



BANK OF FINLAND

Monthly Bulletin

Favourable outlook for the Finnish equity market

The Finnish payment system: an international comparison

Monetary and foreign exchange policy measures from May 1986 to April 1987

Parliamentary elections

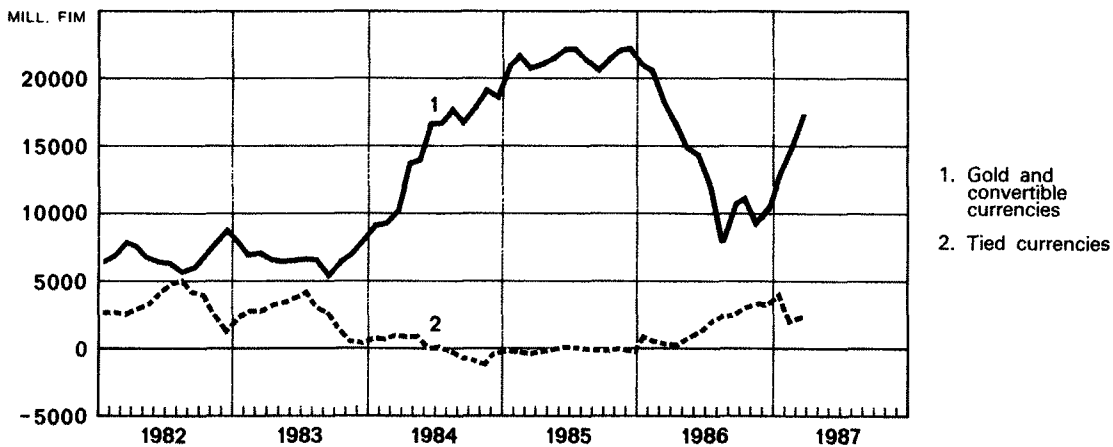
PKbanken purchases Chase Manhattan Bank's subsidiary in Finland

Debt service statistics

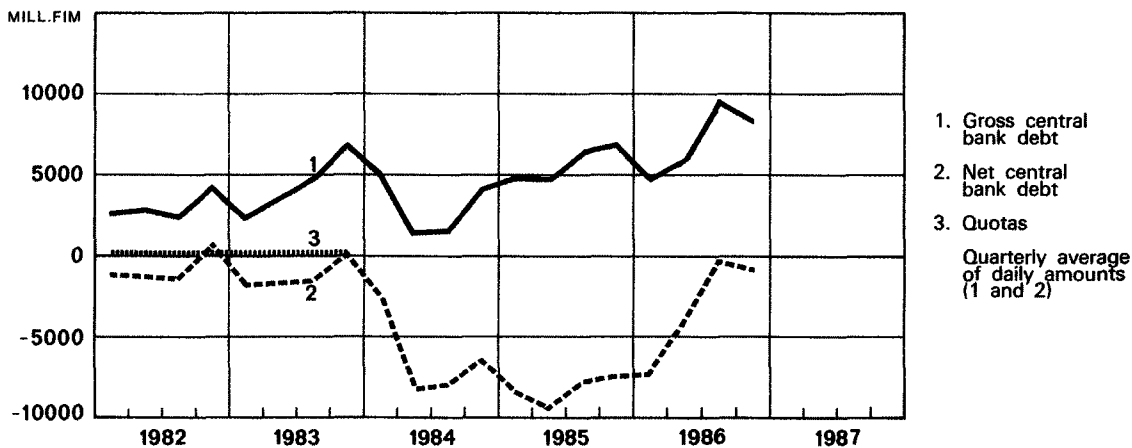
APRIL 1987

Vol. 61 No. 4

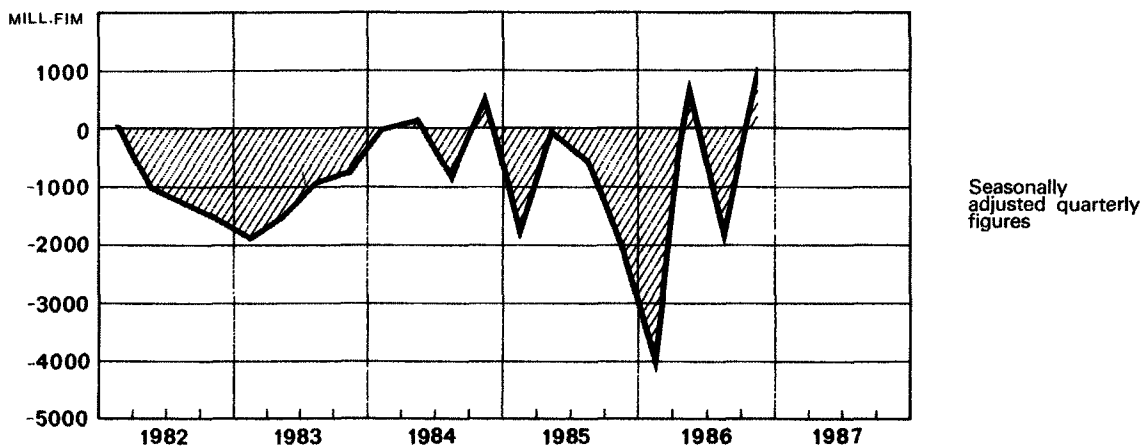
BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1982-87



DEPOSIT BANKS' CENTRAL BANK POSITION, 1982-87



BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1982-87



FAVOURABLE OUTLOOK FOR THE FINNISH EQUITY MARKET

by **Sakari Tuomainen**

Head of Investment Research

Kansallis-Osake-Pankki

Share prices on the Helsinki Stock Exchange have been rising continually for one and a half years. During that time, prices have increased by over 100 per cent. Pessimists believe that some investors may now be preparing to realize their profits. However, there are also factors speaking in favour of a continued rise in stock exchange prices. Among these can be mentioned the improvement in economic growth, an atmosphere fostering saving in the form of equities, recent legislative measures and possibly also expectations of a lowering in interest rates.

UPTURN IN STOCK EXCHANGE PRICES

Prices of listed shares began to rise in the late summer of 1985. Advance details of the budget proposal for 1986 promised concessions for investors. A marked rise in the lower limit of wealth subject to personal wealth taxation acted as an inducement to make new investments. Similarly, a rise in the deductions allowed for capital income offered small investors opportunities to make additional tax-free investments. A cut of 10 percentage points in the corporate income tax rate improved companies' possibilities of distributing profits. Both domestic and foreign investors reacted favourably to this news.

Activity on the Helsinki Stock Exchange in 1985 was characterized by an expansion in turnover, numerous bond issues and acquisitions. Total turnover climbed to a new record level of FIM 12.2 billion, a rise of over 60 per

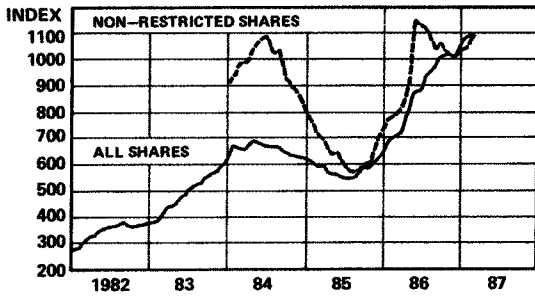
cent from the previous year. Structural change in the economy and the debate engendered by it intensified during 1985. Acquisitions, take-over attempts and structural change put investors on the alert.

Excluding government bonds, new capital totalling about FIM 8 billion was raised through bond and debenture issues. Issue activity was at its liveliest in the spring and early summer. The major part of the issues was sold to foreign investors through the stock exchange. In June 1985, the Bank of Finland, partly for monetary policy reasons, prohibited further sales abroad of domestic bonds and debentures. Since then, however, some markka-denominated bonds have been sold to international investors on the authorization of the Bank of Finland.

With the slowdown in inflation, it was possible to lower the Bank of Finland's base rate in 1985. The base rate was lowered further in 1986, in all three times, and it is currently 7 per cent. Although the real yield on investment deposits and government bonds is still good, developments in interest rates have been a factor contributing to the improved competitiveness of listed shares as an investment outlet.

In 1986, prices of listed shares rose by over 60 per cent (Chart 1). The upsurge in prices was prompted by the improved profits outlook for many companies. Trading was further boosted by rumours of the restructuring of industries and of takeovers and mergers, many of which were subsequently carried out.

CHART 1. SHARE PRICES ON THE HELSINKI STOCK EXCHANGE, KOP SHARE PRICE INDEX (January 1970 = 100)



Stock exchange turnover rose to a new record level in 1986. Total turnover amounted to FIM 16 billion, of which shares and subscription rights accounted for almost 60 per cent (Table 1 and Chart 2). The trend in stock exchange trading is increasingly towards equities.

TABLE 1. TURNOVER ON THE HELSINKI STOCK EXCHANGE, MILLION FIM

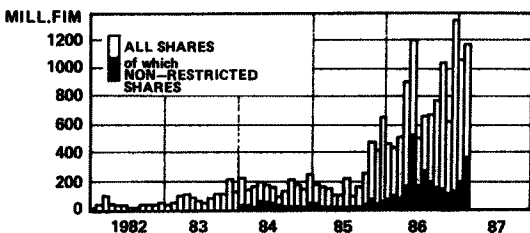
	1982	1983	1984	1985	1986
Equities	664	1 389	2 508	3 114	9 488
Bonds and debentures	2 421	2 356	5 008	9 046	6 479
Total	3 085	3 745	7 516	12 160	15 967

TABLE 2. CAPITAL RAISED IN THE PRIMARY MARKET, MILLION FIM

	1982	1983	1984	1985	1986
Share issues (risk capital)	959	1 316	3 516	1 555	3 512
Bond and debenture issues	3 368	4 735	7 046	14 425	12 928
Total	4 327	6 051	10 562	15 980	16 440

Listed companies raised FIM 3.5 billion in risk capital last year, equalling the previous record amount raised in 1984. An important factor behind the popularity of equity capital was its cheapness in relation to debt capital (Table 2).

CHART 2. SHARE TURNOVER ON THE HELSINKI STOCK EXCHANGE, MILLION FIM



The market capitalization of listed companies amounted to FIM 56 billion at the end of 1986, compared with FIM 34 billion at the end of the previous year.

For many listed companies, 1985 had been a successful year. A number of them paid bigger dividends in the spring of 1986 than they had one year earlier. This reflected both better results and the fact that the corporate income tax rate was lowered by 10 percentage points. The rise in dividends gave a further boost to investment in equities.

Households' real income developments have been very favourable in recent years. Housing investments no longer absorb such a large proportion of household funds as before. Surplus funds have to an increasing extent been channelled to the stock market.

The past few years have seen numerous acquisitions, and the funds obtained from these transactions have been invested in time deposits and government bonds. These investments are gradually starting to unwind, and the general belief is that part of these funds will in due course find their way to the stock exchange.

MARKET FOR NON-RESTRICTED SHARES

Trade in so-called non-restricted shares, i.e. shares eligible for purchase by foreign investors, was brisk in the spring of 1986. This was largely due to the same factors contributing to the rise in the prices of restricted shares, but the prices of the former, which have been quoted separately since the beginning of 1984, advanced at an even more rapid pace as a result, among other things, of an apparent shortage of paper (Chart 1).

A weakening in the outlook for Finnish output and exports, together with rumours of a devaluation, made foreign investors more circumspect towards non-restricted shares in the late spring of 1986. When, in May, the Bank of

(Continued on page 36)

BANK OF FINLAND

Mill. FIM

	1986		1987			
	March 27	Dec. 31	March 6	March 13	March 23	March 31
Assets						
Gold and foreign currency claims	19 096	14 088	18 206	19 623	20 024	19 875
Gold	2 081	2 081	2 081	2 081	2 081	2 081
Special drawing rights	959	983	965	968	963	962
IMF reserve tranche	797	794	772	775	770	770
Convertible currencies	14 641	6 795	12 203	13 429	13 734	13 510
Tied currencies	618	3 435	2 185	2 370	2 476	2 552
Other foreign claims	2 623	2 585	4 577	4 581	4 569	4 567
Markka subscription to Finland's IMF quota	2 623	2 585	2 585	2 585	2 585	2 585
Term credit	—	—	1 992	1 996	1 984	1 982
Claims on financial institutions	7 688	14 074	8 882	7 996	7 789	8 491
Banks' cheque accounts	—	—	—	—	—	—
Call money credits	3 806	6 818	175	167	101	179
Term assets	—	2 381	4 130	3 335	2 959	3 572
Till-money credits	1 657	2 305	2 051	1 966	2 216	2 177
Bonds	2 153	2 111	2 121	2 121	2 104	2 153
Other claims on financial institutions	72	459	405	407	409	410
Claims on the public sector	976	1 002	958	958	958	959
Bonds	71	59	10	10	9	9
Total coinage	902	935	943	943	944	945
Other claims on the public sector	3	8	5	5	5	5
Claims on corporations	4 838	4 844	4 481	4 443	4 369	4 327
Financing of exports	1 695	1 749	1 438	1 409	1 349	1 325
Financing of domestic deliveries	2 996	2 833	2 784	2 779	2 766	2 748
Bonds	75	65	63	59	59	59
Other claims on corporations	72	197	196	196	195	195
Other assets	147	149	156	156	152	152
Total	35 368	36 742	37 260	37 757	37 861	38 371
Liabilities						
Foreign currency liabilities	178	31	51	53	56	57
Convertible currencies	60	17	42	43	44	42
Tied currencies	118	14	9	10	12	15
Other foreign liabilities	3 471	3 423	3 401	3 403	3 399	3 399
IMF markka accounts	2 623	2 585	2 585	2 585	2 585	2 585
Allocations of special drawing rights	848	838	816	818	814	814
Notes and coin in circulation	7 840	8 667	8 453	8 374	8 315	8 325
Notes	7 082	7 856	7 652	7 575	7 515	7 524
Coin	758	811	801	799	800	801
Liabilities to financial institutions	10 775	9 729	13 151	13 648	13 876	14 465
Banks' cheque accounts	0	0	—	—	—	—
Call money deposits	1 102	131	66	32	194	548
Term liabilities	—	—	3 425	3 930	4 000	4 000
Cash reserve deposits	8 942	9 270	9 356	9 356	9 352	9 597
Capital import deposits	614	254	240	241	237	236
Other liabilities to financial institutions	117	74	64	89	93	84
Liabilities to the public sector	1 100	2 001	0	0	0	1
Cheque accounts	0	1	0	0	0	1
Government deposit account	1 100	2 000	—	—	—	—
Capital import deposits	—	—	—	—	—	—
Other liabilities to the public sector	0	0	0	0	0	0
Liabilities to corporations	4 446	5 019	4 870	4 854	4 849	4 770
Deposits for investment and ship purchase	3 847	4 671	4 540	4 524	4 520	4 437
Capital import deposits	597	336	328	327	327	331
Other liabilities to corporations	2	12	2	3	2	2
Other liabilities	15	23	28	24	24	23
Valuation account and reserves	1 659	1 920	1 377	1 472	1 413	1 402
SITRA's capital	400	400	400	400	400	400
Capital accounts	5 484	5 529	5 529	5 529	5 529	5 529
Primary capital	5 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	484	485	529	529	529	529
Undisposed profits	—	—	—	—	—	—
Net earnings	—	44	—	—	—	—
Total	35 368	36 742	37 260	37 757	37 861	38 371

