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Current Outlook

Fiscal Policy and Public Finance

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THE FINNISH ECONOMY IN 1989 AND THE CURRENT OUTLOOK

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INTRODUCTION

Economic activity in Finland continued at a vigorous pace for the major part of 1989 but slackened towards the end of the year, mainly because of a rise in interest rates and measures taken to tighten economic policy in the course of the year. The persistent buoyancy of output growth fuelled investment demand, in particular, as most sectors were running at full capacity. The protracted boom in private consumption levelled off in the course of 1989 as higher domestic interest rates increasingly began to limit household borrowing.

The overheated state of domestic demand further exacerbated the imbalances in the economy. Exceptionally strong demand for factors of production and commodities was manifested in both inflation and a widening in the

current account deficit. The tightening of economic policy had, as yet, only a minor impact on inflation and the external balance in 1989.

Judgements concerning the current state of the economy and developments in the near term indicate a cooling down of the economy. In view of the imbalances and the economic policy actions aimed at remedying them, the outlook is for fairly modest growth. Unemployment is, however, expected to edge up only slightly as the relatively modest growth of labour supply and the large number of unfilled vacancies will limit the increase in open unemployment. As a result of the increase in foreign indebtedness, there will continue to be a large deficit on current account even though the balance of trade is expected to improve. Restoring equilibrium

to the economy thus seems likely to involve an adjustment process lasting several years.

ECONOMIC POLICY

A conspicuous feature of economic policy in recent years has been that economic growth and hence also the pressures on macroeconomic balance have been repeatedly underestimated. In the 1989 budget proposal, fiscal policy was designed to be slightly expansionary as part of the comprehensive incomes policy agreement and because of an expected deterioration in business conditions. When the imbalances in the economy turned out to be worse than envisaged, fiscal policy was tightened in spring 1989. The financial position of the central government improved and saving by the public sector increased. However, this was primarily due to the fact that rapid economic growth and the acceleration of inflation boosted tax receipts and reduced certain income transfers and net interest payments.¹

With the strengthening of inflationary pressures and the increase in external imbalances, the main goal of monetary and exchange rate policy remained, as in previous years, to curb the growth of domestic demand. But, since the domestic financial markets have to a large degree become integrated with international financial markets, raising domestic rates of interest to the necessary extent proved difficult.

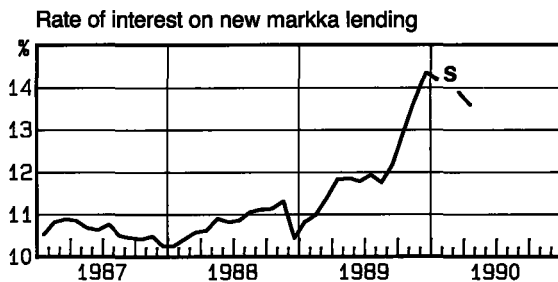
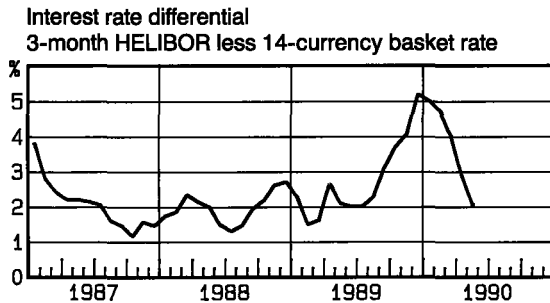
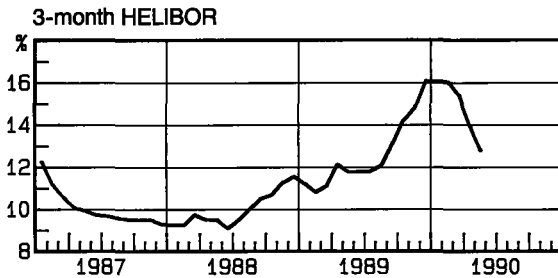
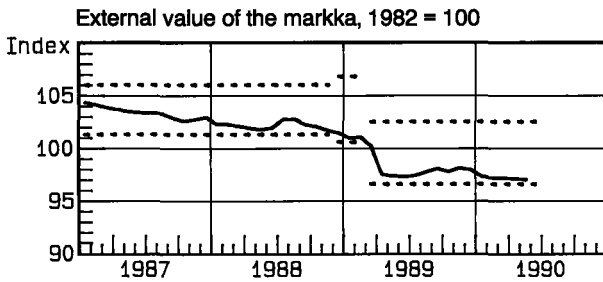
TABLE 1. DOMESTIC ECONOMIC PERFORMANCE

	1980-1989 average	1987	1988	1989
	change in volume, %			
Exports	2.7	2.6	3.9	1.7
Private investment	3.8	5.0	11.7	14.4
Private consumption	3.5	5.7	5.0	3.6
Total domestic demand	3.8	5.8	7.4	7.3
— of which: public	3.6	4.9	1.9	2.6
Imports	4.4	9.0	11.5	9.6
GDP	3.4	4.0	5.2	5.0
	change, %			
Terms of trade ¹	1.1	4.1	4.8	2.2
Earnings	9.3	7.0	9.0	8.6
Consumer prices	6.9	3.7	5.1	6.6
Unemployment rate, %	4.9	5.1	4.6	3.5
	per cent of GDP			
Current account	-1.9	-2.0	-2.9	-4.5
Gross saving	23.8	22.0	23.8	25.0
Gross investment	25.7	24.0	26.7	29.7
Central government net financing requirement	-1.0	-1.1	0.2	1.6

¹ Based on foreign trade price indices.

¹ Fiscal policy and public finance are discussed in detail in the article by Immo Pohjola in this issue of the Bulletin.

**CHART 1.
CENTRAL BANK POLICY AND FINANCIAL MARKET
INDICATORS**



Given the favourable economic situation, capital importers considered the exchange rate risk to be rather small. Hence, the central bank's efforts to raise domestic interest rates resulted in heavy capital inflows and lower rates of interest than intended.

To render possible the cooling of the economy by means of monetary policy, the limits of the fluctuation range of the Bank of Finland's currency index were lowered by some 4 per cent in March 1989. The market's reaction to this was an appreciation of the markka by about the same amount (Chart 1). Consequently, the rise in foreign trade prices was clearly moderated by roughly the same amount.

To curb bank lending the efficiency of the cash reserve system was enhanced by a temporary agreement by which banks were required to make additional, non-interest bearing cash reserve deposits if their lending exceeded specified limits. The greater strain on bank profitability which this entailed did in fact contribute to slowing the growth of lending. However, in the case of lending to households in particular, the sharp deceleration was to a large extent due to a rise in market rates of interest, which, because of the resultant increase in banks' funding costs, led to substantially higher interest rates on new loans.

The revaluation of the markka increased exchange rate uncertainty, thus allowing a rise in domestic interest rates. When, towards the end of the summer, statistics were published showing that the widening of the current account deficit had been greater than expected and inflation persistently exceeded the average rate in Finland's competitor countries, market interest rates rose steeply in the autumn. Domestic interest rates were also pushed up by the rise in the interest rates that had tak-

en place in other industrial countries. The sharp increase in the interest rate differential in the latter part of the year — to about 5 percentage points at its widest — was an indication that there were expectations in the exchange market that a depreciation of the markka was likely (Chart 1).

As, in the course of 1989, inflation proved to be more rapid than expected and the differential between the Bank of Finland's base rate and market rates increased disproportionately, the base rate was raised from 7.5 per cent to 8.5 per cent in November 1989.

EXPORT MARKETS AND FINNISH EXPORT PERFORMANCE

Continued growth in the OECD countries and a pick-up in world trade have in recent years offered relatively favourable conditions for an expansion of Finnish exports to western markets. In relation to these developments, Finland's export performance has been modest (Chart 2). One reason has been that economic growth in the Scandinavian countries has been slower than the OECD average, which has been reflected in Finnish exports. In addition, the export performance of some sectors has weakened, at least in relative terms. The difficulties experienced by shipyards can be traced to the subsidies granted to the shipbuilding industry in competitor countries while in construction project exports the reason can be found in falling demand in the most important market areas. As regards textile and clothing exports, perhaps the most important factor is Finland's high production costs.

Moreover, exports to the Soviet Union within the framework of bilateral trade arrangements have decreased substantially in recent years with the fall in the oil price. This seems, through the scale fac-

CHART 2.
EXPORT PERFORMANCE, TERMS OF TRADE AND
RELATIVE UNIT LABOUR COSTS, 1980 = 100

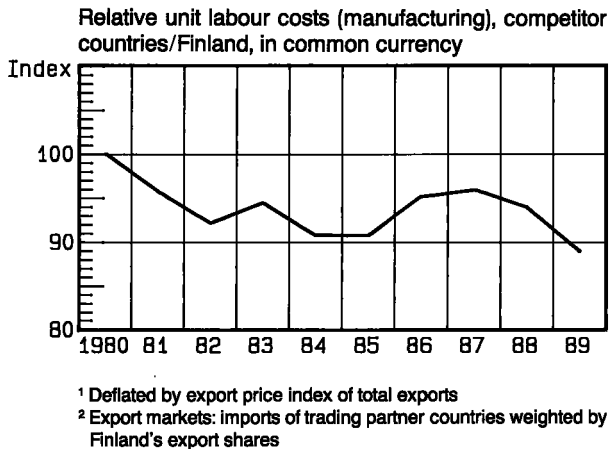
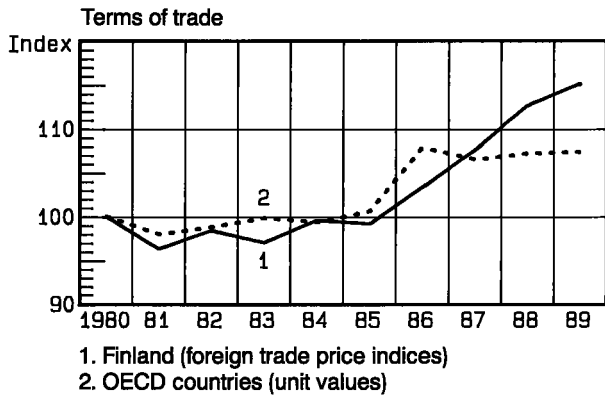
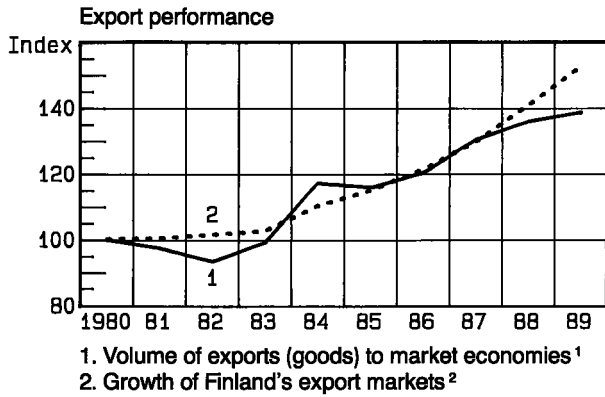
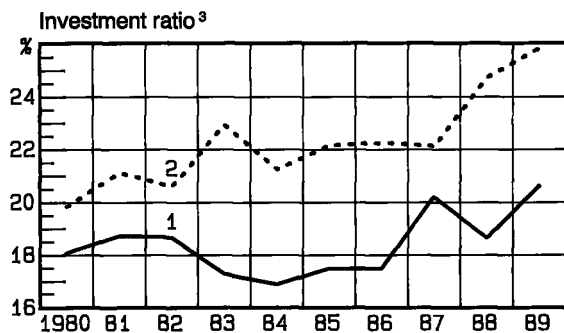
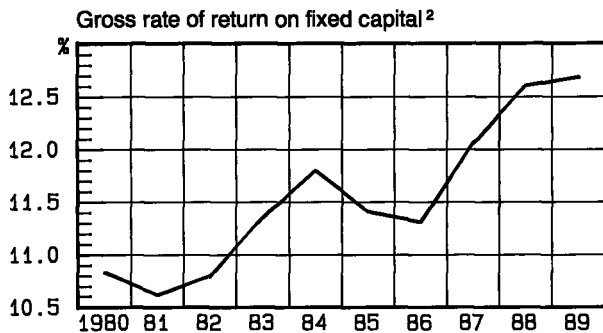
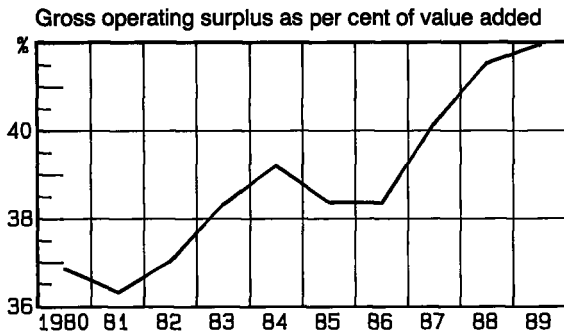


CHART 3.
NON-FINANCIAL BUSINESS SECTOR¹ INDICATORS



1. Manufacturing
2. Other enterprises

¹ Enterprises excluding agriculture, forestry, fishing, housing and financial services

² Gross operating surplus as per cent of gross capital stock

³ Fixed investment as per cent of value added, 1985 prices

tor, to have impaired the export prospects of various sectors in western markets as well.

