares, net purchases (right scale)

sale of markka-denominated bonds to foreigners (Chart 4). Moreover, the introduction of the withholding tax on interest income at the beginning of 1991 has made bonds more attractive to domestic investors.

The bond market is likely to continue growing on account of the central government's budget deficit. In addition, an increasing share of new government debt is being placed in the markka-denominated market. By the end of July this year, the central government had issued more than FIM 22 billion worth of new debt in the form of bonds and almost the same amount in the form of Treasury bills. This represents almost half the total amount borrowed during this period. The increased issuance of Treasury bills has attracted interest in the market and activity is picking up.

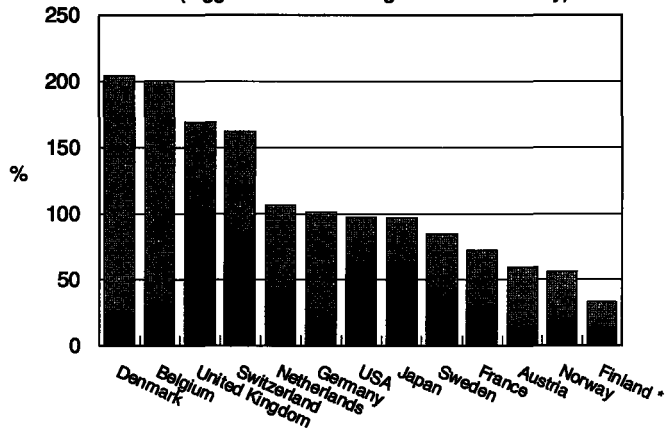
The central government's borrowing requirement for next year is still large and will, as far as possible, be financed through issues of markka-denominated debt.

Over the past few years, companies have not been interested in long-term bond financing because interest rates have been high and have fluctuated sharply. Now the range of instruments available in the market is expected to widen as long-term interest rates have fallen to a level which is also attractive to private issuers. In fact, yields on markka bonds have come down more than corresponding yields for most other currencies (Chart 5).

Bond financing has also become a viable alternative for companies because banks' lending capacity has been squeezed by the current banking crisis. Companies actually issued more new bonds during the first six months of this year than during the whole of 1992. By contrast, financial institutions have not found buyers for their bonds owing to their poor financial performance (Chart 6). However, the situation could change if expectations concerning profitability in the financial sector improve and if the

CHART 3.

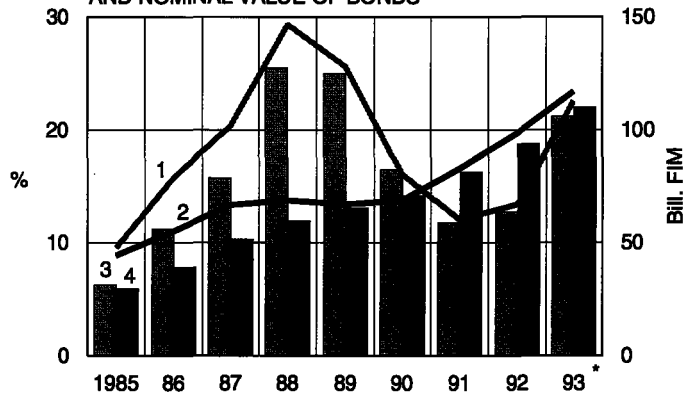
MARKET CAPITALIZATION OF LISTED SHARES (lower column) AND BONDS (upper column) AS PER CENT OF GDP IN SELECTED COUNTRIES IN 1992 (biggest stock exchange for each country)



* Nominal value used for bonds instead of market capitalization

CHART 4.

MARKET CAPITALIZATION OF LISTED SHARES AND NOMINAL VALUE OF BONDS



1. Market capitalization of listed shares as per cent of GDP (left scale)
2. Nominal value of bonds as per cent of GDP (left scale)
3. Market capitalization of shares (right scale)
4. Nominal value of bonds (right scale)

* Figures for first six months of 1993

Government starts to give guarantees for banks' issues of perpetual debt in accordance with its recent decision in principle.

THE PRIMARY DEALER SYSTEM

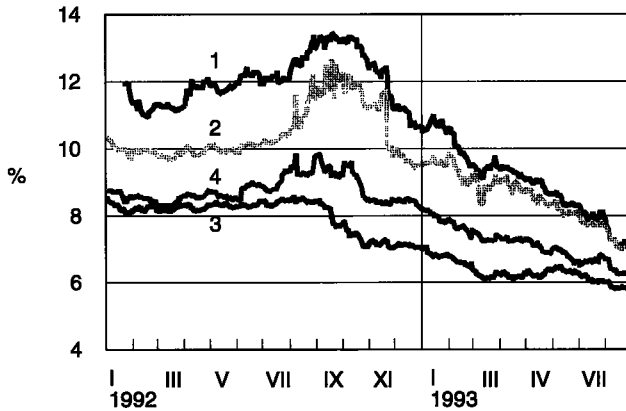
The liquidity of government bonds has increased manyfold since autumn 1992 when the primary dealer system for bench-

mark government bonds was introduced (Chart 7).¹ Initially, most of the transactions were between primary dealers but the focus has subsequently shifted to deals with customers. As liquidity has improved, the size of transactions has in-

¹ For details, see the article by Kristina Rantalainen in the February 1993 issue of the Bulletin.

CHART 5.

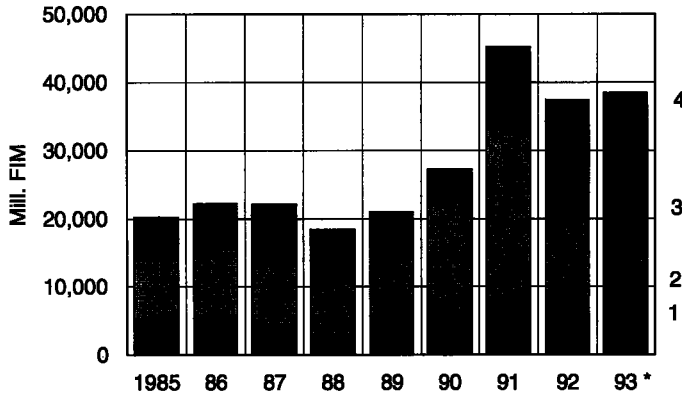
YIELDS ON DOMESTIC AND FOREIGN BONDS



1. Benchmark bond 1/92, maturity date 15 January 1999
2. 5-year bond yield for SEK
3. 5-year bond yield for DEM
4. 5-year bond yield for ECU

CHART 6.

MARKKA-DENOMINATED BOND ISSUES BY SECTOR



1. Enterprises
2. Financial institutions
3. Central government
4. Local government

* 1 January - 31 July 1993

TABLE 1. CURRENT BENCHMARK BONDS IN THE PRIMARY DEALER SYSTEM

Bond	Loan period	Coupon % p.a.	Stock at 31 July 1993, mill. FIM
III/91	15 June 1991-1995	11	3 370
II/92	15 June 1992-1997	11	10 822
I/92	15 January 1992-1999	11	9 982
I/92*	15 March 1992-2002	10.75	6 371
I/93	15 March 1993-2004	9.50	4 567
TOTAL			35 112

*Housing Fund bond

creased, spreads have narrowed and the interest of foreign investors has been aroused. Other factors contributing to the expansion of the market for benchmark bonds have been the improved prospects for the economy and the markka and expectations of a fall in long-term interest rates.

At present, there are five benchmark bonds outstanding, with a combined value of about FIM 35 billion (Table). The sixth primary dealer was admitted to the system at the beginning of May. With the continued increase in trading, scope would exist for some new primary dealers to join the system.

MEASURES BY THE BANK OF FINLAND

In June, the Bank of Finland decided on measures to promote trading in benchmark government bonds by improving the ability of primary dealers to operate in the market.

The Bank introduced weekly repo auctions with the primary dealers. The purpose of the auctions is to help primary dealers to finance their trading portfolios. Government and Bank of Finland securities are used as instruments in the auctions. These repo deals are not undertaken for monetary policy reasons.

In addition, the Bank announced that it was prepared, on a discretionary basis, to grant primary dealers intra-day credit provided that it is fully collateralized by the recipient. In exceptional circumstances, the Bank of Finland may also be prepared to extend special short-term financing to non-bank primary dealers.

Various projects are under way to improve the functioning of the bond market. As regards the wholesale market in particular, the aim is to eliminate physical securities as quickly as possible by transferring bonds to the electronic book-entry system for securities. This system alleviates many of the practical problems encountered in mar-

kets based on physical securities. There are also plans to enhance the efficiency of the wholesale market by opening a futures market based on long-term interest rates.

RAPID RISE IN SHARE PRICES

There has been heavy demand for Finnish shares during the current year, the HEX all-share index rising by 55.6 per cent in the seven months to July. Foreign investors have purchased Finnish shares up to the value of several billion markkaa (Chart 2). Domestic demand has also been strong.

The factors underlying the rise are essentially the same as those affecting the bond market, ie those related to the improved prospects for the economy. Other factors include the removal of stamp duty on share transactions at the beginning of May 1992 and the lifting of restrictions on portfolio investments by foreigners on 1 January 1993.

Furthermore, the reform of capital income taxation, which entered into force at the beginning of January, simplified and eased the taxation of share investors. Most forms of capital income are now taxed at a flat rate of 25 per cent, as compared with the former system of marginal taxation and tax reliefs based on the holding period.

Investments by households are increasingly being channelled to the stock exchange through unit trusts (mutual funds), which have grown rapidly in the course of the year. Finnish unit trusts are clearly developing into a new medium-sized investor group in the market, thereby helping to further improve liquidity.

Companies listed on the stock exchange have benefited from the pick-up in activity in the equity market this year by launching a number of sizeable share issues. The issues made so far amount to about FIM 4.5 billion, some FIM 2 billion of which has been sold directly abroad.

CHART 7.

MONTHLY TURNOVER OF MARKKA-DENOMINATED BONDS

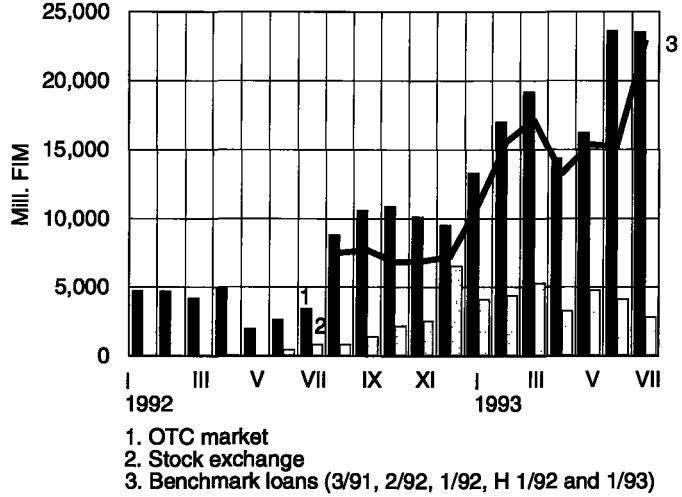
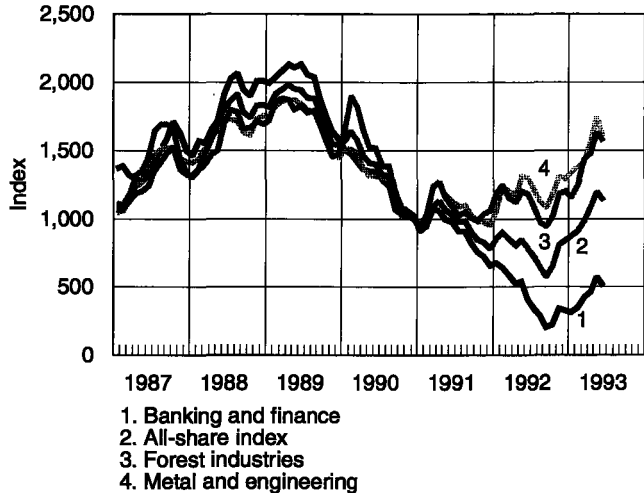


CHART 8.

SHARE PRICES IN FINLAND (HEX index 28 Dec 1990=1000)



Since autumn 1991, movements in share prices have varied considerably by sector. Companies engaged in exporting benefited most from the depreciation of the Finnish markka as their cash flow expectations improved markedly. This is also indicated by the favourable trend in the share indices for metal and engineering and the forest industries (Chart 8).²

SHARES IN THE BOOK-ENTRY SYSTEM FOR SECURITIES³

The Finnish book-entry securities system is a paperless trading system in which securities are replaced by entries in a computerized accounting system. Holdings by Finnish investors are public but foreigners who wish to preserve anonymity

² For further information on pricing of stocks, see Essays on Conditional Pricing of Finnish Stocks by Markku Malkamäki, Bank of Finland, Series B:48, 1993.

³ For details, see The Finnish Book Entry Securities System, Securities Association, 1992.

may register in the name of a nominee.

The transfer of shares listed on the stock exchange to the book-entry securities system was started in spring 1992. At present, about half of the shares have been converted into book-entry securities and the transfer of the remaining shares is expected to be completed in the course of 1995.

Trading in book-entry securities takes place in the electronic HETI system (Helsinki Stock Exchange Automated Trading and Information Systems) in the

same way as trading in physical securities. Trades are cleared and settled in the Helsinki Stock Exchange's automated KATI clearing and settlement system. The aim is to eventually shorten the schedule for the settlement of book-entry trades from four days at present to three days.

FUTURE PROSPECTS

Several factors support the continued favourable development of the Finnish securities markets. The economy is on the road to recovery and this should help to reduce market volatility.

In addition, the functioning of both the bond and equity markets is being further improved by the authorities and market practitioners with the aim of increasing liquidity and cutting transaction costs. However, the restoration of economic equilibrium is still in progress. Consequently, security prices could be very sensitive to changes in expectations concerning economic performance.

1 September 1993

UNDERLYING INFLATION DEVELOPS AS EXPECTED

Measured by the indicator of the underlying rate of inflation, the 12-month rate of inflation was 4.0 per cent in July, compared with 2.1 per cent in June. The rise in the 12-month change is due to the treatment of tax changes in the calculation of the index. As a result of this, the rate of change in underlying inflation was artificially low in the first half of the year¹.

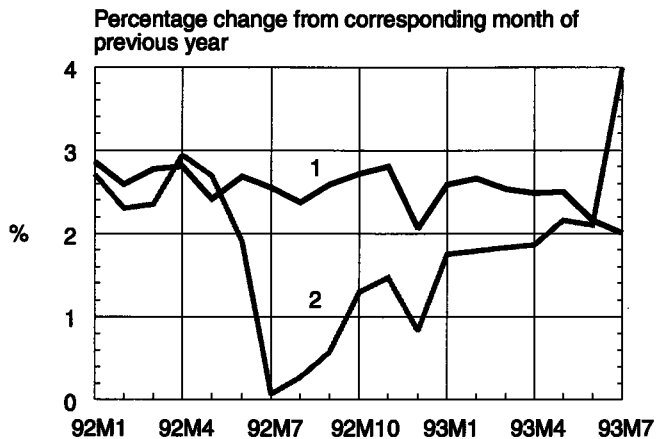
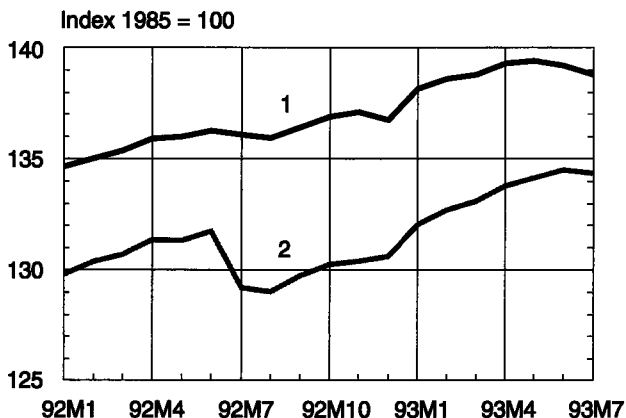
The main factor contributing to developments in underlying inflation has been the rise in import prices caused by the depreciation of the markka. The Bank of Finland has set the target of stabilizing the underlying rate of inflation at 2 per cent by 1995. In setting the target, it was estimated that the underlying rate of inflation would exceed the target level in 1993 and 1994 owing to the pressures stemming from import prices.

Monthly changes in the underlying rate of inflation have levelled off since the spring; the value of the index declined by 0.1 per cent from June to July (Chart). According to economic forecasts, the underlying rate of inflation is likely to slow in the last months of 1993 and in 1994.

PUBLICATION OF THE BANK OF FINLAND

The publication "Three Assessments of Finland's Economic Crisis and Economic Policy" has appeared in English and Finnish in the Bank of Fin-

CHART.
CONSUMER PRICES



- 1. Consumer prices
- 2. Indicator of underlying rate of inflation

¹ See also article "The Bank of Finland's Inflation Target and the Outlook for Inflation over the Next Few Years" in the June-July issue of the Bulletin.

land Publication series C (C:9). It comprises independent reports by three internationally recognized experts on the causes of the current problems of the Finnish economy and the future prospects for the economy and economic policy. The reports were prepared in the first half of 1993 and were published as such in English on 29 June 1993. The commission requested the experts to give their views on the following issues:

- * The short- and long-term causes underlying the current state of the economy, including the role of economic policies.
- * The links between stabilization policy (monetary stability) and structural development (employment and growth).
- * The economic policies, including monetary policies, that would seem appropriate today and over the medium term.

The experts were asked to focus on broad economic developments and the roles of the various elements of economic policy in this context.

As regards the short- and long-term causes of the current economic problems, the professors' assessments of the main issues share much in common. The recession is considered to have been caused primarily by internal factors. Much of the blame is attributed to the inadequate preparations for the deregulation of the financial mar-

kets in the latter part of the 1980s. This led to an explosive growth of lending and overindebtedness in the economy and, in turn, to an exceptionally rapid rise in asset prices. According to the experts, these developments should have been countered by means of tight fiscal policy, but this was not done. Initially, the result was overheating of the economy as a whole, followed by a collapse, which was reinforced by a sharp contraction in exports to the Soviet Union and recession in western export markets. Under these circumstances, there ceased to be any justification for maintaining a fixed exchange rate régime for the markka, though there had been good grounds for this earlier.

The experts' economic policy recommendations are also broadly similar, though with clear differences in emphasis. All three professors underline the necessity of a credible and comprehensive economic policy programme as well as reforms in the wage-bargaining system. In the present circumstances, this implies above all strict cutbacks in public expenditure, a combination of a monetary policy aimed at bringing down interest rates and a floating exchange rate as well as an incomes policy which stabilizes the general level of wages but at the same time diverts resources from the non-tradeables to the tradeables

sector. The experts also stress the importance of averting a credit crunch and the necessity of rescuing and restructuring the banking sector. The most striking difference in the recommendations concerns the scope currently available for increasing central government debt and the stance of fiscal policy: two reports emphasize the need for stringent fiscal policy, while the third report stresses the need for stimulatory fiscal policy in order to alleviate the severe unemployment problem. A precondition for the latter recommendation, however, is a credible and long-term commitment to postpone the consolidation of central government finances until the recession starts to ease. The reports also recommend medium-term structural reforms, including a reduction in the size of the public sector through, for example, privatization of state-owned companies, tax reforms and cutbacks in subsidy systems which distort the structure of output and competition. By contrast, the reports differ in their views on an eventual return to a fixed exchange rate régime for the markka – this is recommended, but its feasibility and relevance are also questioned.

Helsinki 1993. 224 pp.
ISBN 951-686-375-2.
ISSN 0781-4429.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM SEPTEMBER 1992 TO AUGUST 1993

1992

SEPTEMBER

Floating of the markka. On 8 September, the Bank of Finland decides to temporarily float the markka because of continuing pressure against the currency in the foreign exchange market. The decision is taken with the consent of the Government in accordance with the Currency Act.