BANK OF FINLAND

Mill. FIM

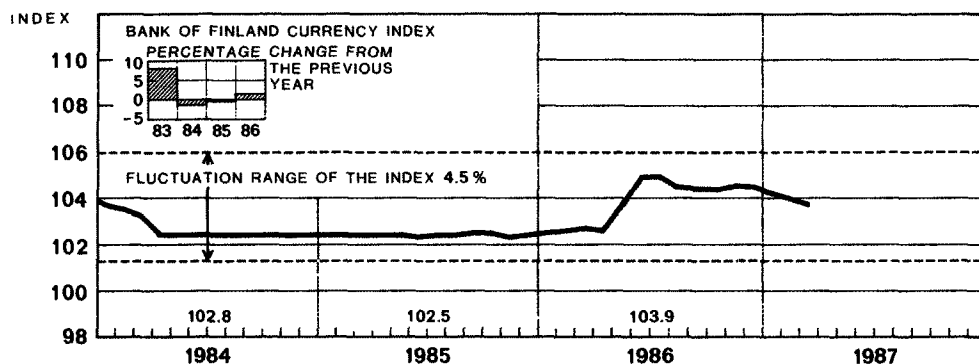
End of year or month	Foreign sector						Public sector			
	Gold, SDRs, IMF reserve tranche	Convertible currencies, net	Total convertible reserves (1+2)	Tied currencies, net	Other claims, net	Net claims (3 to 5)	Claims	Government deposit account	Other liabilities	Net liabilities (8-7+9)
	1	2	3	4	5	6	7	8	9	10
1983	2 360	5 835	8 195	550	-794	7 951	2 178	3 000	0	822
1984	3 527	15 303	18 830	-337	-917	17 576	1 951	4 200	77	2 326
1985	3 787	18 572	22 359	-285	-849	21 225	1 023	4 300	0	3 277
1986	3 858	6 778	10 636	3 421	-838	13 219	1 002	2 000	1	999
1986										
March	3 837	14 581	18 418	500	-848	18 070	976	1 100	0	124
April	3 800	13 017	16 817	421	-830	16 408	978	1 100	0	122
May	3 908	11 125	15 033	989	-866	15 156	984	1 100	1	117
June	3 875	10 603	14 478	1 433	-859	15 052	993	1 250	1	258
July	3 874	8 588	12 462	2 209	-859	13 812	982	1 350	1	369
Aug.	3 883	4 475	8 358	2 576	-846	10 088	984	1 500	1	517
Sept.	3 870	6 989	10 859	2 654	-849	12 664	1 004	890	0	-114
Oct.	3 865	7 490	11 355	3 225	-846	13 734	1 002	1 000	1	-1
Nov.	3 869	5 713	9 582	3 497	-844	12 235	1 008	800	1	-207
Dec.	3 858	6 778	10 636	3 421	-838	13 219	1 002	2 000	1	999
1987										
Jan.	3 818	9 344	13 162	4 127	-820	16 469	1 001	-	1	-1 000
Feb.	3 821	11 215	15 036	2 196	1 182	18 414	957	-	1	-956
March	3 813	13 468	17 281	2 537	1 168	20 986	959	-	1	-958

OFFICIAL FOREIGN EXCHANGE RESERVES

Mill. FIM

	Dec. 31, 1985	Dec. 31, 1986	Jan. 30, 1987	Feb. 27, 1987	March 31, 1987
Gold	2 081	2 081	2 081	2 081	2 081
SDRs	931	983	961	967	962
IMF reserve tranche	775	794	776	773	770
Convertible currencies, net	18 572	6 778	9 344	11 215	13 468
Total convertible reserves, net	22 359	10 636	13 162	15 036	17 281
Tied currencies, net	-285	3 421	4 127	2 196	2 537
Total reserves, net	22 074	14 057	17 289	17 232	19 818

End of year or month	Domestic financial sector						Corporate sector				Notes and coin in circulation
	Till-money credits	Term liabilities of deposit banks	Term assets of deposit banks	Net demand for call money by deposit banks	Cash reserve deposits of deposit banks	Other liabilities. net	Net claims (1+2-3+4-5-6)	Permanent special financing schemes	Liabilities. net	Net claims (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1983	942	.	.	5 175	5 039	-1 998	3 076	4 529	1 282	3 247	6 574
1984	1 563	.	.	2 802	8 696	-1 618	-2 713	4 646	2 614	2 032	7 442
1985	1 925	.	.	4 014	10 222	-1 386	-2 897	4 525	4 113	412	8 072
1986	2 305	2 381	.	6 687	9 270	-2 242	4 345	4 582	4 757	-175	8 667
1986											
March	1 657	.	.	2 704	8 942	-1 494	-3 087	4 691	4 299	392	7 840
April	1 984	.	.	4 081	8 846	-1 541	-1 240	4 665	4 513	152	8 094
May	1 842	.	.	5 593	8 862	-1 411	-16	4 644	4 067	577	8 046
June	1 875	.	.	5 841	8 891	-2 022	847	4 552	4 585	-33	8 156
July	1 844	.	.	7 324	9 030	-2 070	2 208	4 552	4 669	-117	8 086
Aug.	1 650	.	.	11 273	9 023	-2 119	6 019	4 550	4 718	-168	7 969
Sept.	1 847	.	.	7 875	8 954	-2 129	2 897	4 552	4 750	-198	7 903
Oct.	1 755	.	.	7 040	9 052	-2 557	2 300	4 650	4 863	-213	7 973
Nov.	1 709	.	.	8 250	9 180	-2 542	3 321	4 659	4 786	-127	8 024
Dec.	2 305	2 381	.	6 687	9 270	-2 242	4 345	4 582	4 757	-175	8 667
1987											
Jan.	2 231	4 266	.	-370	9 353	-2 268	-958	4 360	4 685	-325	8 851
Feb.	2 012	4 736	1 600	-1 313	9 356	-2 227	-3 294	4 259	4 609	-350	8 453
March	2 177	3 572	4 000	-369	9 597	-2 243	-5 974	4 073	4 516	-443	8 325

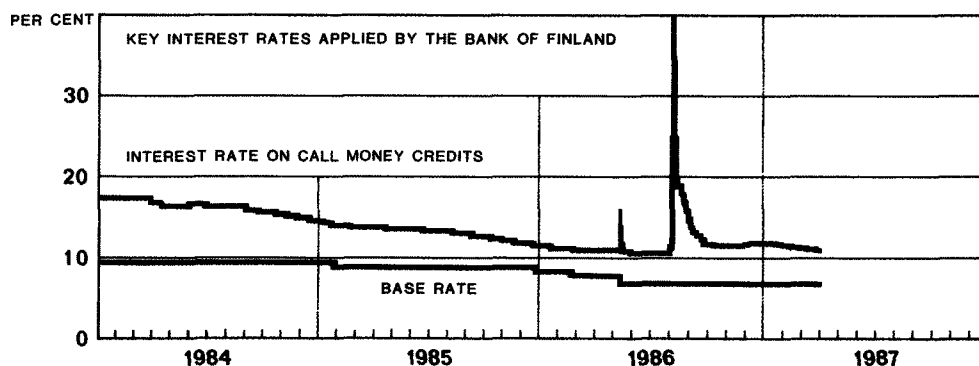


MONETARY POLICY INDICATORS

Average for period	Gross central bank debt of the deposit banks mill. FIM	Net central bank debt of the deposit banks mill. FIM	Cash reserve deposits of the deposit banks mill. FIM	Cash reserve requirement %	Call money credit extended by the Bank of Finland	Interest rate on call money credits %	Interest rate on term credits %	Interest rate on term deposits %	Base rate ¹ %	Average lending rate of the commercial banks %
	1	2	3	4	5	6	7	8	9	10
1982	3 201	-783	2 778	3.1	1 571	11.64	.	.	8.81	9.33
1983	4 539	-1 213	4 345	4.3	2 724	15.37	.	.	9.00	9.56
1984	3 176	-6 365	6 325	5.4	-39	16.53	.	.	9.50	10.49
1985	5 812	-8 293	9 578	5.6	1 285	13.37	.	.	9.04	10.41
1986	7 237	-3 208	9 189	4.8	5 861	13.43	12.48 ²	.	7.42	9.08
1986										
Jan.	5 280	-7 742	10 210	5.3	2 467	11.64	.	.	8.50	9.90
Feb.	4 242	-8 187	9 818	5.0	1 631	11.40	.	.	8.50	9.90
March	5 146	-5 927	9 457	4.7	3 530	11.21	.	.	8.00	9.49
April	5 034	-5 565	8 939	4.7	3 374	11.20	.	.	8.00	9.49
May	6 645	-3 566	8 847	4.7	5 281	12.02	.	.	7.00	8.78
June	6 393	-3 409	8 863	4.7	5 454	10.83	.	.	7.00	8.82
July	7 556	-2 677	8 895	4.7	6 218	10.80	.	.	7.00	8.76
Aug.	11 014	1 239	9 030	4.7	10 269	24.17	.	.	7.00	8.79
Sept.	10 290	68	9 021	4.7	9 088	13.86	.	.	7.00	8.77
Oct.	7 846	-1 524	8 960	4.7	7 436	11.93	.	.	7.00	8.75
Nov.	7 616	-1 784	9 047	4.7	7 263	11.80	.	.	7.00	8.74
Dec.	9 785	580	9 183	4.7	8 321	11.97	12.48	.	7.00	8.81
1987										
Jan.	7 106	-2 248	9 275	4.7	3 594	11.99	12.25	.	7.00	8.81
Feb.	5 035	-6 671	9 353	4.7	-1 595	11.76	11.27	10.72	7.00	8.80
March	3 732	-9 717	9 362	4.7	-281	11.44	10.45	10.60	7.00	..

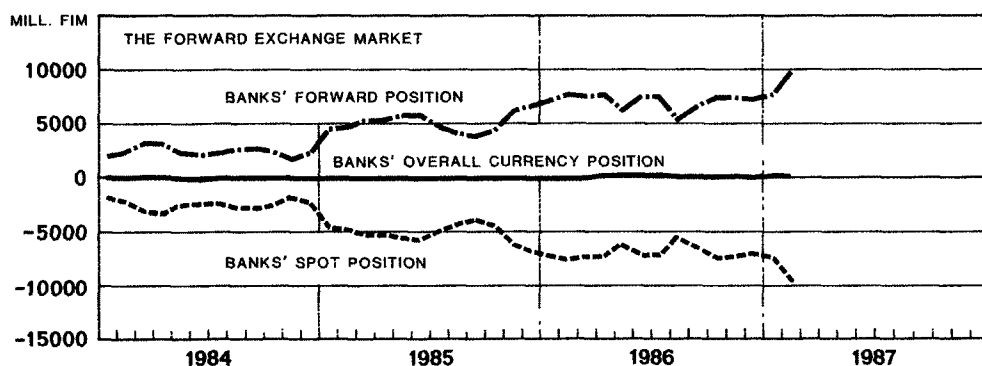
¹ End of period for monthly figures.

² Dec. 1986 figure.



FORWARD EXCHANGE MARKETS IN FINLAND

Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1985	16 982	1 733	15 249	708	-9 005	6 876	3.3	3.2	3.1
1986	11 446	1 319	10 127	-2 461	-92	7 591	6.6	6.7	6.7
1985									
Oct.	17 666	2 795	14 871	805	-9 813	5 986	5.0	4.6	4.3
Nov.	17 510	2 014	15 496	1 200	-10 032	6 702	4.3	4.1	4.0
Dec.	16 982	1 733	15 249	708	-9 005	6 876	3.3	3.2	3.1
1986									
Jan.	17 233	1 945	15 288	543	-8 349	7 457	3.1	2.7	2.6
Feb.	16 911	1 989	14 923	0	-7 015	7 952	2.7	2.4	2.1
March	16 365	2 095	14 270	11	-6 298	8 042	3.5	3.0	2.8
April	15 350	1 713	13 638	-854	-4 742	7 956	4.6	4.2	4.1
May	15 231	2 505	12 726	-1 642	-3 956	6 957	5.1	4.5	4.2
June	13 094	1 665	11 429	-575	-2 619	8 068	4.2	3.8	3.6
July	12 032	1 518	10 514	-1 170	-1 949	7 619	4.6	4.7	4.8
Aug.	12 351	2 393	9 958	-2 263	-1 559	6 006	12.5	7.8	7.1
Sept.	13 762	2 179	11 583	-1 981	-1 291	8 116	7.8	7.1	6.7
Oct.	13 147	2 047	11 100	-1 464	-996	8 388	6.6	6.5	6.3
Nov.	12 049	1 843	10 205	-2 224	-423	7 590	6.2	6.3	6.2
Dec.	11 446	1 319	10 127	-2 461	-92	7 591	6.6	6.7	6.7
1987									
Jan.	13 285	1 515	11 770	-2 248	-5	9 541	6.3	6.0	6.1
Feb.	14 389	1 385	13 003	-1 204	26	11 789	4.4	4.5	4.5



FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

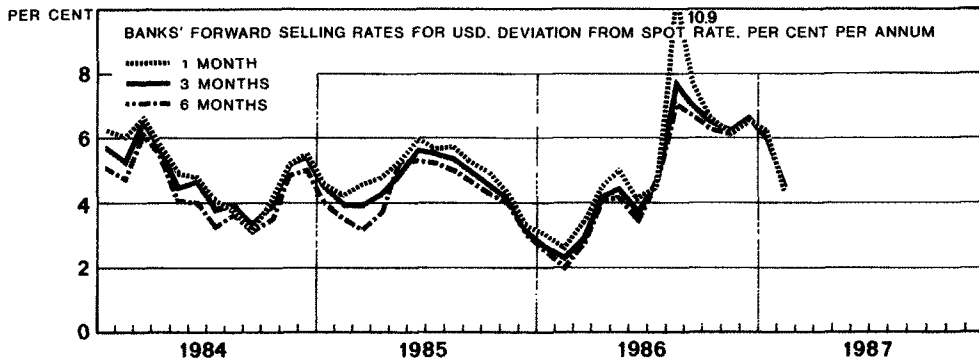
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 1 Skr SEK	Oslo 1 Nkr NOK	Copenhagen 1 Dkr DKK	Frankfurt 1 DM DEM	Amsterdam 1 Hfl NLG	Brussels 1 FB BEC	BEL	Zurich 1 Sfr CHF
	1	2	3	4	5	6	7	8	9	10	11	12
1982	4.820	3.913	8.423	6.854	0.7703	0.7484	0.5793	1.9876	1.8066	0.10584	0.09859	2.3779
1983	5.570	4.524	8.456	6.957	0.7275	0.7644	0.6107	2.1861	1.9566	0.10934	0.10742	2.6570
1984	6.010	4.645	8.023	6.533	0.7277	0.7384	0.5816	2.1165	1.8772	0.10428	0.10274	2.5642
1985	6.206	4.554	8.000	6.590	0.7222	0.7231	0.5871	2.1142	1.8745	0.10483	0.10421	2.5360
1986	5.078	3.659	7.459	6.816	0.7138	0.6882	0.6290	2.3454	2.0789	0.11399	0.11299	2.8349

1986

Feb.	5.258	3.748	7.513	6.827	0.7114	0.7227	0.6115	2.2539	1.9950	0.11018	0.10904	2.6908
March	5.131	3.659	7.531	6.868	0.7101	0.7207	0.6143	2.2689	2.0097	0.11087	0.10962	2.6937
April	5.128	3.700	7.682	6.853	0.7092	0.7180	0.6117	2.2564	2.0020	0.11066	0.10970	2.6968
May	5.105	3.717	7.774	6.985	0.7157	0.6898	0.6201	2.2935	2.0369	0.11237	0.11168	2.7583
June	5.195	3.745	7.840	7.055	0.7217	0.6834	0.6277	2.3254	2.0654	0.11389	0.11307	2.8220
July	5.074	3.681	7.671	7.067	0.7193	0.6803	0.6306	2.3578	2.0925	0.11460	0.11372	2.9080
Aug.	4.940	3.564	7.356	6.665	0.7141	0.6731	0.6372	2.3966	2.1256	0.11580	0.11465	2.9748
Sept.	4.918	3.552	7.256	6.632	0.7127	0.6717	0.6377	2.4114	2.1360	0.11646	0.11525	2.9772
Oct.	4.896	3.532	7.005	6.669	0.7126	0.6674	0.6489	2.4446	2.1631	0.11780	0.11692	2.9852
Nov.	4.959	3.583	7.072	6.685	0.7133	0.6599	0.6495	2.4500	2.1685	0.11795	0.11725	2.9435
Dec.	4.907	3.562	7.055	6.712	0.7111	0.6529	0.6523	2.4649	2.1809	0.11853	0.11760	2.9443