Furthermore, it is clear that the very rapid growth of domestic demand has in some sectors — most noticeably the metal and engineering industries and wood-processing industries — limited the scope for increasing supply in export markets.

The competitiveness of the open sector — measured in terms of unit labour costs — has deteriorated markedly over the past two years (Chart 2). So far, however, this does not appear to have posed a serious problem for the entire export industry, the profitability of which has on average been good. A particularly favourable feature has been the continued improvement in the terms of trade throughout the late 1980s. Terms-of-trade gains have resulted in a notably bigger increase in real incomes in Finland than in the industrial countries on average (Chart 2). Initially, the increase in income stemming from this source boosted primarily consumer demand. The strong recovery of investment since 1987 has largely been based on the multiplier effects of consumption growth.

CORPORATE SECTOR

From companies' point of view, the economic situation continued to be favourable in many respects in 1989. The growth of demand made it possible to maintain resource utilization at a high level — in fact the lack of productive capacity and labour increasingly constituted a bottleneck. The rapid growth of labour costs and the high level of interest rates did not, as yet, place a serious strain on corporate profitability, which benefited from the favourable developments in the terms of trade (Chart 3). By increasing labour productivity, companies were able to absorb a significant part of the pay rises and the

closed sector, in particular, was able to pass on higher costs into prices fairly easily. The rise in domestic interest rates did not unduly hamper companies since the share of foreign financing has increased rapidly in recent years. Though share markets weakened in the course of last year, companies were still able to raise equity finance on rather favourable terms.

The need to expand capacity and the reasonable profitability of investments were the main factors sustaining the buoyancy of fixed capital formation in 1989. A particularly striking feature of developments in recent years has been a significant rise in the investment ratio of the private services sector (closed sector) of the economy. The increase in the investment ratio of the manufacturing sector (open sector) has been less pronounced (Chart 3). Underlying these developments has been a corresponding difference in the output growth trends for these sectors: manufacturing output grew by 3.8 per cent a year on average in 1985—1989 and output in the private services sector by 5.8 per cent.

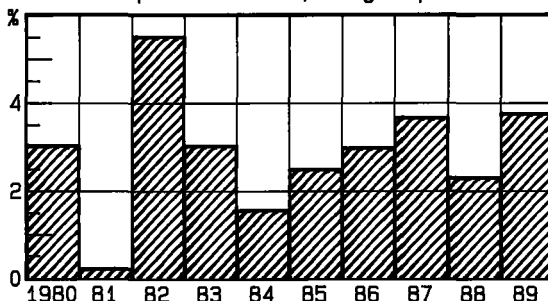
HOUSEHOLDS

Household demand was again the main driving force behind the growth of domestic demand in 1989. The growth of private consumption did level off in the course of the year, however, under the impact of high interest rates on consumer credit. The prolonged decline in the household sector's saving ratio came to a halt last year (Chart 4). The volume of residential investment expanded by 20 per cent, after having already increased by 17 per cent in the previous year. In the course of 1989, the housing market calmed down and dwelling prices started to slowly fall.

The most outstanding feature of household sector behaviour in recent years has been the recourse to debt for

CHART 4.
HOUSEHOLD SECTOR INDICATORS

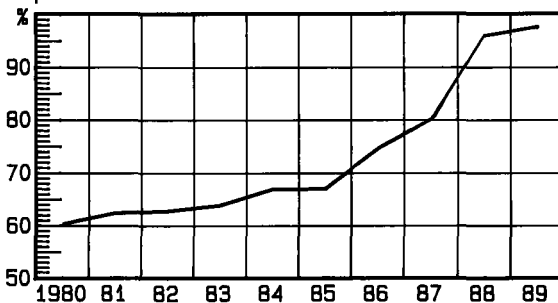
Net real disposable income¹, change in per cent



Net saving ratio



Gross debt in relation to net disposable income, per cent



¹ Figures for 1986 and 1987 have been corrected for the postponement of tax refunds. Income for 1988 includes compensation for crop failure in 1987.

financing both consumption and investments. As a result, the household saving ratio has declined sharply. Several explanations have been put forward for the falling trend in the household saving ratio. Continued expansion of output, rising real incomes and falling unemployment since the end of the 1970s have strengthened households' confidence in the permanence of favourable income developments. As, moreover, there has been a concomitant slowdown in inflation, the need for savings to compensate for the lowering in the real value of financial assets has diminished. The continued improvement in pensions and other welfare payments is also thought to have reduced the incentive for private saving.

The sharp decline in the savings ratio has coincided with the liberalization of the financial markets and the ending of credit rationing. This suggests that the higher household saving ratio prevailing earlier can to a large extent be explained by credit rationing. It is evident that optimistic income expectations, wealth factors — such as the rise in the market values of dwellings and securities in recent years — and the favourable treatment of capital expenses in personal taxation have contributed to an exceptionally rapid rise in household debt over the past two years or so (Chart 4).

The deterioration in the economic outlook, the fall in the market value of household wealth and the reduction in the tax deductibility of interest payments can be expected to lead to a rise of some degree in the saving ratio. The "compulsory saving" arising from repayments of the loans raised in recent years is likely to exert a similar effect.

INFLATION AND EXTERNAL BALANCE

The persistence of the boom has kept inflationary pressures

high. The rise in foreign trade prices accelerated in the opening months of 1989 until the adjustment of the currency index led to the revaluation of the markka in March. In the first quarter of the year, export prices were more than 8 per cent and import prices 6 per cent higher than in the corresponding period of the previous year. With the improvement in the terms of trade also boosting purchasing power in the economy, negotiated pay increases exceeded the moderate rises agreed in the stabilization agreement between the labour market organizations and the Government in autumn 1988. Labour costs per working hour rose by more than 10 per cent in 1989. Industrial companies were again able to absorb a large part of the cost rises by improving productivity. Unit labour costs, measured in national currencies, nevertheless rose by nearly 2 percentage points more than in competitor countries.

Owing to the strength of domestic demand, it was possible to quickly pass through cost and price pressures into consumer prices. In the twelve months to December 1989, the consumer price index increased by 6.5 per cent. Thus, the index clause incorporated in the pay agreements was triggered, resulting in an additional pay increase of 2.5 per cent from the beginning of March 1990 in those sectors which had accepted the comprehensive incomes policy agreement in the autumn of 1988, i.e. for about two-thirds of all wage and salary earners.

With the exception of the favourable developments in

the terms of trade, the forces at work in the economy last year resulted in a widening in the current account deficit. In spite of the rapid growth of domestic supply, a significant part of demand was reflected in the growth of imports, the volume of which amounted to around 10 per cent for the third consecutive year. The trade account swung into a marked deficit and the deficit on the services account widened further. The rapid growth of external debt, together with the upturn in foreign interest rates, led to a deterioration in the investment income account. The current account deficit reached 4.5 per cent of GDP.

An analysis of the current account deficit on the basis of saving and investment reveals that the weakening in the current account in 1989 was due to a rise in the investment ratio of the private sector. A positive feature from the point of view of the future growth potential for exports is the recovery of investment in the open sector, even if investment by the closed corporate sector and housing investment continued to expand at a faster rate than industrial investment.

Though rapid economic growth in the 1980s entailed a continuing current account deficit, foreign net debt in relation to GDP remained fairly stable and moderate by international standards. At the end of 1989, net foreign debt amounted to 17 per cent of GDP. With the widening of the current account deficit in 1989 the level of debt started to increase sharply.

TABLE 2. BREAKDOWN OF THE CHANGE IN CONSUMER PRICE INDEX BY MAJOR COMPONENTS IN 1988—89 (from December to December)

	1988	1989
Indirect taxes, public prices and tariffs	1¾	1
Housing	2	2½
Imports prices	¼	1
Wages, productivity and other factors	2½	2
Change in the CPI	6½	6½

THE CURRENT OUTLOOK

The steep rise in interest rates in the final months of 1989 has set in a motion the adjustment of demand, and the growth of both domestic demand and total output are forecast to slow in 1990. Latest forecasts indicate a real GDP growth rate of $1\frac{1}{2}$ — $2\frac{1}{2}$ per cent. Several factors, including only a slight increase in the supply of labour, the large number of unfilled jobs at the end of last year and the requirement under the new Employment Act for the public sector to find employment for the long-term unemployed, will limit the rise in the unemployment rate.

As a result of the rapid growth of investment in 1989, there were a large number of unfinished projects at the end of the year. Their completion in the course of the current year should maintain corporate investment activity at broadly last year's level, although new investment activity is expected to decline markedly. Corporate profitability is likely to deteriorate this year.

The growth of household consumption slackened in the latter half of 1989 and it is forecast to remain fairly modest in the near term. The saving ratio is expected to rise to some extent as high interest rates, the fall in the market value of household wealth and the rapid increase in indebtedness in recent years curb household borrowing. The volume of housing investment is forecast to fall off sharply thus helping to improve the financial balance of the household sector.

The volume of demand in the public sector is expected to continue growing at a somewhat slower pace in the coming years than in the 1980s, when it increased at 3.6 per cent a year on average. With the slowing of the growth of total output, the operation of built-in stabilizers will result in

public sector budgetary operations having a slightly expansionary impact on economic activity in 1990.

The phased introduction of the income tax reform, an essential element of which is an easing in personal taxation, has proved to be highly problematic within the limits set by the weakened external balance and inflation. The Government sought to reconcile these economic policy objectives by means of a comprehensive incomes policy agreement in which wage and salary earners were guaranteed a moderate increase in real purchasing power in 1990 and 1991 — mainly through income tax concessions — in return for low nominal pay increases. The majority of wage and salary earners' organizations accepted the two-year comprehensive incomes policy agreement drawn up on this basis. Almost a quarter of all wage and salary earners preferred to stay outside the agreement. The unions representing them reached settlements that provided for negotiated wage increases somewhat higher than those of the centralized agreement. As earnings will also be augmented by the carry-over effects of pay rises under previous agreements — including the index increase of 2.5 percentage points — the rise in labour costs will slow only slightly in comparison with 1989. The comprehensive agreement will only start to exercise a moderating effect on the rise in costs towards the end of the current year and in 1991. More important in curbing the rise in prices will be the small size of the inflationary impulses stemming from foreign trade prices and the fall in the prices of dwellings.

The external balance is not expected to weaken any further in 1990. Contributing to this development will be the generally satisfactory growth of export markets and the eas-

ing of capacity constraints in the open sector. The return of export and import propensities towards their previous levels is, however, likely to be hampered by the continued weakening of price competitiveness, meaning that the current account deficit would, to an increasing extent, become a structural one. Another factor operating in the same direction will be the rapid increase in interest payments on foreign debt.

Since last autumn, domestic interest rate developments have fluctuated substantially. The industrial dispute in the banking sector in the early part of this year caused a technical "freezing" of market interest rates at a very high level. Once the dispute had been settled and pay agreements had been reached in practically all sectors, market interest rates drifted markedly lower in the course of the spring and the differential in relation to foreign interest rates narrowed. As Finland is likely to continue running up foreign debt at a relatively brisk pace, interest rates are expected to remain fairly high in the near term.

So far, there is only scant experience in Finland as to how the different sectors of the economy react to high domestic interest rates. For companies, the opportunity to resort to foreign financing mitigates the effects to some extent. On the other hand, the increase in indebtedness that has already occurred and the fall in the market values of wealth could curb — even sharply — companies' and households' willingness to incur further debt. A fairly rapid adjustment of the current account would then be possible.

June 4, 1990

FISCAL POLICY AND PUBLIC FINANCE

by **Immo Pohjola**, Financial Counsellor
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The main problems facing the Finnish economy in recent years have been excessive domestic demand, an unduly rapid increase in domestic costs and the deterioration in price competitiveness and the external balance these have given rise to. Financial market deregulation has, along with a strong rise in incomes, been one of the main factors contributing to the expansion of domestic demand. This has rendered monetary policy less effective and in consequence the responsibility for the implementation of economic policy has increasingly fallen on fiscal policy. However, the room for manoeuvre in fiscal policy has been constrained by the commitment of the Government to the income tax reform and incomes policy considerations.

It has been sought to construct economic policy on the basis of a wide social consensus. Taxation and income transfers have been designed so as to pave the way for a moderate increase in purchasing power for wage and salary earners with low nominal pay increases. Incomes policy has nevertheless proved to be less effective than desired in countering economic imbalances during the boom.