OCTOBER

Tax-exempt deposits. On 16 October, the law on the tax relief of deposits and bonds is amended to grant tax-exempt status to 36-month fixed-rate deposits providing the interest rate on them is not more than the Bank of Finland's base rate less one percentage point and they are made between 1 September 1992 and 31 December 1993. The tax-exempt status of 24-month deposits is extended to apply to deposits made up to the end of 1994.

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

Termination of payments agreement. The payments agreement between Finland and Bulgaria is terminated on 16 October. Immediately after this, the effecting of clearing payments is discontinued, the clearing accounts are closed and there is a changeover to the use of convertible currencies in trade between the two countries.

NOVEMBER

Amendment to the Currency Act.

On 13 November, section 2 of the Currency Act is amended so as to enable the Government, on the basis of a proposal of the Bank of Finland, to authorize the Bank to abandon the limits on the markka's range of fluctuation for an indefinite period. In addition, the Government can cancel such authorization, after taking into consideration the conditions prevailing in the money and foreign exchange markets. Prior to making the decision, the Government must request the opinion of the Bank of Finland on the matter.

Decision to continue the floating of the markka. On 13 November, the Government, in accordance with the amendment to the Currency Act, decides to authorize the Bank of Finland to continue the floating of the markka.

Letter of intent between the Government Guarantee Fund and Kansallis-Osake-Pankki. On 24 November, Kansallis-Osake-Pankki buys the majority shareholding in STS-Bank Ltd from the STS Foundation. On the same date, the Government Guarantee Fund and Kansallis-Osake-Pankki sign a letter of intent on the establishment of an asset management company ("bad bank") for the management of STS-Bank's bad loans. The agreement is conditional on the Act on the Government Guarantee Fund being amended to permit the establishment of such a company.

Cash reserve requirement. The Bank of Finland raises the banks' cash reserve requirement from 4.0 per cent to 4.5 per cent of the cash reserve base at end-October.

Till-money credits. The Bank of Finland revises the base amounts, the share of banks' till-money holdings which is not financed by the Bank of Finland under the till-money credit arrangement. The combined total of base amounts is raised to 20 per cent of currency in circulation with the public. The combined total of the banks' base amounts rises by FIM 597 million and amounts to FIM 1 791 million as from the last business day in November.

DECEMBER

Government offer of capital to banks. Two commercial banks (Union Bank of Finland and Okobank), 14 savings banks and 57 cooperative banks accept, by 16 December, the offer of capital made by the Government. The total amount of capital raised in this context is FIM 3.3 billion.

Government Guarantee Fund grants support to Skopbank and the Savings Bank of Finland. The Government Guarantee Fund decides, on 22 December, to grant capital support totalling FIM 1.5 billion to Skopbank and, on 30 December, to grant capital support totalling FIM 4.7 billion to the Savings Bank of Finland.

Cash reserve requirement. The Bank of Finland raises the banks' cash reserve requirement from 4.5 per cent to 5.0 per cent of the cash reserve base at end-November.

1993

JANUARY

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 9.5 per cent to 8.5 per cent with effect from 1 January.

Cash reserve requirement. The Bank of Finland raises the banks' cash reserve requirement from 5.0 per cent to 5.5 per cent of the cash reserve base at end-December.

Interest on cash reserve deposits. The Bank of Finland decides to lower the rate of interest paid on cash reserve deposits as from 1 January in accordance with the current cash reserve agreement. The new interest rate will be 3 percentage points below three-month HELIBOR, however not less than 8 per cent.

Swap agreement between the Nordic central banks. The Nordic central banks decide to revise and substantially enlarge their agreement on short-term currency support, which has been in force since 1 January 1984. The revised agreement enters into force on 1 January for an indefinite period.

New legislation on foreign ownership. The 1939 Restriction Act is repealed at the end of December, and new legislation lifting the restrictions on foreign ownership of Finnish companies enters into force on 1 January. The new legislation also liberalizes the acquisition of real estate by foreigners.

FEBRUARY

Monetary policy. The Bank of Finland specifies the guidelines in accordance with which monetary policy will be conducted over the next few years. The aim is to stabilize the rate of inflation, measured by the annual rise in consumer prices, permanently at two per cent by 1995. Inflation will be measured

20 by the consumer price index;

however, changes due to public charges, taxes and developments in housing prices will not be taken into account in monetary policy.

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 8.5 per cent to 7.5 per cent with effect from 15 February.

Finnish State guarantees banks' operations. On 23 February, Parliament unanimously approves a resolution requiring the Finnish State to guarantee that Finnish banks meet their commitments under all circumstances. At the same time, Parliament undertakes to grant the Government whatever funds and powers might be necessary for this purpose.

MARCH

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

MAY

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 7.5 per cent to 7.0 per cent with effect from 17 May.

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

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

JUNE

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

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

Market in government securities. On 15 June, the Bank of Finland announces measures designed to promote the functioning of the market in government securities by improving the operating conditions of primary dealers. Among other things, the Bank starts to hold weekly repo auctions in government and Bank of Finland securities for the primary dealers. In addition, the Bank may, at its discretion, grant intraday credit to primary dealers and special short-term financing to non-bank primary dealers.

JULY

Introduction of minimum reserve system. In June, an amendment to the Regulations for the Bank of Finland enters into force providing for a mandatory minimum reserve system. On 30 June, the Bank decides to terminate the existing

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

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

AUGUST

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

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

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

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

The state will receive consideration against the guarantees, the probable value of which will cover the probable

amount of expenses incurred by the state.

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

LAND, CLIMATE AND POPULATION

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

Finland has a population of 5 055 700 (1 January 1993) and an average population density of 16.6 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 502 000 inhabitants, Espoo (Esbo) 178 850, Tampere (Tammerfors) 175 300, Turku (Åbo) 160 200 and Vantaa (Vanda) 159 300.

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

FORM OF GOVERNMENT

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

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

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

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

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

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

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

INTERNATIONAL RELATIONS

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

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

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

THE ECONOMY

Output and employment. Of the gross domestic product of FIM 414 billion in basic values in 1992, 3 % was generated in agriculture and fishing, 2 % in forestry, 22 % in industry, 6 % in construction, 12 % in trade, restaurants and hotels, 9 % in transport and communications, 3 % in finance and insurance, 18 % in other private services and 22 % by producers of government services. Of total employment of 2.1

million persons in 1992, 9 % were engaged in primary production, 27 % in industry and construction and 64 % in services.

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

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

Foreign trade. OECD countries absorb the bulk of Finnish merchandise exports. In 1988-92, their share was, on average, 78.1 per cent, of which the share of EC countries was 47.7 percentage points and that of EFTA countries 20.2 percentage points. Over the same period, Finland's exports to East European countries (including the Soviet Union) accounted for 14.4 per cent and the rest of the world for 9.6 per cent. The regional distribution of Finland's merchandise imports has been quite similar to that of exports.

In 1992, the share of forest industry products in total merchandise exports was 38 %, the share of metal and engineering products 43 % and the share of other goods 19 %. Raw materials and intermediate goods (incl. crude oil) accounted for 62 % of merchandise imports, fuels for 4 %, investment goods for 14 % and consumption goods for 22 %.

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

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

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

sources 31 %, others 16 %. Compared internationally (1990), Finland's consumption of 5.8 toe (OECD definition) per capita was 1.8 times higher than the average in European OECD countries. The self-sufficiency rate (including nuclear power) in Finland was 39 %, as compared with 60 % in western Europe on average.

FINANCE AND BANKING

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

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

Bank), founded in 1811, operates under the supervision of the Parliamentary Supervisory Board, the nine members of which are entrusted with overall supervision of the Bank and certain specific decisions such as fixing the Bank's base rate and the limits for other rates. The Governor and a maximum of five other Members of the Board of Management are appointed by the President of the Republic. The Board manages all affairs not expressly entrusted to the Parliamentary Supervisory Board, including the terms of banks' central bank finance, open market operations, intervention in the foreign exchange market and determination of the external value of the currency within the fluctuation limits. The powers vested in the Bank and its independence of the Government make the Bank of Finland one of the world's stronger central banks. In practice, the Bank liaises closely with the Government, so as to coordinate economic policy. The Bank of Finland has a head office in Helsinki and 7 branch offices in other towns.

Other banks (31 December 1992). Finland has three major groups of deposit banks with a total of about 2 700 offices. There are three big commercial banks with national branch networks and ten smaller ones, two of which are foreign-owned. The commercial banks have a total of 29 foreign branches, subsidiaries and associate banks and 31 representative offices abroad. There are 41 savings banks and 310 cooperative banks with their own extensive branch networks. In addition, foreign banks have three branches and eight representative offices in Finland.

Financial market. Of the total stock of FIM 776 billion in outstanding domestic credit at the end of 1991, 62 % was provided by deposit banks

3 % by private mortgage banks, 17 % by insurance companies, 4 % by other private credit institutions, 4 % by public financial institutions and 9 % by the state, local authorities and social security funds. There are no quantitative restrictions or interest rate limitations on lending. Regulation of bank lending rates was progressively relaxed earlier in the 1980s and finally abolished in 1986.

In the money market, 75 % of the instruments, which totalled approximately FIM 158 billion at end-1992, were negotiable instruments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds raised through bank trust departments and non-negotiable bank debt instruments make up the bulk of non-negotiable instruments. In its open market operations, the Bank of Finland deals in bank certificates of deposit and also issues its own certificates of deposit.

There are 63 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 64 billion (at end-1992). Two foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1992 totalled FIM 162 billion; government bonds made up 27 % of the total. Turnover on the Stock Exchange in 1992 amounted to FIM 26 billion; the share of shares and subscription rights in the total was approximately 40 %.



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1. THE BALANCE SHEET OF THE BANK OF FINLAND

1.1 THE BALANCE SHEET OF THE BANK OF FINLAND,

MILL. FIM

	1992		1993		
	31 Dec.	8 Aug.	13 Aug.	23 Aug.	31 Aug.
ASSETS					
Gold and foreign currency claims	29 517	34 076	34 951	33 627	31 801
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	564	661	686	672	680
IMF reserve tranche	1 732	1 897	1 926	1 903	1 927
Convertible currencies	25 041	29 338	30 160	28 873	27 014
Other foreign claims	4 867	5 324	5 332	5 322	5 328
Markka subscription to Finland's IMF quota	4 464	4 862	4 862	4 862	4 862
Term credit	404	462	471	461	466
Claims on financial institutions	14 595	6 139	6 020	6 587	9 541
Liquidity credits	1 585	0	2	169	1 129
Certificates of deposit	3 930	861	1 338	2 134	2 758
Securities with repurchase commitments	4 408	3 818	3 220	2 826	4 195
Term credits	100	-	-	-	-
Till-money credits	2 872	-	-	-	-
Bonds	1 462	1 222	1 222	1 221	1 221
Other claims on financial institutions	238	238	238	238	238
Claims on the public sector	2 446	1 396	1 400	1 383	1 412
Treasury notes and bills	-	-	-	-	-
Loans to the Government Guarantee Fund	1 000	-	-	-	-
Total coinage	1 446	1 396	1 400	1 383	1 412
Claims on corporations	1 458	3 398	3 395	3 382	3 382
Financing of domestic deliveries (KTR)	747	590	588	575	575
Other claims on corporations	711	2 807	2 807	2 807	2 807
Other assets	10 925	7 731	7 551	7 550	7 554
Loans for stabilizing the money market	9 474	7 587	7 407	7 407	7 407
Accrued items	1 298	-	-	-	-
Other assets	153	144	144	143	147
Capitalized expenditures and losses due to safeguarding the stability of the money market	1 700	1 700	1 700	1 700	1 700
Total	65 509	59 763	60 349	59 552	60 717
LIABILITIES					
Foreign currency liabilities	101	390	179	164	180
Convertible currencies	101	390	179	164	180
Other foreign liabilities	7 764	6 017	6 034	6 020	6 035
IMF markka accounts	4 464	4 862	4 862	4 862	4 862
Allocations of special drawing rights	1 026	1 155	1 172	1 159	1 173
Other foreign liabilities	2 274	-	-	-	-
Notes and coin in circulation	14 508	13 514	13 469	13 426	13 297
Notes	13 209	12 225	12 181	12 138	12 011
Coin	1 299	1 289	1 288	1 288	1 285
Certificates of deposit	4 880	17 198	17 683	18 179	18 259
Liabilities to financial institutions	20 000	7 561	7 102	6 282	7 032
Call money deposits	2 135	1 298	840	13	721
Term deposits	4 700	-	-	-	-
Minimum reserve deposits	13 165	6 262	6 262	6 268	6 310
Other liabilities to financial institutions	-	1	1	1	0
Liabilities to the public sector	90	152	150	150	149
Cheque accounts	72	4	2	2	2
Deposits of the Government Guarantee Fund	18	147	147	147	147
Other liabilities to the public sector	-	-	-	-	-
Liabilities to corporations	3 362	2 326	2 306	2 298	2 283
Deposits for investment and ship purchase	3 362	2 326	2 306	2 298	2 283
Other liabilities	4 399	162	153	153	154
Accrued items	4 242	-	-	-	-
Other liabilities	156	162	153	153	154
Valuation account and reserves	4 642	6 681	7 509	7 116	7 564
Capital accounts	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Profit/loss for the accounting year	-	-	-	-	-
Total	65 509	59 763	60 349	59 552	60 717

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

MILL.FIM

End of period	Foreign sector									Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies, net	Convertible reserves, total (1+2+3+4)	Tied currencies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabilities	Net claims (10-11)
	1	2	3	4	5	6	7	8	9	10	11	12
1988	2 128	1 120	940	24 373	28 561	945	29 506	1 117	30 623	1 128	1 903	-775
1989	2 179	966	950	18 780	22 875	-564	22 312	440	22 752	1 137	5 325	-4 188
1990	2 180	791	783	33 451	37 205	-882	36 324	-364	35 960	1 314	1 321	-7
1991	2 180	932	1 136	29 336	33 584	33	33 616	-412	33 204	1 375	3	1 372
1992	2 180	564	1 732	24 940	29 416	-	29 416	-2 897	26 519	2 446	90	2 356
1992												
Aug.	2 180	861	1 195	18 830	23 066	0	23 066	-2 449	20 617	4 404	4	4 400
Sept.	2 180	1 001	1 328	22 470	26 979	-7	26 970	-11 206	15 764	8 480	38	8 442
Oct.	2 180	1 025	1 360	29 610	34 175	-	34 175	-11 797	22 378	8 507	51	8 456
Nov.	2 180	552	1 908	33 474	38 114	-	38 114	-2 858	35 256	1 466	6 173	-4 707
Dec.	2 180	564	1 732	24 940	29 416	-	29 416	-2 897	26 519	2 446	90	2 356
1993												
Jan.	2 180	595	1 829	27 247	31 851	-	31 852	-661	31 191	2 449	92	2 357
Feb.	2 180	655	1 972	23 778	28 585	-	28 585	-710	27 875	2 121	90	2 031
March	2 180	655	1 974	22 521	27 330	-	27 330	-716	26 614	1 954	102	1 852
April	2 180	615	1 842	29 986	34 623	-	34 624	-678	33 946	2 639	59	2 580
May	2 180	634	1 819	29 778	34 411	-	34 410	-692	33 718	2 416	64	2 352
June	2 180	650	1 866	32 156	36 852	-	36 851	-699	36 152	1 396	591	805
July	2 180	661	1 899	30 157	34 897	-	34 898	-681	34 217	1 396	150	1 246
Aug.	2 180	680	1 927	26 834	31 621	-	31 621	-707	30 914	1 412	149	1 263

End of period	Domestic financial sector						Corporate sector				
	Term claims on deposit banks	Liquidity position of deposit banks, net	Minimum reserve deposits of deposit banks*	Till-money credits to deposit banks	Other claims on financial institutions, net	Net claims (13+14+15+16+17)	Claims in the form of special financing	Special deposits and other items, net	Net claims (19+20)	Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	13	14	15	16	17	18	19	20	21	22	23
1988	7 187	335	-19 039	2 920	3 733	-4 864	2 823	-6 579	-3 756	11 550	1 130
1989	33 230	-531	-25 506	3 310	2 248	12 751	2 000	-10 604	-8 604	13 129	-
1990	9 411	-418	-17 401	3 427	2 317	-2 664	1 477	-9 724	-8 247	14 555	-
1991	11 882	-2 206	-10 361	3 528	2 003	4 846	1 086	-6 854	-5 768	14 528	8 880
1992	3 738	-550	-13 165	2 872	1 700	-5 405	747	-2 651	-1 904	14 508	4 880
1992											
Aug.	15 914	-13 405	-9 772	3 534	1 794	-1 935	861	-3 527	-2 666	13 562	6 930
Sept.	13 354	-811	-9 762	3 450	1 758	7 989	832	-3 412	-2 580	13 459	13 720
Oct.	5 520	-219	-10 421	3 432	1 748	60	807	-3 315	-2 508	13 493	12 540
Nov.	9 211	1 875	-11 900	2 778	1 737	3 701	787	-3 238	-2 451	14 062	14 885
Dec.	3 738	-550	-13 165	2 872	1 700	-5 405	747	-2 651	-1 904	14 508	4 880
1993											
Jan.	6 804	-3 732	-14 734	3 023	1 665	-6 974	728	-2 072	-1 344	14 906	6 710
Feb.	7 448	-690	-14 806	3 511	1 639	-2 898	710	-1 915	-1 205	13 840	7 220
March	8 069	142	-14 698	2 994	1 626	-1 867	686	-1 808	-1 122	13 720	10 270
April	2 688	-815	-14 599	2 747	1 608	-8 371	662	-1 744	-1 082	13 834	13 490
May	5 359	-3 395	-11 790	2 750	1 591	-5 485	643	392	1 035	13 870	16 190
June	4 275	945	-	-	1 556	6 776	608	428	1 036	13 864	28 367
July	4 763	75	-6 262	-	1 488	64	592	475	1 067	13 553	18 956
Aug.	6 953	408	-6 310	-	1 459	2 510	575	524	1 099	13 297	18 259

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

² Cash reserve deposits prior to 1 July 1993.