1987

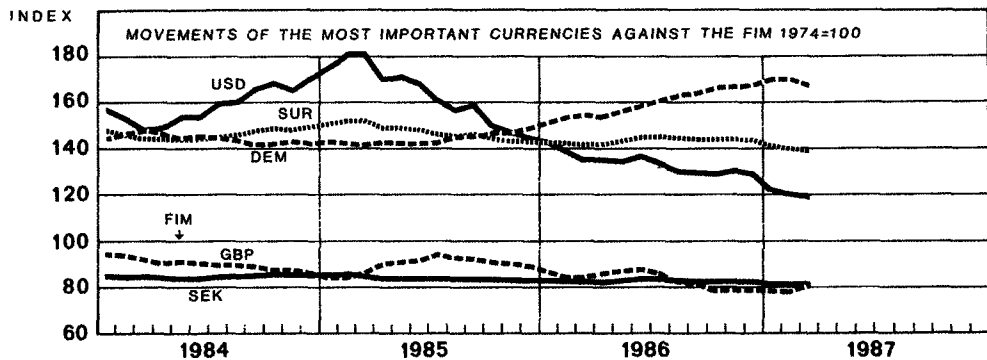
Jan.	4.641	3.413	6.998	6.689	0.7031	0.6485	0.6590	2.4988	2.2148	0.12042	0.11854	2.9774
Feb.	4.560	3.422	6.971	6.660	0.7021	0.6520	0.6619	2.4991	2.2140	0.12073	0.11934	2.9603
March	4.509	3.421	7.185	6.579	0.7040	0.6521	0.6537	2.4603	2.1785	0.11884	0.11821	2.9353



Average selling rates for foreign exchange FIM

Paris 1 FF FRF	Rome 1 Lit ITL	Vienna 1 OS ATS	Lisbon 1 Esc PTE	Reykjavik 1 lkr ISK	Madrid 1 Ptas ESB	Tokyo 1 ¥ JPY	Moscow 1 C. Rbl SUR	Melbourne 1 A \$ AUD	1 European currency unit XEU	1 special drawing right SDR	Currency index ¹
13	14	15	16	17	18	19	20	21	22	23	24
0.7365	0.00358	0.2831	0.0613	0.4079	0.0441	0.01943	6.624	..	..	5.305 63	115.9
0.7353	0.00369	0.3111	0.0514	0.2325	0.0391	0.02351	7.491	..	..	5.943 25	125.1
0.6907	0.00344	0.3013	0.0414	0.1939	0.0375	0.02534	7.357	..	..	6.147 39	102.8
0.6940	0.00327	0.3012	0.0367	0.1520	0.0366	0.02610	7.419	..	..	6.278 79	102.5
0.7355	0.00343	0.3339	0.0343	0.1259	0.0364	0.03028	7.228	..	..	5.944 32	103.9
0.7358	0.00332	0.3210	0.0350	0.1280	0.0359	0.02850	7.161	..	..	5.926 58	102.7
0.7391	0.00335	0.3236	0.0348	0.1267	0.0362	0.02876	7.131	..	..	5.888 85	102.8
0.7133	0.00331	0.3217	0.0346	0.1261	0.0358	0.02931	7.148	..	..	5.886 47	102.7
0.7213	0.00335	0.3265	0.0346	0.1274	0.0362	0.03062	7.230	..	..	5.954 02	103.8
0.7311	0.00340	0.3312	0.0347	0.1281	0.0365	0.03099	7.301	..	..	6.039 58	105.0
0.7342	0.00345	0.3355	0.0345	0.1258	0.0370	0.03201	7.313	..	..	6.024 88	105.0
0.7368	0.00350	0.3409	0.0341	0.1240	0.0369	0.03209	7.278	..	..	5.960 80	104.5
0.7379	0.00351	0.3431	0.0339	0.1238	0.0368	0.03182	7.255	..	..	5.943 98	104.5
0.7481	0.00355	0.3481	0.0337	0.1236	0.0369	0.03139	7.252	..	..	5.922 50	104.5
0.7506	0.00355	0.3483	0.0335	0.1243	0.0366	0.03049	7.263	..	..	5.933 16	104.6
0.7524	0.00357	0.3505	0.0333	0.1231	0.0366	0.03025	7.242	..	..	5.910 76	104.6
0.7512	0.00354	0.3553	0.0329	0.1190	0.0360	0.03004	7.107	3.084	5.156	5.795 56	104.3
0.7517	0.00353	0.3555	0.0325	0.1184	0.0356	0.02975	7.050	3.063	5.153	5.74575	104.1
0.7407	0.00347	0.3503	0.0322	0.1176	0.0352	0.02980	7.003	3.119	5.103	5.71328	103.8

¹ Until December 31, 1983 the base year was 1974=100.
Since January 1, 1984 the base year has been 1982=100.



DEPOSITS BY THE PUBLIC

Mill. FIM

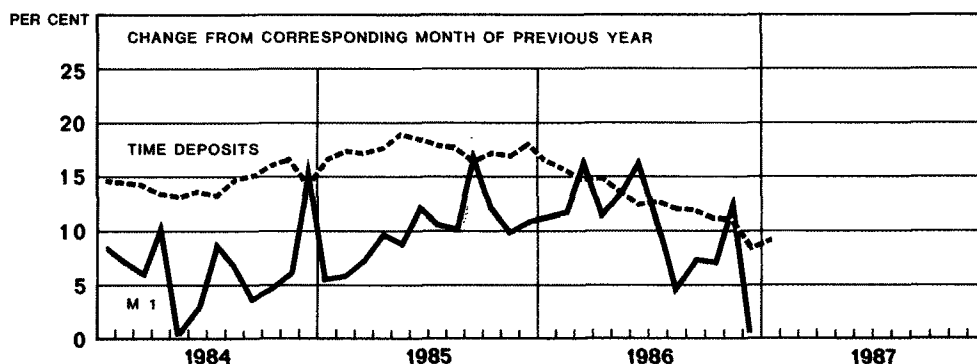
End of year and month	Demand deposits				Time deposits				Total (4 + 9)	
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All deposit banks (1 to 3)	Commercial banks	Savings banks	Co-op. banks	Posti- pankki		All deposit banks (5 to 8)
	1	2	3	4	5	6	7	8	9	10
1982	7 155	3 874	3 049	14 078	29 465	25 883	21 040	8 665	85 054	99 132
1983	7 056	4 567	3 676	15 300	34 302	29 273	24 175	9 938	97 689	112 988
1984	8 470	5 268	4 463	18 201	39 354	33 333	27 900	11 266	111 852	130 053
1985*	9 382	5 988	5 027	20 397	49 240	38 167	32 133	12 671	132 210	152 607

1985*

Nov.	7 654	5 038	5 057	17 749	46 887	37 016	31 155	12 220	127 278	145 027
Dec.	9 382	5 988	5 027	20 397	49 240	38 167	32 133	12 671	132 210	152 607

1986*

Jan.	8 239	5 350	5 210	18 798	49 624	38 550	32 842	12 867	133 883	152 681
Feb.	7 854	5 028	5 133	18 015	50 700	39 154	33 413	12 983	136 250	154 265
March	7 552	5 105	5 678	18 335	49 777	39 307	33 586	13 032	135 703	154 037
April	8 228	5 464	5 045	18 737	50 261	39 407	33 796	13 184	136 647	155 384
May	8 188	5 532	5 542	19 262	50 549	39 737	33 966	13 283	137 534	156 796
June	9 843	5 854	5 769	21 467	50 249	40 498	34 639	12 784	138 170	159 636
July	9 141	5 837	5 629	20 606	49 832	40 837	34 897	12 981	138 547	159 153
Aug.	7 368	5 661	5 873	18 902	49 962	41 026	35 073	13 209	139 270	158 172
Sept.	9 240	5 842	5 871	20 953	49 591	41 102	35 046	13 045	138 784	159 737
Oct.	9 505	5 890	4 899	20 294	49 922	41 403	35 283	13 603	140 211	160 505
Nov.	9 010	6 073	5 278	20 361	50 201	41 867	35 636	13 778	141 482	161 843



ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

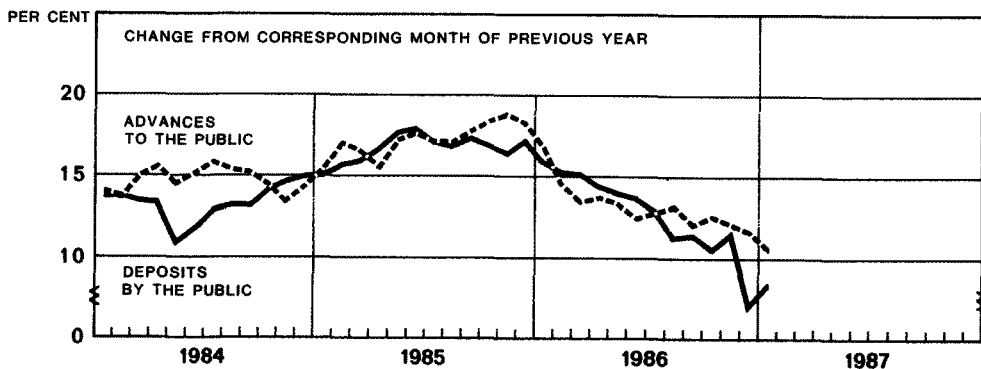
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Post-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ + Quasi-Money
	1	2	3	4	5	6	7		8	9	10
1982	48 620	25 682	23 601	12 684	93 014	3 468	14 105	110 587	19 917	107 549
1983	56 162	29 276	27 322	13 471	104 627	4 350	17 253	126 231	21 427	121 906
1984	65 965	32 705	31 164	14 687	118 924	5 233	20 363	144 520	24 945	141 658
1985*	81 669	36 991	35 751	16 745	140 139	6 313	24 704	171 155	27 694	166 652

1985*

Nov.	81 573	36 467	35 216	16 727	136 739	6 373	26 872	169 984	24 691	157 772
Dec.	81 669	36 991	35 751	16 745	140 139	6 313	24 704	171 155	27 694	166 652

1986*

Jan.	83 252	37 502	36 049	17 168	142 071	7 148	24 751	173 971	26 029	167 354
Feb.	83 136	37 729	36 388	17 140	143 206	7 294	23 893	174 393	25 304	168 731
March	82 513	38 022	36 698	17 094	144 392	6 935	23 000	174 327	25 881	168 792
April	83 121	38 497	37 076	17 829	145 838	7 269	23 416	176 523	26 370	170 568
May	84 423	38 968	37 488	18 026	148 109	7 074	23 722	178 905	26 622	171 161
June	84 856	39 447	37 967	18 532	149 623	7 634	23 545	180 802	28 879	173 879
July	85 332	39 927	38 490	18 504	151 405	7 369	23 480	182 253	27 670	173 524
Aug.	86 187	40 328	38 977	18 987	153 012	8 393	23 073	184 479	26 030	172 484
Sept.	86 148	40 864	39 542	19 607	154 570	7 771	23 819	186 160	28 064	174 220
Oct.	87 572	41 343	39 913	20 120	156 083	7 573	25 294	188 949	27 471	175 271
Nov.	88 261	41 642	40 213	21 150	157 703	7 744	25 820	191 266	27 915	176 682



STATE FINANCES

Mill. FIM

Revenue	Jan.-Nov.		Expenditure	Jan.-Nov.	
	1985	1986		1985	1986
Income and wealth tax (net)	24 149	24 649	Wages, salaries, pensions etc.	13 228	14 154
Gross receipts	59 671	64 828	Repair and maintenance	1 682	1 704
Refunds & local authorities	-35 522	-40 179	Other consumption expenditure	7 734	8 070
Other taxes on income and wealth	552	483	Total consumption expenditure	22 644	23 928
Employers' child allowance payments	669	4	State aid to local authorities	19 262	21 210
Sales tax	22 419	24 779	State aid to industries	8 797	9 230
of which: agric. price subsidies			Child allowances	2 473	1 959
Customs duties and import charges and levies	1 492	1 617	Share in national pensions and sickness insurance schemes	2 041	1 539
Excise duties	10 587	11 458	Deficit of State enterprises	1 084	1 122
Excise duty on alcoholic bevs.	3 804	4 327	Other transfer expenditure	11 278	12 526
Excise duty on tobacco	1 523	1 620	Total transfer expenditure	44 936	47 586
Excise duty on liquid fuel	3 628	3 861	Machinery and equipment	1 826	2 147
Other excise duties	1 633	1 650	Construction of buildings	1 018	890
Tax on autom. and motor-cycles	2 589	3 141	Land and waterway construction	2 173	2 328
Stamp duties	2 422	2 997	Total real investment	5 018	5 365
Special diesel etc. vehicles tax	351	390	Interest on State debt	4 364	4 469
Other taxes and similar revenue	1 934	1 861	Other expenditure	26	18
Total taxes	67 166	71 380	Total other expenditure	4 390	4 486
Miscellaneous revenue	5 247	6 374	Increase in inventories	161	172
Interest, dividends etc.	1 981	2 293	Lending	3 793	3 643
Surplus of state enterprises	1 925	2 167	Other financial investment	790	713
Redemptions of loans granted	1 541	1 841	Total expenditure	81 732	85 893
Total revenue	77 859	84 056	Redemption of foreign loans	1 334	6 331
Foreign borrowing	3 374	5 592	Redemption of domestic loans	5 059	4 089
Domestic borrowing	7 000	7 480	Total redemptions	6 393	10 420
Total borrowing	10 374	13 072			
Deficit (+) or surplus (-)	-107	-814			
Total	88 125	96 313	Total	88 125	96 313

State debt	1984	1985	1986			
	Dec.	Dec.	Sept.	Oct.	Nov.	Dec.
Foreign debt	24 946	25 677	26 922	26 540	25 919	26 981
Long-term debt	19 057	20 872	23 048	23 836	23 955	24 602
Short-term credit	266	432	383	384	386	411
Domestic debt	19 323	21 304	23 431	24 220	24 341	25 013
Total State debt	44 269	46 981	50 353	50 760	50 260	51 994
Total debt mill. \$	6 855	8 562	10 238	10 368	10 135	10 597

FOREIGN TRADE

Mill. FIM

Value. mill. FIM

Period	Value. mill. FIM		
	Exports f.o.b	Imports c.i.f.	Surplus of exports (+) or imports (-)
	1	2	3
1982	63 026	64 751	-1 725
1983	69 692	71 528	-1 836
1984	80 904	74 682	+6 222
1985	84 028	81 520	+2 508
1986*	82 579	77 601	+4 978

1986*

Jan.	6 792	7 472	-680
Feb.	6 923	6 309	+614
March	6 309	6 970	-661
April	6 451	6 794	-343
May	6 305	5 140	+1 165
June	5 561	3 931	+1 630
July	6 996	6 632	+364
Aug.	6 471	6 479	-8
Sept.	7 760	7 683	+77
Oct.	7 935	6 600	+1 335
Nov.	7 602	6 754	+848
Dec.	7 474	6 835	+639

1987*

Jan.	6 721	6 642	+79
------	-------	-------	-----

Indices of exports and imports
1980 = '00

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1982	100	95	119	117	101
1983	104	98	127	125	101
1984	114	98	134	131	102
1985	115	104	138	135	102
1986	116	110	135	121	111

1984

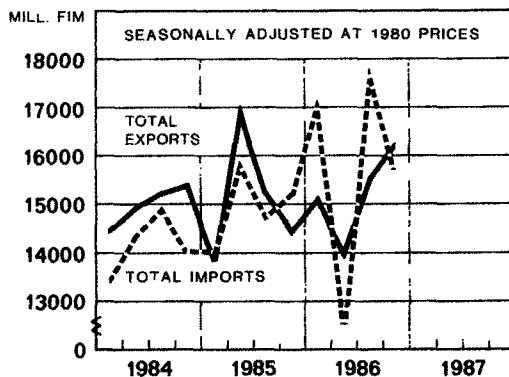
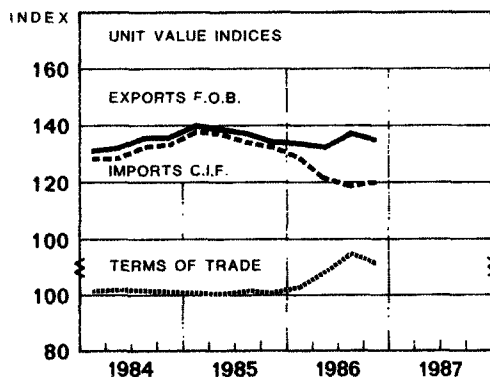
Oct.-Dec.	121	101	137	134	102
-----------	-----	-----	-----	-----	-----