FISCAL AND ECONOMIC POLICY IN 1989—90

In autumn 1988, an agreement on a wide-ranging package of economic and incomes policy measures was reached in connection with the introduction of the 1989 budget proposal. The main components of this package were low nominal

pay increases, the first phase of the lowering of marginal income tax rates, a substantial adjustment of income tax brackets for inflation, a moderate increase in the volume of public expenditure and a cut in the Bank of Finland's base rate. Though some blue-collar unions remained outside the agreement, studies suggest that actual developments in wages and prices were more moderate than they would have been had settlements been concluded without the Government intervening.

Even so, inflation continued at a faster rate than targeted, partly because economic growth again turned out to be markedly stronger than expected. The agreement on additional cash reserve deposits between the Bank of Finland and the banks and the targets for restricting the growth of bank lending set in conjunction with it helped to restrain credit expansion and cost

pressures, as did the revaluation of the Finnish markka in March and the raising of the Bank of Finland's base rate in November 1989.

As in the previous year, the growth of demand was dampened to some extent by the operation of built-in stabilizers. In addition, sales tax and employers' social security contribution rates were raised in spring 1989. Activity in the overheated building sector was curbed by the continuation of the temporary investment tax and later by the imposition of a construction tax, the period of validity of which was extended until 1990. Substantial increases in contribution rates in the compulsory labour pension schemes in 1989—90 supported saving by pension funds in the local government sector and the private sector. The 1990 budget provided for the establishment of a central government pension fund but the transfer of funds

TABLE 1. EFFECTS OF FISCAL POLICY¹

	1986	1987	1988	1989*	1990**
GROWTH EFFECT ²					
	as per cent of GDP				
Central government	-0.5	0.8	-1.6	-1.0	0.0
Local government	0.6	0.8	0.1	0.3	0.3
Social security funds	0.1	-0.1	0.0	0.1	0.1
TOTAL	0.2	1.5	-1.5	-0.6	0.4
COST EFFECT					
percentage contribution to the change in the CPI, from December to					
December	1.0	0.6	1.8	1.0	1.0

*Preliminary ** Forecast May 1990

¹ Certain significant fiscal policy measures restraining domestic demand are not included in the fiscal impact calculations. The increase in labour pension contribution rates in the private sector are excluded because these pension schemes are managed by private insurance companies. Although the investment tax and the construction tax which replaced it have acted as a direct brake on building activity in the most seriously overheated areas, they are in the nature of preventive taxes with only a small yield in terms of revenue.

² The effects have been calculated by the Ministry of Finance using a simple coefficient model. The figures include the effects of both discretionary measures and built-in stabilizers and have been calibrated to correspond to the real growth of GDP.

for this purpose to a blocked account with the Bank of Finland was actually started in the previous autumn.

As in the previous year, income taxation for 1990 was linked to a comprehensive incomes policy agreement, with the Government offering wage and salary earners tax concessions in return for low pay awards. The agreement, which was reached in January, will help to slow the rise in costs and prices this year. Despite the cuts in income tax rates, central government finances will continue to show a sizeable surplus but the general government sector is forecast to exert a slightly expansionary impact on economic activity in relation to last year.

While indirect taxes and public charges have been raised with the aim of restricting domestic demand, these measures have also had a significant direct effect on consumer prices. One of the essential features of the comprehensive stabilization settlements reached in recent years is that pay agreements have included an indexation clause. This has diminished the scope for increases in public charges and tariffs that would have otherwise been warranted on countercyclical policy grounds. For the same reason, it has been possible to raise environmental taxes to only a limited extent.

To curb excessive borrowing by households, the deductibility of interest payments in personal income taxation has been reduced by raising the lower limits above which interest expenses can be deducted and keeping the upper limits unchanged. In 1989, the deductibility of interest payments was further diminished by making 10 per cent of the amount between the upper and lower limits non-deductible; this fraction has been raised to 15 per cent for personal income taxation in 1990. These measures have raised

households' effective interest costs, particularly marginal interest costs. A credit tax on foreign borrowing by companies was enacted for 1990 which eliminates the asymmetrical tax treatment of domestic and foreign debt.

With a view to promoting financial saving by the household sector, the maximum capital income allowance was doubled in income taxation for 1990. In addition to the raising of the Bank of Finland's base rate, the maximum permissible rate of interest payable on tax-exempt 24-month deposits and government bonds was raised by one percentage point in December 1989.

PUBLIC FINANCE

In keeping with fiscal policy objectives, there was a marked downturn in the ratio of public expenditure to GDP in 1988—89. Although it was actively sought to restrict the growth of spending, the fall in the GDP-share of expenditure was reinforced by the exceptionally rapid growth of GDP, which swelled tax revenues and at the same time improved the financial position of the public sector. In Finland, as in many other countries, it has been judged necessary to curb the growth of public spending so as to stop the growth of the tax burden and slow the rise in the indebtedness of the public sector. The relative shares of public expenditure and income in GDP in Finland are

close to international averages. The relative share of public debt is, however, very low by international standards.

Taxation

The first phase of the comprehensive tax reform¹ introduced at the beginning of 1989 has affected both income and expenditure in the public sector. The main aims of the tax reform are to simplify the incentive system, to make the tax system more transparent and to reduce various distortions.

Countercyclical policy considerations have been taken into account in implementing the tax reform. Only minor adjustments for inflation were made to tax scales and allowances in 1988, partly so as to forestall the need for larger adjustments in the initial stage of the tax reform. This was a major factor contributing to the sharp rise in the tax ratio in 1988, though it should be noted that tax revenues in 1987 were artificially low because of exceptional tax refunds postponed from the previous year.

The 1989 income tax reform and economic policy as a whole were linked together with the incomes policy agreement with the aim of bringing down inflation and improving the preconditions for stable economic growth. In personal income taxation, the system of

¹ See the article by Lasse Aarnio in the January 1989 issue of the Bulletin.

TABLE 2. PUBLIC SECTOR INDICATORS

	1970—79	1980—86	1987	1988	1989*
	annual average				
	per cent of GDP				
Public consumption and investment	20.0	22.8	24.1	23.5	22.8
Transfers to the public sector	11.3	12.7	13.5	12.5	12.3
Total public expenditure	34.3	39.1	41.8	39.5	38.5
Taxes, net	22.8	22.3	22.3	25.1	25.1
Taxes, gross	34.1	34.9	35.8	37.6	37.4
Financial surplus	3.5	0.2	-1.2	1.4	2.6
Debt	9.5	16.3	18.5	17.0	4.7

*Preliminary

deductions was partly abolished but nominal marginal income tax rates were lowered so that the overall effect was a distinct easing of taxation. In addition, the lower limit of taxable income was raised substantially. The elimination of deductions also affected local government tax revenue, making it necessary for the central government to compensate those municipalities whose tax receipts decreased. At the same time, the tax base was broadened, for example by changing the taxation of capital gains, insurance benefits and interest income, as a result of which the neutrality of taxation improved. In business taxation, the double taxation of distributed profits was abolished by introducing the imputation (*avoir fiscal*) system; this reform did not take effect until 1990, however. All in all, direct taxation eased considerably.

In indirect taxation, the sales tax system was developed further towards a value added tax in 1989. The deduction for investments in machinery and equipment by industrial companies was raised from 80 to 90 per cent; in 1990 the sales tax on environmental investments by firms engaged in productive activity was abolished in full.

In the course of 1989, it proved necessary to tighten taxation further for economic policy reasons. The employers' sickness insurance contribution rate was raised by 0.25 percentage point from the beginning of May. The sales tax rate was increased by 0.5 percentage point to 16.5 per cent of the commodity's taxable value with effect from June 1 and to 17.0 per cent from December 1. In February 1989, the duration of the temporary investment tax on business construction was extended in the Greater Helsinki area and subsequently replaced by a special construction tax in June. In the autumn, the coverage of the construction tax was

extended to apply to the entire country and its period of validity was extended until 1990.

Tax revenue in 1989 turned out to be substantially higher than originally budgeted, as had also been the case in the previous year. This was mainly due to the faster-than-expected increases in the tax bases and the progressivity of income taxation, but also to the discretionary tax increases implemented in the course of the year. Proceeds from income and wealth tax grew by FIM 2.5 billion, or 7 per cent, more than budgeted. Similarly, sales tax receipts were FIM 4.9 billion, or 12.5 per cent, higher than budgeted. Stamp duty, though less significant in markka terms, yielded as much as 42 per cent more than budgeted, largely as a result of rapid credit expansion and higher house prices. The overall tax ratio nevertheless rose by only half a percentage point more than planned. This reflected the fact that both the real growth of GDP and domestic demand and inflation were underestimated when the 1989 budget was drawn up the previous autumn.

Public expenditure

The main factor contributing to the fall in the relative share of public expenditure in GDP has been the slowdown in the volume growth of spending, a

goal which has been pursued for both structural policy and cyclical reasons. Moreover, the volume of public expenditure has grown closely in line with budget plans in the past two years.

In 1988-89, the real growth of public expenditure was only half that of GDP. A permanent slowdown in growth has occurred particularly in central government consumption and transfers to the private sector. The local government sector, however, still faces substantial pressures for expansion on the expenditure side. As a result of demographic developments, there will be a need for additional nursing and other care staff in the long run, and the nationwide plans approved for the social and health care sectors presuppose a continued expansion in local government staffing levels in the 1990s despite increasingly severe labour shortages in recent years.

In early 1989, the Government made a decision in principle on measures to be taken to curb the growth of public spending. The most important single element is the planned reform of the municipal state-aids system, according to which there would be greater emphasis on the municipalities' own financial responsibility instead of automatic cost-based reimbursements as at present. State-aids to the local

TABLE 3. CENTRAL GOVERNMENT INCOME AND EXPENDITURE IN 1988—89: BUDGET PROPOSAL AND OUTTURN

	1988		1989	
	Budget proposal	Outturn	Budget proposal	Outturn
	Billion FIM			
Taxes	93.0	101.9	105.0	116.3
Miscellaneous income	8.6	9.5	9.6	10.0
Interest income etc	2.3	2.4	2.7	3.7
State enterprises	2.3	2.4	2.3	2.3
Total income	106.3	116.4	119.6	132.3
	% change			
Expenditure, vol.	2.0	2.9	2.0	2.6
Memorandum items:				
GDP, vol.	3	5.2	2	5.0
Consumer prices (CPI)	3	5.1	4.5	6.6

TABLE 4. PUBLIC CONSUMPTION, INVESTMENT AND TRANSFERS TO THE PRIVATE SECTOR

	Consumption		Investment		Transfers ¹ to private sector	Total
	central govt.	local govt.	central govt.	local govt.		
	volume change in per cent					
1982	6.0	2.3	5.9	9.4	8.6	5.7
1983	5.3	3.0	8.0	1.2	8.5	5.5
1984	-1.0	4.7	-3.6	-1.5	3.6	2.7
1985	4.8	4.8	0.5	4.0	6.3	5.1
1986	1.1	4.3	4.1	1.5	5.3	4.0
1987	4.3	4.7	11.8	7.4	3.2	4.5
1988	1.9	3.1	-0.4	5.6	2.0	2.5
1989*	2.5	3.5	1.0	-4.5	3.9	3.0

¹ Transfers have been deflated by the consumer price index.

* Preliminary

government sector account for one-quarter of central government outlays and the continuing upward pressures they exert on expenditure derive partly from shortcomings in the old system. Another important element was the decision to reduce the number of employees in the central government sector by 2 800 over the next three years; the cuts will be achieved through natural wastage.

A reform of the central administration has been in progress on an experimental basis in various government units since 1988 and has so far embraced such projects as the reform of state enterprises, performance-related pay, performance management and budgeting of operational expenditure. The reform has

served to encourage greater attention to efficiency and profitability considerations in administration. Similar reforms are being undertaken in local government administration, including for example greater administrative autonomy for municipalities, and some of the deficiencies of the state-aid system have already been remedied. The continuation of the reforms will help to improve efficiency in the provision of government services, thereby diminishing the need for additional resources in the public sector.

The decline in the relative share of public spending in GDP in 1988-89 can be partly explained by moderate price developments in public spending on consumption. By far the biggest component of

public consumption prices is wage and salary costs. With the stabilization of relative prices in recent years, pay developments in some subsectors of general government have lagged behind those in the economy as a whole (Chart). However, labour shortages are now increasing the pressures for a rise in wages and salaries and public consumption prices. The establishment of a pension fund for local government employees in 1989 and a corresponding fund for state employees in 1990, together with the planned increases in contributions to these schemes already effected or announced, will sharply increase wage and salary costs in the public sector in the years ahead. Even though the growth in the volume of public expenditure remains slow, thanks in part to the ongoing administrative reforms, it is possible that price developments will result in public spending rising again in relation to GDP.