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

2.1 BANKS' LIQUIDITY POSITION AT THE BANK OF FINLAND,

MILL. FIM

Average of daily observations	Call money deposits	Liquidity credits'	Liquidity position, net ¹ (1-2)
1988	621	127	494
1989	416	369	47
1990	806	132	674
1991	881	985	-103
1992	2 103	437	1 666
1992			
Aug.	8 895	0	8 894
Sept.	3 974	1 687	2 287
Oct.	2 191	876	1 314
Nov.	1 512	296	1 215
Dec.	1 193	640	553
1993			
Jan.	1 511	594	917
Feb.	1 305	23	1 282
March	416	1 008	-592
April	629	390	239
May	763	186	577
June	1 032	387	645
July	981	518	462
Aug.	581	311	270

2.2 THE BANK OF FINLAND'S MINIMUM RESERVE SYSTEM²

End of period	Reserve requirement			Cash reserve requirement, %	Deposits, mill. FIM Total
	On liquid deposits, %	On other deposits, %	On domestic debt capital, %		
	1	2	3	4	5
1988	.	.	.	7.6	19 039
1989	.	.	.	9.1	25 506
1990	.	.	.	7.0	17 401
1991	.	.	.	4.0	10 361
1992	.	.	.	5.0	13 165
1992					
Aug.	.	.	.	3.7	9 772
Sept.	.	.	.	3.7	9 762
Oct.	.	.	.	4.0	10 421
Nov.	.	.	.	4.5	11 900
Dec.	.	.	.	5.0	13 165
1993					
Jan.	.	.	.	5.5	14 734
Feb.	.	.	.	5.5	14 806
March	.	.	.	5.5	14 698
April	.	.	.	5.5	14 599
May	.	.	.	4.5	11 790
June	.	.	.	-	.
July	2.0	1.5	1.0	.	6 262
Aug.	2.0	1.5	1.0	.	6 310

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

² Cash reserve system prior to 1 July 1993

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1-2-3)
1988	13 840	19 190	-16 850	11 500
1989	131 110	3 855	99 245	28 010
1990	163 326	26 379	160 797	-23 850
1991	109 568	30 380	81 969	-2 781
1992	76 230	137 940	-60 417	-1 293
1992				
Aug.	6 520	7 650	-14 659	13 529
Sept.	4 300	19 920	-5 930	-9 690
Oct.	1 760	10 740	-2 060	-6 920
Nov.	8 030	7 570	-2 420	2 880
Dec.	12 070	5 680	-2 560	8 950
1993				
Jan.	5 490	5 400	3 890	-3 800
Feb.	6 500	8 340	-260	-1 580
March	10 470	12 750	660	-2 940
April	5 870	11 310	1 450	-6 890
May	4 250	21 140	-775	-16 115
June	4 041	22 169	-19 911	1 783
July	7 070	12 260	-18 300	13 110
Aug.	7 240	14 950	-10 660	2 950

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

During period	Intervention in the foreign exchange market			Spot transactions related to forward contracts, net	Central government's foreign exchange transactions, net
	Spot purchases	Spot sales	Forward exchange intervention = change in forward exchange position		
	1	2	3	4	5
1991	35 120	-69 940	-14 820	12 820	12 260
1992	20 870	-70 640	-1 650	390	45 060
1992					
July	470	-5 790	1 450	-1 590	3 760
Aug.	110	-17 700	-6 110	6 350	3 170
Sept.	-	-20 880	-14 860	11 610	2 800
Oct.	5 870	-	670	-2 210	3 510
Nov.	4 530	-	6 190	-6 610	13 020
Dec.	-	-2 990	5 100	-5 710	-1 200
1993					
Jan.	-	-9 390	-440	-580	12 660
Feb.	-	-8 830	3 600	-2 000	7 870
March	-	-7 470	-3 920	4 030	2 690
April	3 610	-3 010	4 510	-1 650	10 820
May	5 220	-2 090	2 410	-2 300	660
June	6 040	-1 010	1 220	-1 600	-1 690
July	960	-8 360	-4 800	4 520	-820

2.5 FORWARD EXCHANGE MARKET, MILL. FIM

End of period	Banks' forward positions with					Total, net (3+4+5)
	Domestic companies			Foreign banks, net	Bank of Finland, net	
	Forward exchange bought by banks	Forward exchange sold by banks	Net (1-2)			
	1	2	3	4	5	6
1988	16 488	1 543	14 946	9 086	-377	23 654
1989	10 531	3 563	6 967	8 031	205	15 204
1990	11 609	4 979	6 631	10 100	-6 098	10 633
1991	33 004	36 352	-3 348	2 550	8 953	8 155
1992	39 195	32 939	6 256	-11 197	7 133	2 192
1992						
July	27 567	29 494	-1 927	4 013	1 328	3 414
Aug.	25 399	34 767	-9 368	421	7 933	-1 014
Sept.	34 168	45 232	-11 065	-9 827	20 158	-734
Oct.	37 048	38 820	-1 771	-10 681	17 921	5 469
Nov.	40 986	35 550	5 436	-11 623	11 617	5 430
Dec.	39 195	32 939	6 256	-11 197	7 133	2 192
1993						
Jan.	35 125	32 711	2 414	-9 056	6 433	-209
Feb.	33 968	32 896	1 072	-8 308	2 585	-4 651
March	33 115	34 059	-944	-10 187	9 815	-1 316
April	36 298	33 616	2 682	-11 158	7 460	-1 016
May	36 027	31 763	4 264	-6 992	4 144	1 416
June	36 401	26 908	9 493	-5 785	2 204	5 912
July	34 287	26 687	7 600	-13 932	6 718	386

3. RATES OF INTEREST

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

Average of daily observations	Inter-bank overnight rate	HELIBOR				Bank of Finland rates		
		1 month	3 months	6 months	12 months	Liquidity credit rate ¹	Call money deposit rate	Base rate
	1	2	3	4	5	6	7	8
1988	8.47	9.77	9.97	10.16	10.50	11.50	7.04	7.63
1989	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67
1990	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50
1991	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50
1992	13.32	13.49	13.27	13.08	12.96	14.90	7.41	9.17
1992								
Aug.	15.02	15.25	15.09	14.97	14.69	16.84	14.65	9.50
Sept.	16.65	17.79	16.41	15.29	14.71	19.15	13.43	9.50
Oct.	12.23	13.34	13.37	13.32	13.39	14.69	8.96	9.50
Nov.	10.66	11.04	11.50	11.63	11.72	12.03	8.03	9.50
Dec.	10.20	10.55	10.68	10.70	10.70	11.69	7.69	9.50
1993								
Jan.	10.20	10.53	10.64	10.63	10.57	11.49	7.49	8.50
Feb.	8.47	9.16	9.19	9.22	9.30	10.34	6.34	8.00
March	9.13	8.99	8.90	8.69	8.62	9.96	5.96	7.50
April	8.93	8.85	8.73	8.57	8.44	9.85	5.85	7.50
May	8.48	8.41	8.25	8.14	7.97	9.42	5.42	7.26
June	7.77	7.70	7.62	7.57	7.55	8.72	4.72	7.00
July	7.45	7.31	7.27	7.22	7.12	8.31	4.31	6.73
Aug.	6.18	6.70	6.65	6.56	6.52	7.74	3.74	6.24

¹ Call money credit rate until 2 July 1992.

3.2 THE BANK OF FINLAND'S LIQUIDITY FACILITY

	The Bank of Finland's tender rate, %	Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	Call money deposits: interest rate margin, %-points
	1	2	3	4
1992				
Aug.	15.84	Aug. +1.00	14	-2.00
Sept.	18.15	Sept. +1.00	14	-5.00
Oct.	13.69	Oct. +1.00	7	-3.00
Nov.	11.03	Nov. +1.00	7	-3.00
Dec.	10.69	Dec. +1.00	7	-3.00
1993				
Jan.	10.49	Jan. +1.00	7	-3.00
Feb.	9.34	Feb. +1.00	7	-3.00
March	8.96	March +1.00	7	-3.00
April	8.85	April +1.00	7	-3.00
May	8.42	May +1.00	7	-3.00
June	7.72	June +1.00	7	-3.00
July	7.31	July +1.00	7	-3.00
Aug.	6.74	Aug. +1.00	7	-3.00
04.08.1993	7.10			
05.08.1993	6.85			
12.08.1993	6.75			
20.08.1993	6.50			
24.08.1993	6.45			
31.08.1993	6.55			

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
1988	6.9	6.0	6.9
1989	9.3	8.4	9.3
1990	10.5	9.1	10.4
1991	10.1	8.5	9.9
1992	10.4	7.8	10.6
1992			
Aug.	10.9	8.0	11.1
Sept.	11.0	7.5	11.6
Oct.	10.3	7.2	11.1
Nov.	9.9	7.3	10.4
Dec.	10.3	7.2	10.9
1993			
Jan.	9.9	6.8	10.1
Feb.	9.9	6.6	9.6
March	9.3	6.4	9.2
April	8.6	6.3	8.9
May	7.9	6.1	7.9
June	7.6	6.1	7.5
July	7.7	5.9	7.8
Aug.	7.5	5.5	7.7

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
1988	10.22	12.27	10.50	10.72	9.88	9.74	8.00	.	3.75	5.24	9.80	6.20
1989	12.97	13.47	11.58	12.07	10.56	10.40	7.50	.	4.50	5.67	11.92	7.37
1990	13.24	15.62	13.33	13.85	11.84	11.61	7.50	.	4.50	6.43	13.55	8.41
1991	13.63	15.88	13.40	13.84	12.08	11.80	7.50	.	4.50	7.10	13.22	8.97
1992	14.04	15.86	13.32	13.75	12.46	12.13	7.50	8.50	4.50	7.41	12.84	9.14
1992												
July	15.96	16.19	14.06	14.56	12.63	12.29	7.50	.	4.50	7.55	12.94	9.26
Aug.	16.21	16.56	14.33	14.81	12.81	12.52	7.50	.	4.50	7.71	13.64	9.68
Sept.	16.56	16.94	14.52	15.00	13.01	12.72	7.50	8.50	4.50	7.80	14.39	10.03
Oct.	16.70	16.29	13.76	14.29	12.87	12.43	7.50	8.50	4.50	7.66	13.11	9.41
Nov.	14.18	15.74	13.10	13.47	12.70	12.26	7.50	8.50	4.50	7.41	12.26	8.99
Dec.	12.63	14.99	11.64	11.98	12.34	11.93	7.50	8.50	4.50	7.06	11.78	8.62
1993												
Jan.	11.87	15.36	12.32	12.53	11.89	11.68	6.50	7.50	4.50	6.56	11.18	8.04
Feb.	12.07	14.78	11.34	11.68	11.33	11.15	5.50	6.50	4.50	6.05	10.51	7.53
March	11.35	14.50	10.93	11.29	11.07	10.84	5.50	6.50	4.50	5.87	10.04	7.30
April	10.82	14.23	10.29	10.60	10.89	10.62	5.50	6.50	4.50	5.74	9.72	7.11
May	9.78	14.23	10.13	10.40	10.56	10.27	5.00	6.00	2.50	4.90	9.42	6.43
June	5.59	13.88	9.51	9.44	10.35	10.06	5.00	6.00	2.50	4.75	9.08	6.18
July	10.45	13.04	8.99	9.47	10.01	9.73	4.50	5.50	2.50	4.50	8.64	5.88

¹ End of period.

3.5 YIELDS ON BONDS AND DEBENTURES, PER CENT

Period	Reference rates calculated by the Bank of Finland		Taxable government bonds		Taxable public issues	Taxfree public issues
	3 years	5 years	5 years	10 years		
	1	2	3	4	5	6
1988	10.7	10.8	10.6	.	10.6	7.8
1989	12.2	12.0	12.1	.	11.9	8.1
1990	13.7	13.5	13.2	.	13.3	9.2
1991	12.3	12.2	11.9	.	12.6	10.0
1992	13.1	13.0	12.1	11.5 ¹	13.8	9.9
1992						
July	13.6	13.3	12.1	.	14.1	10.5
Aug.	14.3	14.0	12.8	.	14.5	10.4
Sept.	15.0	14.7	13.3	.	15.3	10.1
Oct.	14.3	14.2	13.0	.	15.3	9.9
Nov.	12.8	12.9	12.0	12.0	14.7	9.4
Dec.	11.7	11.8	10.9	11.0	13.2	9.5
1993						
Jan.	11.4	11.6	10.7	10.9	12.2	8.6
Feb.	10.5	10.7	9.9	10.3	12.1	8.0
March	9.7	10.0	9.4	9.9	11.4	7.6
April	9.6	10.0	9.3	9.8	11.0	7.8
May	9.2	9.6	8.9	9.5	11.0	6.7
June	8.8	9.2	8.4	9.0	9.3	6.7
July	8.2	8.7	8.0	8.5	11.1	6.3

¹ November and December only.

4. RATES OF EXCHANGE

4.1 MIDDLE RATES, FIM

Average of daily quotations	New York	Montreal	London	Dublin	Stockholm	Oslo	Copenhagen	Frankfurt aM	Amsterdam	Brussels	Zurich	Paris
	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEF	1 CHF	1 FRF
	1	2	3	4	5	6	7	8	9	10	11	12
1988	4.187	3.405	7.446	6.377	0.6829	0.6424	0.6220	2.3842	2.1185	0.11390	2.8631	0.7029
1989	4.290	3.624	7.032	6.082	0.6654	0.6213	0.5869	2.2818	2.0226	0.10890	2.6243	0.6725
1990	3.823	3.277	6.808	6.325	0.6459	0.6110	0.6181	2.3664	2.1002	0.11447	2.7576	0.7024
1991	4.046	3.533	7.131	6.511	0.6684	0.6236	0.6322	2.4380	2.1634	0.11841	2.8208	0.7169
1992	4.483	3.706	7.875	7.636	0.7714	0.7222	0.7444	2.8769	2.5552	0.13973	3.2000	0.8486
1992												
Aug.	3.985	3.350	7.734	7.289	0.7540	0.6962	0.7120	2.7462	2.4358	0.13328	3.0659	0.8096
Sept.	4.439	3.635	8.209	8.066	0.8271	0.7653	0.7904	3.0602	2.7170	0.14848	3.4724	0.8993
Oct.	4.695	3.771	7.791	8.340	0.8410	0.7774	0.8218	3.1725	2.8180	0.15398	3.5775	0.9350
Nov.	5.048	3.982	7.714	8.394	0.8140	0.7805	0.8263	3.1812	2.8281	0.15465	3.5330	0.9404
Dec.	5.136	4.034	7.969	8.570	0.7457	0.7710	0.8395	3.2477	2.8890	0.15784	3.6137	0.9526
1993												
Jan.	5.419	4.242	8.304	8.863	0.7475	0.7885	0.8699	3.3561	2.9850	0.16307	3.6685	0.9899
Feb.	5.830	4.622	8.387	8.641	0.7747	0.8352	0.9247	3.5526	3.1565	0.17228	3.8416	1.0488
March	5.972	4.790	8.716	8.810	0.7720	0.8527	0.9441	3.6258	3.2254	0.17604	3.9274	1.0673
April	5.597	4.435	8.646	8.551	0.7519	0.8268	0.9131	3.5076	3.1212	0.17038	3.8346	1.0371
May	5.479	4.317	8.493	8.321	0.7484	0.8067	0.8888	3.4137	3.0432	0.16604	3.7865	1.0126
June	5.549	4.339	8.394	8.212	0.7489	0.7961	0.8793	3.3664	3.0017	0.16381	3.7713	1.0001
July	5.778	4.506	8.638	8.150	0.7262	0.7906	0.8698	3.3682	2.9954	0.16313	3.8123	0.9897
Aug.	5.831	4.462	8.699	8.110	0.7237	0.7915	0.8429	3.4363	3.0540	0.16183	3.8905	0.9818

Average of daily quotations	Rome	Vienna	Lisbon	Reykjavik	Madrid	Athens	Tallinn	Tokyo	Melbourne	ECU Commercial	SDR
	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 GRD	1 EEK	1 JPY	1 AUD	1 XEU	1 XDR
	13	14	15	16	17	18	19	20	21	22	23
1988	0.00322	0.3391	0.0291	0.0980	0.0359	..	..	0.03266	3.288	4.944	5.61826
1989	0.00313	0.3242	0.0273	0.0758	0.0362	..	..	0.03116	3.398	4.719	5.49375
1990	0.00319	0.3363	0.0268	0.0656	0.0375	..	..	0.02647	2.988	4.864	5.18345
1991	0.00326	0.3464	0.0280	0.0684	0.0389	0.0224	..	0.03008	3.152	5.003	5.53082
1992	0.00364	0.4088	0.0332	0.0778	0.0438	0.0235	0.4060	0.03546	3.289	5.798	6.31247
1992											
Aug.	0.00362	0.3901	0.0318	0.0739	0.0428	0.0220	..	0.03155	2.890	5.582	5.80390
Sept.	0.00380	0.4346	0.0348	0.0819	0.0455	0.0244	..	0.03620	3.208	6.092	6.46534
Oct.	0.00358	0.4509	0.0356	0.0838	0.0446	0.0243	..	0.03876	3.359	6.197	6.73373
Nov.	0.00370	0.4522	0.0357	0.0840	0.0444	0.0244	..	0.04075	3.483	6.247	7.00171
Dec.	0.00364	0.4615	0.0362	0.0817	0.0455	0.0246	0.4060	0.04141	3.542	6.359	7.13363
1993											
Jan.	0.00364	0.4771	0.0373	0.0849	0.0473	0.0251	0.4195	0.04333	3.652	6.576	7.46369
Feb.	0.00377	0.5049	0.0390	0.0898	0.0497	0.0267	0.4441	0.04824	3.970	6.904	7.99711
March	0.00375	0.5153	0.0392	0.0918	0.0507	0.0270	0.4532	0.05103	4.225	7.034	8.24353
April	0.00364	0.4985	0.0378	0.0886	0.0484	0.0256	0.4384	0.04982	3.985	6.830	7.90874
May	0.00371	0.4851	0.0362	0.0868	0.0453	0.0250	0.4267	0.04970	3.826	6.672	7.76351
June	0.00370	0.4784	0.0354	0.0858	0.0438	0.0249	0.4208	0.05172	3.747	6.582	7.82674
July	0.00365	0.4786	0.0345	0.0806	0.0430	0.0248	0.4210	0.05365	3.913	6.564	8.03185
Aug.	0.00363	0.4884	0.0336	0.0813	0.0420	0.0245	0.4295	0.05621	3.957	6.555	8.17177

4.2 MARKKA VALUE OF THE ECU AND CURRENCY INDICES

Average of daily observations	Markka value of the ECU FIM/ECU	Currency indices, 1982=100		
		Trade-weighted currency index	Payments currency index	MERM index
	1	2	3	4
1988	4.96108	102.0	101.7	104.7
1989	4.73670	98.4	99.1	102.8
1990	4.85697	97.3	96.8	97.3
1991	5.00580	101.4	101.4	102.8
1992	5.80140	116.4	115.7	117.3
1992				
Aug.	5.58723	111.5	108.8	109.1
Sept.	6.13433	122.6	120.0	120.8
Oct.	6.22713	124.6	123.6	125.3
Nov.	6.25533	125.2	126.2	129.2
Dec.	6.36242	125.0	126.8	129.8
1993				
Jan.	6.57212	128.9	131.3	134.7
Feb.	6.89952	135.6	138.8	143.9
March	7.03656	138.2	141.6	147.4
April	6.83031	134.0	136.2	141.6
May	6.67350	131.7	133.5	139.3
June	6.58470	130.9	133.2	140.1
July	6.57241	131.0	134.6	142.2
Aug.	6.60127	131.9	135.7	143.9

5. OTHER DOMESTIC FINANCING

5.1 BANK FUNDING FROM THE PUBLIC, MILL. FIM

End of period	Cheque and giro deposits	Transaction deposits	Time deposits	Other deposits	Markku deposits, total (1+2+3+4)	Foreign currency deposits	Total deposits (5+6)	Other funding	Total funding (7+8)
	1	2	3	4	5	6	7	8	9
1988	25 473	76 958	121 670		224 102	4 643	228 745	28 844	257 589
1989	28 942	85 396	125 748		240 085	7 358	247 444	35 298	282 742
1990	30 953	96 176	124 930		252 058	6 818	258 876	38 835	297 711
1991	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
1992	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
1992									
June	33 330	84 552	122 504	17 714	258 101	10 418	268 519	62 836	331 355
July	32 419	83 953	122 788	18 003	257 163	10 665	267 828	62 293	330 121
Aug.	33 067	83 283	122 056	17 976	256 381	11 525	267 906	60 054	327 961
Sept.	30 779	82 078	120 918	18 662	252 436	15 698	268 134	61 377	329 510
Oct.	34 447	82 734	119 726	19 659	256 566	15 429	271 995	59 666	331 661
Nov.	34 675	82 763	118 536	19 613	255 587	14 807	270 394	61 800	332 194
Dec.	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
1993									
Jan.	36 386	90 643	112 861	21 500	261 390	15 643	277 033	62 732	339 766
Feb.	34 514	90 871	111 873	21 643	258 901	16 995	275 896	67 225	343 122
March	36 713	88 594	110 246	21 576	257 130	16 498	273 627	67 271	340 898
April	34 626	88 277	109 522	21 839	254 264	15 708	269 972	64 776	334 747
May	36 856	86 814	108 988	22 119	254 776	14 521	269 297	77 373	346 670
June	36 554	87 629	108 571	22 615	255 368	13 402	268 770	67 806	336 576