1985

Jan.-March	108	93	141	139	101
Apr.-June	122	106	139	138	101
July-Sept.	113	100	138	135	102
Oct.-Dec.	117	113	135	133	102

1986*

Jan.-March	113	110	134	130	104
Apr.-June	104	90	133	122	109
July-Sept.	117	119	138	119	116
Oct.-Dec.	129	116	136	119	114



FOREIGN TRADE BY MAIN GROUPS

Mill. FIM

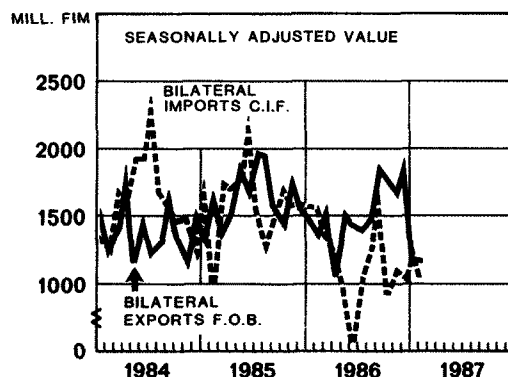
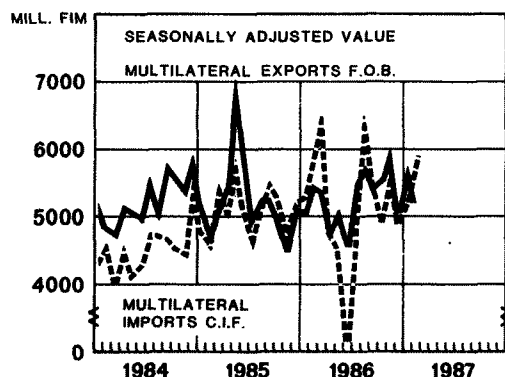
Period	Exports. f.o.b					Imports. c.i.f				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and intermediate goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1	2	3	4	5	6	7	8	9	10	
1982	1 676	6 278	17 502	18 908	18 662	41 144	4 869	9 195	9 130	413
1983	1 723	6 944	19 327	20 211	21 487	44 757	5 006	10 860	10 572	333
1984	2 865	7 145	23 573	22 998	24 323	47 028	5 034	10 993	11 454	173
1985	2 678	6 728	25 030	24 412	25 179	50 944	5 502	11 675	12 967	432
1986*	2 478	6 947	24 600	26 115	22 439	45 413	3 949	12 898	15 069	273

1986*

Jan.	274	490	1 854	2 201	1 974	4 868	480	1 038	1 080	6
Feb.	350	486	1 829	1 939	2 318	3 728	316	888	1 369	8
March	319	516	1 799	1 704	1 970	4 033	218	1 191	1 504	24
April	146	583	2 051	2 104	1 568	3 870	389	1 096	1 417	22
May	128	494	1 804	2 337	1 542	3 121	231	781	990	18
June	142	506	2 012	1 411	1 490	2 344	166	681	738	2
July	263	637	2 308	2 069	1 719	3 730	427	1 228	1 240	6
Aug.	236	545	2 072	1 819	1 799	3 563	421	1 047	1 422	25
Sept.	125	607	2 245	2 726	2 057	4 569	412	1 203	1 483	16
Oct.	154	702	2 444	2 396	2 239	3 771	337	1 123	1 275	94
Nov.	163	755	2 190	2 443	2 051	3 866	314	1 197	1 368	10
Dec.	179	626	1 992	2 964	1 713	3 948	238	1 426	1 181	42

1987*

Jan.	213	588	2 042	2 075	1 803	3 851	311	1 079	1 255	146
------	-----	-----	-------	-------	-------	-------	-----	-------	-------	-----



FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January				January			
	1986*		1987*		1986*		1987*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
OECD countries in Europe	61.7	4 192	66.5	4 470	51.2	3 828	58.3	3 875
Austria	0.8	51	1.0	69	1.0	74	1.1	71
Belgium and Luxembourg	1.7	115	1.8	119	1.9	140	2.4	161
Denmark	5.8	396	4.9	332	2.1	160	2.5	163
France	4.5	305	5.6	375	3.0	222	4.2	280
Federal Republic of Germany	9.3	634	10.3	691	14.1	1 054	16.0	1 061
Italy	2.3	153	2.3	156	3.1	231	4.2	279
Netherlands	3.0	203	3.8	257	2.5	185	3.0	200
Norway	4.3	289	3.9	265	3.6	268	2.2	144
Portugal	0.3	19	0.3	17	0.8	58	1.2	82
Spain	0.7	47	1.0	67	1.4	103	1.2	82
Sweden	15.4	1 049	16.8	1 129	11.1	832	11.8	786
Switzerland	1.6	105	2.0	134	1.3	97	1.8	119
United Kingdom	10.7	729	11.0	736	4.9	364	5.6	374
Other	1.4	95	1.8	123	0.5	39	1.1	73
OECD countries outside Europe	9.3	633	9.8	657	12.1	902	12.2	808
Canada	1.2	79	1.8	118	0.5	38	0.6	41
Japan	1.4	94	1.1	73	5.5	412	6.3	421
United States	5.1	349	5.8	387	5.6	416	4.9	327
Other	1.6	111	1.1	78	0.5	36	0.3	19
CMEA countries	19.2	1 305	13.6	910	22.8	1 703	20.1	1 333
Czechoslovakia	0.3	20	0.4	25	0.5	36	0.6	38
German Democratic Republic	0.4	25	0.4	25	0.6	44	0.5	32
Poland	0.2	15	0.5	34	1.2	86	0.9	58
Soviet Union	17.4	1 182	11.7	787	20.0	1 495	17.4	1 158
Other	0.9	64	0.6	39	0.6	42	0.7	47
Latin America	1.3	87	1.7	114	1.9	144	2.6	172
Argentina	0.2	10	0.1	6	0.1	4	0.1	4
Brazil	0.2	14	0.3	23	0.6	44	0.5	33
Colombia	0.1	8	0.1	5	0.6	42	0.8	53
Other	0.8	55	1.2	80	0.7	54	1.2	82
Other	8.5	575	8.5	570	12.0	895	6.8	454
GRAND TOTAL	100.0	6 792	100.0	6 721	100.0	7 472	100.0	6 642
of which								
EFTA countries	22.1	1 503	23.9	1 607	17.1	1 277	17.0	1 130
EEC countries	39.9	2 655	42.1	2 827	34.1	2 548	41.2	2 738
OECD countries	71.0	4 825	76.3	5 129	63.3	4 730	70.5	4 683

BALANCE OF PAYMENTS

Period	Exports f.o.b.	Imports c.i.f.	Trade account (1-2)	Transport. net	Travel. net	Other services. net	Goods and services account (3 to 6)	Invest- ment income. net	Un- requested transfers. net	Other. net	Current account (7 to 10)
	1	2	3	4	5	6	7	8	9	10	11
1983	69 368	72 139	-2 771	+3 200	-748	-1 610	+1 291	-5 817	-797	+96	-5 227
1984	80 608	75 127	+5 480	+4 008	-1 211	-306	+7 971	-6 786	-1 050	-238	-103
1985*	83 731	82 025	-1 706	+3 662	-1 771	-558	+3 038	-6 247	-1 096	-395	-4 700
1986*	82 450	77 850	+4 600	+2 850	-2 350	-500	+4 600	-7 000	-1 500	-300	-4 200

1984

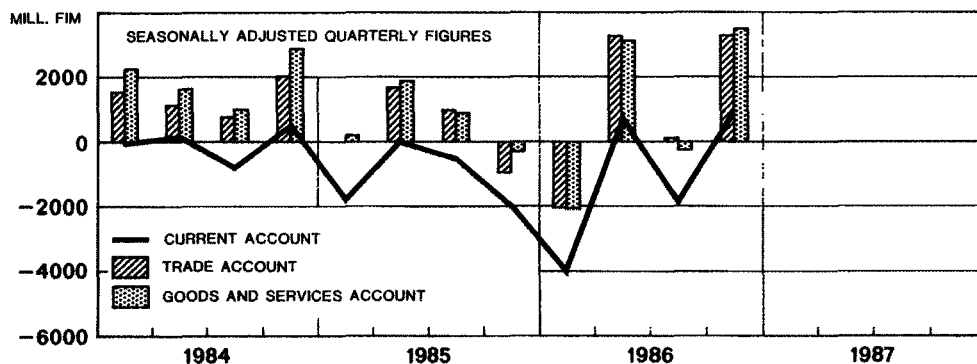
Jan.-March	19 678	17 069	+2 609	+1 018	-370	-60	+3 197	-2 010	-284	-60	+843
Apr.-June	19 700	18 852	+849	+1 009	-326	-174	-1 357	-1 225	-202	-39	-108
July-Sept.	19 395	19 330	+65	+1 144	-123	-265	+820	-1 593	-279	-46	-1 098
Oct.-Dec.	21 834	19 877	+1 958	+837	-392	+194	+2 597	-1 958	-285	-93	+261

1985*

Jan.-March	20 048	18 982	+1 066	+935	-529	-220	-1 252	-1 781	-349	-146	-1 025
Apr.-June	22 423	21 436	+987	+1 016	-473	-294	+1 237	-1 696	-270	-73	-802
July-Sept.	20 598	19 681	+917	+904	-295	-193	+1 334	-1 255	-219	-77	-217
Oct.-Dec.	20 661	21 926	-1 265	+807	-475	+149	-784	-1 515	-259	-99	-2 657

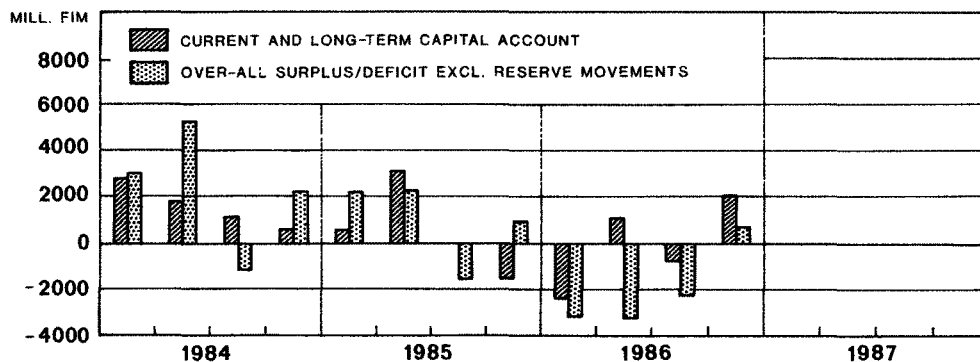
1986*

Jan.-March	19 981	20 875	-894	+734	-599	-159	-919	-1 610	-499	-131	-3 159
Apr.-June	18 285	15 995	+2 290	+656	-647	-121	+2 178	-1 954	-332	-98	-206
July-Sept.	21 198	20 870	+328	+696	-416	-178	+430	-1 424	-298	-62	-1 354
Oct.-Dec.	22 987	20 111	+2 876	+765	-687	-42	+2 911	-2 012	-371	-9	+519



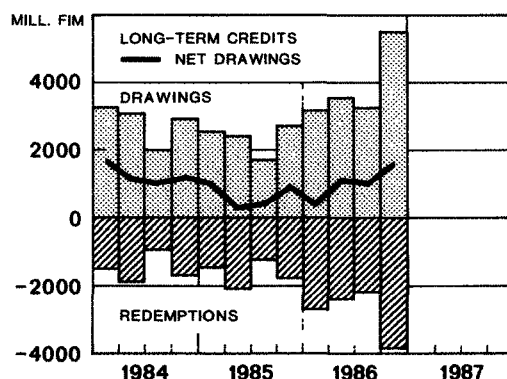
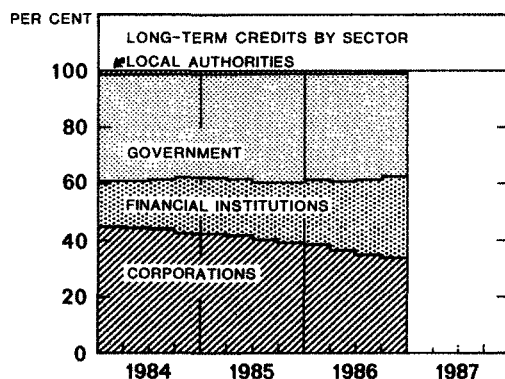
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net	Long-term capital account (12 to 15)	Current and long-term capital account (11 + 16)	Prepayments and liabilities related to imports	Prepayments and receivables related to exports	Short-term capital of authorized banks, net	Miscellaneous, short-term capital items, incl. errors and omissions	Over-all surplus deficit excl. reserve movements (17 to 21)	Bank of Finland foreign exchange reserves
12	13	14	15	16	17	18	19	20	21	22	23
+10 112	-7 273	+423	-1 388	+1 874	-3 353	+3 273	-3 380	+1 266	+32	-2 162	+2 162
-14 087	-7 538	-1 682	+1 428	+6 295	+6 192	+760	+2 995	+2 086	-2 758	-9 275	-9 275
+11 870	-8 255	+1 339	+1 840	+6 794	+2 094	+544	-3 177	+5 267	-984	+3 744	-3 744
+19 321	-13 930	+516	-1 756	-4 151	-49	+1 489	-70	-9 300	0	-7 930	+7 930
+4 075	-1 887	-235	-47	+1 906	+2 749	-1 049	+1 283	+2 443	-2 441	+2 986	-2 986
+3 858	-2 351	+89	+276	+1 872	+1 764	+1 083	+121	+2 531	-276	+5 222	-5 222
-2 495	-1 185	-603	+1 475	+2 182	+1 084	+426	-128	-2 186	-336	-1 140	-1 140
+3 659	-2 115	-933	-276	+335	+596	+300	+1 718	-702	+295	+2 208	-2 208
+3 173	-1 855	+336	-31	-1 623	+598	+573	-1 122	+2 208	-105	+2 153	-2 153
+3 023	-2 632	+354	+3 139	+3 884	+3 082	+841	-1 460	+1 911	-2 146	+2 228	-2 228
+2 139	-1 557	+263	-626	+219	+2	-47	-270	-1 400	+149	-1 566	+1 566
+3 535	-2 211	+386	-642	-1 068	-1 589	-823	-324	+2 548	+1 118	+930	-930
+3 954	-3 377	+245	-8	-814	-2 345	+1 783	-564	-3 085	+1 049	-3 162	+3 162
+4 434	-2 990	-97	-67	+1 280	+1 074	-1 061	-657	-2 589	-3	-3 236	+3 236
+4 701	-2 745	+191	-961	+1 186	-168	+914	+438	-3 996	+599	-2 213	+2 213
+6 232	-4 818	+177	-720	+871	+1 390	-147	+714	+370	-1 645	+681	-681

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

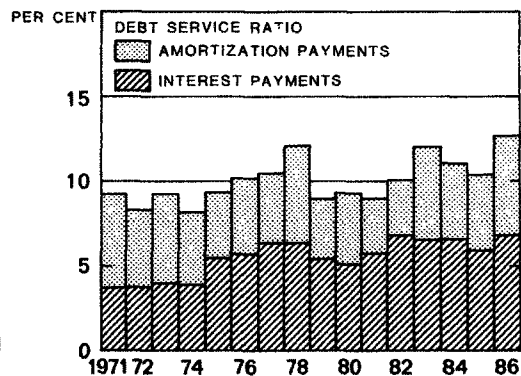
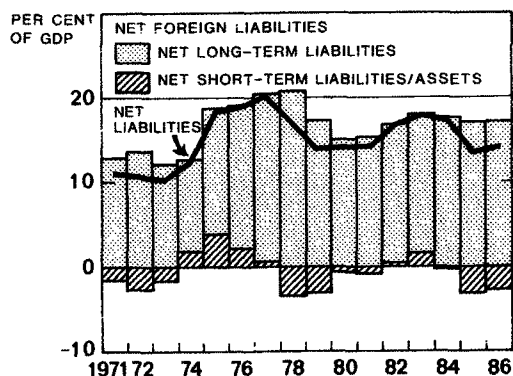