Financial balance

As a result of the sharp increase in tax receipts generated by strong economic growth and the curbing of public expenditure, there was a fundamental improvement in the financial balance of the general government sector in 1988-89.

Central government tax receipts grew especially fast along with the continuing economic boom. In addition, a cyclical improvement in the employment situation reduced outlays on employment. All in all, the financial balance of the central government sector strengthened by FIM 15½ billion in 1988-89. However, the state's direct lending to the public and equity issues by state-owned companies also increased, and in 1989 these financial investments amounted to FIM 7½ billion. Nevertheless, owing to the favourable developments in the finan-

RELATIVE PRICES:
PUBLIC CONSUMPTION IN RELATION TO GDP,
1985 = 100



cial balance, central government debt fell significantly, and at the end of 1989 totalled only FIM 52.9 billion, or 10.7 per cent in relation to GDP.

The state's direct loans to the public amounted to FIM 43 billion at the end of 1989. The bulk of these loans have been granted for housing production on social policy grounds. Interest rates on state loans have, on average, been some 5 percentage points below prevailing market rates. In addition, the state pays an interest subsidy of almost the same size on, inter alia, housing loans granted by financial institutions to young first-time homebuyers. With a view to improving the housing policy situation, it was decided in 1989 to set up an extra-budgetary housing fund. In spring 1990, it was decided to authorize the housing fund to raise long-term loans directly in the financial markets as cover for the housing loans to be granted by it.

The central government's reduced borrowing requirements in recent years and the shift of the sector into financial surplus has fundamentally altered the state's role in the financial markets. The change has been accentuated by the gradual replacement of tax-exempt public bonds by taxable loans in connection with the tax reform. These loans are targeted primarily at companies with the aim of developing the long-term financial market. Sales of Treasury bills, which were used earlier to promote the development of the short-term market, were terminated in the course of 1989 because of the state's minimal financing requirements. Over the past two years, the state's repayments of foreign debt have exceeded its new borrowings.

The financial position of social security funds has improved as a result of good income developments and, in particular, the raising of employers' social insurance con-

TABLE 5. FINANCIAL SURPLUSES OF GENERAL GOVERNMENT (Current receipts less current expenditure less investment less capital transfers less land purchases)

	Central Government	Local Government	Social Security Funds	Total % of GDP
	Mill. FIM			
1982	-882	162	-739	-0.6
1983	-4 359	423	-618	-1.7
1984	107	1 233	-195	0.4
1985	390	176	-120	0.1
1986	3 312	79	-608	0.8
1987	-2 448	-2 103	-86	-1.2
1988	6 020	-342	476	1.4
1989*	13 037	-84	80	2.6

* Preliminary

tributions. This has reduced the need for the state's compensatory payments to the sickness insurance and national pensions funds and thus contributed to strengthening the financial balance of the central government sector.

The financial position of the local government sector also improved in 1988-89. But, although the growth of total income outstripped that of expenditure, local government finances nevertheless remained in deficit and the municipalities' debt continued to grow rapidly. At the end of 1989, the outstanding debt of the local government sector was only 4 per cent in relation to GDP, but there are large differences between municipalities. Moreover, the pressures for increasing local government spending will remain strong over the next few years and this could lead to a rise in both local tax rates and local government indebtedness. The reform of the municipalities' state-aids system, which in the longer term will steer the municipalities to more cost-conscious behaviour, may in its initial stages add to the sector's financing problems.

PROSPECTS FOR FISCAL POLICY

Inflation and the large current account deficit are likely to remain the central problems of economic policy in the years

ahead. In both cases, the underlying causes are excessive domestic demand and inadequate domestic saving. The measures undertaken by the Government and the Bank of Finland to curb domestic demand succeeded in bringing credit expansion to a halt in late 1989. The household saving ratio also turned up and is likely to rise further in 1990. A recovery in voluntary saving will, however, hardly be enough to restore equilibrium in the economy.

Because of the low level of private saving, a stringent stance will have to be maintained in fiscal policy for several years to come. Inevitably, this means that public spending will have to be kept on a tight rein and that there will be little scope for lightening the tax burden, even though the structure of taxation will change as the tax reform proceeds.

The reforms of the tax system and public administration will continue over the next few years. The prime objective of these reforms is to increase economic efficiency and facilitate the structural adjustment of the economy to an increasingly international environment. These goals are also in accord with stabilization policy.

June 4, 1990

ITEMS

FINLAND'S BALANCE OF PAYMENTS IN JANUARY—MARCH 1990

According to the Bank of Finland's preliminary figures, the current account showed a deficit of FIM 5 000 million in January—March this year. There was a net long-term capital inflow of FIM 18 319 million and a net short-term capital outflow of FIM 2 472 million. Thus the Bank of Finland's foreign exchange reserves increased by FIM 10 847 million. In the corresponding period of 1989, the current account had shown a deficit of FIM 2 865 million.¹

Current account. Compiled on a balance-of-payments basis, the trade account registered a deficit of FIM 444 million in January—March, compared with a surplus of FIM 654 million in the corresponding period of 1989. The value of commodity exports declined by 2 per cent. The value of exports of the metal products and machinery industries was 6 per cent higher than in the corresponding period of 1989. There were marked falls in the exports of the paper industry and the textile and clothing industries. The value of commodity imports was up 2 per cent on the corresponding period last year. Owing to a substantial increase in imports of vehicles, imports of investment goods increased by 16 per cent. Imports of consumer goods remained at the level of the previous year. Imports of raw materials and intermediate goods decreased by 3 per cent.

MAJOR BALANCE OF PAYMENTS ITEMS IN JANUARY—MARCH 1990, MILLION FIM¹

	Receipts	Expenditure	Net
Trade (exports f.o.b., imports c.i.f.)	24 798	25 016	-218
Adjustment items	-385	-159	-226
Trade account	24 413	24 857	-444
Transport	2 088	909	1 179
Travel	889	2 412	-1 523
Other services	1 363	2 189	-826
Services account	4 341	5 510	-1 170
GOODS AND SERVICES ACCOUNT	28 753	30 367	-1 614
Investment income, net	3 072	5 543	-2 471
Unrequited transfers	396	1 124	-728
Other	750	938	-188
A. CURRENT ACCOUNT	32 971	37 971	-5 000
	Change in assets	Change in liabilities	Net
Long-term financial loans and suppliers' credits: ²			
drawings	-865	23 163	22 298
redemptions	272	-3 090	-2 818
Direct investment	-1 984	505	-1 479
Other long-term capital	-703	1 021	318
B. LONG-TERM CAPITAL ACCOUNT	-3 280	21 599	18 319
BASIC BALANCE (A+B)			13 319
Prepayments and liabilities related to imports			700
Prepayments and receivables related to exports			-900
Short-term capital of authorized banks			3 919
Other short-term capital			-2 618
Errors and omissions			-3 572
C. SHORT-TERM CAPITAL ACCOUNT			-2 472
D. ALLOCATIONS OF SDRs			
OVERALL BALANCE (A + B + C + D)			10 847
Change in the foreign exchange reserves of the Bank of Finland			-10 847

Assets: increase —, decrease +
Liabilities: increase +, decrease —

¹ Preliminary figures.

² Assets include export credits only.

¹ According to revised preliminary figures the current account deficit for 1989 amounted to FIM 22 000 million.

The services account registered a deficit of FIM 1 170 million in January—March, compared with a deficit of FIM 855 million in the corresponding period of the previous year. The surplus on the transport account increased from FIM 1 028 million to FIM 1 179 million. Travel receipts grew by 2 per cent and travel expenditure by 22 per cent from the same period in 1989 and thus the travel account showed a deficit of FIM 1 523 million. In January-March last year, the travel account had shown a deficit of FIM 1 108 million. The other services account posted a deficit of FIM 826 million in January—March.

Interest payments on foreign loans amounted to FIM 5 543 million. With interest income on foreign assets amounting to FIM 3 072 million, the investment account registered a deficit of FIM 2 471 million in January-March. This was FIM 896 million more than in the corresponding period last year. The unrequited transfers account showed a deficit of FIM 728 million.

Capital account. Drawings of long-term loans amounted to FIM 23 163 million in January-March, which was FIM 12 757 million higher than in the corresponding period last year. In particular, imports of loan capital by the corporate sector were brisk. Repayments of long-term loans amounted to FIM 3 090 million. Drawings of long-term export credits granted to foreign customers amounted to FIM 865 million and repayments of outstanding export credits to FIM 272 million. Net direct investment abroad by Finnish companies totalled FIM 1 984 million. Net direct investment in Finland by foreign companies amounted to FIM 505 million. There was a net inflow of capital of FIM 599 million in the form of portfolio investments. The net inflow of long-term capital totalled FIM

18 319 million, an increase of FIM 14 991 million on the corresponding period last year.

There was a short-term capital (incl. errors and omissions) outflow totalling FIM 2 472 million in January—March. Short-term liabilities related to imports increased by an estimated FIM 700 million and net prepayments and receivables related to exports by FIM 900 million. The net short-term liability of the authorized banks increased by FIM 3 919 million.

The foreign exchange reserves of the Bank of Finland increased by FIM 10 847 million in January-March. The convertible foreign exchange reserves increased by FIM 11 254 million and tied currency liabilities by FIM 407 million. At the end of March, the convertible foreign exchange reserves of the Bank of Finland stood at FIM 33 566 million and tied currency liabilities at FIM 962 million.

At the end of March, Finland's net foreign debt totalled FIM 89 135 million; net long-term debt amounted to FIM 81 820 million and net short-term debt to FIM 7 315 million. The central government accounted for FIM 18 927 million of net foreign debt.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM JUNE 1989 TO JULY 1990

1989

JUNE

Foreign Exchange

Regulations. The Bank of Finland relaxes the foreign exchange regulations concerning direct investments by enterprises in the financial and insurance sector as from June 1, 1989. After this date, only direct investments by private individuals and direct investments in countries with which Finland maintains payments agreements require the Bank of Finland's authorization.

Call money market. With effect from June 16, 1989, the Board of Management of the Bank of Finland decides to abolish the bank-specific quotas for call money credit of the banks entitled to central bank financing. At the same time, the penalty interest charged on borrowing in excess of quota, which last stood at 19 per cent, is abolished. In addition, the call money credit rate is raised from 13 per cent to 15 per cent; the call money deposit rate remains at 4 per cent.

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement for certain banks and groups of banks. Together with the current 8 per cent ratio, the banks' average deposit requirement now amounts to about 8.4 per cent of the cash reserve base in May.

JULY

Cash reserve requirement.

The Bank of Finland adjusts the cash reserve requirement for certain banks and groups

of banks. Together with the current 8 per cent ratio, the banks' average deposit requirement now amounts to about 8.5 per cent of the cash reserve base in June.

AUGUST

Cash reserve requirement.

The Bank of Finland adjusts the cash reserve requirement for certain banks and groups of banks. Together with the current 8 per cent ratio, the banks' average deposit requirement now amounts to about 8.7 per cent of the cash reserve base in July.

SEPTEMBER

Foreign Exchange

Regulations. The Bank of Finland relaxes the foreign exchange regulations concerning foreign investments and capital imports. The amendments enter into force on September 1, 1989, except for those applying to private individuals. For tax control reasons, the decisions regarding capital exports by private individuals will enter into force on a later date, however not later than July 1, 1990.

Capital exports. Acquisitions of dwellings and real estate abroad no longer require authorization; previously, permission was necessary if the purchase price exceeded FIM 1 million. Investments in the form of foreign securities, deposits held in accounts with foreign monetary institutions and merchandise held abroad are permitted without the permission of the Bank of Finland or quantitative restrictions. In addition,

credit of more than one year's maturity may be granted to non-residents without the Bank of Finland's permission.

Capital imports. Non-financial companies, except housing and real estate companies, are permitted to raise foreign credit of more than one year's maturity; previously, only loans of more than five years' maturity were permitted. The authorization of the Bank of Finland is still required if a company borrows directly from a foreign lender.

Suppliers' credits and prepayments in respect of imports are entirely freed from authorization. In addition, most direct investments in Finland no longer require authorization.

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement for certain banks. Together with the current 8 per cent ratio, the banks' average deposit requirement now amounts to 8.8 per cent of the cash reserve base in August.

OCTOBER

Government cash fund deposits.

The Ministry of Finance and the Bank of Finland reach an agreement according to which the government will make cash fund deposits totalling FIM 5 billion with the Bank of Finland between October 5, 1989 and January 31, 1990. These deposits will be transferred on February 1, 1990 to a pension fund to be set up by the government. Additional deposits totalling FIM 1.6

billion will be made by the government in the pension fund, between February 1 and December 31, 1990.