5.2 BANK LENDING TO THE PUBLIC, MILL. FIM

End of period	Cheque account and postal giro credits	Bills of exchange	Loans	Markku lending, total (1+2+3)	Foreign currency credits	Total lending (4+5)
	1	2	3	4	5	6
1988	11 358	5 920	234 268	251 545	50 235	301 780
1989	15 270	5 650	257 768	278 688	73 176	351 864
1990	19 152	5 777	260 790	285 720	103 134	388 853
1991	18 037	4 712	262 859	285 609	107 714	393 323
1992	16 045	3 335	252 163	271 544	95 168	366 712
1992						
June	17 344	3 899	257 990	279 234	96 635	375 869
July	16 959	3 848	257 777	278 583	95 334	373 917
Aug.	17 249	3 719	256 976	277 944	92 605	370 550
Sept.	19 366	3 610	256 359	277 335	103 654	380 989
Oct.	16 738	3 538	255 133	275 409	100 976	376 385
Nov.	16 545	3 449	254 411	274 405	101 162	375 567
Dec.	16 045	3 335	252 163	271 544	95 168	366 712
1993						
Jan.	15 948	3 017	251 227	270 192	96 543	366 735
Feb.	16 086	2 944	251 618	270 647	97 973	368 621
March	15 718	2 894	251 528	270 140	95 576	365 717
April	15 326	2 891	251 556	269 774	88 604	358 378
May	15 198	2 848	251 553	269 599	85 075	354 675
June	15 092	2 812	251 305	269 210	83 482	352 692

5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL.FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M ₁	M ₂ (1+4+5)	M ₃
		Claims on the central government	Claims on the public	Total (2+3)				
	1	2	3	4	5	6	7	8
1988	-40 670	-15 356	353 681	338 325	-63 387	111 259	234 268	256 947
1989	-59 049	-18 691	408 344	389 653	-79 084	124 295	251 519	272 603
1990	-82 881	-19 072	453 720	434 648	-85 385	141 524	266 383	291 045
1991	-86 555	-6 516	470 852	464 336	-102 540	130 644	275 241	310 924
1992*	-68 099	81	439 937	440 018	-97 909	134 829	274 011	310 733
1992*								
July	-70 776	-3 718	457 463	453 745	-111 703	127 189	271 265	314 330
Aug.	-65 517	-1 835	456 178	454 342	-118 708	126 771	270 118	311 644
Sept.	-70 526	4 256	454 777	459 032	-122 318	123 157	266 188	307 307
Oct.	-66 406	5 737	451 432	457 170	-119 914	128 012	270 850	313 340
Nov.	-65 532	-8 253	448 726	440 473	-105 066	128 610	269 875	312 343
Dec.	-68 099	81	439 937	440 018	-97 909	134 829	274 011	310 733
1993*								
Jan.	-58 784	-103	441 263	441 160	-106 350	138 722	276 026	315 321
Feb.	-55 354	-997	443 883	442 886	-114 185	136 779	273 346	307 399
March	-52 886	-162	445 947	445 785	-121 904	135 990	270 994	311 305
April	-41 746	271	431 871	432 142	-121 662	134 069	268 734	308 513
May	-39 870	687	430 307	430 993	-121 897	134 801	269 227	307 799
June	-38 803	41	428 868	428 909	-119 921	135 602	270 184	307 449
July	..	..	..	..	..	135 120	269 653	309 061

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

End of period	Foreign currency-denominated debt				Markka-denominated debt				Total central government debt (4+8)	Out-standing lending	Cash funds
	Bonds	Other bonds and debentures	Long-term promissory notes	Total (1+2+3)	Public bonds	Other long-term liabilities	Treasury notes and bills	Total (5+6+7)			
	1	2	3	4	5	6	7	8	9	10	11
1988	20 202	1 804	4 273	26 279	24 243	5 272	2 290	31 805	58 084	41 011	15 858
1989	18 505	852	3 429	22 786	24 126	5 750	250	30 126	52 912	43 499	21 248
1990	20 917	732	3 144	24 793	23 982	8 263	-	32 245	57 038	48 121	23 114
1991	38 703	2 437	2 506	43 646	31 018	12 208	5 180	48 406	92 052	55 165	15 956
1992	100 244	3 669	2 474	106 387	40 578	13 555	14 762	68 895	175 282	61 671	19 781
1992											
July	63 957	3 063	1 641	68 661	35 193	11 460	10 658	57 311	125 972	59 810	22 293
Aug.	66 790	3 050	1 630	71 470	34 862	11 460	11 901	58 223	129 693	60 172	20 510
Sept.	79 848	3 579	2 209	85 636	36 152	11 460	12 193	59 805	145 441	60 940	21 269
Oct.	84 008	3 599	2 549	90 156	37 427	11 460	14 533	63 420	153 576	61 672	22 952
Nov.	85 971	3 704	2 599	92 274	38 928	11 460	14 716	65 104	157 378	61 743	22 448
Dec.	100 244	3 669	2 474	106 387	40 578	13 555	14 762	68 895	175 282	63 517	19 781
1993											
Jan.	116 428	7 343	2 607	126 378	41 597	13 555	16 900	72 052	198 430	55 762	22 958
Feb.	130 937	8 155	4 440	143 532	44 537	13 598	20 397	78 532	222 064	56 236	16 444
March	135 192	8 185	4 422	147 799	47 824	13 593	22 315	83 732	231 531	57 126	39 402
April	139 909	7 834	4 221	151 964	49 146	12 897	22 570	84 613	236 577	57 691	45 211
May	139 488	8 701	4 209	152 398	51 126	12 771	22 014	85 911	238 309	57 786	43 522
June	139 102	9 018	4 263	152 383	57 718	12 770	22 126	92 614	244 997	57 930	43 203
July	142 159	9 510	4 409	156 078	59 997	12 769	21 459	94 225	250 303	..	40 718

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5.5 MARKKA BOND MARKET

A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1988	3 027	8 418	6 889	268	61	7 861	6 522	4 280	18 663
1989	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
1990	4 640	17 891	4 420	490	1 007	17 234	607	10 607	28 447
1991	7 277	25 737	11 073	1 320	-	30 160	-	15 247	45 407
1992*	6 984	15 043	12 965	2 674	4	23 858	-	13 812	37 671
1992*									
July	399	10	-	86	-	50	-	445	495
Aug.	18	1 445	175	20	-	1 620	-	38	1 657
Sept.	2	964	190	77	-	231	-	1 002	1 233
Oct.	1 371	692	2 966	208	-	3 307	-	1 930	5 237
Nov.	140	1 478	430	120	-	1 918	-	250	2 168
Dec.	1 065	4 559	-	600	-	2 178	-	4 046	6 224
1993*									
Jan.	624	592	1 766	276	-	2 318	-	940	3 258
Feb.	471	850	3 480	283	-	4 432	-	652	5 085
March	871	657	3 944	656	13	4 991	-	1 149	6 140
April	504	224	1 835	89	-	2 143	-	509	2 652
May	3 281	1 372	2 761	407	-	4 367	-	3 454	7 821
June	3 132	885	6 658	157	-	7 386	-	3 446	10 832
July	510	115	2 286	-	-	2 401	-	510	2 911

B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1988	19 195	42 892	28 953	1 413	292	32 028	30 054	30 663	92 745
1989	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
1990	23 522	59 756	28 812	1 756	1 298	52 273	22 970	39 902	115 145
1991	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
1992*	26 617	82 319	44 005	5 237	3 358	89 534	13 917	58 085	161 536
1992*									
II	26 383	80 295	37 744	4 306	3 721	83 427	15 314	53 707	152 449
III	26 079	80 658	39 579	4 457	3 720	86 058	14 329	54 106	154 493
IV	26 617	82 319	44 005	5 237	3 358	89 534	13 917	58 085	161 536
1993*									
I	27 751	81 343	51 244	6 092	3 030	97 679	12 097	59 684	169 460
II	33 614	79 950	60 316	6 618	2 369	107 775	11 558	63 534	182 867

C) TURNOVER, MILL. FIM

During period	Interbank	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
1988	..	..	.	.	.
1989	6 500	9 660	.	.	.
1990	5 401	6 058	.	.	.
1991	3 343	29 134	.	.	.
1992	18 221	58 594	10 744	12 156	13 354
1992					
Aug.	3 756	5 058	3 574	2 130	1 798
Sept.	3 272	7 360	2 930	2 566	2 218
Oct.	1 918	8 934	1 600	2 059	3 171
Nov.	1 481	8 642	1 270	2 469	3 201
Dec.	1 460	8 073	1 370	2 932	2 966
1993					
Jan.	2 566	10 760	2 350	3 889	4 923
Feb.	2 762	14 290	2 690	4 909	7 933
March	3 760	15 481	3 400	5 482	8 300
April	2 073	12 289	1 840	4 409	7 048
May	2 165	14 069	2 114	4 977	8 328
June	2 539	21 079	2 115	5 810	7 307
July	4 886	18 701	4 725	7 990	10 211
Aug.	4 426	20 776	4 387	9 812	10 579

5.6 HELSINKI STOCK EXCHANGE

Average of daily observations	Share prices									Turnover ¹ , mill. FIM		
	HEX index (28 Dec., 1990=1000)									Shares and subscription rights	Bonds and debentures	Total
	All-share index	By ownership		By industry								
		Re-stricted	Non-re-stricted	Banks and finance	Insurance and investment	Manufacturing	Of which:					
	1	2	3	4	5	6	7	8	9	10	11	12
1988	1 692	1 727	1 473	1 825	1 371	1 705	1 591	1 629	2 013	31 734	5 718	37 452
1989	1 827	1 850	1 689	1 958	1 528	1 818	1 728	1 748	2 061	33 160	7 375	40 536
1990	1 332	1 324	1 393	1 263	1 185	1 376	1 436	1 282	1 474	15 521	4 550	20 071
1991	962	949	1 062	901	898	1 003	1 075	1 076	1 020	6 339	1 315	7 655
1992	772	759	868	425	467	942	1 123	1 206	890	10 277	15 377	25 654
1992												
Aug.	639	628	719	286	343	803	969	1 120	728	313	898	1 211
Sept.	576	564	667	205	250	750	944	1 085	653	614	1 449	2 062
Oct.	651	637	747	227	289	852	1 017	1 184	791	1 233	2 208	3 441
Nov.	809	796	905	344	429	1 033	1 184	1 311	1 012	1 474	2 562	4 037
Dec.	845	829	959	329	424	1 096	1 203	1 296	1 127	2 521	6 543	9 064
1993												
Jan.	875	.	.	314	422	1 143	1 158	1 331	1 214	1 803	4 114	5 917
Feb.	913	.	.	348	449	1 187	1 246	1 378	1 250	2 268	4 461	6 730
March	994	.	.	429	483	1 295	1 437	1 417	1 371	3 019	5 354	8 374
April	1 091	.	.	464	551	1 419	1 478	1 566	1 535	3 019	3 260	6 279
May	1 200	.	.	575	602	1 542	1 637	1 748	1 644	4 451	4 805	9 257
June	1 132	.	.	508	600	1 461	1 569	1 597	1 570	1 906	4 118	6 024
July	1 241	.	.	579	631	1 618	1 720	1 659	1 808	2 810	2 855	5 665
Aug.	1 410	.	.	830	813	1 782	1 954	1 893	1 944	6 081	4 509	10 589

¹ During period.

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, tot	Transport receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Investment income	Transfers and other income	Current account receipts (6+7+8)	Imports of goods, dif	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
1988	91 313	7 026	4 280	6 132	17 438	108 750	9 377	4 415	122 543	91 232	3 338	7 907	7 390
1989	98 265	7 662	4 497	6 277	18 436	116 701	10 212	3 652	130 565	104 400	3 869	8 969	8 759
1990	99 750	8 347	4 650	6 081	19 077	118 827	12 739	4 461	136 027	101 967	4 363	10 766	9 503
1991	91 100	7 508	5 044	5 636	18 189	109 289	10 003	5 336	124 628	86 348	3 974	11 089	11 011
1992*	105 732	8 602	6 089	7 640	22 331	128 063	5 519	5 920	139 501	93 561	4 305	10 962	13 369
1991													
I	21 947	1 759	915	1 462	4 136	26 084	3 022	1 289	30 395	22 015	968	2 592	2 833
II	21 204	1 850	1 256	1 282	4 389	25 593	2 376	1 421	29 391	20 895	1 019	2 583	2 599
III	22 749	2 030	1 629	1 274	4 932	27 681	2 557	1 268	31 506	20 526	1 020	2 899	2 439
IV	25 199	1 869	1 244	1 618	4 731	29 931	2 047	1 359	33 337	22 912	967	3 014	3 139
1992*													
I	24 763	1 992	1 159	1 679	4 830	29 593	2 119	1 367	33 078	22 781	986	2 725	3 422
II	26 431	2 140	1 493	1 659	5 291	31 722	1 109	1 374	34 205	24 259	1 048	2 813	3 039
III	24 799	2 316	1 958	1 900	6 174	30 973	1 018	1 480	33 470	20 757	1 108	2 853	3 242
IV	29 740	2 154	1 480	2 402	6 036	35 776	1 273	1 699	38 748	25 764	1 163	2 572	3 666
1993*													
I	30 489	2 225	1 269	2 628	6 122	36 610	3 015	1 654	41 280	25 592	1 138	2 310	4 392
II	32 863	2 465	1 639	2 223	6 326	39 189	2 413	1 987	43 590	24 912	1 113	2 136	3 866

During period	Services expenditure, total (11+12 +13)	Imports of goods and services (10+14)	Investment expenditure (15+16 +17)	Transfers and other expenditure (17-16)	Current account expenditure (15+16 +17)	Trade account (1-10)	Transfers and other (2-11)	Travel (3-12)	Other services (4-13)	Services account and others (20+21 +22)	Goods and services account (19+23)	Investment income, net (7-16)	Transfers and other, net (8-17)	Current account (24+25 +26) (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1988	18 634	109 866	17 033	6 975	133 874	80	3 689	-3 627	-1 258	-1 196	-1 116	-7 656	-2 560	-11 331
1989	21 596	125 996	21 882	7 561	155 439	-6 134	3 793	-4 471	-2 482	-3 160	-9 294	-11 670	-3 910	-24 874
1990	24 632	126 599	26 973	8 967	162 540	-2 218	3 984	-6 117	-3 422	-5 555	-7 772	-14 234	-4 506	-26 513
1991	26 074	112 421	28 674	10 529	151 624	4 752	3 534	-6 044	-5 374	-7 885	-3 132	-18 671	-5 192	-26 996
1992*	28 636	122 197	30 390	10 347	162 934	12 171	4 297	-4 873	-5 729	-6 305	5 866	-24 871	-4 428	-23 432
1991														
I	6 394	28 408	7 642	3 020	39 070	-67	791	-1 677	-1 371	-2 257	-2 325	-4 620	-1 731	-8 676
II	6 201	27 096	7 805	2 259	37 161	309	831	-1 326	-1 317	-1 812	-1 503	-5 429	-838	-7 771
III	6 358	26 884	6 716	2 524	36 124	2 223	1 010	-1 270	-1 165	-1 425	797	-4 159	-1 257	-4 618
IV	7 121	30 033	6 510	2 725	39 268	2 288	902	-1 770	-1 521	-2 389	-102	-4 463	-1 367	-5 931
1992*														
I	7 133	29 914	8 456	3 124	41 494	1 981	1 006	-1 566	-1 743	-2 302	-321	-6 337	-1 758	-8 416
II	6 899	31 159	7 408	2 381	40 947	2 172	1 092	-1 320	-1 380	-1 608	563	-6 299	-1 007	-6 742
III	7 203	27 960	6 774	2 402	37 136	4 042	1 208	-895	-1 342	-1 029	3 013	-5 756	-922	-3 666
IV	7 400	33 164	7 752	2 440	43 356	3 976	991	-1 092	-1 264	-1 365	2 611	-6 478	-741	-4 608
1993*														
I	7 839	33 431	10 387	3 083	46 901	4 897	1 087	-1 041	-1 763	-1 718	3 179	-7 372	-1 429	-5 621
II	7 115	32 027	10 610	2 657	45 294	7 951	1 352	-497	-1 643	-788	7 163	-8 197	-670	-1 704

6.2 CAPITAL ACCOUNT¹, MILL. FIM

During period	Imports of long-term capital					Exports of long-term capital					Long-term capital account (5-10)	Basic balance
	Direct investment in Finland	Portfolio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Portfolio investment abroad	Loans	Other long-term capital	Total (6+7+8+9)		
	1	2	3	4	5	6	7	8	9	10	11	12
1988	2 218	14 355	3 062	85	19 720	10 919	1 248	3 931	292	16 390	3 331	-8 001
1989	2 095	14 756	8 608	79	25 538	13 327	180	5 323	273	19 103	6 435	-18 439
1990	3 010	22 656	19 674	169	45 509	12 471	577	-499	294	12 843	32 666	6 153
1991	-997	37 284	14 840	825	51 952	4 240	-372	1 052	101	5 022	46 931	19 935
1992*	1 007	36 623	5 951	479	44 060	2 869	317	3 461	304	6 951	37 109	13 677
1991												
I	116	7 881	3 994	-493	11 499	1 183	-16	184	165	1 516	9 983	1 308
II	99	16 050	4 888	585	21 621	1 155	-433	694	-19	1 397	20 224	12 453
III	-435	10 416	2 747	114	12 843	1 315	434	-522	-2	1 225	11 617	6 999
IV	-777	2 937	3 211	619	5 989	587	-356	697	-44	883	5 106	-825
1992*												
I	514	4 023	-160	795	5 172	1 238	182	621	273	2 313	2 859	-5 557
II	85	12 934	428	-261	13 186	-219	1 142	121	187	1 231	11 955	5 213
III	1	5 303	726	259	6 289	643	-882	1 117	182	1 060	5 229	1 563
IV	407	14 362	4 957	-314	19 412	1 207	-125	1 602	-337	2 347	17 066	12 458
1993*												
I	168	15 397	9 340	-384	24 521	1 659	2 981	-688	-105	3 847	20 674	15 053
II	942	17 168	1 653	-402	19 361	1 707	-967	-293	146	593	18 768	17 064

During period	Imports of short-term capital				Exports of short-term capital				Errors and omissions	Short-term capital account (15-20+21)	Overall balance excl. reserve movements (12+22)	Change in central bank's foreign exchange reserves
	Short-term capital imports of authorized banks	Trade credits	Other short-term capital	Total (13+14+15)	Short-term capital exports of authorized banks	Trade credits	Other short-term capital	Total (17+18+19)				
	13	14	15	16	17	18	19	20	21	22	23	24
1988	10 950	-399	-811	9 740	2 331	644	1 995	4 971	3 415	8 183	183	-183
1989	4 285	1 627	3 679	9 592	1 462	475	710	2 647	5 533	12 478	-5 961	5 961
1990	16 258	1 119	-1 357	16 020	-2 290	-1 254	1 244	-2 300	-9 381	8 939	15 092	-15 092
1991	-13 436	399	-1 301	-14 338	6 261	882	3 285	10 427	-1 574	-26 339	-6 404	6 404
1992*	-29 022	7 757	10 660	-10 606	-567	4 115	6 597	10 145	-2 175	-22 926	-9 249	9 249
1991												
I	18 274	-1 105	2 367	19 536	22 472	-628	3 978	25 821	1 876	-4 410	-3 102	3 102
II	-10 919	-68	-605	-11 592	515	-495	1 970	1 990	-1 092	-14 674	-2 221	2 221
III	-16 407	340	-583	-16 650	-3 091	1 027	1 869	-195	2 550	-13 905	-6 905	6 905
IV	-4 383	1 232	-2 481	-5 632	-13 635	977	-4 531	-17 189	-4 908	6 649	5 824	-5 824
1992*												
I	-2 542	458	3 694	1 610	-4 134	1 005	1 723	-1 405	901	3 916	-1 641	1 641
II	-9 587	3 971	433	-5 184	-1 612	1 165	-3 403	-3 850	-4 928	-6 262	-1 049	1 049
III	-11 212	1 163	12 280	2 230	6 064	222	176	6 461	-3 497	-7 729	-6 165	6 165
IV	-5 681	2 165	-5 747	-9 263	-885	1 723	8 100	8 938	5 350	-12 851	-394	394
1993*												
I	-3 202	291	-5 985	-8 897	14 868	1 442	-1 311	14 999	3 149	-20 747	-5 694	5 694
II	-5 363	2 278	-463	-3 548	-2 909	1 797	402	-711	-3 522	-6 359	10 706	-10 706