FINLAND'S FOREIGN ASSETS AND LIABILITIES

End of year and month	Long-term assets				Long-term liabilities					Net long-term liabilities (10-4)	
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Portfolio investment	Other		Total (5 to 9)
	1	2	3	4	5	6	7	8	9	10	11
1983	6 612	6 166	3 932	16 710	53 118	4 472	2 317	848	763	61 518	44 808
1984	8 920	8 689	1 915	19 524	63 958	3 865	2 905	2 013	805	73 546	54 022
1985*	6 539	10 524	2 774	19 837	63 228	2 893	3 274	6 313	895	76 603	56 766
1986*	5 523	13 630	3 225	22 378	68 976	2 072	4 791	6 959	953	83 751	61 373
1984											
March	6 658	6 687	3 539	16 884	54 014	4 225	2 354	987	731	62 311	45 427
June	6 827	7 435	3 230	17 492	57 198	3 937	2 393	1 640	729	65 897	48 405
Sept.	7 767	7 834	1 839	17 440	60 497	3 951	2 410	1 957	834	69 649	52 209
Dec.	8 920	8 689	1 915	19 524	63 958	3 865	2 905	2 013	805	73 546	54 022
1985*											
March	8 473	9 942	2 061	20 476	64 484	3 651	2 899	2 900	778	74 712	54 236
June	8 027	10 379	2 177	20 583	64 801	3 318	3 058	6 317	873	78 367	57 784
Sept.	7 194	10 484	2 167	19 845	63 385	3 064	3 104	6 210	867	76 630	56 785
Dec.	6 539	10 524	2 774	19 837	63 228	2 893	3 274	6 313	895	76 603	56 766
1986*											
March	6 103	10 702	2 712	19 517	63 570	2 803	3 356	6 407	820	76 956	57 439
June	6 158	11 685	2 784	20 627	66 600	2 546	3 419	7 117	832	80 514	59 887
Sept.	5 865	12 609	3 119	21 593	67 670	2 487	3 685	6 911	906	81 659	60 066
Dec.	5 523	13 630	3 225	22 378	68 976	2 072	4 791	6 959	953	83 751	61 373



Short-term assets				Short-term liabilities				Net short-term liabilities (19-15)	Net liabilities (11+20)	Debt service flow	Of which amortization payments flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (12 to 14)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (16 to 18)				
12	13	14	15	16	17	18	19	20	21	22	23
11 842	29 263	15 915	57 020	5 705	39 443	16 181	61 328	4 308	49 116	11 505	5 535
22 912	43 319	12 804	79 035	4 562	55 695	17 988	78 245	-790	53 232	11 594	4 613
25 183	38 775	18 155	82 113	4 070	51 374	16 103	71 547	-10 565	46 201	11 276	4 808
16 613	51 683	17 805	86 101	3 455	55 467	17 197	76 118	-9 983	51 390	13 392	6 185
14 740	25 724	15 374	55 838	3 657	37 966	15 571	57 193	1 355	46 782	3 533	1 462
20 705	31 935	14 978	67 618	3 775	47 084	16 836	67 694	76	48 481	2 451	1 178
21 064	34 621	14 727	70 411	4 815	47 882	17 431	70 128	-283	51 926	2 223	596
22 912	43 319	12 804	79 035	4 562	55 695	17 988	78 245	-790	53 232	3 387	1 377
24 785	44 984	15 869	85 638	4 535	59 386	18 402	82 323	-3 316	50 920	3 397	1 561
26 208	46 661	18 635	91 504	3 729	62 896	18 772	85 397	-6 106	51 678	2 791	1 039
24 770	44 927	18 183	87 880	4 240	59 370	17 880	81 490	-6 390	50 395	2 320	1 011
25 183	38 775	18 155	82 113	4 070	51 374	16 103	71 547	-10 565	46 201	2 768	1 197
21 647	40 424	18 037	80 109	3 659	50 424	17 392	71 475	-8 633	48 806	3 787	2 126
18 470	45 237	18 213	81 921	3 499	52 647	15 786	71 932	-9 988	49 899	3 163	1 176
16 168	51 576	18 143	85 887	3 565	54 990	17 018	75 573	-10 314	49 752	2 306	837
16 613	51 683	17 805	86 101	3 455	55 467	17 197	76 118	-9 983	51 390	4 136	2 046



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1980 = 100						Building costs 1980 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
	1	2	3	4	5	6	7	8	9	10
1985	1 324	140.5	143.1	132.8	137.5	145.8	142.4	144.3	144.4	142.8
1986	1 264	133.2	139.8	113.1	122.3	145.7	148.0	150.5	153.9	148.2
1986										
July	1 249	131.7	139.2	108.8	119.4	145.1	148.9	151.2	156.2	148.4
Aug.	1 246	130.9	137.9	109.6	118.3	144.3	148.7	151.5	156.2	149.0
Sept.	1 248	131.3	138.0	111.0	118.7	144.7	149.2	150.6	154.1	148.3
Oct.	1 250	131.5	138.5	110.3	119.0	145.0	149.2	152.0	156.2	149.6
Nov.	1 252	131.7	138.7	110.3	119.1	145.1	149.4	152.3	156.2	150.1
Dec.	1 256	131.9	138.8	110.9	119.5	144.9	149.8	152.3	156.2	150.2
1987										
Jan.	1 269	132.9	139.9	111.7	121.0	145.6	149.9	154.0	158.9	151.4
Feb.	1 271	133.2	140.3	111.8	120.9	146.2	151.0	154.3	158.9	151.8

Period	Consumer prices 1981 = 100									
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent, heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1985	134.6	139.1	140.3	126.1	130.9	129.7	155.7	130.4	132.5	140.4
1986	139.4	144.2	146.4	131.6	134.5	135.0	164.1	130.7	139.9	149.0
1986										
July	139.9	145.7	147.4	130.1	135.7	135.1	163.0	130.4	140.2	149.0
Aug.	140.2	144.8	147.4	131.4	136.3	135.3	164.4	130.2	141.2	150.2
Sept.	140.2	144.9	147.4	133.0	134.2	136.0	164.4	131.4	142.3	150.3
Oct.	140.7	145.4	147.6	134.3	134.3	136.5	167.1	131.6	142.8	150.7
Nov.	140.6	145.0	147.6	135.0	134.3	136.9	167.1	131.1	143.3	151.0
Dec.	140.8	144.5	147.5	135.2	134.3	137.0	167.1	132.4	143.3	151.1
1987										
Jan.	142.2	145.1	152.9	130.9	134.6	137.7	170.3	135.0	146.3	154.3
Feb.	142.7	145.4	152.9	132.7	134.6	138.0	171.6	135.8	146.5	155.1

WAGES

Index of wage and salary earnings 1980 = 100

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1	2	3	4	5	6	7	8	9	10	
1984	148.5	149.9	152.8	152.8	147.1	154.7	150.5	151.4	149.7	150.8
1985	160.6	161.2	168.8	165.1	158.8	166.7	163.5	164.2	162.2	163.5
1986*	175.2	170.7	178.3	178.1	169.6	180.2	174.5	176.5	171.8	174.8
1985										
Oct.-Dec.	166.8	163.1	174.0	167.1	160.4	168.3	167.1	167.1	165.3	166.4
1986*										
Jan.-March	177.2	166.7	175.5	173.9	166.6	176.1	169.6	171.8	167.9	170.4
Apr.-June	174.7	172.1	174.3	178.3	170.2	180.2	174.6	176.8	171.9	175.0
July-Sept.	172.2	171.5	178.8	179.3	170.6	181.2	175.5	177.8	172.4	175.9
Oct.-Dec.	176.7	172.6	184.5	180.9	170.8	182.9	178.1	179.8	174.8	178.0

PRODUCTION

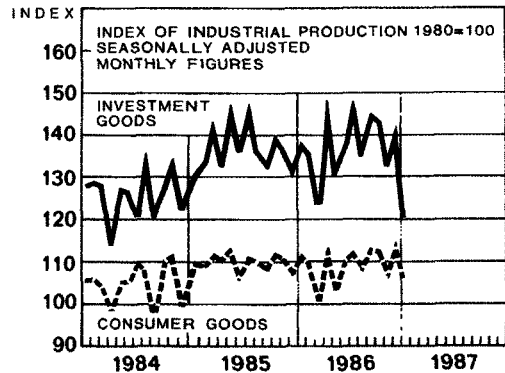
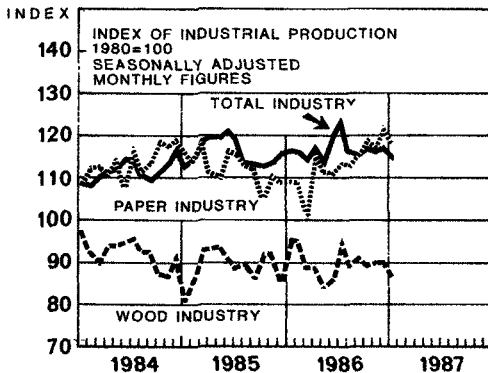
Volume indices of production 1980 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1984										
July-Sept.	109	102	196	45	114	105	108	110	115	119
Oct.-Dec.	121	122	91	117	140	108	121	119	116	127
1985										
Jan.-March	107	112	74	102	81	94	106	100	117	117
Apr.-June	114	121	77	109	85	113	111	112	117	127
July-Sept.	112	107	175	37	109	114	111	113	118	125
Oct.-Dec.	124	124	83	110	140	116	125	124	120	134
1986*										
Jan.-March	108	108	71	96	80	97	109	103	120	122
Apr.-June	114	121	77	90	71	117	111	118	118	132
July-Sept.	116	110	179	39	110	117	116	119	121	131

PRODUCTION

index of industrial production 1980 = 100

Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
	1	2	3	4	5	6	7	8	9	10	11
1984	111.8	126.8	105.6	111.9	109.3	92.4	114.3	111.5	108.4	120.0	112.1
1985*	116.1	137.8	110.3	114.7	111.3	89.4	113.1	115.1	109.7	129.9	116.5
1986*	117.1	138.7	110.3	116.2	109.8	90.3	113.6	118.7	103.6	132.9	117.3
1986*											
Jan.	122.4	142.7	120.4	119.4	106.5	92.6	110.6	122.1	102.7	137.0	116.6
Feb.	111.0	133.4	107.9	108.2	91.9	87.4	104.2	110.6	83.2	124.1	116.3
March	107.5	126.4	104.0	105.5	90.7	86.2	95.5	122.3	81.4	120.6	115.0
April	125.6	157.6	117.8	123.4	113.8	115.9	119.2	134.1	98.7	149.1	117.9
May	118.6	159.1	109.7	115.5	103.1	102.4	106.6	122.0	98.3	148.0	114.3
June	118.0	152.6	104.7	118.0	106.3	96.0	101.6	114.5	102.8	141.7	120.5
July	86.1	71.1	75.0	93.8	103.3	45.6	126.1	84.0	71.4	72.1	124.1
Aug.	114.3	124.2	108.4	115.0	107.2	80.3	117.5	123.0	118.4	122.2	116.5
Sept.	125.4	148.4	117.8	124.7	111.4	105.2	115.6	125.7	139.5	145.2	115.7
Oct.	134.6	163.5	128.2	132.2	139.8	107.7	125.3	122.1	140.3	158.7	117.1
Nov.	124.3	144.9	118.7	122.9	129.4	92.4	123.3	126.0	116.0	140.9	116.5
Dec.	116.9	140.3	111.0	115.3	113.7	72.2	117.2	117.9	90.5	135.0	117.3
1987*											
Jan.	117.4	124.8	115.5	116.7	99.2	80.9	119.5	119.6	93.8	122.7	115.3



LABOUR – TIMBER FELLINGS – INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, * 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, † 000 solid cu. m	Retail sales volume index 1980 = 100	Wholesale volume index 1980 = 100
	1	2	3	4	5	6	7	8
1985*	3 710	2 600	2 437	163	6.3	43 349	114	110
1986*	3 716	2 612	2 431	182	7.0	39 003	117	115
1985*								
Dec.	3 714	2 563	2 406	157	6.1	4 729	134	119
1986*								
Jan.	3 714	2 553	2 360	193	7.6	4 232	110	103
Feb.	3 715	2 540	2 346	194	7.7	4 596	100	102
March	3 716	2 551	2 365	186	7.3	4 709	105	109
April	3 716	2 551	2 365	186	7.3	4 534	118	123
May	3 718	2 609	2 438	171	6.5	3 292	122	120
June	3 717	2 788	2 598	190	6.8	2 472	119	111
July	3 717	2 790	2 600	190	6.8	1 124	126	104
Aug.	3 718	2 647	2 481	166	6.3	1 194	116	114
Sept.	3 715	2 600	2 428	172	6.6	2 143	116	126
Oct.	3 716	2 576	2 394	182	7.1	3 100	119	130
Nov.	3 717	2 567	2 392	175	6.8	3 626	110	115
Dec.	3 718	2 572	2 399	173	6.7	3 981	137	126
1987*								
Jan.	3 719	2 510	2 337	173	6.9	3 173	..	..

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building-works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
	1	2	3	4	5	6	7	8	9	10	11
1985*	48.17	18.17	6.70	16.53	3.41	44.74	17.40	4.94	15.97	3.35	49.64
1986*	47.44	16.84	6.19	17.18	3.97	39.43	14.92	4.97	13.25	3.44	52.40
1985*											
July-Sept.	12.16	4.48	1.61	4.21	0.92	10.10	3.80	1.77	3.04	0.75	56.42
Oct.-Dec.	9.69	2.98	0.90	4.32	0.88	15.84	5.67	1.89	6.44	0.82	49.64
1986*											
Jan.-March	9.24	2.96	1.19	4.06	0.50	8.15	3.53	0.56	2.89	0.67	46.75
Apr.-June	16.94	6.83	2.97	4.89	0.95	5.33	2.26	0.70	1.62	0.39	55.46
July-Sept.	12.77	4.35	1.27	4.79	1.28	11.63	3.89	1.83	3.82	1.27	57.01
Oct.-Dec.	8.82	2.70	0.76	3.44	1.24	14.32	5.24	1.88	4.92	1.11	52.40

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

Page 4. *Public sector*: Claims = Government promissory notes + Bonds + Total coinage + Other claims on the public sector. Other liabilities = Cheque accounts + Counter cyclical reserves - Counter-cyclical deposits + Capital import deposits - Other liabilities to the public sector. Certificates of deposit are interest bearing, freely transferable term liabilities of the Bank of Finland sold to the government. Their maturities range from one week to one year. As from November 1, 1983, certificates of deposit were replaced by the government deposit account.

Page 5. *Domestic financial sector*: Other liabilities, net = Capital import deposits + Other liabilities to financial institutions - Bonds - Other claims on financial institutions.

Corporate sector: Permanent special financing schemes = Foreign bills + New export bills + Financing of suppliers' credits.

Liabilities, net = Deposits for investment and snip purchase + Counter-cyclical withholdings + Capital import deposits + Import levy deposits + Export deposits - Other liabilities to corporations - Bonds - Other claims on corporations.

MONETARY POLICY INDICATORS

Page 6. All the figures except the average lending rate of the commercial banks are mean values of daily figures for the month or year in question. The average lending rate of the commercial banks is the mean value of the end of the month lending rates weighted by credit outstanding. The annual figure for the average lending rate is an unweighted average of the weighted average monthly rates.

Gross central bank debt of the deposit banks = call money credits and term credits extended to and certificates of deposit bought from the commercial banks and Postipankki. As from January 1984, the only source of central bank debt was the call money market. Three month term credits were introduced in December 1986 and open market operations in CDs were started in March 1987. Banks' borrowing from the central bank is monitored; a bank exceeding stipulated limits comes under the special surveillance of the central bank. The rate of interest on call money credits is set by the central bank. The rates of interest on term credits and deposits are based on daily tenders by the commercial banks and Postipankki.

Net central bank debt of the deposit banks = Gross central bank debt of the deposit banks - The commercial banks and Postipankki's call money and term deposits and their holdings of CDs issued by the Bank of Finland. - All deposit banks' cash reserve deposits at the Bank of Finland.