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement for certain banks. Together with the current 8 per cent ratio, the banks' average deposit requirement now amounts to about 9.0 per cent of the cash reserve base in September.

NOVEMBER

Base rate. The Bank of Finland raises the base rate from 7.5 per cent to 8.5 per cent as from November 1.

Call money market. With effect from November 6, 1989, the Bank of Finland amends the terms of the call money credit system so that the 5-day moving average of a bank's position may be negative but in this case the call money credit rate will be charged at double the normal rate. It was a condition of the revision of June 1989 that the moving average of a bank's 5-day call money position should not be negative. The call money credit rate remains unchanged at 15 per cent and the call money deposit rate at 4 per cent.

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement for certain banks. Together with the current 8 per cent ratio, the banks' average deposit requirement now amounts to about 9.1 per cent of the cash reserve base in October.

DECEMBER

Cash reserve requirement.

The Bank of Finland adjusts the cash reserve requirement for certain banks and groups of banks. Together with the current 8 per cent ratio, the banks' average deposit requirement now amounts to about 9.1 per cent of

the cash reserve base in November.

1990

JANUARY

Prime rates. The Bank of Finland complements its recommendations on reference rates to banks by permitting them to apply their own prime rates in all their lending and deposit-taking, with effect from January 1, 1990.

Money market operations.

As from January 1, 1990, only CDs issued by banks which meet the following requirements can be accepted for use in money market dealings: the bank's capitalization exceeds the minimum amount set by the Bank of Finland, the bank meets the minimum capital adequacy requirements set by the BIS and operates as a market maker in the CD market. These banks may at the same time act as the Bank of Finland's market counterparties and may be granted access to call money credit. As a rule, a one-year transition period will be applied in the introduction of the new requirements for banks which are already entitled to call money credit and in whose CDs the Bank of Finland deals.

Cash reserve requirement.

The Bank of Finland adjusts the cash reserve requirement for certain banks. Together with the current 8 per cent ratio, the banks' average deposit requirement remains at about 9.1 per cent of the cash reserve base in December.

Provided bank lending does not accelerate sharply in January-February 1990, the collection of additional deposits under the supplementary cash reserve agreement will be discontinued. The interest-

free additional deposits collected on the basis of the lending growth figures at the end of December 1989 will remain at the Bank of Finland and be refunded at the latest in July-December of the current year in six equal instalments at the end of each month.

FEBRUARY

Foreign Exchange Regulations.

The Bank of Finland allows the sale abroad of new markka-denominated bonds of over one year's maturity as from February 1, 1990, with the exception of bonds issued by housing and real estate companies. The present ban on cross-border sales remains in force for bonds issued previously. Effective the same date, non-residents allows to issue markka-denominated bonds in Finland.

With effect from the beginning of February, the Bank of Finland also decides to exempt Finnish companies' share issues abroad from the requirement of prior authorization. Starting from this date, the Bank of Finland no longer requires quotation by the Helsinki Stock Exchange or the OTC market as a condition for the issue of foreign securities in Finland. Similarly, it is no longer necessary for non-residents purchasing Finnish securities to effect their purchases through the Helsinki Stock Exchange or the OTC market.

MARCH

Finance companies accorded the right to intermediate foreign finance.

The Bank of Finland decides that, with effect from March 1, 1990, finance companies may apply for the right to intermediate and raise foreign loans to the extent permitted by

the limits on their foreign currency positions. Previously only deposit banks were accorded this right.

APRIL

Cash reserve agreement.

The Bank of Finland signs a new cash reserve agreement with the deposit banks on April 26, 1990. According to the new agreement, the cash reserve base comprises domestic deposits by the public and the rate of interest payable on cash reserve deposits is the 3-month HELIBOR rate less three percentage points, not however less than 8 per cent. The new cash reserve base is applied for the first time to deposits in April and interest will be paid at the new rate with effect from May 1, 1990.

MAY

Cash reserve requirement.

The cash reserve requirement corresponding to the new cash reserve agreement amounts to 8 per cent of the cash reserve base at the end of April.

JULY

Foreign Exchange Regulations.

The Bank of Finland allows private persons to undertake foreign investments and grant loans of over one year's maturity to non-residents without upper limit as from July 1, 1990. This liberalization measure also applies to corporate entities, such as housing and real estate companies, considered comparable to private persons. Furthermore, local

authorities are allowed to make foreign investments, grant loans of over one year's maturity to non-residents and raise foreign loans of over one year's maturity for financing their own operations.

The Bank of Finland also increases the opportunities of financial sector enterprises to engage in foreign operations. In addition to banks, mortgage banks and credit companies are, with effect from July 1, 1990, able to apply for the right to intermediate and raise foreign loans and the right to make foreign investments within the limits of their foreign currency positions. Finance companies have been able to apply for the right to intermediate foreign loans since March 1, 1990.

LAND, CLIMATE AND POPULATION

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

Finland has a population of 4 969 200 (Dec. 31, 1989) and an average population density of 16.3 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 490 800 inhabitants, Tampere (Tammerfors) 171 300, Espoo (Esbo) 169 400, Turku (Åbo) 158 900 and Vantaa (Vanda) 152 500.

There are two official languages: 93.6 % of the population speaks Finnish as its mother tongue and 6.0 % Swedish. There is a small Lapp population in the north. Finnish is a member of the small Finno-Ugrian group of languages, which also includes Estonian and Hungarian.

FORM OF GOVERNMENT

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

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

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

Social Democratic Party 56; National Coalition Party 53; Centre Party 40; People's Democratic League 16; Swedish People's Party 13; Rural Party 9; Christian League 5; the Greens 4; and the Democratic Alternative 4.

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

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

INTERNATIONAL RELATIONS

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

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

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

THE ECONOMY

Output and employment. The Finnish economy is essentially based on private enterprise, with over 80 % of manufacturing output and some 90 %

of banking services produced by private companies. Of the gross domestic product of FIM 383 billion in basic values in 1988, 3 % was generated in agriculture and fishing, 3 % in forestry, 27 % in industry, 9 % in construction, 12 % in trade, restaurants and hotels, 8 % in transport and communications, 5 % in finance and insurance, 16 % in other private services and 17 % by producers of government services. Of total employment of 2.5 million persons in 1989, 9 % were engaged in primary production, 31 % in industry and construction and 60 % in services.

In 1989, expenditure on the gross domestic product in purchasers' values amounted to FIM 494 billion and was distributed as follows: net exports -1.7 % (exports 23.8 %, imports -25.5 %), gross fixed capital formation 27 %, private consumption 52 % and government consumption 20 %. Finland's gross tax ratio (gross taxes in relation to GDP) was 37 % and the net tax ratio (net taxes in relation to GDP) 25 %, which is about the average for OECD countries.

Average annual (compounded) growth of real GDP was 4.9 % in the period 1950-60, 4.8 % in 1960-70, 3.5 % in 1970-80, 3.4 % in 1980-89 and 4.2 % in 1950-89. Finland's GDP per capita in 1989 was USD 23 200. According to preliminary data, this put Finland in second place after Switzerland among the 24 member countries of the OECD.

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

In 1989, the share of forest industry products in total merchandise exports was 40 %, the share of metal and engineering products 42 % and the share of other goods 18 %. Raw materials and intermediate goods (incl. crude oil) accounted for 54 % of merchandise imports, fuels for 3 %, investment goods for 19 % and consumption goods for 23 %.

Forest resources. Finland has fairly abundant forest resources, but

only limited amounts of other raw materials. The growing stock comprises 1 660 million cubic metres, of which 45 % is pine, 37 % spruce and 18 % broad-leaved species, chiefly birch. The annual growth increment totals 68 million cubic metres and the total drain calculated on the basis of commercial fellings was 59 million cubic metres in 1989.

Energy. In 1988, gross consumption of primary energy amounted to 30 Mtoe, of which industry accounted for 45 %, heating for 23 %, transportation for 14 % and other purposes for 18 %. The sources of primary energy in 1988 were as follows: oil 32 %, coal 12 %, nuclear power 16 %, hydro-electric power, peat and other indigenous sources 30 %, others 10 %. Compared internationally (1987), Finland's consumption of 6.3 toe per capita was 2.0 times higher than the average in European OECD countries. The self-sufficiency rate (OECD definition) in Finland was 38 %, as compared with 62 % in western Europe on average.

FINANCE AND BANKING

Currency. Since 1865 Finland has had its own monetary system. The currency unit is the markka (plural: markkaa), abbreviation FIM, which is divided into 100 penniä (singular: penni). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a trade-weighted currency index. As from Jan. 1, 1984 only convertible currencies have been included in the index. Since November 30, 1988, the index has been permitted to fluctuate within a range of 6 percentage points (previously 4.5). The range is defined by fluctuation limits which are set by the Government at the proposal of the Bank of Finland. Since March 17, 1989, the fluctuation limits have been 96.5 and 102.5 (1982 = 100), where the lower limit means the highest permissible value for the markka and the upper limit the lowest permissible value.

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

Outward direct investment is permitted without the Bank of Finland's authorization except for direct investments in countries with which Finland maintains payments agreements. Similarly, inward direct investment is permitted without the Bank of Finland's authorization except for direct investments in enterprises in the financial sector and direct investments by countries with which Finland maintains payments agreements. Foreign investors

may also buy shares of listed Finnish companies; however, foreign investment in markka-denominated bonds is normally prohibited for the present. Finnish companies may freely raise foreign credits and extend loans abroad of over one year's maturity. Finnish residents, except enterprises in the financial sector, may invest freely in foreign securities and real estate. The unlimited right to make foreign investments also applies to private individuals, but the date of its entry into force is to be determined separately. The date will not, however, be later than July 1, 1990.

Transactions with the Soviet Union, the German Democratic Republic and Bulgaria are carried out on a bilateral basis and payments are effected through clearing accounts. The necessary licencing of trade for maintaining balance in bilateral trade is carried out by the Export and Import Permits Office; the scope for suppliers' credits is also limited.

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

Other banks (Dec. 31, 1989). Finland has four major groups of deposit banks with a total of more than 3 500 offices. There are two big commercial banks with national branch networks and eight smaller ones, four of which are foreign-owned. The commercial banks have a total of 33 foreign branches, subsidiaries and associate banks and 26 representative offices abroad. There are 178 savings banks and 360 cooperative banks with their own extensive branch networks. The government-owned Postipankki has 67 branches and also offers basic services in post offices. In addition, foreign banks have 9 representative offices in Finland.

Financial markets. Of the total stock of FIM 580 billion in outstanding

domestic credit at the end of 1988, 64 % was provided by deposit banks, 4 % by mortgage banks, 15 % by insurance companies, 8 % by other credit institutions and 9 % by the state, local authorities and social security funds. There are no quantitative restrictions or interest rate limitations on lending. Regulation of bank lending rates was progressively relaxed earlier in the 1980s and finally abolished in 1986.

In the money market, 71 % of the instruments, which totalled approximately FIM 150 billion at end-1989, were negotiable instruments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds intermediated through bank trust departments and non-negotiable bank debt instruments make up the bulk of non-negotiable instruments. In its open market operations, the Bank of Finland deals in bank certificates of deposit and also issues its own certificates of deposit.

There are 83 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 125 billion (at end-1989). Four foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1989 totalled FIM 105 billion; government bonds made up 28 % of the total. Turnover on the Stock Exchange in 1989 amounted to FIM 41 billion; the share of shares and subscription rights in the total was approximately 82 %.