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

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

End of period	Long-term liabilities					Long-term assets					Long-term debt, net (5-10)
	Direct investment in Finland	Portfolio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Portfolio investment abroad	Loans	Other long-term capital	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
1988	12 673	68 957	33 117	915	115 662	24 199	8 223	19 417	2 484	54 323	61 339
1989	16 093	82 313	40 110	994	139 510	33 234	7 680	24 572	2 757	68 243	71 267
1990	18 651	98 399	51 744	4 630	173 424	43 931	7 184	25 595	5 487	82 196	91 228
1991	17 443	143 685	75 772	5 827	242 728	53 560	7 430	27 907	6 161	95 057	147 671
1992*	19 000	209 738	94 796	7 919	331 452	62 500	9 115	34 072	7 670	113 357	218 095
1991											
I	18 714	110 303	60 239	4 116	193 373	45 453	7 312	25 970	5 914	84 649	108 723
II	18 760	126 800	66 420	4 725	216 704	46 947	6 923	27 125	6 061	87 056	129 648
III	18 273	132 499	68 747	4 877	224 395	48 601	7 392	26 056	5 934	87 983	136 412
IV	17 443	143 685	75 772	5 827	242 728	53 560	7 430	27 907	6 161	95 057	147 671
1992*											
I	18 093	150 937	77 762	6 768	253 560	54 270	7 900	29 179	6 738	98 087	155 473
II	18 316	160 383	76 021	6 441	261 161	53 522	9 089	28 025	6 648	97 284	163 877
III	18 455	183 866	85 068	7 290	294 678	61 822	8 618	31 039	7 397	108 876	185 802
IV	19 000	209 738	94 796	7 919	331 452	62 500	9 115	34 072	7 670	113 357	218 095
1993*											
I	19 168	252 408	114 518	8 233	394 327	70 474	12 408	35 615	8 324	126 821	267 506
II	20 110	258 886	111 909	7 363	398 268	68 316	11 426	33 238	8 285	121 265	277 003

End of period	Short-term liabilities					Short-term assets					Short-term liabilities, net (16-21)	Debt, net (11+22)	Net interest and dividend expenditure	Net interest and dividend expenditure in relation to current account receipts
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits	Other short-term liabilities	Total (12+13+14+15)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits	Other short-term assets	Total (17+18+19+20)				
	12	13	14	15	16	17	18	19	20	21	22	23	24	25
1988	3 341	83 828	11 070	9 039	107 278	32 037	32 108	16 041	4 789	84 975	22 303	83 642	7 933	6.5
1989	3 558	88 751	12 697	12 883	117 889	25 113	33 569	16 516	5 666	80 864	37 024	108 291	10 453	8.0
1990	3 922	106 548	13 466	13 864	137 801	39 506	27 190	14 372	6 608	87 676	50 125	141 353	13 130	9.7
1991	3 149	99 502	13 798	14 703	131 152	35 922	36 727	15 840	10 545	99 034	32 118	179 788	15 734	12.7
1992*	7 849	84 253	21 654	22 274	136 030	33 966	43 534	21 004	16 732	115 236	20 795	238 890	19 571	14.1
1991														
I	3 399	126 600	12 237	17 232	159 468	37 748	48 792	13 813	11 336	111 690	47 778	156 502	3 886	12.8
II	2 889	117 188	12 160	17 498	149 735	36 023	50 406	13 339	13 721	113 489	36 245	165 893	4 695	16.0
III	2 826	99 953	12 500	16 703	131 982	29 006	47 064	14 371	15 121	105 561	26 421	162 833	3 424	10.9
IV	3 149	99 502	13 798	14 703	131 152	35 922	36 727	15 840	10 545	99 034	32 118	179 788	3 729	11.2
1992*														
I	3 185	100 961	14 224	18 439	136 808	35 429	32 960	17 009	12 765	98 163	38 645	194 117	5 011	15.1
II	3 242	89 647	18 219	18 157	129 265	33 516	32 786	18 124	8 932	93 358	35 907	199 784	4 973	14.5
III	14 067	86 647	19 406	21 248	141 367	29 484	43 316	18 835	9 575	101 210	40 158	225 960	4 430	13.2
IV	7 849	84 253	21 654	22 274	136 030	33 966	43 534	21 004	16 732	115 236	20 795	238 890	5 156	13.3
1993*														
I	5 836	86 430	21 918	19 833	134 018	31 998	60 816	23 133	16 377	132 323	1 695	269 201	6 472	15.7
II	6 173	78 525	24 142	17 099	125 939	41 889	56 929	24 604	15 532	138 955	-13 015	263 988	7 297	16.7

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

End of period	Long-term liabilities					Long-term assets						Long-term liabilities, net (6-12)	
	Corporate sector	Banks	Other financial institutions	Central government	Other	Total (1+2+3+4+5)	Corporate sector	Banks	Other financial institutions	Central government	Other		Total (7+8+9+10+11)
	1	2	3	4	5	6	7	8	9	10	11	12	13
1988	46 471	27 427	14 339	26 926	499	115 662	25 093	21 607	3 573	3 101	949	54 323	61 339
1989	58 009	40 199	17 665	23 063	574	139 510	34 828	26 048	2 313	3 517	1 537	68 243	71 267
1990	65 553	56 394	21 694	29 174	610	173 424	45 372	28 423	2 075	4 279	2 047	82 196	91 228
1991	79 212	70 795	35 623	56 377	721	242 728	57 749	27 641	2 121	4 752	2 794	95 057	147 671
1992*	91 575	70 253	49 128	118 081	2 415	331 452	70 609	30 730	3 096	5 627	3 296	113 357	218 095
1991													
I	71 221	58 776	26 529	36 123	724	193 373	47 585	28 021	2 140	4 651	2 252	84 649	108 723
II	76 980	67 005	33 210	38 814	696	216 704	49 995	27 536	2 122	5 040	2 362	87 056	129 648
III	76 925	68 223	34 193	44 332	723	224 395	51 794	26 862	2 138	4 655	2 534	87 983	136 412
IV	79 212	70 795	35 623	56 377	721	242 728	57 749	27 641	2 121	4 752	2 794	95 057	147 671
1992*													
I	80 836	69 700	36 029	65 370	1 624	253 560	58 994	28 538	2 298	5 367	2 890	98 087	155 473
II	79 011	64 232	37 681	78 534	1 703	261 161	58 755	28 141	2 290	5 147	2 951	97 284	163 877
III	85 805	68 903	39 127	98 824	2 020	294 678	67 223	30 407	2 451	5 528	3 268	108 876	185 802
IV	91 575	70 253	49 128	118 081	2 415	331 452	70 609	30 730	3 096	5 627	3 296	113 357	218 095
1993*													
I	102 168	72 685	54 550	162 000	2 925	394 327	78 528	35 140	3 180	6 259	3 714	126 821	267 506
II	102 784	69 663	51 382	171 676	2 762	398 268	76 549	31 571	3 299	6 535	3 311	121 265	277 003

7. FOREIGN TRADE

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

During period	Exports, feb	Imports, cif	Balance (1-2)
	1	2	3
1988	92 902	92 118	784
1989	99 784	105 516	- 5 732
1990	101 327	103 027	- 1 700
1991	92 842	87 744	5 098
1992*	107 471	94 988	12 483
1992*			
July	7 973	6 754	1 219
Aug.	7 615	6 871	744
Sept.	9 658	7 489	2 169
Oct.	10 200	8 756	1 444
Nov.	10 532	8 740	1 792
Dec.	9 441	8 613	828
1993*			
Jan.	9 435	6 589	2 846
Feb.	10 436	9 056	1 380
March	11 447	10 394	1 053
April	11 352	9 684	1 668
May	11 404	7 794	3 610
June	10 179	7 755	2 424
July	10 775	8 064	2 711

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

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1988	121	130	145	122	119
1989	121	144	156	126	123
1990	125	138	154	128	120
1991	114	115	154	131	118
1992*	124	112	164	145	113
1991					
I	110	117	154	131	118
II	107	112	153	130	118
III	113	109	156	132	119
IV	124	118	157	135	116
1992*					
I	118	112	162	142	114
II	125	118	162	143	113
III	117	102	163	142	115
IV	133	116	171	154	111
1993*					
I	135	107	175	166	106
II	143	104	174	166	105

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, feb					Imports by use of goods, cif				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
1988	7 567	30 474	8 450	29 225	17 186	45 791	7 533	17 274	20 828	692
1989	7 416	32 513	8 844	32 682	18 329	51 786	8 310	20 606	24 055	759
1990	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
1991	6 984	29 695	10 539	29 188	16 436	42 505	9 399	13 973	21 195	672
1992*	7 892	32 587	12 172	35 741	19 079	49 514	9 745	13 348	20 826	1 555
1992*										
July	504	2 393	762	3 122	1 192	3 463	776	907	1 538	70
Aug.	530	2 336	919	2 335	1 495	3 660	690	752	1 552	217
Sept.	687	2 914	1 026	3 244	1 787	4 129	546	903	1 789	122
Oct.	797	3 186	1 027	3 331	1 859	4 498	1 064	1 199	1 890	105
Nov.	770	3 010	1 205	3 789	1 758	4 809	1 058	1 039	1 755	79
Dec.	644	2 949	870	3 421	1 557	4 280	1 300	1 122	1 534	377
1993*										
Jan.	706	2 677	1 048	3 330	1 674	3 691	555	888	1 392	63
Feb.	776	3 069	1 134	3 336	2 121	4 355	1 103	1 665	1 852	81
March	898	3 438	1 213	3 991	1 907	4 658	897	2 845	1 919	75
April	964	3 403	1 306	3 824	1 855	5 446	713	1 349	2 067	109
May	1 017	3 120	1 111	4 314	1 842	4 556	519	1 044	1 605	70
June	928	2 929	966	3 701	1 655	4 272	1 029	904	1 479	71
July	760	2 751	1 162	4 295	1 807	4 337	921	978	1 649	179

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, feb				Imports, cif			
	1992*		1993*		1992*		1993*	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	88 347	82.2	49 475	13.7	75 180	79.1	40 749	7.0
OECD Europe	78 566	73.1	42 936	9.0	62 972	66.3	33 181	4.4
Of which:								
Austria	1 368	1.3	708	3.7	1 162	1.2	566	2.6
Belgium and Luxembourg	2 785	2.6	1 524	8.7	2 688	2.8	1 371	0.8
Denmark	3 858	3.6	2 117	10.7	3 192	3.4	1 593	-0.8
France	7 204	6.7	3 419	-18.7	4 382	4.6	2 252	10.7
Germany	16 806	15.6	8 729	2.5	16 085	16.9	9 099	12.1
Italy	4 302	4.0	2 343	10.6	3 425	3.6	1 895	5.5
Netherlands	5 628	5.2	3 389	22.9	3 458	3.6	1 844	9.0
Norway	3 775	3.5	2 036	15.9	3 825	4.0	2 412	38.1
Spain	2 842	2.6	1 889	30.3	1 167	1.2	625	-5.9
Sweden	13 771	12.8	7 186	4.4	11 133	11.7	5 143	-10.2
Switzerland	1 921	1.8	1 008	8.0	1 842	1.9	948	0.8
United Kingdom	11 519	10.7	6 930	28.3	8 213	8.6	4 236	-1.2
Other OECD	9 781	9.1	6 540	58.8	12 209	12.9	7 568	20.6
Of which:								
Canada	751	0.7	542	52.0	616	0.6	313	6.4
Japan	1 370	1.3	915	31.0	5 202	5.5	3 019	14.9
United States	6 365	5.9	4 190	67.4	5 792	6.1	4 009	31.2
Non-OECD European countries	7 310	6.8	5 418	51.4	9 681	10.2	5 405	25.1
Of which:								
Russia	3 020	2.8	2 461	67.5	6 725	7.1	3 944	33.6
Other countries	11 814	11.0	9 347	87.8	10 127	10.7	4 986	-7.2
Of which:								
OPEC countries	1 927	1.8	1 424	72.6	1 497	1.6	216	-65.4
TOTAL	107 471	100.0	64 241	23.4	94 988	100.0	51 140	7.1
Of which:								
EC countries	57 150	53.2	31 498	9.2	44 801	47.2	24 016	5.7
EFTA countries	20 959	19.5	10 997	6.6	18 033	19.0	9 101	1.0

8. DOMESTIC ECONOMIC DEVELOPMENTS

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

(seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4	5	6	7	8	9
1988	209 956	75 190	81 839	11 446	9 062	387 493	105 897	118 405	374 985
1989	218 775	77 117	95 178	11 234	14 056	416 360	107 552	128 834	395 078
1990	219 293	80 525	88 429	12 720	13 992	414 959	109 236	127 735	396 460
1991	211 181	82 338	68 465	12 701	6 723	381 408	101 932	112 277	371 063
1992*	199 052	82 250	57 944	11 533	8 486	359 265	111 186	112 755	357 696
1990									
IV	54 124	20 321	21 209	3 153	3 502	102 309	26 389	31 028	97 670
1991									
I	53 354	20 457	19 387	3 230	2 983	99 412	24 882	29 422	94 872
II	53 075	20 497	17 138	3 553	1 720	95 984	23 956	27 008	92 931
III	52 754	20 645	16 207	3 133	490	93 230	27 240	28 196	92 274
IV	51 998	20 739	15 732	2 784	1 529	92 783	25 854	27 651	90 986
1992*									
I	51 248	20 493	15 247	3 101	1 837	91 925	26 673	28 500	90 098
II	49 927	20 474	15 267	3 001	2 264	90 932	27 893	28 979	89 846
III	49 340	20 607	14 448	2 683	1 799	88 876	28 132	27 423	89 585
IV	48 538	20 677	12 982	2 748	2 587	87 531	28 489	27 853	88 167
1993*									
I	48 530	19 511	12 981	2 312	2 901	86 234	30 658	28 508	88 384

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1990=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manufacturing	Wood and paper industries	Metal and engineering industries	Other manufacturing	Energy and water supply
	(100.0)	(1.3)	(89.6)	(16.8)	(31.3)	(41.5)	(9.1)
	1	2	3	4	5	6	7
1988	97.1	94.1	97.1	98.7	93.8	99.0	97.5
1989	100.3	101.9	100.5	102.3	99.6	100.8	97.9
1990	100.2	99.8	100.2	100.1	100.4	100.1	100.0
1991	91.2	91.3	89.9	91.5	85.6	92.6	103.6
1992*	92.6	91.2	91.5	94.8	90.9	90.6	103.2
1992*							
June	93.9	131.7	92.9	93.7	93.6	90.9	97.2
July	93.2	82.1	93.2	91.4	94.2	93.0	97.7
Aug.	93.6	77.4	93.3	97.1	94.9	90.5	99.6
Sept.	92.2	90.9	91.4	97.4	90.6	89.5	101.8
Oct.	93.5	78.2	92.0	96.5	89.6	92.1	111.5
Nov.	93.8	87.6	92.1	98.0	92.0	89.9	111.5
Dec.	92.1	80.8	90.8	96.9	91.1	88.8	107.4
1993*							
Jan.	93.9	86.3	92.5	101.7	92.3	88.2	105.6
Feb.	94.3	82.8	92.9	100.0	94.8	89.4	106.1
March	94.4	82.9	92.8	100.6	95.3	88.1	109.1
April	95.8	83.4	94.8	104.1	98.4	88.6	105.4
May	93.9	78.7	93.2	102.8	97.2	86.3	103.4
June	97.1	65.2	96.8	106.4	99.4	90.1	109.5

8.3 INDICATORS OF DOMESTIC SUPPLY AND DEMAND, 1985=100

(seasonally adjusted figures)

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
1988	116.7	113.0	108.6	106.0	113.4	110.6	135.0	110.7
1989	124.2	117.0	130.3	132.9	137.6	125.2	161.4	115.4
1990	119.9	111.7	127.3	124.8	161.7	122.1	144.6	116.6
1991	101.2	103.9	103.9	94.4	127.7	109.9	102.1	110.9
1992*	87.9	93.8	79.5	73.8	76.2	87.5	84.6	108.1
1992*								
May	83.5	93.2	..	..	..	..	..	107.9
June	95.3	94.4	..	..	..	..	..	108.8
July	89.9	92.0	..	..	..	..	..	109.0
Aug.	83.1	89.5	..	..	..	..	..	107.4
Sept.	87.2	93.4	..	..	..	..	..	108.0
Oct.	84.8	91.2	..	..	..	..	..	107.2
Nov.	81.4	85.8	..	..	..	..	..	107.6
Dec.	82.2	89.3	..	..	..	..	..	107.5
I	92.5	100.2	89.3	83.8	92.4	98.6	88.2	108.5
II	89.4	94.7	84.4	82.8	78.3	92.0	107.3	108.3
III	86.7	91.6	80.7	75.4	83.1	81.0	64.3	108.1
IV	82.8	88.8	67.9	55.2	51.1	77.9	80.1	107.4
1993*								
Jan.	74.5	86.6	..	..	..	..	..	107.0
Feb.	82.3	94.0	..	..	..	..	..	108.1
March	87.5	92.7	..	..	..	..	..	107.0
April	80.0	89.6	..	..	..	..	..	106.6
May	79.6	88.1	..	..	..	..	..	105.5
I	81.5	91.1	56.7	59.9	44.8	58.9	117.4	107.4

8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which: Manufacturing (SIC 3)	Central government	Local government	Non-profit institutions			Domes-tic goods	Imported goods		Exported goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1988	124.7	124.6	122.7	128.8	122.0	128.0	112.6	101.5	104.9	89.1	101.7	103.8	100.7	116.3
1989	135.7	136.5	133.8	137.4	132.1	137.1	120.0	107.3	111.3	92.6	107.8	110.5	106.4	125.5
1990	148.2	148.8	146.8	149.8	144.7	150.0	127.3	110.9	115.7	93.6	110.0	110.4	109.8	134.5
1991	157.6	158.3	156.2	157.9	154.8	158.9	132.6	111.2	115.8	94.2	109.9	108.7	110.4	137.3
1992¹	160.6	160.9	159.9	160.6	159.1	162.4	136.0	112.4	115.6	100.9	112.6	113.4	112.3	134.9
1992¹														
July	..	..	..	..	..	..	136.1	112.2	115.9	99.0	112.9	113.2	112.8	134.0
Aug.	..	..	..	..	..	..	135.9	112.0	115.7	98.6	112.4	111.8	112.7	133.7
Sept.	..	..	..	..	..	..	136.4	112.2	115.2	101.3	113.2	115.0	112.3	134.5
Oct.	..	..	..	..	..	..	136.9	113.3	115.7	104.3	113.8	115.9	112.8	134.7
Nov.	..	..	..	..	..	..	137.1	113.4	115.5	105.5	114.1	116.7	112.8	134.4
Dec.	..	..	..	..	..	..	136.8	113.4	115.5	105.9	114.0	115.9	113.0	134.0
I	160.1	160.5	159.4	160.3	158.1	161.7	135.0	111.9	115.5	98.9	111.3	111.6	111.2	136.5
II	160.6	161.1	160.2	160.4	158.7	162.1	136.1	112.3	115.7	99.9	112.4	112.6	112.3	134.7
III	160.4	160.5	159.3	160.7	159.5	162.7	136.2	112.2	115.6	99.6	112.8	113.3	112.6	134.0
IV	161.2	161.4	160.8	161.0	160.3	163.0	136.9	113.4	115.6	105.2	113.9	116.2	112.9	134.3
1993¹														
Jan.	..	..	..	..	..	..	138.2	113.9	115.8	107.1	114.4	116.5	113.4	134.9
Feb.	..	..	..	..	..	..	138.6	115.3	116.6	109.8	115.9	118.9	114.5	134.8
March	..	..	..	..	..	..	138.8	116.2	117.1	112.4	116.9	120.5	115.2	134.7
April	..	..	..	..	..	..	139.3	116.4	117.3	112.4	117.4	121.0	115.7	135.2
May	..	..	..	..	..	..	139.4	116.1	116.8	112.7	117.3	121.6	115.4	135.3
June	..	..	..	..	..	..	139.2	116.1	117.1	111.8	117.2	120.7	115.6	135.5
July	..	..	..	..	..	..	138.8	116.0	117.1	111.6	116.7	119.8	115.2	135.3
I	161.8	162.0	161.8	161.6	160.9	163.3	138.5	115.1	116.5	109.8	115.7	118.6	114.4	134.8