Cash reserve deposits of the deposit banks equal the total amount of cash reserve deposits at the Bank of Finland made by the deposit banks under the Cash Reserve Agreement of September 7, 1984. The deposit banks consist of the commercial banks, co-operative banks, savings banks and Postipankki.

The cash reserve requirement is set each month by the Bank of Finland as the percentage of each bank's stock of deposits and major part of a bank's net foreign debt which must be deposited at the central bank. Deposits are to be made one month after the close of the month to which the coefficient applies.

Call money credit extended by the Bank of Finland = Demand for call money by the deposit banks - Supply of call money by the deposit banks.

As from the beginning of 1986, the call money interest rate was differentiated into two separate rates of interest, the rate on call money credits and a lower one, the rate on call money deposits. As from the beginning of 1986, the figures on page 6 and the chart illustrating the call money rate have been prepared on the basis of the rate on call money credits.

FORWARD EXCHANGE MARKETS IN FINLAND

Page 7. The figures for columns 1-6 are calculated by the Bank of Finland on the basis of monthly reports from the banks on their outstanding forward exchange positions at the end of each month. The figures for columns 7-9 are based on monthly averages of daily representative quotations, as reported by the banks to the Bank of Finland. The banks' foreign currency positions shown in the chart at the bottom of page 7 are monthly averages of daily spot and forward positions vis-à-vis the markka as reported by the commercial banks to the Bank of Finland. The spot position includes all foreign currency-denominated assets and liabilities of the banks, excluding their outstanding forward contracts.

FOREIGN EXCHANGE RATES

Pages 8-9. *Exchange rates* are annual and monthly averages of the Bank of Finland's daily quotations. From the beginning of 1987, all quotations are expressed as FIM per one unit of foreign currency. The Australian dollar (AUD) and the European Currency Unit (XEU) have been added to the list of quoted currencies. The *currency index* is shown as annual and monthly averages of daily index numbers. The chart at the bottom of page 8 shows the banks' forward selling rates for the US dollar as deviations from the spot rate.

DEPOSITS BY THE PUBLIC - ADVANCES TO THE PUBLIC - MONEY SUPPLY

Figures for deposits and advances are supplied by the Central Statistical Office.

Page 10. *Deposits by the public*. The central government and the financial institutions are mainly excluded from the public. From 1974 deposits include domestic deposits denominated in foreign currency.

Page 11. *Advances to the public*. The central government and the financial institutions are not included in the public.

Postipankki's advances do not include loans granted by the State investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

Money Supply M₁ = Finnish notes and coins in circulation - Finnish notes and coins held by the banks + Demand deposits held by the public (incl. Demand deposits at the Bank of Finland). *Quasi-Money* = Time deposits held by the public (incl. Time deposits at the Bank of Finland).

Note: Domestic deposits in foreign currency included in money supply since 1974. In the money supply the public includes non-monetary financial institutions.

STATE FINANCES

Page 12. Official figures computed by the Economics Department of the Ministry of Finance. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis.

FOREIGN TRADE

Pages 13-15. Figures supplied by the Board of Customs. *Indices* (p. 13): The volume indices are calculated according to the Paasche formula and the unit value indices according to the Laspeyres formula. *Terms of trade*: the ratio of export indices to import indices. *Foreign trade by countries*: (p. 15): from January 1980 imports by countries of origin, exports by countries of consignment.

BALANCE OF PAYMENTS

Pages 16-17. Figures are calculated by the Bank of Finland.

Columns 1-7. The figures for the trade and goods and services accounts are in accordance with the System of National Accounts. Columns 8-13. Long-term loans comprise financial loans and import and leasing credits.

Column 15. Miscellaneous long-term capital items, net = direct investment, net - portfolio investment by foreigners + financial loans and development credits to abroad - Finland's subscriptions to international financial institutions, net.

Column 23. Changes in the foreign exchange reserves of the Bank of Finland exclude changes in the markka value of the reserves caused by changes in exchange rates.

FOREIGN ASSETS AND LIABILITIES

Pages 18-19. Figures calculated by the Bank of Finland.

Long-term assets: Other = financial loans + development credits + Finland's subscriptions to international financial institutions. Long-term liabilities: Portfolio investment = the outstanding amount of share issues by Finnish companies on foreign stock exchanges and of securities sold to foreign buyers through the Helsinki Stock Exchange. Other = leasing credits + subscriptions to international financial institutions paid in the form of bonds.

Column 22. Debt service = Net investment income of short-term and long-term assets and liabilities + net amortisation payment of long-term foreign assets and liabilities, excluding repatriations of equity capital (included under direct investment), as from the beginning of 1986 repurchases of shares (included under portfolio investment), and repayments of the Bank of Finland's reserve and oil credits.

Columns 22 and 23 during the year and the quarter.

Chart Debt service ratio: Debt service as a per cent of current account earnings.

PRICE INDICES

Page 20. All indices calculated by the Central Statistical Office.

WAGES - PRODUCTION

Pages 21-22. Figures supplied by the Central Statistical Office.

Page 22. *Index of industrial production* calculated by the Central Statistical Office. The grouping, by branches of industry is in accordance with the Standard Industrial Classification (SIC; which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II.

LABOUR - TIMBER FELLINGS - INTERNAL TRADE - CONSTRUCTION OF BUILDINGS

Page 23. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Forest Research Institute. *Retailers' and Wholesalers' volume indices* supplied by the Central Statistical Office. *Construction of buildings* figures calculated by the Central Statistical Office.

Owing to rounding, the figures in statistical tables do not necessarily add up to the totals shown.

SYMBOLS USED: * Preliminary, r Revised, 0 Less than half the final digit shown, Logically impossible, Not available, - Nil, S affected by strike, - Break in series.

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current term, January 27, 1982, to March 1, 1988, is Mauno Koivisto.

Parliament, comprising 200 members is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1987 is as follows: Social Democratic Party of Finland 56, National Coalition Party 53, Centre Party 40, Democratic League of the People of Finland 16, Finnish Rural Party 9, Swedish People's Party 13, Christian League of Finland 5, The Greens 4 and Democratic alternative 4.

Finland is divided into 461 self-governing municipalities. Members of the municipal council are elected by universal suffrage for a period of 4 years.

INTERNATIONAL ORGANIZATIONS

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

LAND

THE AREA is 338 000 square kilometres (Great Britain's area is 244 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4%. Of the land area (1980) 2.5 mill. ha (8.2%) are cultivated and 19.7 mill. ha (64.5%) are covered by forests.

OWNERSHIP OF LAND (1979). The total land area was distributed among different classes of owners approximately as follows: private 58.7%, State 31.4%, joint stock companies etc. 7.4%, municipalities and parishes 2.5%.

POPULATION

NUMBER OF INHABITANTS (1984): 4.9 million, Sweden 8.3, Switzerland 6.5, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1984): In South Finland 47.7, in East and Central Finland 14.3, in North Finland 4.2 and in the whole country an average of 16.1 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1984): 40% of the population inhabit the rural areas, 60% towns. The largest towns are: Helsinki (Helsingfors), the capital, 484 263 inhabitants, Tampere (Tammerfors) 168 150, Turku (Åbo) 162 282.

EMPLOYMENT (1985): Agriculture and forestry 11%, industry and construction 32%, commerce 15%, transport and communication 8%, financing, insurance, real estate and business services 6%, community and personal services 28%.

LANGUAGE (1984): Finnish speaking 93.6%, Swedish speaking 6.1%, others 0.3%.

EDUCATION (1986): Practically all persons over 15 years of age are literate. There are 8 universities (the oldest founded in 1640) and 12 colleges of university standard.

CHANGE OF POPULATION (1984): births 13.2 ‰, deaths 9.2 ‰, change \pm 5.0 ‰, net immigration \pm 0.8 ‰, deaths in France 9.8 ‰ and Great Britain 11.4 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1985), in million FIM: Gross domestic product at factor cost by industrial origin: agriculture and fishing 13 190 (4%), forestry 10 977 (4%), manufacturing 85 794 (29%), construction 23 138 (8%), trade, restaurants and hotels 33 163 (11%), transport and communication 23 672 (8%), banking and insurance 12 973 (4%), ownership of dwellings 19 097 (6%), other services 74 707 (25%), total 296 711. Index of real domestic product 114 (1980 = 100).

FOREST RESOURCES (1983). The growing stock comprised of 1 660 million m³ (solid volume with bark) of which 45% was pine and 37% spruce the remaining 18% being broad-leaved trees chiefly birch. Of the growing stock 656 million m³ was up to the standard required for logs, 51% of these being pine. The annual growth was 68 million m³ and the total drain calculated on the basis of roundwood consumption was 49.4 million m³.

AGRICULTURE (1984). Cultivated land 2.4 million hectares. Number of holdings 203 833 of which 143 931 are of more than 5 ha. Measure of self-sufficiency in bread cereals 93%.

INDUSTRY (1983). Gross value of industrial production FIM 222 602 mill., number of workers 398 066, salaried employees 146 503, motive power 8.3 mill. kW, index of industrial production 107.1 for 1983 (1980 = 100).

STATE RAILWAYS (Dec. 31, 1985) Length 5 979 km.

MERCHANT FLEET (March 31, 1987): Passenger vessels 166 (262 450 gross reg. tons), tankers 30 (487 476 gross reg. tons), dry cargo vessels 127 (393 062 gross reg. tons), other vessels 109 (47 327 gross reg. tons), total 426 (1 184 309 gross reg. tons).

AUTOMOBILES (Dec. 31, 1985): Passenger cars 1 546 094, lorries and vans 179 637, buses 9017, other automobiles 11 867 total 1 746 615.

FINNISH AIRLINES (Feb. 28, 1985). Finnair has in use 1 DC-8-62, 3 DC-9-10, 5 DC-9-41, 12 DC-9-51, 3 DC-9 Super 82, 3 DC-10-30, 1 DC-10-30 ER and 3 Fokker F-27 Friendship MK. The company has scheduled flights to 34 foreign and 21 domestic destinations.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the markka (plural: markkaa), which is divided into 100 penniä (singular: penni). The abbreviation used for the markka is FIM. The last par value of the markka was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per markka (equivalent, at the time, to 4.20 markkaa per U.S. dollar). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a currency index. This index is trade-weighted and as from Jan. 1, 1984 indicates the average change in the convertible currencies which are important in Finnish foreign trade. The present currency weights are SEK 20.4, DEM 19.3, GBP 14.3, USD 9.0, other currencies 37.0. The permissible range of fluctuation is about 2.25 per cent on either side of the theoretical arithmetic mean. The fluctuation limits are 106.0 and 101.3.

THE CENTRAL BANK. The Bank of Finland (estab. 1811) functions under the guarantee and supervision of Parliament. Its Board of Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by Parliament. The Bank has a head office in Helsinki and 12 branches in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1985). There are two big and eight small commercial banks with in all 967 offices, 254 savings banks, 370 co-operative banks, six mortgage banks, Postipankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and 48 private insurance companies also grant credits.

RATES OF INTEREST (May 19, 1986). The Bank of Finland's base rate is 7%. The interest rates for domestic lending other than bank financing by the Bank of Finland vary between 4½% and 9½%. Other credit institutions: time deposits 2%, 6 month deposits 4%, 12 month deposits 5%, 24 month deposits 7%.

THE FINNISH PAYMENT SYSTEM: AN INTERNATIONAL COMPARISON

by Reija Lilja, Ph.D.

Labour Institute for Economic Research
and Urho Lempinen, Ph.D.

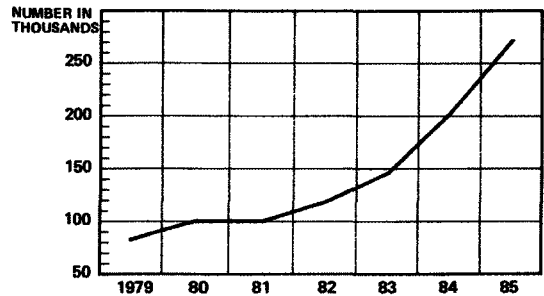
Research Department, Bank of Finland

In evaluating the state of the Finnish payment system it is illustrative both to outline recent trends in the development of the system and to compare its key characteristics with those of other countries. In the former dimension, the focus of interest is on the expanding use of new payment instruments and in the consequences thereof. In the latter dimension, the report published by the BIS (1985)¹ serves as a natural benchmark. This report compares the use of payment instruments and the provision of payment services in eleven countries in a fairly systematic fashion.

Despite technical progress in the payment industry in Finland during the last thirty years, cash is still the dominant means of payment. In 1985, over 70 per cent of the total volume of transactions consisted of cash payments. However, the use of cash in Finland is relatively modest by international standards. Finland has a highly developed bank giro system and over 20 per cent of all transactions are effected through this system.

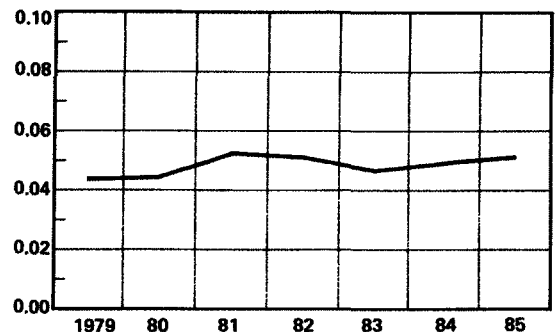
An essential feature of payment systems in many countries during the last ten years has been the emergence of new payment instruments. In particular, the use of different kinds of plastic cards in payment situations has increased. This development can also be observed in Finland. We examine the situation in this country in terms of two major cards (OK and VISA), because figures for the total number of credit, charge and debit cards are not available. Chart 1 shows the number of OK and VISA cards in use in the 1980s.

CHART 1. THE NUMBER OF OK AND VISA CARDS IN USE IN FINLAND IN 1979-85



It can be seen from Chart 1 that the number of OK and VISA cards has grown from 100 000 in 1980 to nearly 280 000 in 1985. The rate of growth in the number of cards has also increased over time. This development is in accordance with the growth in the number of outlets that accept OK and VISA cards as payment instruments. Chart 2 shows that the number of outlets per card has varied around 0.05 for the whole period from 1979 to 1985.

CHART 2. THE NUMBER OF OUTLETS PER OK AND VISA CARD IN FINLAND IN 1979-85



According to Chart 2 there has been a stable relationship between the number of cards and outlets accepting cards as means of payment. It would appear that consumer acceptance of cards has risen along with the increase in their

¹ Bank for International Settlements, Payment Systems in Eleven Developed Countries, prepared by the group of experts on payment systems of the central banks of the Group of Ten Countries, February 1985, Basle.

liquidity. The same phenomenon can be observed in the behaviour of cardholders. Chart 3 depicts the number of annual purchases per card.

CHART 3. THE NUMBER OF ANNUAL PURCHASES PER OK OR VISA CARD IN FINLAND IN 1979-85

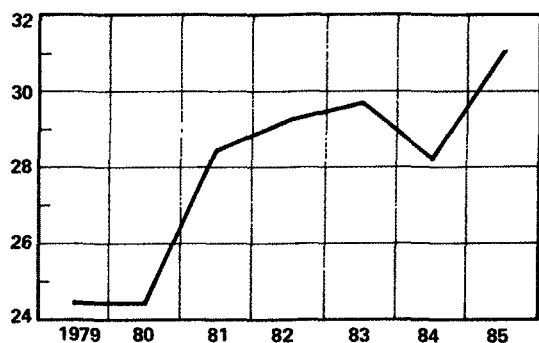


Chart 3 shows that the frequency of use of OK and VISA cards has increased in recent years. In 1980, an average cardholder used his/her card about 26 times whereas in 1985 the frequency was 31. These figures suggest that, with the increase in the number of outlets accepting cards as payment instruments, the intensity of card use also increases.

The recent developments in the use of plastic cards in Finland have mainly had an impact on payment instruments that can be regarded as close substitutes for cards. For example, in 1985 the number of cheques declined by 8 million, or about 11 per cent. As far as cash is concerned, the increase in plastic cards has not had any significant impact on the demand for notes and coin in this country. According to our estimations, the demand for different denominations in the 1980s has been broadly the same as it was in the 1960s. This may be due to the fact that, in relative terms, the amount of currency in circulation in Finland is already quite small. In fact, in relation to gross national product (GNP), currency in circulation has been declining steadily since the 1960s, and it is now about 2.4 per cent. Compared internationally, this is a low figure. This can be seen in Table 1, which gives different measures of money supply for Finland and 11 other developed countries as a percentage of GNP in 1983.