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1. THE BALANCE SHEET OF THE BANK OF FINLAND

1.1 THE BALANCE SHEET OF THE BANK OF FINLAND,

MILL. FIM

	1989		1990			
	May 31	Dec. 31	May 8	May 15	May 23	May 31
ASSETS						
Gold and foreign currency claims	30 772	23 009	33 961	34 038	34 321	34 935
Gold	2 128	2 179	2 180	2 180	2 180	2 180
Special drawing rights	861	966	778	793	794	796
IMF reserve tranche	1 004	950	898	897	899	902
Convertible currencies	25 056	18 822	29 972	30 031	30 310	30 913
Tied currencies	1 722	92	133	137	138	144
Other foreign claims	4 021	3 300	2 826	2 825	2 778	2 781
Markka subscription to Finland's IMF quota	2 130	2 103	2 129	2 129	2 080	2 080
Term credit	1 892	1 198	696	696	699	702
Claims on financial institutions	17 332	39 054	33 011	31 993	32 155	29 686
Call money credits	3 803	38	0	26	40	11
Certificates of deposit	7 597	33 230	26 481	25 699	25 817	23 498
Term credits	—	—	—	—	—	—
Till-money credits	2 843	3 310	3 974	3 718	3 749	3 627
Financing of crop failure loans	611	—	—	—	—	—
Bonds	2 240	2 238	2 319	2 312	2 312	2 312
Other claims on financial institutions	238	238	238	239	238	238
Claims on the public sector	1 113	1 137	1 221	1 223	1 227	1 229
Treasury notes and bills	—	—	—	—	—	—
Bonds	39	8	8	8	9	11
Total coinage	1 073	1 129	1 213	1 215	1 218	1 218
Other claims on the public sector	1	—	—	—	—	—
Claims on corporations	2 552	2 207	2 011	1 989	1 979	1 973
Financing of exports	55	1	0	0	0	0
Financing of domestic deliveries (KTR)	2 007	1 697	1 511	1 491	1 482	1 477
Bonds: KTR credits	273	302	288	285	285	284
Bonds: Other	29	21	17	17	17	17
Other claims on corporations	188	186	195	195	195	195
Other assets	104	571	106	106	107	113
Accrued items	—	464	—	—	—	—
Other assets	104	107	106	106	107	113
Total	55 894	69 279	73 136	72 175	72 568	70 717
LIABILITIES						
Foreign currency liabilities	170	697	1 174	1 258	1 313	1 345
Convertible currencies	28	42	41	43	41	38
Tied currencies	142	656	1 133	1 215	1 272	1 307
Other foreign liabilities	2 918	2 860	2 867	2 866	2 818	2 820
IMF markka accounts	2 130	2 103	2 129	2 129	2 080	2 080
Allocations of special drawing rights	788	758	738	737	739	741
Notes and coin in circulation	11 386	13 129	13 689	13 478	13 436	13 501
Notes	10 410	12 073	12 590	12 380	12 341	12 405
Coin	975	1 056	1 099	1 098	1 095	1 096
Certificates of deposit	180	—	680	650	630	630
Liabilities to financial institutions	23 193	26 303	27 353	26 425	26 611	24 067
Call money deposits	—	569	1 089	161	348	1 019
Term deposits	—	—	—	—	—	—
Cash reserve deposits	22 820	25 506	26 069	26 069	26 069	22 855
Capital import deposits	340	190	150	150	150	150
Other liabilities to financial institutions	33	38	46	45	45	43
Liabilities to the public sector	1 433	5 325	7 078	7 078	7 078	7 205
Cheque accounts	0	0	0	1	1	1
Cash fund deposits	—	3 770	—	—	—	—
Pension fund deposits	—	—	5 464	5 464	5 464	5 591
Counter-cyclical deposits	1 318	1 319	1 319	1 319	1 319	1 319
Export deposits	113	235	292	292	292	292
Other liabilities to the public sector	1	1	3	3	3	3
Liabilities to corporations	7 385	10 810	10 612	10 595	10 589	10 600
Deposits for investment and ship purchase	6 953	10 228	10 147	10 129	10 124	10 121
Capital import deposits	432	583	465	465	465	479
Other liabilities to corporations	0	—	—	—	—	—
Other liabilities	50	1 294	64	58	57	58
Accrued items	—	1 241	—	—	—	—
Other liabilities	50	53	64	58	57	58
Valuation account and reserves	3 343	2 696	3 455	3 603	3 870	4 327
SITRA's capital	400	400	400	400	400	400
Capital accounts	5 436	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	436	436	764	764	764	764
Profit/loss for the accounting year	—	328	—	—	—	—
Total	55 894	69 279	73 136	72 175	72 568	70 717

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

MILL. FIM

End of period	Foreign sector									Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies, net	Convertible currencies, total (1+2+3+4)	Tied currencies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabilities	Net liabilities (11-10)
	1	2	3	4	5	6	7	8	9	10	11	12
1985	2 081	931	775	18 572	22 359	-285	22 074	-849	21 225	1 023	4 300	3 277
1986	2 081	983	793	6 778	10 635	3 421	14 056	-838	13 218	1 002	2 001	999
1987	2 128	899	793	23 571	27 391	1 212	28 603	1 131	29 734	977	901	-76
1988	2 128	1 120	940	24 373	28 561	945	29 506	1 117	30 623	1 128	1 903	775
1989	2 179	966	950	18 780	22 875	-564	22 311	440	22 751	1 137	5 325	4 188
1989												
May	2 128	861	1 004	25 028	29 021	1 580	30 601	1 103	31 704	1 113	1 433	320
June	2 128	858	961	25 501	29 448	353	29 801	1 113	30 914	1 136	1 458	322
July	2 128	854	919	25 318	29 219	717	29 936	1 094	31 030	1 113	1 472	359
Aug.	2 128	882	934	25 545	29 489	706	30 195	1 117	31 312	1 113	1 486	373
Sept.	2 129	878	952	23 568	27 527	-826	26 701	1 107	27 808	1 135	1 504	369
Oct.	2 129	1 055	927	21 841	25 952	-307	25 645	772	26 417	1 112	2 683	1 571
Nov.	2 129	851	967	19 826	23 773	-381	23 392	769	24 161	1 126	4 150	3 024
Dec.	2 179	966	950	18 780	22 875	-564	22 311	440	22 751	1 137	5 325	4 188
1990												
Jan.	2 179	900	954	26 179	30 212	-584	29 628	432	30 060	1 168	6 384	5 216
Feb.	2 179	846	913	26 289	30 227	-311	29 916	433	30 349	1 185	6 523	5 338
March	2 180	791	910	29 685	33 566	-962	32 604	273	32 877	1 203	6 655	5 452
April	2 180	779	899	30 034	33 892	-920	32 972	-40	32 932	1 217	6 950	5 733
May	2 180	796	902	30 875	34 753	-1 163	33 590	-39	33 551	1 229	7 205	5 976

End of period	Domestic financial sector						Corporate sector				
	Term claims on deposit banks	Call money claims on deposit banks, net	Cash reserve deposits of deposit banks	Till-money credits to deposit banks	Other liabilities to financial institutions, net	Net claims (13+14-15+16-17)	Claims in the form of special financing	Special deposits and other items, net	Net claims (19-20)	Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	13	14	15	16	17	18	19	20	21	22	23
1985	.	4 014	10 222	1 925	-1 386	-2 897	4 525	4 113	412	8 072	.
1986	2 381	6 687	9 270	2 305	-2 240	4 343	4 581	4 757	-176	8 668	.
1987	-	-757	10 941	2 730	-2 350	-6 618	3 449	4 782	-1 333	9 990	4 970
1988	7 187	335	19 039	2 920	-3 733	-4 864	2 823	6 579	-3 756	11 550	1 130
1989	33 230	-531	25 506	3 310	-2 248	12 751	2 000	10 604	-8 604	13 129	-
1989											
May	7 597	3 803	22 820	2 843	-2 716	-5 861	2 335	7 168	-4 833	11 385	180
June	16 601	-568	23 500	2 518	-2 816	-2 133	2 239	9 557	-7 318	11 737	160
July	17 582	-727	24 116	2 936	-2 817	-1 508	2 252	10 439	-8 187	11 774	160
Aug.	18 641	-839	24 639	2 899	-2 833	-1 105	2 214	10 587	-8 373	11 651	60
Sept.	22 152	-133	25 089	2 569	-2 781	2 280	2 184	10 617	-8 433	11 739	20
Oct.	25 623	-419	25 377	3 023	-2 374	5 224	2 096	10 597	-8 501	11 775	-
Nov.	29 475	261	25 581	2 925	-2 170	9 250	2 066	10 590	-8 524	11 894	-
Dec.	33 230	-531	25 506	3 310	-2 248	12 751	2 000	10 604	-8 604	13 129	-
1990											
Jan.	34 050	-3 243	25 441	8 099	-2 377	15 842	1 950	10 453	-8 503	22 760	-
Feb.	33 720	-1 367	26 068	7 677	-2 378	16 340	1 919	10 460	-8 541	23 178	-
March	25 994	696	26 465	4 002	-2 397	6 624	1 857	10 415	-8 558	14 782	1 050
April	24 818	855	26 069	3 770	-2 374	5 748	1 809	10 480	-8 671	13 762	690
May	23 498	-1 008	22 855	3 627	-2 357	5 619	1 761	10 388	-8 627	13 501	630

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

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Impact on liquidity (1-2-3)	Call money credits	Call money deposits	Total net change (4+5-6)
	1	2	3	4	5	6	7
1985	.	.	.	.	201	-1 011	1 212
1986	.	.	.	.	1 599	-1 074	2 673
1987	1 263	23 658	-17 520	-4 875	-6 818	626	-12 319
1988	13 840	19 190	-16 850	11 500	463	-629	12 592
1989	131 110	3 855	99 245	28 010	-425	441	27 144
1989							
May	6 490	—	7 880	-1 390	3 507	-40	2 157
June	16 295	250	7 875	8 170	-3 798	573	3 799
July	16 790	240	15 170	1 380	7	166	1 221
Aug.	14 560	—	13 160	1 400	-10	102	1 288
Sept.	14 260	—	9 950	4 310	73	-633	5 016
Oct.	16 720	—	13 920	2 800	-72	214	2 514
Nov.	18 220	350	13 560	4 310	510	-170	4 990
Dec.	10 850	530	6 770	3 550	-475	317	2 758
1990							
Jan.	18 660	4 710	13 750	200	14	2 726	-2 512
Feb.	31 775	14 350	18 020	-595	-46	-1 922	1 281
March	24 811	4 739	27 905	-7 833	698	-1 365	-5 770
April	16 470	150	16 432	-112	305	146	47
May	15 510	1 610	16 040	-2 140	-998	865	-4 003

2.2 FORWARD EXCHANGE MARKET, MILL. FIM

End of period	Banks' forward positions with					
	Domestic companies			Foreign banks, net	Bank of Finland, net	Total, net (3+4+5)
	Forward exchange bought by banks	Forward exchange sold by banks	Net (1-2)			
1	2	3	4	5	6	
1985	16 982	1 733	15 249	708	-9 005	6 951
1986	11 446	1 319	10 127	-2 461	-92	7 574
1987	21 671	1 158	20 513	-233	-1 287	18 994
1988	16 488	1 543	14 946	9 086	-377	23 654
1989	<u>10 531</u>	<u>3 563</u>	<u>6 967</u>	<u>8 031</u>	<u>205</u>	<u>15 204</u>
1989						
April	13 536	1 044	12 492	7 003	-63	19 432
May	13 248	1 535	11 714	9 024	-	20 737
June	12 859	1 408	11 451	9 781	-306	20 926
July	13 125	1 393	11 731	9 870	-395	21 207
Aug.	12 652	1 187	11 465	15 126	-220	26 371
Sept.	11 782	1 669	10 113	13 261	-	23 374
Oct.	11 323	2 260	9 063	10 774	-	19 836
Nov.	11 487	2 934	8 552	8 784	-	17 336
Dec.	<u>10 531</u>	<u>3 563</u>	<u>6 967</u>	<u>8 031</u>	<u>205</u>	<u>15 204</u>
1990						
Jan.	9 339	3 793	5 545	11 854	125	17 524
Feb.	9 073	3 764	5 309	8 215	-1 741	11 783
March	10 328	3 418	6 910	14 739	-2 323	19 326
April	11 327	3 403	7 924	14 493	-5 546	16 871

2.3 BANKS' CENTRAL BANK POSITION, MILL. FIM

Average of daily observations	Call money credits	Bank CDs held by the Bank of Finland	Gross debt to the Bank of Finland (1+2)	Call money deposits	Holdings of CDs issued by the Bank of Finland	Cash reserve deposits	Gross claim on the Bank of Finland (4+5+6)	Net position (3-7)
1	2	3	4	5	6	7	8	
1985	5 812	.	5 812	4 527	.	9 578	14 105	-8 293
1986	7 117	120	7 237	1 256	.	9 189	10 445	-3 208
1987	481	1 581	2 062	703	4 705	10 092	15 501	-13 439
1988	128	2 190	2 319	621	5 044	15 159	20 824	-18 505
1989	373	15 146	15 519	403	465	23 035	23 903	-8 384
1989								
May	1 176	8 908	10 083	127	330	22 214	22 671	-12 588
June	779	11 264	12 042	321	118	22 842	23 282	-11 240
July	46	17 049	17 095	714	160	23 520	24 394	-7 299
Aug.	46	17 384	17 431	507	116	24 132	24 755	-7 325
Sept.	41	19 738	19 779	446	47	24 669	25 161	-5 382
Oct.	62	24 529	24 591	483	11	25 098	25 592	-1 001
Nov.	360	26 702	27 062	363	-	25 384	25 747	1 315
Dec.	328	31 497	31 824	462	-	25 574	26 036	5 788
1990								
Jan.	308	34 151	34 459	1 200	860	25 504	27 564	6 895
Feb.	367	43 675	44 043	1 017	12 978	25 463	39 459	4 584
March	131	36 855	36 987	1 885	7 299	26 094	35 278	1 709
April	222	26 291	26 513	406	908	26 452	27 766	-1 254
May	175	26 112	26 287	700	654	25 965	27 319	-1 032