¹ Preliminary figures for columns 1—6.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status			By industry			Unem- ployed	Unem- ployment rate
				Self- employed	Wage and salary earners	Agri- culture and forestry	Industry	Con- struction	Service industries		
1000 persons											
	%										%
	1	2	3	4	5	6	7	8	9	10	11
1988	68.4	2 546	2 431	368	2 062	238	553	188	1 452	116	4.6
1989	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5
1990	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4
1991	67.4	2 533	2 340	340	2 000	197	502	179	1 461	193	7.6
1992	66.1	2 502	2 174	325	1 849	188	454	150	1 382	328	13.1
1992											
July	65.8	2 491	2 164	324	1 840	185	454	149	1 376	327	13.1
Aug.	66.5	2 518	2 164	329	1 834	187	445	150	1 382	354	14.0
Sept.	65.6	2 488	2 146	321	1 825	186	455	150	1 355	342	13.8
Oct.	66.0	2 499	2 134	319	1 815	181	453	132	1 368	365	14.6
Nov.	66.2	2 509	2 126	316	1 810	177	440	142	1 366	384	15.3
Dec.	65.3	2 477	2 094	311	1 783	181	435	136	1 342	383	15.5
1993											
Jan.	65.7	2 493	2 090	307	1 784	178	436	126	1 350	403	16.2
Feb.	65.8	2 494	2 074	317	1 758	171	423	130	1 351	419	16.8
March	65.2	2 475	2 050	312	1 738	180	429	131	1 309	425	17.2
April	65.5	2 488	2 053	319	1 735	179	426	129	1 319	434	17.5
May	65.3	2 480	2 049	317	1 732	175	432	129	1 314	431	17.4
June	64.7	2 459	2 015	307	1 708	167	420	128	1 301	444	18.1
July	64.8	2 466	2 027	316	1 711	172	424	123	1 308	439	17.8

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

During period	Revenue						Expenditure				
	Direct taxes	Indirect taxes	Other taxes and similar revenue	Other revenue	Revenue before financial transactions (1+2+3+4)	Redemptions of loans granted by the state	Revenue before borrowing (5+6)	Consumption	Transfers and subsidies	Of which:	
										Local government	Other domestic sectors
	1	2	3	4	5	6	7	8	9	10	11
1988	35 339	66 348	473	13 629	115 789	2 557	118 346	32 266	65 502	29 757	33 108
1989	39 397	76 458	471	15 990	132 316	3 926	136 241	35 082	72 008	33 244	35 715
1990	42 611	77 364	953	18 423	139 351	4 260	143 611	41 535	81 190	37 646	40 313
1991	41 054	73 251	1 136	19 182	134 624	4 442	139 069	45 085	101 220	42 297	55 160
1992	34 312	69 541	1 512	21 251	126 616	5 054	131 669	49 207	105 184	42 990	59 180
1992											
June	4 310	5 615	135	2 097	12 157	339	12 496	4 390	8 760	4 005	4 514
July	3 662	6 074	275	1 234	11 245	78	11 323	5 073	7 975	3 469	4 319
Aug.	3 422	5 938	130	1 528	11 018	393	11 411	3 483	8 170	3 413	4 553
Sept.	3 091	5 663	117	1 510	10 381	137	10 517	3 887	8 179	3 440	4 575
Oct.	2 896	5 336	136	1 448	9 816	187	10 003	4 169	9 599	3 498	5 933
Nov.	2 984	5 925	110	1 751	10 770	704	11 474	3 806	9 072	3 463	5 492
Dec.	853	6 371	-50	2 978	10 152	1 043	11 195	4 395	9 323	3 671	5 263
1993											
Jan.	-560	5 900	70	919	6 329	15	6 345	4 129	9 084	3 230	5 701
Feb.	3 730	4 446	240	1 257	9 673	113	9 785	3 869	7 807	3 347	4 273
March	2 456	6 205	127	3 496	12 284	2 119	14 403	4 145	9 295	3 698	5 440
April	3 875	4 926	93	2 657	11 551	98	11 649	3 835	9 436	4 055	5 278
May	2 697	5 638	97	2 688	11 120	510	11 630	3 646	9 115	3 958	5 013
June	2 870	5 633	86	2 748	11 337	591	11 928	2 789	8 842	3 958	4 672

During period	Expenditure					Financial balance			
	Fixed investment	Other expenditure	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)
1988	7 565	5 614	110 946	6 529	117 476	4 842	870	2 417	3 287
1989	8 393	5 343	120 826	7 566	128 390	11 490	7 851	-4 009	3 842
1990	5 962	4 927	133 614	9 319	142 934	5 737	678	1 201	1 879
1991	5 370	6 368	158 044	13 328	171 372	-23 420	-32 304	25 659	-6 645
1992	5 042	8 499	167 932	35 501	203 433	-41 316	-71 764	70 691	-1 071
1992									
June	476	1 006	14 632	2 574	17 205	-2 475	-4 709	8 162	3 453
July	398	479	13 925	683	14 608	-2 680	-3 285	5 185	1 900
Aug.	387	331	12 371	7 005	19 375	-1 353	-7 964	4 133	-3 831
Sept.	442	816	13 324	4 950	18 275	-2 943	-7 758	5 267	-2 491
Oct.	439	1 229	15 436	937	16 373	-5 620	-6 370	8 365	1 995
Nov.	410	102	13 390	1 010	14 400	-2 620	-2 926	15 124	12 199
Dec.	664	1 117	15 499	11 897	27 396	-5 347	-16 201	3 174	-13 027
1993									
Jan.	261	1 691	15 165	662	15 826	-8 836	-9 481	16 891	7 410
Feb.	290	842	12 808	1 289	14 097	-3 135	-4 312	15 636	11 324
March	313	2 248	16 001	3 211	19 211	-3 717	-4 808	9 245	4 437
April	306	1 554	15 131	2 060	17 191	-3 580	-5 542	12 592	7 050
May	318	1 156	14 235	1 351	15 586	-3 115	-3 956	2 086	-1 870
June	384	2 650	14 665	768	15 432	-3 328	-3 504	4 424	920

NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

GENERAL

Source

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

Symbols used

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

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

NOTES AND EXPLANATIONS TO TABLES

1 THE BALANCE SHEET OF THE BANK OF FINLAND

Table 1.2 Domestic financial sector. Term claims on deposit banks (Column 13) = bank certificates of deposit held by the Bank of Finland + securities with repurchase commitments. Liquidity position of deposit banks, net (Column 14); see explanation to Table 2.1. Other claims on financial institutions, net (Column 17) = bonds + other claims on financial institutions – other liabilities to financial institutions. *Corporate sector.* Special deposits and other items, net (Column 20) = bonds: other + other claims on corporations – deposits for investment and ship purchase – other liabilities to corporations.

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

Table 2.1 Banks with access to central bank financing can make call money deposits with the Bank of Finland without limit. They can also obtain liquidity credit with a maturity of 1 day, 7 days, 14 days, 21 days or 28 days. The maturity is determined by the Bank of Finland.

Table 2.2 The minimum reserve requirement is reported for the month by the end of which the deposit must be made with the Bank of Finland. The requirement is determined on the basis of the reserve base for the previous month. No interest is paid on minimum reserve deposits. The cash reserve figures for 1989 include the additional deposit requirement of 1.1 per cent under the supplementary cash reserve agreement in force at the time, together with the corresponding non-interest-bearing deposits of FIM 3 159 million.

Table 2.3 Money market instruments are the instruments used by the Bank of Finland in its money market operations. Matured money market instruments, net, comprise both instruments purchased and sold. Money market transactions are recorded according to trade dates.

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

Table 2.5 As from the beginning of 1990, the statistics on the forward exchange market are based on data on individual contracts against the Finnish markka as reported by banks (excluding Columns 5 and 6). The statistics cover all authorized banks and contracts. The rates of exchange used in the statistics are the forward rates on the contract date.

3 RATES OF INTEREST

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

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

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

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

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

Table 3.5 Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered rates for taxable, fixed-rate bonds quoted daily by the five largest banks. Yields on taxable government bonds (Columns 3 and 4) are calculated by the Bank of Finland in a similar fashion. Until January 1992, the yield on 5-year taxable government bonds (Column 3) was calculated on a bullet bond due on 15 March 1994 with a coupon rate of 13 per cent. From February 1992 onwards the yield is calculated on a bullet bond due on 15 January 1999 with a coupon rate of 11 per cent. The yield on 10-year taxable government bonds (Column 4) is calculated on a housing bond (bullet) due on 15 March 2002 with a coupon rate of 10.75 per cent. The yield on taxable public issues (Column 5) is calculated as the arithmetic mean of yields on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued by all issuers except the central government with a remaining maturity of between S25

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

4 RATES OF EXCHANGE

Table 4.2 FIM/ECU (Column 1): The markka value of the ECU is calculated as the sum of the dollar amounts of the currencies in the ECU valued at current market rates, for which daily quotations at noon Finnish time are used. The midpoint was FIM 4.87580 from 7 June to 14 November 1991, and FIM 5.55841 from 15 November 1991 to 7 September 1992, and the fluctuation limits were ± 3 per cent around the midpoint. Since 8 September 1992 the markka has been floating. Trade-weighted currency index (Column 2): The weights are moving averages of the shares of (currently) 14 countries in Finland's foreign merchandise trade (only convertible currencies are included). The payments currency index (Column 3): The weights are moving averages of shares of payments currencies (14 convertible currencies) in Finland's foreign trade. The MERM index (Column 4): The weights are fixed 1977 weights computed on the basis of the IMF's world trade model; 14 currencies are included in this index.

5 OTHER DOMESTIC FINANCING

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

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

Table 5.3 Foreign assets, net (Column 1) = the Bank of Finland's foreign claims + banks' foreign claims (incl.

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

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

Table 5.5 Source: Table B: Statistics Finland from the beginning of 1991. Tables A and B include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland. Table C includes transactions in markka-denominated bonds outside the Helsinki Stock Exchange. Interbank transactions (Column 1) and transactions (purchases and sales) between banks and customers (Column 2) are transactions by the banks entitled to central bank financing. The State Treasury and the five largest banks (KOP, Okobank, Postipankki, Skopbank and Union Bank of Finland) agreed on a market making arrangement for benchmark government bonds with effect from 1 August 1992. Evil Securities Ltd was accepted as primary dealer with effect from 1 May 1993. The

primary dealers' quotes are published daily (page JVKD on Reuters). Purchases from and sales to others (Columns 4 and 5) consist of transactions in benchmark government bonds between primary dealers and other parties. Other parties refer to all parties that are not primary dealers.

Table 5.6 Source: The Helsinki Stock Exchange.

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

Table 6.1 The figures for the trade and goods and services accounts are compiled in accordance with the System of National Accounts. The figures for investment income and expenditure (Columns 7 and 16) include reinvested earnings on direct investment. Preliminary data on reinvested earnings in the previous year have been included in the current account figures annually from the September issue of the Bulletin. (The annual figure is divided evenly between quarterly figures.)

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

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

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

7 FOREIGN TRADE

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

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

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

8 DOMESTIC ECONOMIC DEVELOPMENTS

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

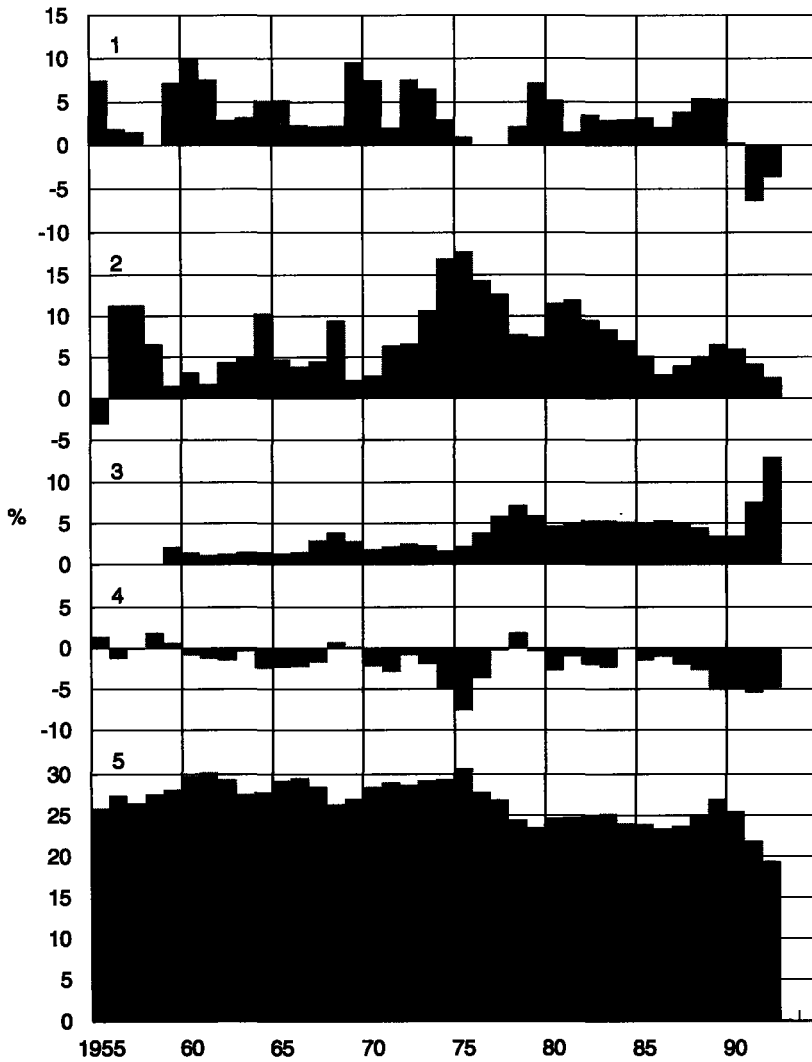
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

Table 8.4 The consumer price index (Column 7) was revised as from January 1988. Both the weights and the methods of calculation were changed (see the item in the March 1988 issue of the Bulletin). The base year is 1985.

Table 8.6 Source: Ministry of Finance.

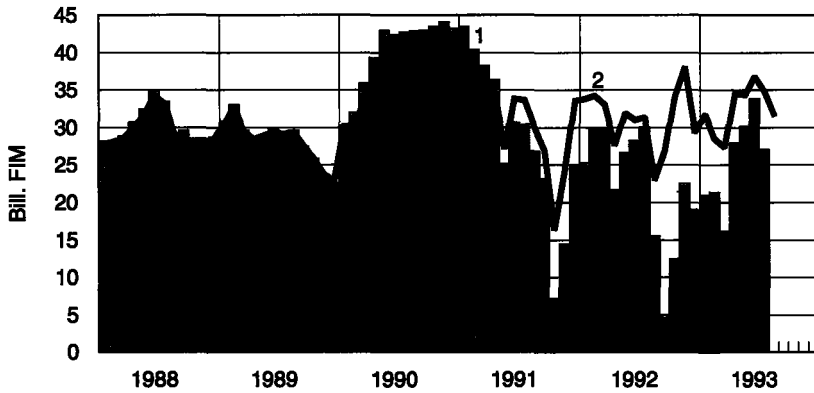
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Rates of interest applied by the Bank of Finland	S29
5. Banks' liquidity position with the Bank of Finland	S30
6. Liquidity management interest rates	S30
7. HELIBOR rates of interest, daily	S30
8. HELIBOR rates of interest, monthly	S31
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14. Monthly spot rates for the markka against the Deutschmark and the US dollar	S33
15. Monthly spot rates for the markka against the pound sterling and the Swedish krona	S33
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17. Bank funding from the public	S34
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19. Money supply	S34
20. Current account	S35
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26. Finland's export performance	S37
27. Production	S38
28. Fixed investment	S38
29. Employment and the unemployment rate	S39
30. Prices and wages	S39
31. Central government finances	S40
32. Central government debt	S40

1. LONG-TERM INDICATORS



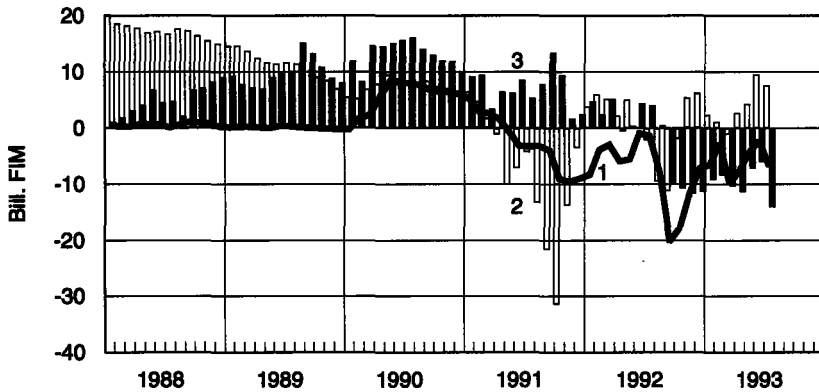
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



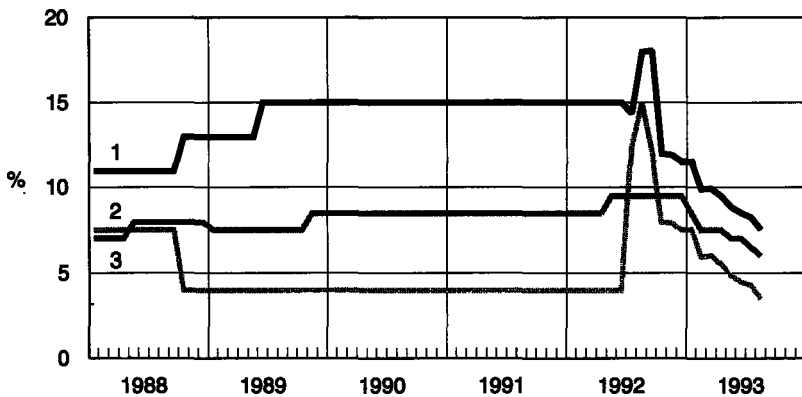
1. Foreign exchange reserves plus forward position
2. Foreign exchange reserves

3. FORWARD MARKET



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

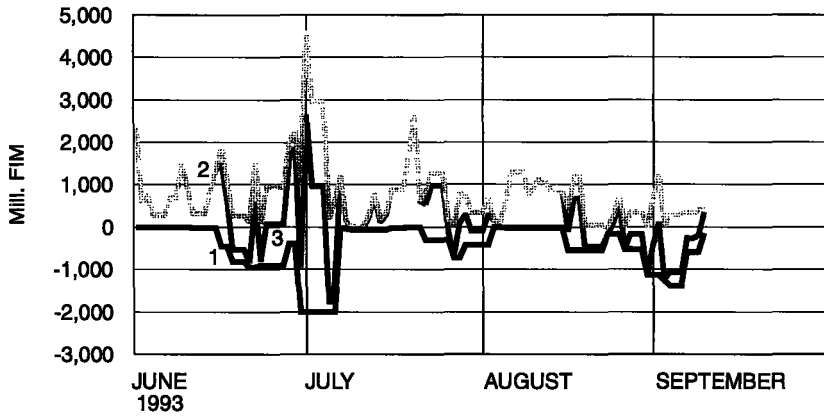
4. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