Table 1 shows that the use of money varies appreciably in different countries. For example, in 1983, currency amounted to 2.4 per cent of GNP in Finland whereas the corresponding figure for Switzerland was as high as 10 per cent. Canada, the United Kingdom and the United States also have relatively modest amounts of currency in relation to GNP. As for transferable deposits and total money supply (M3), the Finnish figures indicate that money is used efficiently. Transferable deposits were equivalent to about 5 per cent and M3 to about 44 per cent of GNP in Finland in 1983. By comparison, transferable deposits amounted to 54 per cent of GNP in Sweden and M3 to 181 per cent of GNP in Belgium.

TABLE 1. THE USE OF MONEY IN DIFFERENT COUNTRIES¹, PERCENTAGE OF GNP IN 1983

	Currency %	Transferable deposits %	Total money supply (M3) %
Belgium	9.9	14.0	180.7
Canada	3.2	9.6	46.8
Finland	2.4	5.0	44.0
France	5.1	20.9	75.1
Germany	6.0	12.0	53.0
Italy	6.4	34.6	95.9
Japan	7.6	22.2	150.3
Netherlands	6.5	13.1	68.4
Sweden	6.0	54.0	60.0
Switzerland	10.0	19.0	117.0
United Kingdom	4.0	29.0	33.0
United States	4.2	31.9	75.4

¹ BIS (1985) for countries other than Finland; Finnish data are from the Bank of Finland database.

The low figures for the measures of money demand in Finland reflect the fact that other payment instruments are widely used. Finland has had a highly developed bank and postal giro system since the 1950s. Most transactions between firms are effected through this system and it is also frequently used for transactions between individuals. Table 2 gives figures on some new payment instruments for Finland and other countries. It should be noted that the reference year for Finland is 1985 whereas for other countries it is 1983. This may cause some problems in evaluating the relative position of these countries.

TABLE 2. COMPARISON OF THE RELATIVE IMPORTANCE OF PAYMENT INSTRUMENTS OTHER THAN CASH, PERCENTAGE SHARE OF TOTAL VOLUME OF TRANSACTIONS¹

	Cheques	Credit transfers & direct debits	Payments by credit cards
	%	%	%
Belgium	..	..	..
Canada	91.0	2.0	7.0
Finland	11.7	78.6	9.7
France	82.5	15.4	2.1
Germany	11.0	89.0	0.0
Italy	85.3	14.2	0.5
Japan	18.7	71.0	10.3
Netherlands	22.3	77.6	0.1
Sweden	20.0	73.0	7.0
Switzerland	10.6	88.8	0.6
United Kingdom	61.0	29.0	8.0
United States	98.6 ²	1.4	7.2

BIS (1985) for countries other than Finland: the Finnish data were provided by the Finnish Bankers' Association. The figures for Finland refer to the year 1985, while for other countries the reference period is 1983. Since we did not have exact data on Finnish credit-card payments, we used an estimate of 53 million card payments, including bank card payments, in our calculations. This estimate is based on the use of different means of payment in retail outlets.

² Including payments on credit card accounts.

= not available

It is evident from Table 2 that the giro system handles most of the non-cash payments in Finland; about 79 per cent of these transactions pass through this system. The share of cheques is fairly small in comparison with other countries. For example, in Canada and the United States more than 90 per cent of the non-cash transactions consist of cheque payments. As far as credit card payments are concerned, the figure for Finland suggests a rather high usage of cards with respect to other countries.

Banking and payment services provided mostly by the deposit taking industry are yet another point of interest in international comparisons. It is very difficult, if not impossible, to measure the quality of services, while few indicators are available on the quantity of services. Table 3 gives four sets of figures measuring the provision of banking services in Finland and other countries.

Table 3 shows that Belgium, Finland and Switzerland have the densest branch office networks. Japan, the United States, Switzerland and Finland have invested most in bank automation, while France has invested most in EFTPOS (Electronic Funds Transfer at the Point of Sale). Finland and Sweden have the

TABLE 3. THE IMPORTANCE OF THE DEPOSIT TAKING INDUSTRY AND BANKING SERVICES IN DIFFERENT COUNTRIES¹

	inhabitants per			Number of transferable deposit accounts per inhabitant
	office	cash dispenser or A.T.M.	EFTPOS-terminal	
Belgium	968	17 595	11 209	0.8
Canada	1 943	12 755		1.6
Finland	1 440	7 112	50 000	3.5
France	1 524	10 940	5 470	0.8
Germany	1 541	38 500	25 000 ²	0.9
Italy	4 398	37 866		0.3
Japan	2 780	3 127	23 700	
Netherlands	2 222			0.9
Sweden	2 318	7 700	11 900	3.0
Switzerland	1 300	6 329		0.5
United Kingdom	2 283	9 659		1.8
United States	2 310	4 896	294 500	0.3

¹ BIS (1985) and the Finnish Bankers' Association. The figures for Finland refer to the year 1985, while for other countries the reference period is 1983.

² in Munich only
= not available

highest number of transferable deposit accounts per inhabitant.

To obtain an overall picture of the payment systems in the twelve countries under review, we have ranked them according to three criteria: degree of utilization of money, use of new payment instruments and technical progress and services. The ranking is based on the information in Tables 1–3 and the results are presented in Table 4 below.

TABLE 4. OVERALL COMPARISON OF PAYMENT SYSTEMS

	Total	Use of money	Use of new payment instruments	Technical progress and services
1. Finland	3	1	1	1
2. United Kingdom	15	6	6	3
3. France	16	3	8	5
4. Germany	17	9	4	4
Sweden	17	4	5	8
6. Switzerland	18	7	2	9
7. Canada	19	8	9	2
Japan	19	5	2	12
9. Netherlands	21	9	7	5
10. Belgium	23	2	12	9
11. United States	28	11	10	7
12. Italy	32	12	11	9

Table 4 should be interpreted as follows: the lower the rank in column 2 (use of money), the smaller is the money supply with respect to GNP. The lower the rank in column 3 (use of

new payment instruments), the more payment instruments based on systems like bank giro are used in a country. The lower the rank in column 4 (technical progress and services), the better the techniques and services offered to bank customers. In column 1 (total), the rank orders in columns 2–4 have been added up and the countries reported in ascending order.

As can be seen from Table 4, the sum of rank orders is lowest for Finland among the twelve countries. If the criteria mentioned above have been measured correctly, this implies that relatively little cash and cheques are used as means of payment in Finland while technically advanced payment instruments (such as bank giro) are used more intensively than in the other countries. The results also suggest that Finland's payment system offers a dense and technically advanced network of services. These conclusions are in accordance with the

conventional view that Finland's oligopolistic banking sector has tended to generate overcapacity and to compete through the quantity and quality of services rather than through prices.

According to the above indicators, the Finnish payment system is among the most advanced in the sample in quantitative terms. However, the data used here do not permit anything to be said about the quality of comparable services in different countries. Important and as yet unanswered questions are, for instance, how safely and fast can a given transaction be effected in each country. Similarly, we know little about the actual economic efficiency of payment systems in different countries. Relevant issues here would include the actual unit costs per transaction in each country and the total proportion of real resources taken up by payment industries in different economies.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM MAY 1986 TO APRIL 1987

May

External value of the markka. On May 16, the external value of the markka is lowered by 1.6 per cent by raising the currency index number within the fluctuation range.

Interest rate policy. The Bank of Finland lowers its base rate from 8.0 to 7.0 per cent as from May 19, 1986. At the same time, the rates applied by the banks to existing loans fall by one percentage point, whereas the rates applied to 12 and 24 month deposits fall, at most, by 0.75 percentage point. The rates applied to other tax-free deposits fall, at most, by one percentage point.

Regulation of average lending rates. The Bank of Finland raises the upper limit on the banks' average lending rate in relation to the base rate by 0.25 percentage point with effect from May 19, 1986. The new upper limit is the Bank of Finland's base rate plus 2 percentage points or 9.0 per cent. If the average interest rate on a bank's total markka-denominated deposits exceeds the Bank of Finland's base rate by more than one percentage point, the bank's average lending rate may at most equal the average deposit rate for the month in question plus one percentage point.

Call money market. The Bank of Finland implements the following changes in its call money rates:

Effective as from	Rate on call money credits Per cent	Rate on call money deposits Per cent
May 13	13.0	12.3
May 14	16.0	15.3
May 16	14.0	13.3
May 20 (I)	13.0	12.3
May 20 (II)	12.0	11.3
May 22	11.0	10.3

Amendments to Foreign Exchange Regulations. The authorized banks are granted permission to use foreign credit to finance their customers' long-term export receivables as from May 13, 1986. Similarly, exporters are, on application, granted permission to raise foreign finance in their own names in order to finance their long-term export receivables.

As from May 16, 1986, the Bank of Finland removes the upper limit on the amount of foreign financing credits for imports mediated by banks. At the same time, the Bank decides to start treating domestic foreign currency deposits received by banks as equivalent to banks' foreign borrowing; subsequent to this, banks are, in practice, no longer able to grant domestic credits denominated in foreign currency.

June

Call money market. The Bank of Finland lowers the rate on call money credits from 11.0 to 10.8 per cent and the rate on call money deposits from 10.3 to 10.1 per cent as from June 6.

Amendments to Foreign Exchange Regulations. The Bank of Finland revises the Foreign Exchange Regulations in some respects with effect from June 16, 1986. The main points of the amendments are as follows:

The prohibition concerning the sale of Finnish bonds and debentures to non-residents is rescinded on the condition that they are bought

with earnings or sales proceeds from Finnish bonds and debentures acquired previously or with funds held in Finland by persons who have emigrated from Finland.

The authorized banks and other securities agents are permitted to sell foreign securities from their own portfolios to residents within the quantitative limits set in the Foreign Exchange Regulations.

In addition, the Foreign Exchange Regulations are relaxed mainly with respect to payments for goods and services, and certain quantitative limits included in the Foreign Exchange Regulations are raised.

FIM bond issue by the Nordic Investment Bank. The Nordic Investment Bank issues FIM bonds in Finland totalling FIM 250 million, up to half of which the Bank of Finland permits to be sold directly to foreign investors. At least half of the issue is to be sold to domestic investors, but once quoted on the Helsinki Stock Exchange, the bonds can be sold and purchased abroad on the secondary market through the Stock Exchange.

August

Call money market. On July 31, the Parliamentary Bank Supervisors extend to the Board of Management of the Bank of Finland, until further notice, unlimited powers to raise the call money rate. In this context, the Bank of Finland decides to introduce, as from August 1, a call money rate policy under which call money rates are henceforth to be determined in accordance with the foreign exchange reserves. Thus, call money rates are to rise when foreign exchange reserves decline and fall when foreign exchange reserves grow.

The Bank of Finland implements the following changes in its call money rates:

Effective as from	Rate on call money credits		Rate on call money deposits	
	Per cent		Per cent	
August 1 (I)	11.2		10.2	
" 1 (II)	11.6		10.6	
" 4	12.4		11.4	
" 5 (I)	13.2		12.2	
" 5 (II)	15.2		14.2	
" 5 (III)	25.0		24.0	
" 7	40.0		39.0	
" 14	35.0		34.0	
" 15 (I)	30.0		29.0	
" 15 (II)	25.0		24.0	
" 18	20.0		19.0	
" 20	19.0		18.0	
" 26	18.0		17.0	
" 29	17.0		16.0	

Regulation of average lending rates. The Bank of Finland abolishes the regulation of average lending rates as from August 1.

Revision of foreign exchange regulations. As from August 1, the Bank of Finland decides to exempt from regulation foreign credits with a maturity of at least five years raised by manufacturing and shipping companies for financing their own operations. The decision on the removal of control does not apply to bond or debenture issues denominated in Finnish markkaa.

September

Call money market. The Bank of Finland implements the following changes in its call money rates:

Effective as from	Rate on call money credits		Rate on call money deposits	
	Per cent		Per cent	
September 2	16.0		15.0	
September 5	15.0		14.0	
September 9	14.0		13.0	
September 12	13.5		12.5	
September 18	13.0		12.0	
September 26	12.5		11.5	

Cash reserve requirement. As an exception to the cash reserve agreement concluded with the banks, the Bank of Finland decides to pay

interest on cash reserve deposits for the period September – December 1986 at a rate which is 3 percentage points below the Bank of Finland call money lending rate, however, not less than 1/4 percentage point below the Bank of Finland base rate.

October

Call money market. The Bank of Finland implements the following changes in its call money rates:

Effective as from	Rate on call money credits	Rate on call money deposits
	Per cent	Per cent
October 2	12.0	11.0
October 16	11.8	10.8

The decision of the Parliamentary Bank Supervisors on the temporary removal of the upper limit on the call money lending rate expires on October 21, 1986. From that date, the upper limit on the call money lending rate is again the base rate plus 15 percentage points.

Investment reserves. On October 23, 1986, the Council of State decides to release, as from April 1, 1986, investment reserves made for accounting periods ending in 1984 for use in the Greater Helsinki area. The utilization period is to expire on December 31, 1987.

In the same context, the Council of State decides to raise the special investment allowance from 3 to 6 per cent outside the Greater Helsinki area. The increased allowance can be applied to investment reserves to be used during accounting periods ending between November 1, 1986 and December 31, 1987.

Change in the cash reserve agreement. Samuel Montagu Osakepankki starts operations in Finland at the beginning of October, and on October 17, 1986 it joins the cash reserve agreement between the Bank of Finland and the banks.

November

Changes in the terms of central bank financing. As from the beginning of November, the Bank of Finland grants Samuel Montagu Osakepankki the same rights to central bank financing and to participation in the call money market as the other commercial banks. After Bank of Helsinki Ltd ceases operations as an independent bank and is merged with Union Bank of Finland Ltd at the beginning of November, the Bank of Finland cancels the rights of Bank of Helsinki Ltd to central bank financing and to participation in the call money market with effect from November 1, 1986.

Lending rates. On November 28, 1986, the Bank of Finland decides that henceforth lending rates applied in short- (up to 1 year) and medium-term (between 1 and 5 years) loan agreements may be linked to a reference rate which reflects the cost of unregulated short-term funding. The introduction of a reference rate requires the prior approval of the Bank of Finland.

Banks are still required to link lending rates on all housing loans and on all long-term loans of more than five years to the Bank of Finland's base rate or to charge fixed rates of interest on such loans. In addition, banks may continue to apply these interest rates to short- and medium-term credits. Similarly, they may continue to link lending rates on short-term credits to the call money rate.

December

Terms of central bank financing. On December 1, 1986, the Bank of Finland introduces a system under which the banks may, in addition to call money credit, also obtain central bank financing in the form of longer-term credits at fixed rates of interest. Initially, only three-month credits are to be granted and the quantity of credit and the rate of interest charged are to be determined on the basis of banks' requests for credit within the framework of the targets set for central bank financ-

ing by the Bank of Finland. The upper limit on the rate of interest applied to fixed-rate term loans extended by the central bank is the same as that on the call money lending rate, i.e. the base rate plus 15 percentage points.

For the present, the Bank of Finland does not undertake to accept longer-term deposits at fixed rates.

Call money market. The Bank of Finland lowers the call money deposit rate from 10.8 to 9.0 per cent as from December 1 and raises the rate on call money credits from 11.8 to 11.9 per cent as from December 2 and further to 12.0 per cent as from December 9.

Credits for the financing of domestic suppliers' deliveries. The rate of interest applied to credits for the financing of domestic suppliers' deliveries is raised by one percentage point to the equivalent of the base rate plus 2.0 percentage points as from December 10, 1986. The Bank of Finland's share in the financing of domestic suppliers' deliveries is raised from 30 per cent to 40 per cent for the period from December 10, 1986 to December 31, 1987. At the same time, it is decided to again permit the use of credits for the financing of domestic suppliers' deliveries in the financing of sawmill investments.