3. RATES OF INTEREST

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

Average of daily observations	Inter-bank overnight rate	HELIBOR				Bank of Finland rates			Cash reserve requirement	
		1 month	3 months	6 months	12 months	Call money credit rate	Call money deposit rate	Base rate	Ordinary	Additional (average)
	1	2	3	4	5	6	7	8	9	10
1985	..	..	..	..	..	13.37	13.37	9.04	5.6	.
1986	11.87	..	..	..	..	13.43	11.34	7.46	4.8	.
1987	9.16	9.90	10.02	10.14	10.40	11.71	7.78	7.00	4.8	.
1988	8.47	9.77	9.97	10.16	10.50	11.50	7.04	7.63	6.5	.
1989	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67	8.0	0.5
1989										
May	11.43	11.70	11.75	11.79	11.90	13.00	4.00	7.50	8.0	0.2
June	9.79	11.62	11.78	11.93	12.13	13.00	4.00	7.50	8.0	0.4
July	10.56	11.64	11.79	11.94	12.11	15.00	4.00	7.50	8.0	0.5
Aug.	8.86	11.87	12.06	12.22	12.35	15.00	4.00	7.50	8.0	0.7
Sept.	8.56	12.69	13.09	13.30	13.40	15.00	4.00	7.50	8.0	0.8
Oct.	10.31	14.06	14.19	14.22	14.19	15.00	4.00	7.50	8.0	1.0
Nov.	12.78	14.78	14.77	14.66	14.51	15.00	4.00	8.50	8.0	1.1
Dec.	15.03	16.23	16.08	15.56	15.17	15.00	4.00	8.50	8.0	1.1
1990										
Jan.	S	16.01	16.05	15.73	15.45	15.00	4.00	8.50	8.0	1.1
Feb.	S	16.01	16.01	15.73	15.39	15.00	4.00	8.50	8.0	.
March	8.97	15.08	15.38	15.40	15.37	15.00	4.00	8.50	8.0	.
April	8.86	13.16	13.94	14.33	14.70	15.00	4.00	8.50	8.0	.
May	9.47	12.25	12.77	13.17	13.74	15.00	4.00	8.50	8.0	.

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

Average of daily observations	3 currencies ¹				12 currencies ²			
	1 month	3 months	6 months	12 months	1 month	3 months	6 months	12 months
	1	2	3	4	5	6	7	8
1985	6.8	6.9	7.0	7.2	..	..	..	..
1986	5.9	5.9	5.9	5.8	..	..	..	..
1987	5.4	5.6	5.7	5.8	7.9	8.0	8.1	8.2
1988	5.9	6.0	6.2	6.4	7.8	8.0	8.1	8.3
1989	8.3	8.4	8.5	8.5	9.7	9.8	9.9	9.9
1989								
May	8.3	8.4	8.6	8.7	9.5	9.7	9.7	9.8
June	8.3	8.4	8.5	8.5	9.7	9.8	9.8	9.9
July	8.3	8.2	8.2	8.1	9.7	9.8	9.7	9.7
Aug.	8.3	8.3	8.2	8.2	9.7	9.8	9.7	9.7
Sept.	8.5	8.6	8.6	8.6	9.9	10.0	10.0	9.9
Oct.	8.9	9.0	8.9	8.8	10.4	10.5	10.4	10.4
Nov.	8.8	9.0	9.0	8.9	10.5	10.7	10.7	10.7
Dec.	9.0	9.0	9.0	8.9	10.8	10.9	10.9	10.9
1990								
Jan.	8.8	9.0	9.2	9.2	10.8	11.0	11.2	11.3
Feb.	8.9	9.1	9.3	9.6	11.1	11.3	11.5	11.7
March	8.9	9.1	9.4	9.7	11.2	11.4	11.6	11.8
April	8.8	9.1	9.3	9.7	10.9	11.1	11.3	11.6
May	8.8	9.0	9.2	9.5	10.6	10.7	10.9	11.2

3.3 COVERED EURO-DOLLAR RATE, PER CENT

Average of daily observations	1 month	3 months	6 months	12 months
	1	2	3	4
1985	12.9	12.8	12.8	12.6
1986	12.1	11.7	11.5	11.1
1987	9.8	9.9	9.9	10.1
1988	9.6	9.8	10.0	10.3
1989	11.8	12.1	12.2	12.2
1989				
May	11.1	11.2	11.2	11.3
June	11.2	11.3	11.4	11.5
July	11.1	11.3	11.5	11.5
Aug.	11.1	11.5	11.7	11.8
Sept.	11.9	12.5	12.8	12.9
Oct.	13.6	13.8	13.8	13.7
Nov.	14.2	14.3	14.3	14.1
Dec.	15.3	15.2	14.8	14.5
1990				
Jan.	14.9	15.4	15.1	15.0
Feb.	15.0	15.0	14.9	14.7
March	14.3	14.7	14.8	14.7
April	12.7	13.6	13.9	14.4
May	12.0	12.6	13.0	13.6

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

² Weighted according to their relative shares in the Bank of Finland currency index. Since March 1989, the index has consisted of 14 currencies.

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

End of period	Lending						Deposits					
	New credits ¹				Average lending rate	Of which: Commercial banks	Savings accounts and ordinary deposit accounts	12-month time deposits	24-month time deposits	Average rate of interest on regulated deposits	Average rate of interest on unregulated deposits	Average rate of interest on total deposits
	Cheque account and postal giro credits	Bills of exchange	Loans	New lending, total								
1	2	3	4	5	6	7	8	9	10	11	12	
1985	12.04	12.94	10.62	11.55	10.37	10.37	4.75	7.50	8.75	5.91	13.24	6.81
1986	10.89	12.30	9.76	10.64	8.82	8.81	2.75	5.75	7.00	4.43	11.84	5.35
1987	10.50	12.31	10.01	10.62	9.12	8.99	2.75	5.75	7.00	4.56	10.13	5.29
1988	10.22	12.27	10.50	10.72	10.37	10.25	3.75	6.75	8.00	5.87	9.80	6.20
1989	12.97	13.47	11.58	12.07	11.86	11.80	4.50	.	7.50	6.60	11.92	7.37
1989												
April	12.73	13.10	11.35	11.80	10.23	10.06	3.50	.	5.50	5.54	11.32	7.09
May	12.75	13.11	11.48	11.91	10.31	10.13	3.50	.	5.50	5.52	11.41	7.07
June	12.46	13.12	11.43	11.83	10.35	10.18	3.50	.	5.50	5.48	11.55	7.06
July	12.60	13.25	11.59	12.03	10.34	10.18	3.50	.	5.50	5.46	11.53	7.04
Aug.	12.67	13.36	11.33	11.79	10.37	10.20	3.50	.	5.50	5.48	11.60	7.07
Sept.	12.28	13.54	11.84	12.21	10.46	10.31	3.50	.	5.50	5.53	11.92	7.29
Oct.	14.08	14.12	12.09	12.72	10.72	10.59	3.50	.	5.50	5.57	12.56	7.56
Nov.	14.99	14.77	12.90	13.58	11.60	11.44	4.50	.	6.50	6.40	13.27	8.35
Dec.	16.36	15.37	13.28	14.02	11.86	11.80	4.50	.	7.50	6.60	14.18	8.77
1990*												
Jan	13.55	15.71	13.02	13.73	11.99	11.91	4.50	.	7.50	6.45	14.40	8.66
Feb.	S	S	S	S	12.00	11.89	4.50	.	7.50	6.36	14.35	8.50
March	14.71	15.64	12.99	13.84	11.94	11.76	4.50	.	7.50	6.52	14.52	8.53
April	11.92	15.56	13.29	13.61	11.77	11.53	4.50	.	7.50	6.49	14.05	8.66

¹ Average rate of interest for period.

3.5 RATES OF INTEREST ON BONDS AND DEBENTURES, PER CENT

Period	Secondary market rates						Rates at issue		
	Long-term rate		Taxable government bonds	Taxable public issues	Issued by:		Taxfree public issues	Taxable public issues	Taxfree public issues
	3 years	5 years			Financial institutions	Corporations			
			1	2			3	4	5	6	7	8	9
1985	..	..	.	12.7	..	..	10.1	12.7	10.6
1986	..	..	.	11.7	..	..	8.3	11.3	8.8
1987	..	..	.	11.2	11.1	11.2	8.1	10.7	7.9
1988	10.7	10.8	10.6	10.6	10.6	10.6	7.8	10.4	7.3
1989	12.2	12.0	12.1	11.9	12.0	12.0	8.1	11.7	6.6
1989									
April	11.9	11.8	11.8	11.8	11.9	11.7	7.6	11.6	6.5
May	11.8	11.7	11.8	11.8	11.9	11.8	7.9	11.6	6.5
June	11.9	11.7	12.3	11.8	11.8	11.7	8.1	11.5	6.5
July	11.8	11.7	12.1	11.8	12.0	11.6	8.2	11.6	6.5
Aug.	11.9	11.7	11.9	11.9	11.8	12.0	8.5	11.5	6.5
Sept.	12.5	12.0	12.2	12.1	12.0	12.2	8.4	11.9	6.5
Oct.	13.3	12.8	12.4	12.4	12.6	12.3	8.4	11.9	6.5
Nov.	13.3	12.9	12.6	12.4	12.2	12.6	8.7	12.2	6.5
Dec.	13.5	13.0	12.9	12.4	12.1	12.6	8.9	12.5	7.5
1990									
Jan.	13.5	13.0	12.7	12.7	12.9	12.4	8.7	11.3 ^r	.
Feb.	13.5	13.0	S	S	S	S	S	12.9	8.5
March	13.8	13.4	13.2	13.2	13.3	13.1	8.6	13.0	.
April	13.8	13.5	13.4	13.3	13.5	13.1	8.7	12.7	.

4. RATES OF EXCHANGE

4.1 AVERAGE SPOT SELLING RATES, FIM

Average of daily quotations	New York	Montreal	London	Dublin	Stockholm	Oslo	Copenhagen	Frankfurt a.M.	Amsterdam	Brussels	Zurich
	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEF	1 CHF
	1	2	3	4	5	6	7	8	9	10	11
1985	6.206	4.554	8.000	6.590	0.7222	0.7231	0.5871	2.1142	1.8745	0.10483	2.5360
1986	5.077	3.659	7.459	6.816	0.7138	0.6882	0.6290	2.3454	2.0789	0.11399	2.8349
1987	4.404	3.325	7.213	6.556	0.6952	0.6547	0.6444	2.4514	2.1755	0.11806	2.9563
1988	4.191	3.412	7.466	6.397	0.6848	0.6444	0.6235	2.3895	2.1233	0.11421	2.8700
1989	4.295	3.632	7.051	6.104	0.6673	0.6234	0.5886	2.2879	2.0281	0.10925	2.6306
1989											
May	4.347	3.650	7.090	5.975	0.6618	0.6187	0.5737	2.2325	1.9805	0.10672	2.5138
June	4.437	3.706	6.899	5.985	0.6643	0.6183	0.5757	2.2397	1.9884	0.10708	2.5942
July	4.278	3.602	6.947	6.043	0.6622	0.6164	0.5818	2.2601	2.0043	0.10803	2.6243
Aug.	4.348	3.703	6.950	6.036	0.6657	0.6186	0.5814	2.2582	2.0029	0.10802	2.6201
Sept.	4.419	3.744	6.952	6.050	0.6698	0.6215	0.5830	2.2650	2.0088	0.10827	2.6202
Oct.	4.281	3.649	6.809	6.115	0.6648	0.6177	0.5892	2.2951	2.0326	0.10933	2.6260
Nov.	4.262	3.649	6.715	6.180	0.6644	0.6190	0.6001	2.3302	2.0648	0.11108	2.6348
Dec.	4.125	3.556	6.597	6.262	0.6569	0.6167	0.6107	2.3725	2.1016	0.11294	2.6339
1990											
Jan.	4.010	3.431	6.632	6.270	0.6508	0.6139	0.6117	2.3708	2.1018	0.11317	2.6457
Feb.	3.960	3.315	6.724	6.277	0.6482	0.6129	0.6128	2.3635	2.0966	0.11322	2.6625
March	4.030	3.416	6.561	6.308	0.6548	0.6125	0.6177	2.3648	2.1001	0.11399	2.6677
April	4.000	3.439	6.557	6.362	0.6546	0.6117	0.6217	2.3704	2.1060	0.11472	2.6899
May	3.931	3.351	6.612	6.351	0.6503	0.6111	0.6213	2.3666	2.1041	0.11469	2.7738