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

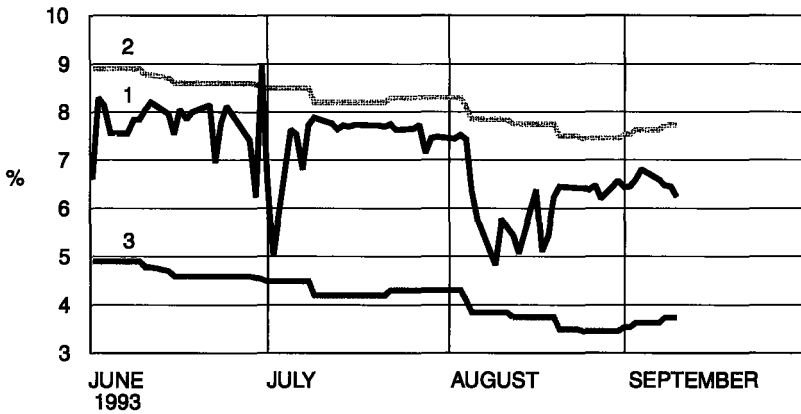
End-of-month observations

5. BANKS' LIQUIDITY POSITION WITH THE BANK OF FINLAND



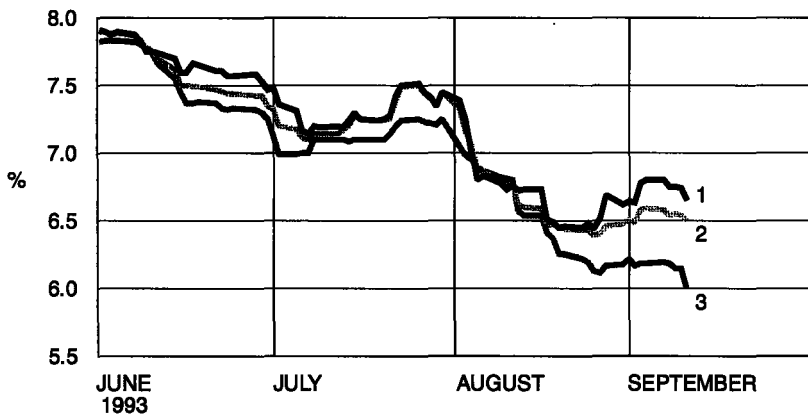
- 1. Liquidity credits (-)
- 2. Call money deposits
- 3. Net

6. LIQUIDITY MANAGEMENT INTEREST RATES



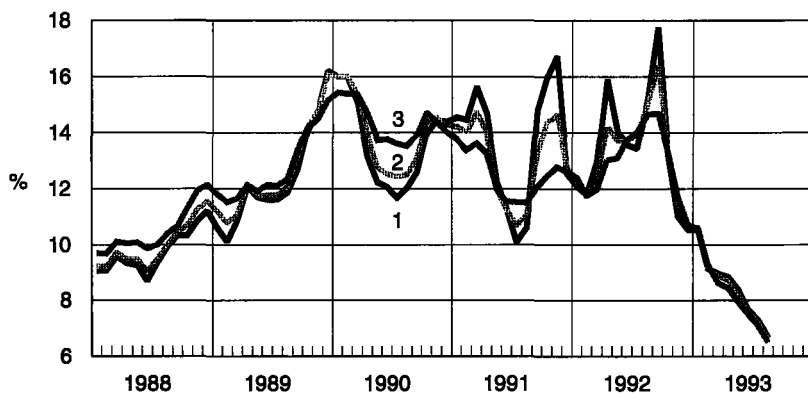
- 1. Inter-bank overnight rate
 - 2. Liquidity credit rate
 - 3. Call money deposit rate
- Daily observations

7. HELIBOR RATES OF INTEREST, DAILY



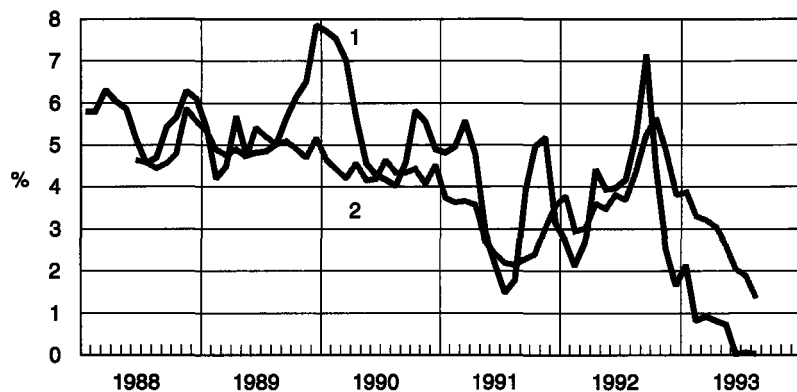
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

8. HELIBOR RATES OF INTEREST, MONTHLY



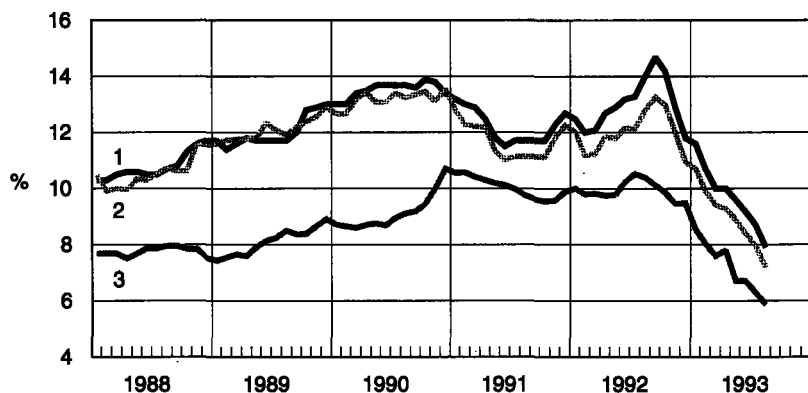
1. 1-month HELIBOR
2. 3-month HELIBOR
3. 12-month HELIBOR

9. DIFFERENTIAL BETWEEN FINNISH AND GERMAN INTEREST RATES



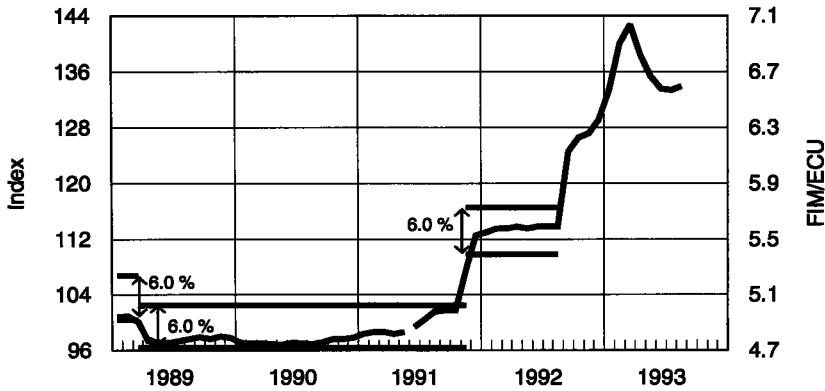
1. 3-month HELIBOR *minus* 3-month DEM eurorate
2. 5-year Finnish government bond yield *minus* 5-year German government bond yield

10. YIELDS ON BONDS



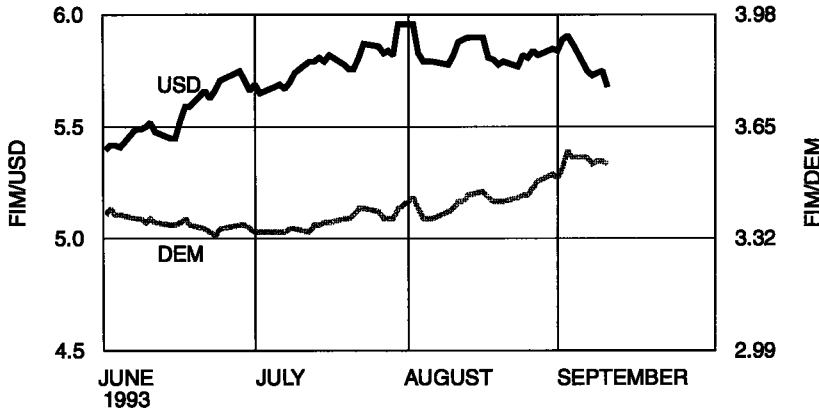
1. Bank of Finland's 5-year reference rate
2. Until April 1991, yield on (4-5 year) taxable government bonds
Since May 1991, yield on government bond due on 15 March 1996, coupon rate 11.75 per cent
3. Yield on (4-5 year) tax-free government bonds

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



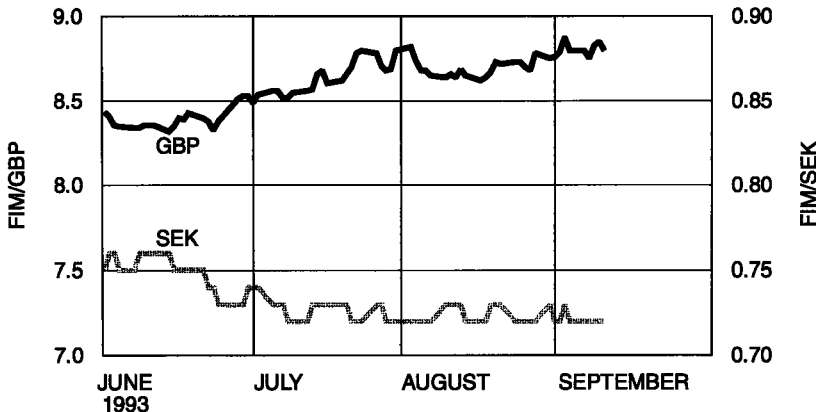
Until 7 June 1991, the Bank of Finland currency index. From 7 June 1991, the markka's exchange rate against the ECU, the fluctuation limits of which were 4.72953–5.02207 in the period 7 June – 14 November 1991, and 5.39166–5.72516 in the period 15 November 1991 – 7 September 1992. Since 8 September 1992,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

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



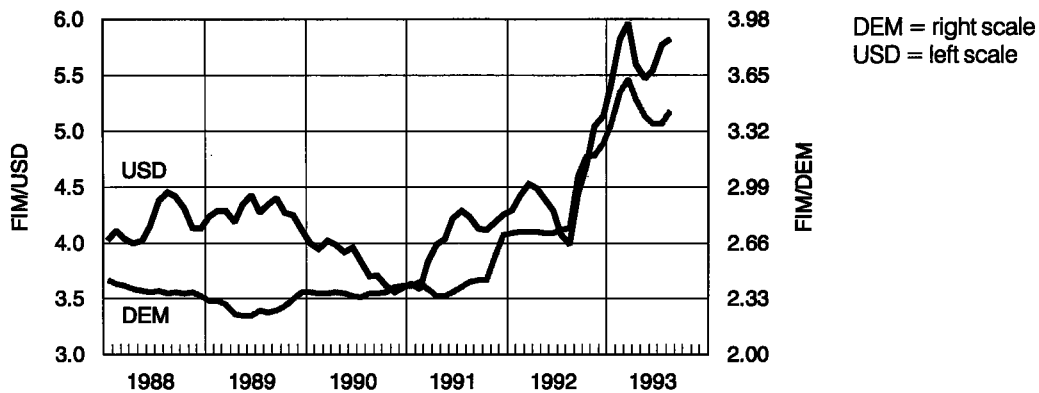
Middle rates
DEM = right scale
USD = left scale

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

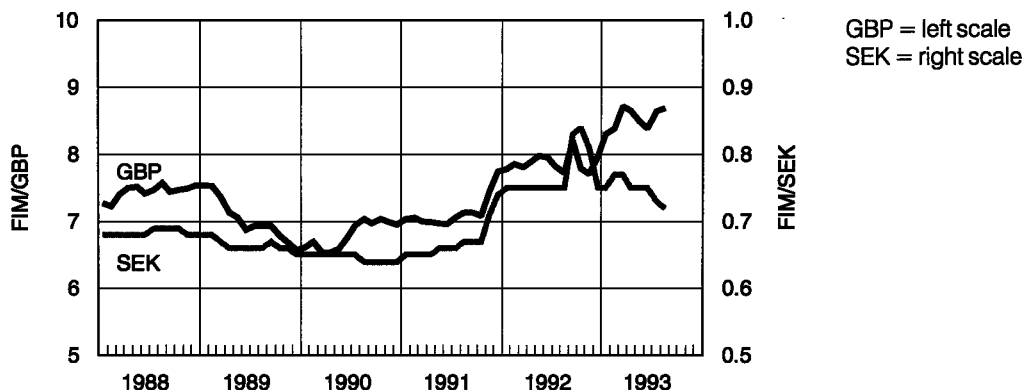


Middle rates
GBP = left scale
SEK = right scale

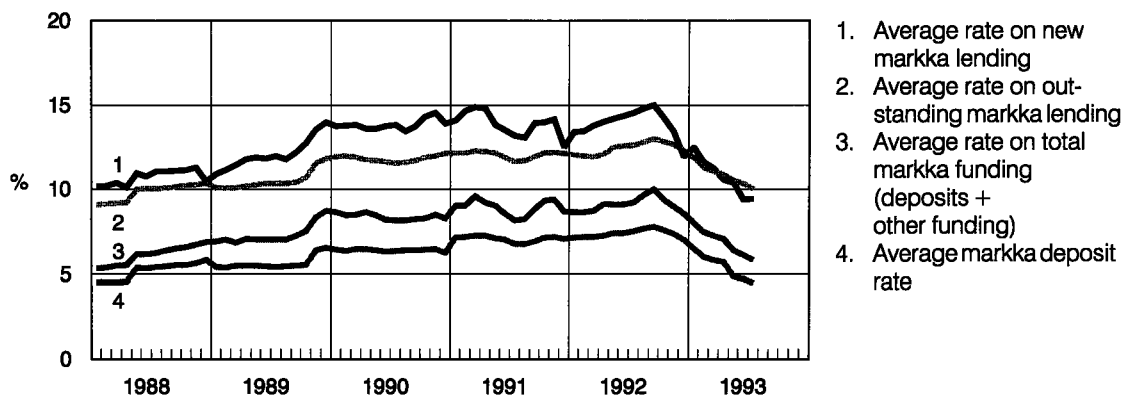
14. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE DEUTSCHMARK AND THE US DOLLAR



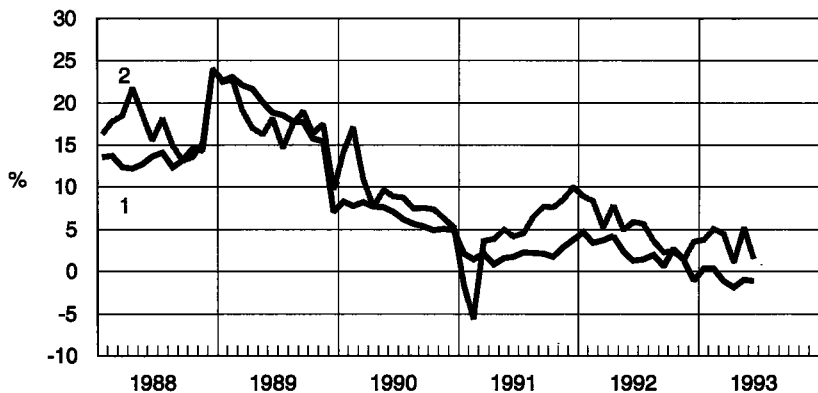
15. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE POUND STERLING AND THE SWEDISH KRONA



16. BANKS' MARKKA LENDING RATES AND MARKKA FUNDING RATES



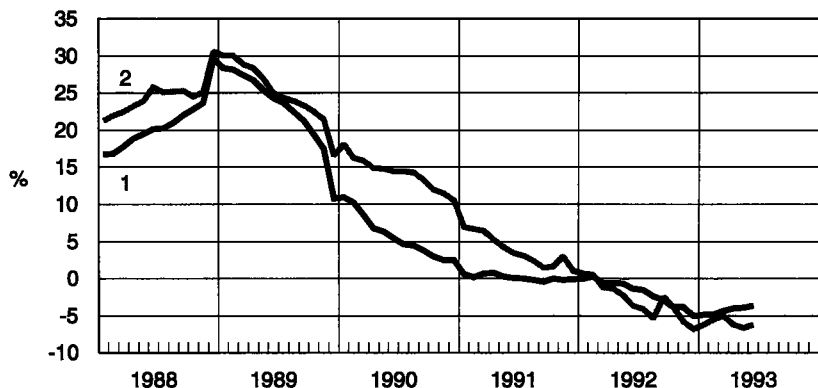
17. BANK FUNDING FROM THE PUBLIC



- 1. Markka deposits
- 2. Total funding

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

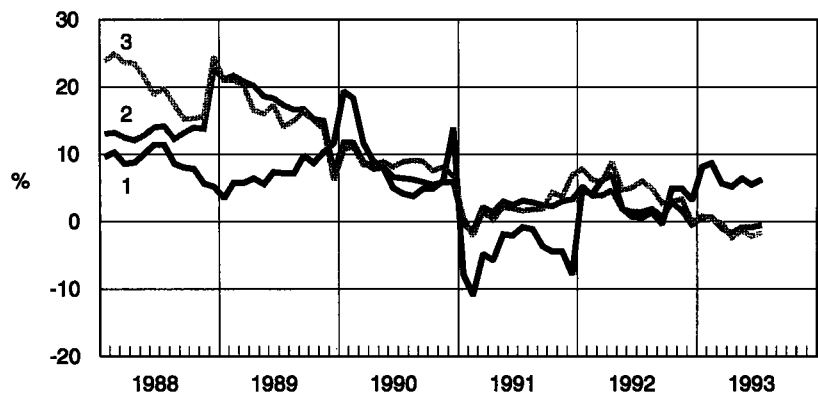
18. BANK LENDING TO THE PUBLIC



- 1. Markka lending
- 2. Total lending

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

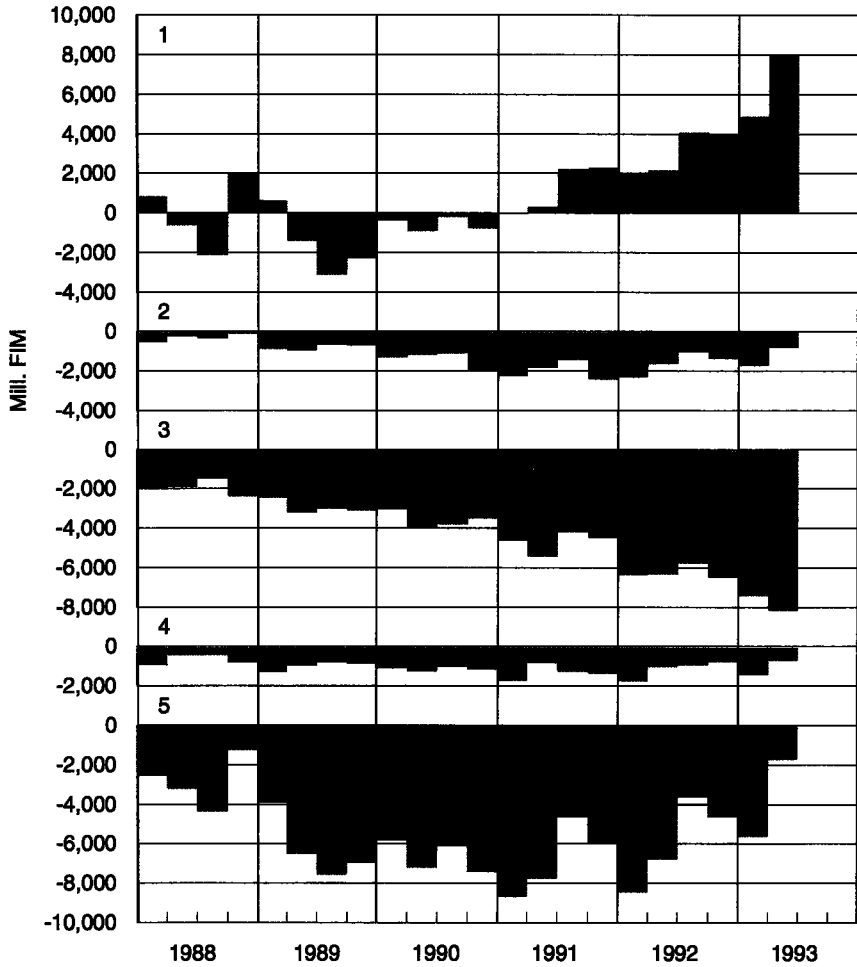
19. MONEY SUPPLY



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

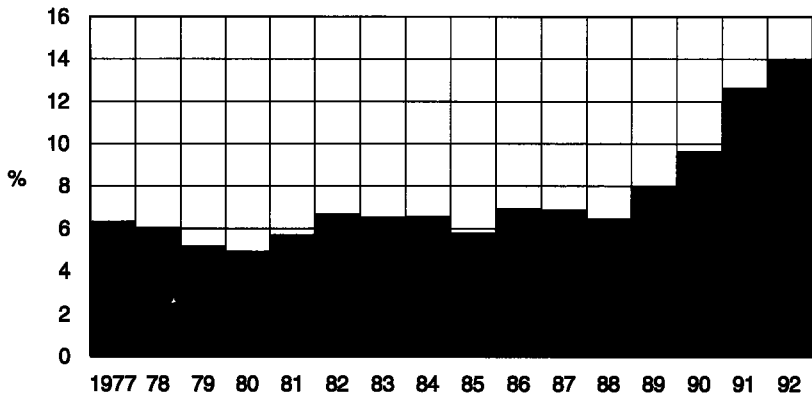
Change from the corresponding month of the previous year, per cent