1987

January

Financing of short-term export credits. As from the beginning of 1987, the Bank of Finland restricts the financing of short-term export credits to concern export companies the turnover of which does not exceed FIM 200 million.

New-export credits. As from the beginning of 1987, the Bank of Finland restricts the use of new-export credits so that the duration of a

new-export credit extended to a company cannot exceed five years from the drawing of the first credit instalment. The rate of interest collected by the Bank of Finland from banks for new-export credits is raised to the same level as that applied to the financing of short-term export credits, i.e. the Bank of Finland's base rate.

Cash reserve agreement. The Bank of Finland and the banks agree on the revision of the cash reserve agreement as from January 1, 1987 so that certificates of deposit and certain long-term foreign credits intermediated by banks are no longer subject to the cash reserve requirement.

Amendments to Foreign Exchange Regulations. As from January 1, 1987, the Bank of Finland grants the Labour Savings Bank of Finland the status of an authorized bank.

Call money market. The Bank of Finland lowers the rate on call money credits from 12.0 to 11.9 per cent as from January 26.

February

Call money market. The Bank of Finland implements the following changes in its call money rates:

Effective as from	Rate on call money credits	Rate on call money deposits
	Per cent	Per cent
February 2	11.8	9.0 (unchanged)
February 13	11.7	8.5
February 20	11.6	8.0

Term deposits. With effect from February 4, 1987, the Bank of Finland allows the banks entitled to central bank financing to make bids for three-month fixed-rate deposits with the Bank of Finland. This arrangement is to operate alongside the existing arrangement for three-month central bank credits.

March

Call money market. The Bank of Finland implements the following changes in its call money rates:

Effective as from	Rate on call money credits Per cent	Rate on call money deposits Per cent
March 5	11.5	7.5
March 17	11.4	7.5

Banks' central bank financing. On March 17, 1987, the Bank of Finland complements the system of monetary control by introducing dealings in certificates of deposit with banks on an experimental basis alongside term

credits and term assets. At the same time, the use of call money credits is limited as from March 30, 1987. With effect from that date, each bank may daily resort to call money credit only up to an amount corresponding to 7.5 per cent of the total amount of its equity capital and cash reserve deposits. A penalty rate of interest is to be charged on credit exceeding the limit.

April

Call money market. The Bank of Finland lowers the rate on call money credits from 11.4 to 11.2 per cent as from April 2.

ITEMS

PKbanken purchases Chase Manhattan Bank's subsidiary in Finland. In February, Chase Manhattan Bank sold its Finnish subsidiary to the Swedish-owned PKbanken. The new bank, PKbanken International (Finland) Oy, joined the cash reserve agreement and received the same rights to central bank financing as the other commercial banks. The bank has also been granted the status of an authorized foreign exchange bank. There are three other foreign-owned banks operating in Finland: the American-owned Citibank, the British-owned Midland Montagu Osakepankki and the French-owned Banque de l'Indochine et de Suez (Indosuez).

Parliamentary elections of 1987. Parliamentary elections were held on March 15th and 16th, 1987. Of the 3 770 847 persons eligible to vote, 75.9 per cent cast ballots (81.0 per cent in the last parliamentary elections). If Finns living abroad, about 250 000, are included the turn-out was 71.6 per cent.

The following table shows the percentage distribution of votes in 1987 and 1983:

	1987*	1983
Social Democratic Party	24.1	26.7
National Coalition Party	23.1	22.1
Centre Party	17.6	16.6
People's Democratic League	9.4	14.0
Rural Party	6.3	9.7
Swedish People's Party	5.3	4.6
Democratic Alternative	4.2	—
The Greens	4.0	1.4
Christian League	2.6	3.0
Others	3.3	1.9
Total	100.0	100.0

The seats in Parliament were divided as follows:

	1987*	1983
Social Democratic Party	56	57
National Coalition Party	53	44
Centre Party	40	38
People's Democratic League	16	27
Swedish People's Party	13	11
Rural Party	9	17
Christian League	5	3
The Greens	4	2
Democratic Alternative	4	—
Constitutional Party	—	1
Total	200	200

The new Parliament assembled for its first session on April 2.

Debt service statistics. The definition of debt servicing (p. 19) has been changed. The most important change is the exclusion from debt servicing of loan conversions, in which borrowers make use of favourable capital market conditions in order to replace existing debt by issues made on more favourable terms. In addition, some other adjustments have been made (see p. 24). The new definition eliminates the distortion in the debt service statistics previously caused by the mechanical inclusion of early repayments merely representing the refinancing of a given stock of debt on improved terms.

(continued from page 2)

Finland allowed the markka to depreciate by some 2 per cent within its band, the trade in non-restricted shares almost dried up completely. Subsequently, continuing problems in bilateral trade and a resurgence of speculative pressures against the markka further undermined foreign investors' confidence in the Finnish equity market. The outcome of the parliamentary elections due to be held in March 1987 and the composition of the future government coalition evidently preoccupied foreign investors in the latter part of 1986.

Unlike their foreign counterparts, domestic investors did not consider these issues to be so important. Speculation against the markka was minimal among domestic investors, nor did the fall in oil prices and the surplus in bilateral trade have a very significant effect on the behaviour of Finnish investors.

With the improvement in the prospects for output and exports towards the end of last year and the disappearance of the threat of devaluation, there has been renewed interest among foreign investors in the Finnish equity market.

NEW LEGISLATION GIVES A FURTHER BOOST TO THE STOCK EXCHANGE

As one of its last measures, the four-year-old Parliament passed the so-called capital package in February 1987. The package comprised the Unit Trust Act, the raising of the upper limit on foreign share ownership in Finnish companies and the reduction in the maximum shareholdings of banks and insurance companies in companies in non-related fields. Only the last-mentioned measure has had a restraining influence on trade in shares. Foreign investors considered the capital package to be a very significant step in the liberalization of the Finnish capital market.

Legislation governing unit trusts was under preparation in Finland for close on two dec-

ades. The new Unit Trust Act is based on the open investment fund system. Unit trust activities are carried on by a trust corporation, which manages one or more unit trusts. A unit trust is a fund consisting mainly of shares and other securities which is owned by resident individuals and corporate bodies that have invested funds in it.¹

The news of the legislation on unit trusts had an immediate impact on share prices, which rose by a few percentage points. With the eventual entry into force of the act,² the establishment of unit trusts is likely to be a factor supporting equity prices over the longer term. Investment through participation in unit trusts is not expected to grow significantly until the next decade.

The raising of the maximum proportion of a company's share capital that can be owned by foreigners from 20 per cent to 40 per cent will enhance the opportunities of listed companies to raise risk capital in international capital markets. Under the new act, the upper limit on the voting rights of foreigners in Finnish companies remains 20 per cent. According to the Finnish Companies Act, the share capital of a company can consist of different types of shares. Differences between various types of shares relate primarily to differences in dividend and voting rights. According to law, the difference in voting rights between different types of shares must not be more than twentyfold.

It seems most likely that the shares sold by listed companies in equity issues abroad will carry limited voting rights. At least up to now, foreign investors have not been interested in voting rights but rather in the total yield on investments. Recently, however, there have been signs of some dissatisfaction among

¹ See also the back article in the February 1987 issue of the Bulletin.

² Before the act can enter into force, certain modifications will have to be made to the existing tax legislation.

foreign investors concerning developments in the prices of these shares. Moreover, the higher pricing of non-restricted shares in comparison to restricted shares in public offerings has not always been regarded as justified.

Prices of non-restricted shares also rose following the news of the passing of this law. However, the upward trend in prices of non-restricted shares had already begun last year when details of the Government's capital package had first been released.

The right of banks to own shares in companies engaged in activities other than banking is to be cut from a maximum of 20 per cent to 10 per cent. Similarly, the upper limit on shareholdings by insurance companies in companies in non-related fields is to be reduced from 50 per cent to 20 per cent. As, however, both banks and insurance companies have been allowed an adequate transition period for rearranging their shareholdings, these amendments to the law are unlikely to lead to any fall in equity prices. In fact, at present, shareholdings by banks and insurance companies in other companies exceed the new ownership limits in only a few cases. In Finland, banks handle the arrangements for share issues, and in so doing they may, under their underwriting responsibility, have to take part of a share issue into their portfolios as current assets for a short time.

TAX RELIEFS PROMOTE INVESTMENT

In recent years, government budgets have provided a number of modest tax reliefs to investors. The deduction allowed for capital income, which, among other things, enables investors to receive a small dividend income free of tax, has been gradually raised year after year. This year, an investor may receive

tax-free dividend income up to the value of FIM 5 200, provided that he has no other capital income. The annual increases in the capital income deduction have contributed to the spread of investment in securities.

Annual adjustments of personal wealth tax scales have eased the position of small investors. In the current year, personal wealth below the value of FIM 830 000 is exempt from wealth taxation. Moreover, the lowering in the taxable value of listed shares from 100 per cent to 70 per cent of their current value marked a step towards placing equities on a more equal footing with other investment instruments. The reduction in taxable value may improve companies' willingness to seek a listing on the stock exchange.

In Finland, shares which have been held for less than five years are subject to capital gains tax upon being sold. This regulation has been a factor limiting activity and liquidity in the equity market, since most investors hold shares for the full five years before thinking about selling them.

For the past year or so, Finnish residents have been able to invest in foreign securities up to the amount of FIM 10 000 annually. However, there has been no major rush to invest abroad. The small size of the permitted amount has undoubtedly reduced incentives.

The measures described above have increased domestic investors' interest in the equity market. International investors have also noted the development of Finland's capital market. These measures have created a fairly solid basis for continued favourable developments in the prices of listed shares.

March 30, 1987

BANK OF FINLAND

Board of Management

Rolf Kullberg
Chairman

Pentti Uusivirta

Ele Alenius

Harri Holkeri

Seppo Lindblom
*Absent as Minister
of Trade and Industry*

Esko Ollila
*Absent as Minister
of Finance*

Markku Puntila
Acting Member of the Board

Directors

Markku Puntila

Pentti Koivikko

Sirkka Hämäläinen

Matti Vanhala

Senior officials

H.T. Hämäläinen
*Secretary to the Board
of Management*

Timo Männistö
Internal Audit

Ossi Leppänen
Accounting

Urpo Levo
Administration

Reijo Mäkinen
Cash

Raimo Hyvärinen
Domestic Financing

Anton Mäkelä
Personnel

Riitta Jokinen
Acting Head, Data Processing

Kari Puumanen
Economics

Antti Heinonen
Information

Ralf Pauli
Monetary Policy

Heikki Koskenkylä
Research

Kari Holopainen
Bilateral Trade

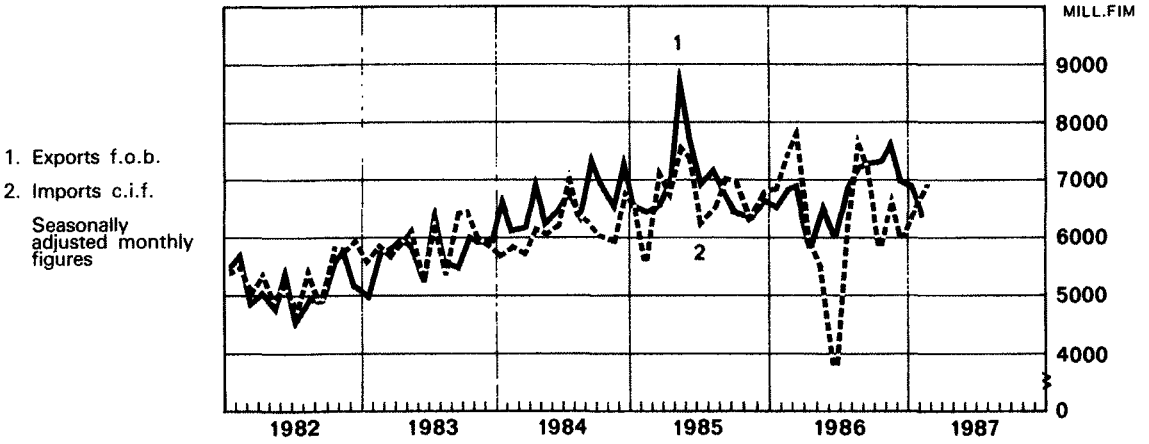
Esa Ojanen
Exchange Control

Johnny Åkerholm
Exchange Policy

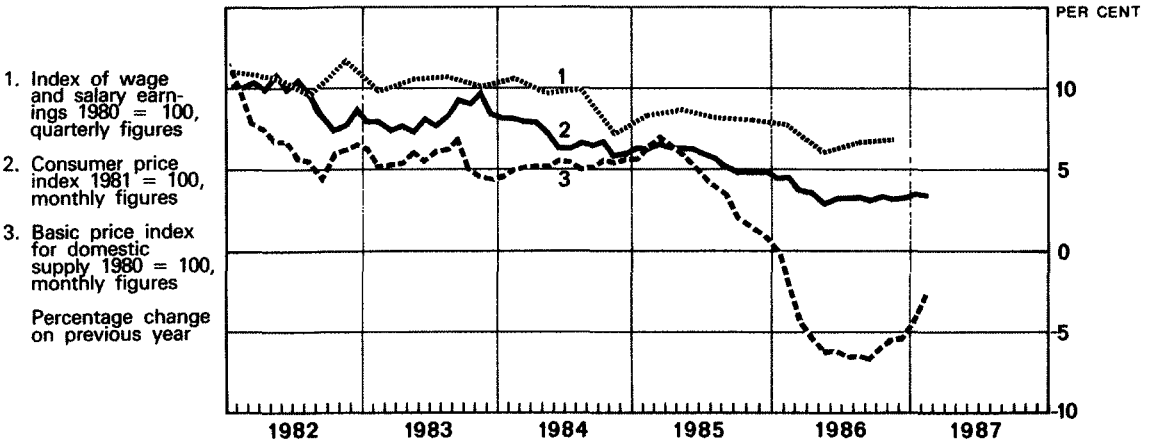
Kari Pekonen
Foreign Exchange

Kaarlo V. Jännäri
Acting Head, Foreign Financing

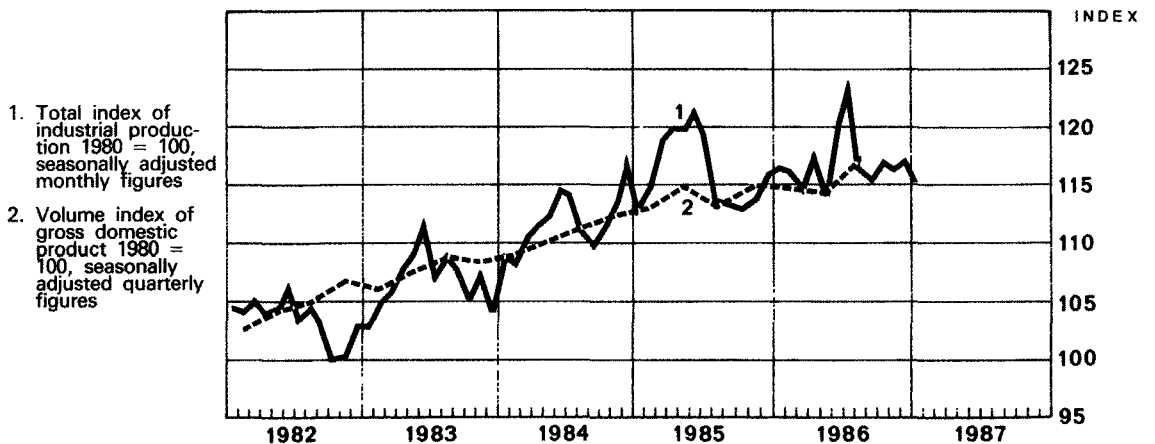
FOREIGN TRADE, 1982-87



PRICES AND WAGES, 1982-87



PRODUCTION, 1982-87



Bank of Finland Monthly Bulletin

Suomen Pankki — Finlands Bank

P.O. Box 160, SF-00101 HELSINKI, FINLAND

Telephone: National (90) 183 2629

International + 358 0 183 2629

Telex: 121224 SPFB SF

Cables: SUOMENPANKKI

EDITOR-IN-CHIEF Antero Arimo

EDITOR Marja Hirvensalo

ISSN 0005-5174

Helsinki 1987. Government Printing Centre