20. CURRENT ACCOUNT



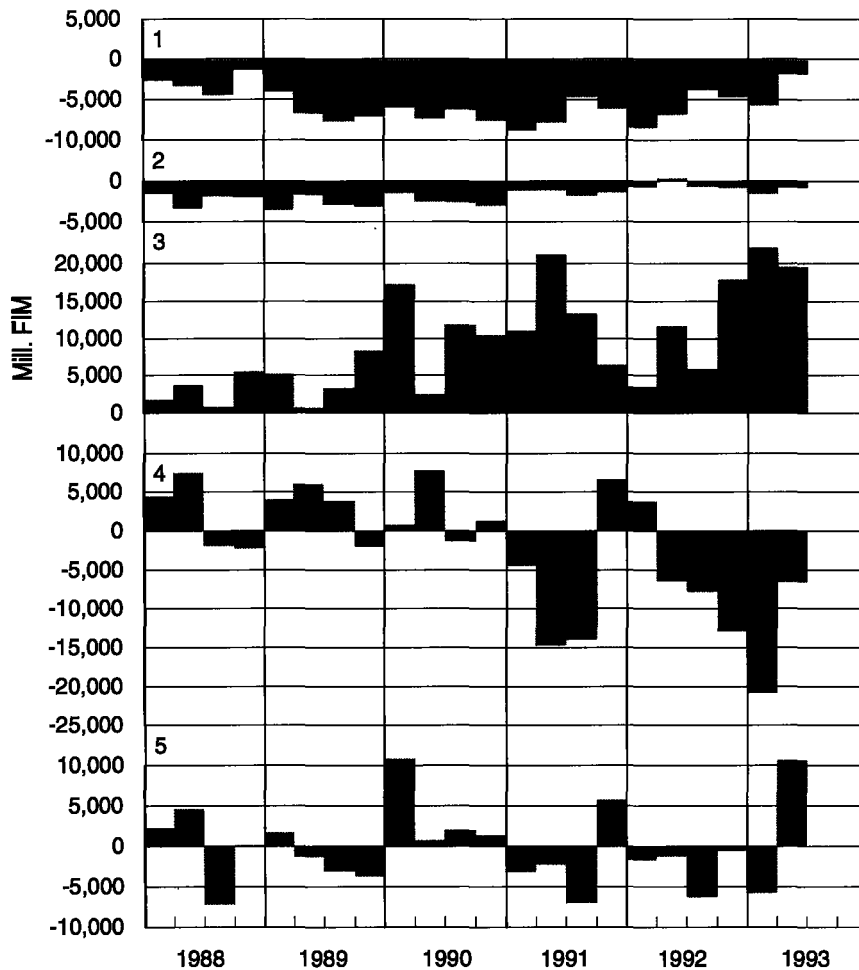
1. Trade account
2. Services account
3. Investment income account
4. Unrequited transfers account and other items, net
5. Current account

21. NET INTEREST AND DIVIDEND EXPENDITURE



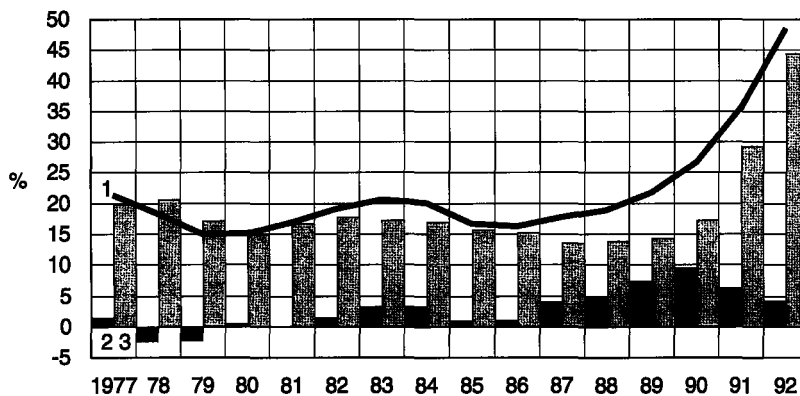
As a percentage of current account receipts

22. BALANCE OF PAYMENTS



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

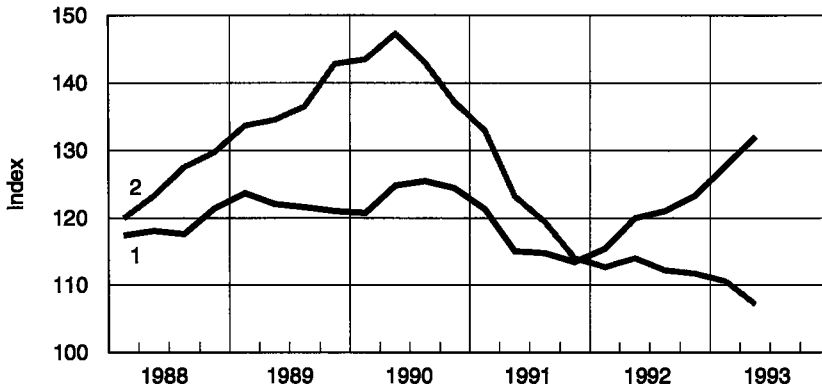
23. FOREIGN DEBT



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

As a percentage of GDP

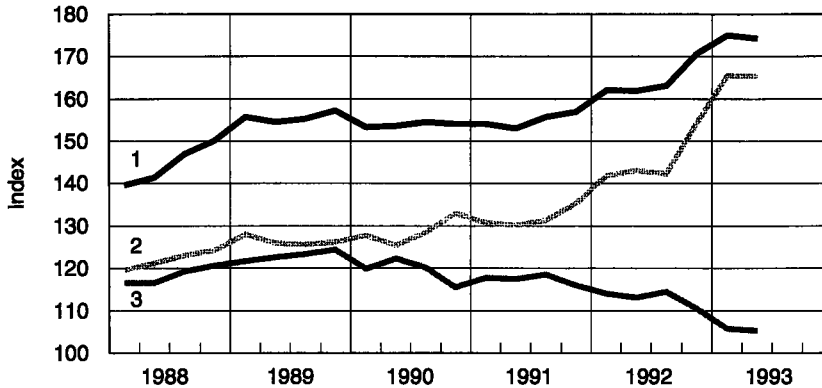
24. FOREIGN TRADE



1. Total exports
2. Total imports

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

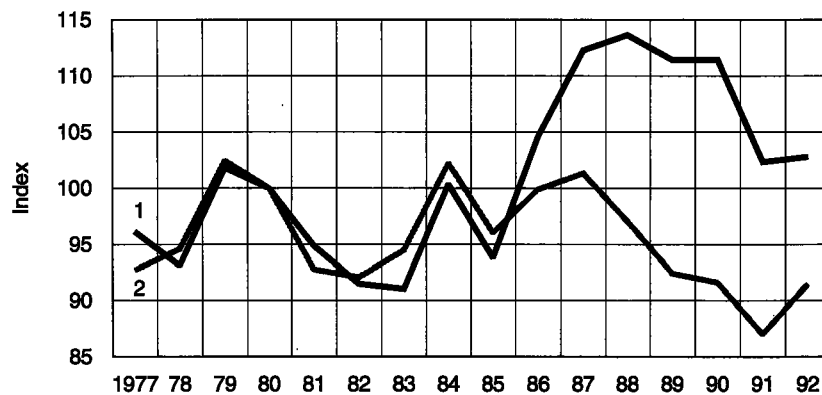
25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



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

1980 = 100

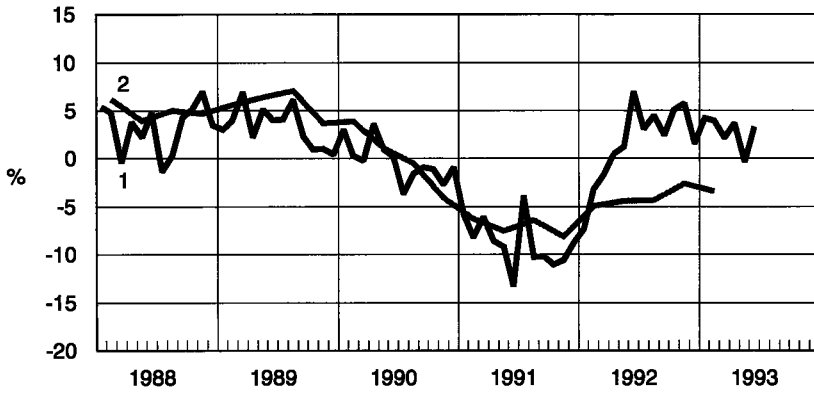
26. FINLAND'S EXPORT PERFORMANCE



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

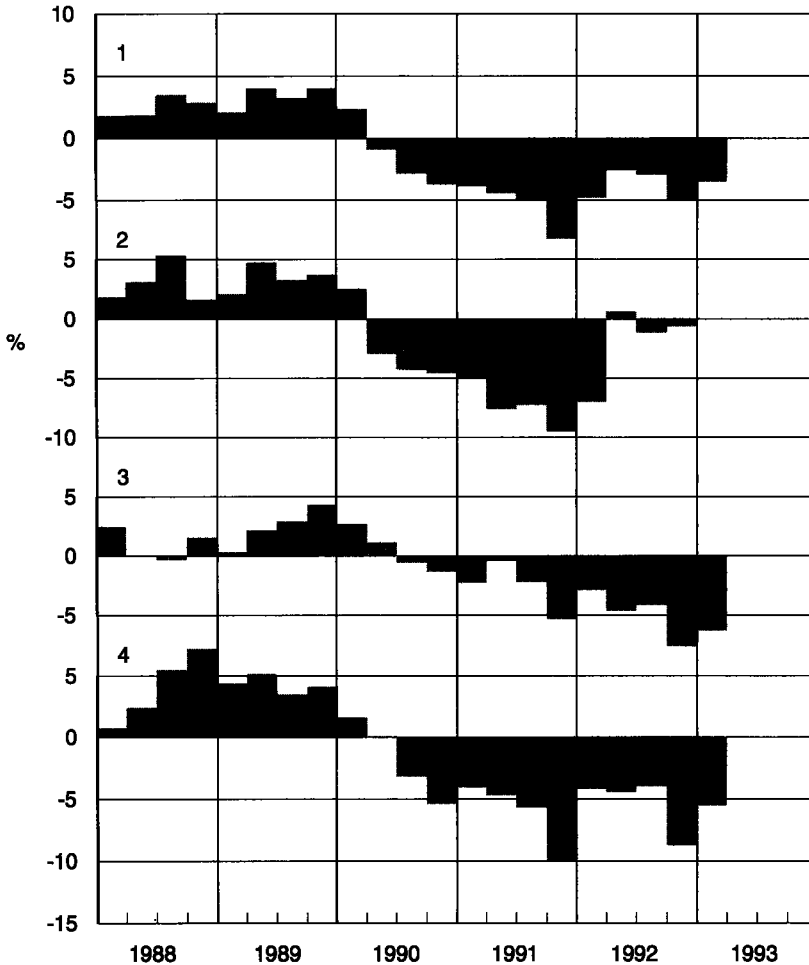
1980 = 100

27. PRODUCTION



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

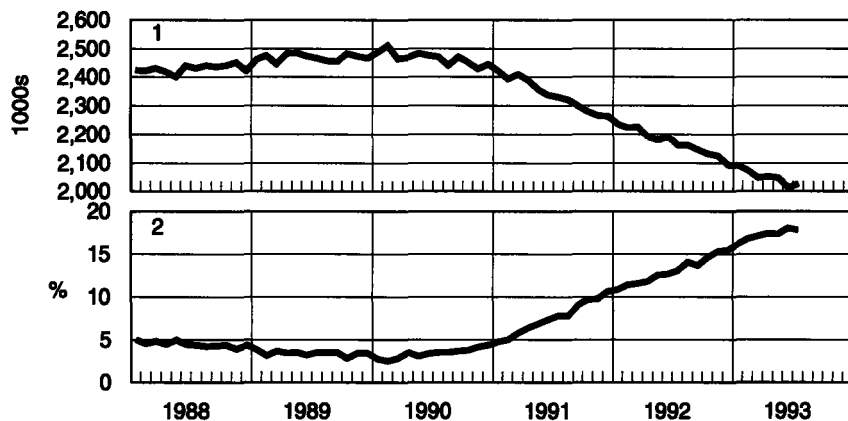
28. FIXED INVESTMENT



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

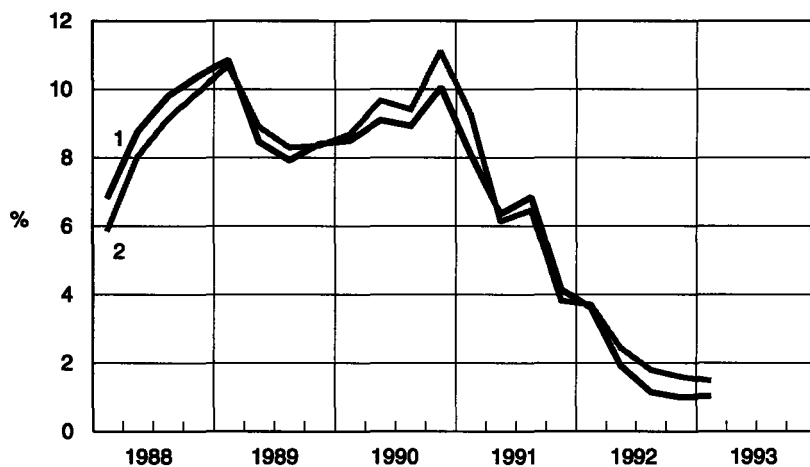
Volume changes calculated from four-quarter moving totals and plotted at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE



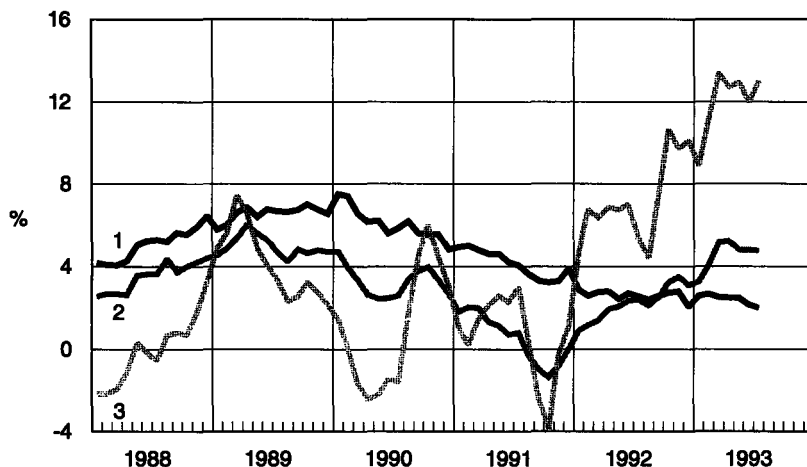
1. Employment, 1000 persons
2. Unemployment rate, per cent

30. PRICES AND WAGES



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

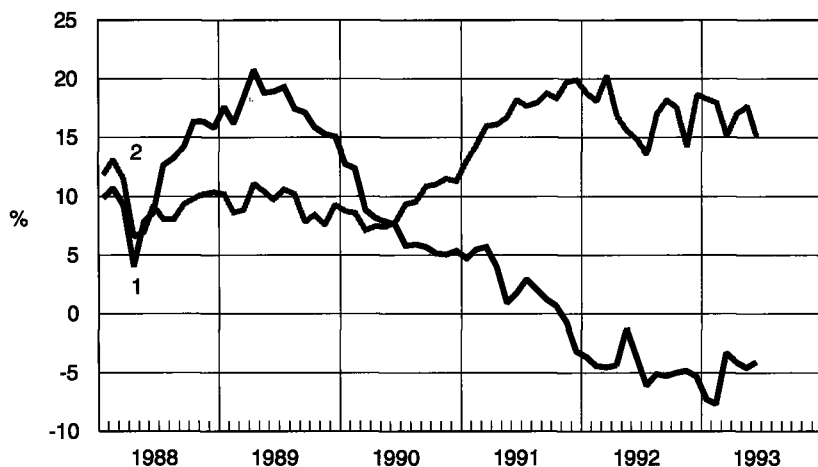
Change from the corresponding quarter of the previous year, per cent



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

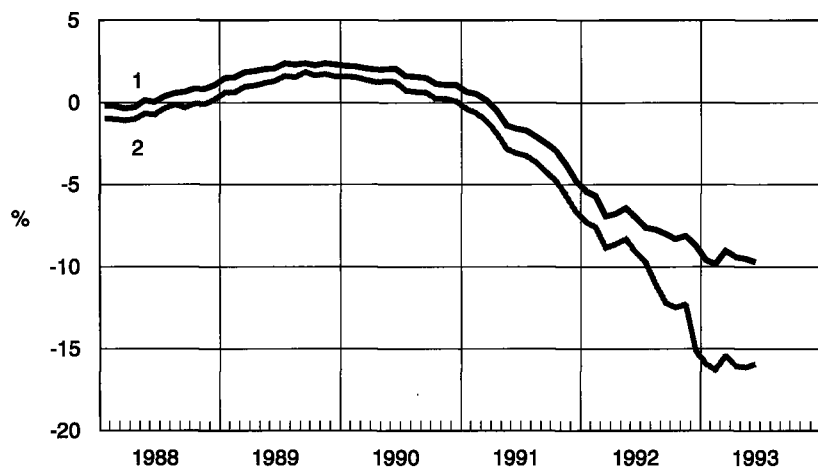
Change from the corresponding month of the previous year, per cent

31. CENTRAL GOVERNMENT FINANCES



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

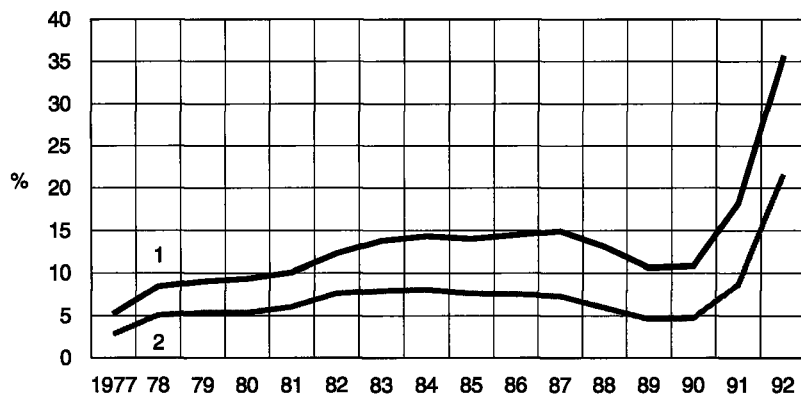
12-month changes calculated from 12-month moving totals and plotted at the last month, per cent



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

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

32. CENTRAL GOVERNMENT DEBT



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

As a percentage of GDP

BANK OF FINLAND

15 September 1993

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JUSSI RANTA, Vice Chairman
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and the Board of Management

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SETEC OY

VELI TARVAINEN, Managing Director