Average of daily quotations	Paris	Rome	Vienna	Lisbon	Reykjavik	Madrid	Tokyo	Moscow	Melbourne	ECU	SDR
	1 FRF	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 JPY	1 SUR	1 AUD	1 XEU	1 XDR
	12	13	14	15	16	17	18	19	20	21	22
1985	0.6940	0.00327	0.3012	0.0367	0.1520	0.0366	0.02610	7.419	..	..	6.27879
1986	0.7355	0.00343	0.3339	0.0343	0.1259	0.0364	0.03028	7.228	..	..	5.94432
1987	0.7345	0.00341	0.3488	0.0315	0.1163	0.0358	0.03050	6.965	3.106	5.075	5.68010
1988	0.7060	0.00324	0.3401	0.0294	0.1006	0.0361	0.03273	6.891	3.309	4.954	5.61826
1989	0.6757	0.00315	0.3254	0.0276	0.0782	0.0364	0.03122	6.817	3.423	4.731	5.49375
1989											
May	0.6615	0.00308	0.3176	0.0273	0.0814	0.0359	0.03151	6.770	3.374	4.644	5.48599
June	0.6616	0.00310	0.3185	0.0271	0.0789	0.0351	0.03079	6.831	3.367	4.639	5.49166
July	0.6679	0.00314	0.3214	0.0273	0.0762	0.0361	0.03047	6.759	3.260	4.678	5.42928
Aug.	0.6700	0.00316	0.3211	0.0273	0.0751	0.0362	0.03079	6.821	3.336	4.678	5.47435
Sept.	0.6723	0.00316	0.3220	0.0273	0.0740	0.0363	0.03047	6.870	3.435	4.694	5.49998
Oct.	0.6776	0.00314	0.3263	0.0272	0.0717	0.0362	0.03014	6.801	3.338	4.710	5.43586
Nov.	0.6868	0.00319	0.3312	0.0273	0.0705	0.0367	0.02971	6.799	3.359	4.765	5.43347
Dec.	0.6959	0.00321	0.3371	0.0273	0.0691	0.0369	0.02872	6.716	3.263	4.810	5.35882
1990											
Jan.	0.6980	0.00319	0.3371	0.0272	0.0684	0.0367	0.02768	6.640	3.159	4.812	5.27623
Feb.	0.6975	0.00320	0.3359	0.0271	0.0684	0.0367	0.02723	6.591	3.029	4.829	5.24250
March	0.7021	0.00322	0.3362	0.0270	0.0682	0.0370	0.02634	6.610	3.067	4.827	5.23570
April	0.7072	0.00324	0.3372	0.0270	0.0680	0.0375	0.02528	6.582	3.075	4.847	5.19392
May	0.7044	0.00323	0.3366	0.0270	0.0679	0.0380	0.02562	6.575	3.017	4.849	5.17416

4.2 CURRENCY INDICES, 1982=100

Average of daily observations	Bank of Finland currency index	Other currency indices		Currency	Weights of the Bank of Finland currency index As from March 28, 1990
		Payments currency index	MERM index		
	1	2	3		4
1985	102.5	109.4	112.5	USD	8.5
1986	103.9	106.3	110.4	GBP	13.3
1987	103.3	103.2	106.1	SEK	19.1
1988	102.0	101.1	104.7	NOK	3.8
1989	98.4	98.4	102.8	DKK	4.4
				DEM	19.1
1989				NLG	4.8
May	97.3	97.6	102.4	BEF	3.2
June	97.2	98.0	102.8	CHF	2.4
July	97.4	97.5	101.7	FRF	6.6
Aug.	97.7	98.0	102.6	ITL	5.0
Sept.	98.0	98.6	103.1	ATS	1.6
Oct.	97.7	97.9	102.0	ESP	1.9
Nov.	98.1	98.2	102.1	JPY	6.3
Dec.	97.9	97.6	100.9		
1990					
Jan.	97.2	96.7	99.2		
Feb.	97.1	96.4	98.4		
March	97.0	96.7	98.7		
April	97.0	96.6	98.0		
May	96.9	96.2	97.5		

5. OTHER DOMESTIC FINANCING

5.1 BANK DEPOSITS BY THE PUBLIC, MILL. FIM

End of period	Demand deposits	Time deposits	Investment accounts	Markka deposits, total (1+2+3)	Foreign currency deposits	Unregulated deposits	Total deposits (4+5+6)
	1	2	3	4	5	6	7
1985	19 268	125 366	1 781	146 415	6 184	13 998	166 597
1986	18 393	137 521	3 423	159 337	4 259	17 271	180 866
1987	20 377	155 115	5 243	180 735	3 915	17 892	202 542
1988*	24 831	194 181	5 089	224 102	4 561	41 028	269 690
1989*	28 503	201 392	10 176	240 071	7 133	75 522	322 725
1989*							
Feb.	26 225	194 930	6 433	227 588	4 900	48 346	280 834
March	25 618	193 825	6 932	226 375	4 660	51 153	282 187
April	25 872	195 207	7 408	228 487	5 323	55 898	289 707
May	26 969	194 708	7 672	229 349	5 627	51 275	286 250
June	29 176	196 927	8 080	234 182	6 499	57 898	298 580
July	29 608	195 487	8 371	233 465	6 745	58 715	298 925
Aug.	28 191	195 844	8 612	232 647	6 633	62 039	301 319
Sept.	27 588	196 169	9 219	232 975	6 235	67 515	306 724
Oct.	28 296	195 743	9 667	233 706	6 591	71 727	312 023
Nov.	27 687	195 226	9 913	232 825	6 504	80 414	319 743
Dec.	28 503	201 392	10 176	240 071	7 133	75 522	322 725
1990*							
Jan.	32 607	199 771	10 692	243 071	11 237	82 920	337 228
Feb.	33 833	201 002	10 645	245 480	10 439	S	S

5.2 BANK LENDING TO THE PUBLIC, MILL. FIM

End of period	Cheque account and postal giro credits	Bills of exchange	Loans	Markka lending, total (1+2+3)	Foreign currency credits	Total lending (4+5)
	1	2	3	4	5	6
1985	6 313	7 471	132 668	146 451	24 236	170 687
1986	7 542	6 354	152 335	166 231	24 450	190 681
1987	8 507	5 177	178 698	192 382	36 475	228 857
1988*	11 358	5 920	234 268	251 545	49 910	301 455
1989*	15 270	5 651	261 847	282 768	71 323	354 091
1989*						
Feb.	11 783	5 044	239 517	256 345	56 193	312 537
March	12 595	5 122	241 517	259 234	55 929	315 163
April	12 836	5 129	240 945	258 910	57 233	316 143
May	12 926	5 195	246 520	264 641	59 553	324 194
June	13 422	5 347	248 921	267 691	60 671	328 362
July	14 052	5 305	250 961	270 318	59 621	329 939
Aug.	13 931	5 358	253 401	272 691	60 892	333 582
Sept.	14 691	5 436	256 014	276 141	62 836	338 978
Oct.	15 190	5 471	256 958	277 619	65 326	342 945
Nov.	15 584	5 465	257 252	278 300	67 947	346 246
Dec.	15 270	5 651	261 847	282 768	71 323	354 091
1990*						
Jan.	17 098	5 545	257 211	279 853	78 553	358 407
Feb.	17 489	5 528	257 444	280 460	78 896	359 357

5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL. FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M ₁	M ₂ (1+4+5)
		Claims on the central government	Claims on the public	Total (2+3)			
	1	2	3	4	5	6	7
1985	-6 641	-8 694	209 231	200 537	-27 244	27 694	166 652
1986	-16 784	-13 884	237 514	223 630	-27 522	27 838	179 324
1987	-25 484	-14 977	277 068	262 090	-36 145	30 342	200 461
1988	-40 670	-15 356	352 371	337 015	-50 306	35 232	246 039
1989*	-59 049	-18 868	407 433	388 565	-58 985	41 444	270 531
1989*							
Jan.	-40 982	-13 442	358 025	344 583	-57 465	34 954	246 137
Feb.	-41 631	-13 958	364 209	350 252	-58 621	37 294	250 000
March	-43 785	-16 112	368 268	352 156	-59 424	36 810	248 947
April	-45 413	-13 377	372 511	359 134	-61 684	37 559	252 037
May	-47 950	-10 575	377 748	367 173	-65 853	38 966	253 370
June	-50 499	-11 982	384 021	372 039	-58 889	42 526	262 651
July	-49 924	-13 556	385 135	371 579	-59 946	41 333	261 708
Aug.	-51 975	-14 549	390 251	375 703	-62 613	40 017	261 115
Sept.	-53 458	-15 381	396 292	380 911	-66 143	39 625	261 310
Oct.	-55 551	-15 567	399 696	384 128	-66 557	40 176	262 020
Nov.	-57 974	-18 766	403 920	385 154	-65 808	39 730	261 372
Dec.	-59 049	-18 868	407 433	388 565	-58 985	41 444	270 531
1990*							
Jan.	-55 383	-16 798	420 880	404 083	-65 299	53 277	283 401

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

End of period	Foreign debt				Domestic debt				Total central government debt (4+8)	Out-standing lending	Cash funds
	Bonds	Other bonds and debentures	Long-term promissory notes	Total (1+2+3)	Public bonds	Other long-term liabilities	Treasury notes and bills	Total (5+6+7)			
	1	2	3	4	5	6	7	8	9	10	11
1985	17 316	2 703	5 658	25 677	14 994	4 107	2 203	21 304	46 981	36 032	6 383
1986	17 905	3 038	6 038	26 981	18 059	4 481	2 474	25 013	51 994	38 028	11 686
1987	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	40 035	11 553
1988	20 202	1 804	4 273	26 279	24 243	5 272	2 290	31 805	58 084	42 990	15 858
1989	18 505	852	3 429	22 786	24 126	5 750	250	30 126	52 912	45 356	21 248
1989											
April	18 236	1 219	3 678	23 133	24 508	4 975	1 280	30 763	53 896	44 313	15 128
May	19 333	1 239	3 564	24 136	24 351	4 806	980	30 137	54 273	44 418	14 374
June	18 759	1 249	3 400	23 408	24 539	4 810	780	30 129	53 537	44 595	14 598
July	18 587	1 229	3 370	23 186	24 526	4 812	660	29 998	53 184	44 848	16 701
Aug.	18 809	1 166	3 390	23 365	24 352	4 798	420	29 570	52 935	44 786	17 363
Sept.	18 764	1 160	3 377	23 301	24 404	4 799	280	29 483	52 784	45 032	17 846
Oct.	18 591	1 138	3 385	23 114	23 998	4 801	250	29 049	52 163	45 371	17 788
Nov.	18 601	853	3 319	22 773	23 988	4 798	250	29 036	51 809	45 471	21 445
Dec.	18 505	852	3 429	22 786	24 126	5 750	250	30 126	52 912	45 356	21 248
1990											
Jan.	18 353	851	3 350	22 554	23 172	5 747	100	29 019	51 573	45 808	19 182
Feb.	18 322	729	3 303	22 354	23 122	5 728	—	28 850	51 204	46 061	20 715
March	18 310	663	3 155	22 128	22 403	5 723	—	28 126	50 254	..	22 657
April	17 508	666	3 143	21 317	22 136	5 360	—	27 496	48 813	..	18 457

5.5 MARKKA BOND MARKET

A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1985	4 799	9 112	5 994	435	33	8 070	6 394	5 909	20 373
1986	4 976	10 638	6 532	422	105	5 987	7 487	9 199	22 674
1987	4 477	9 510	8 119	206	69	9 409	8 830	4 142	22 380
1988	3 027	8 418	6 889	268	61	7 861	6 522	4 280	18 663
1989	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
1989									
April	274	553	982	13	—	575	—	1 247	1 822
May	353	450	450	56	—	495	450	363	1 308
June	502	2 407	—	15	—	916	—	2 008	2 924
July	58	100	—	8	3	100	—	69	169
Aug.	247	103	450	35	—	507	200	128	835
Sept.	789	663	800	7	3	1 210	273	779	2 262
Oct.	72	1 040	160	8	7	974	—	313	1 287
Nov.	150	875	—	23	—	761	—	288	1 048
Dec.	258	850	—	9	—	665	—	452	1 117
1990*									
Jan.	399	818	—	—	—	110	—	1 107	1 217
Feb.	437	3 773	—	—	—	2 861	357	992	4 210
March	602	2 242	—	—	—	980	—	1 864	2 844
April	162	730	—	—	—	620	—	272	892

B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1985	10 482	26 173	18 575	661	56	10 967	19 002	25 977	55 947
1986	14 075	31 902	22 091	1 042	177	16 432	23 314	29 541	69 287
1987	17 509	36 773	26 518	1 200	232	24 831	28 229	29 172	82 232
1988*	19 195	42 892	28 953	1 413	292	32 028	30 054	30 663	92 745
1989*	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
1988*									
IV	19 195	42 892	28 953	1 413	292	32 028	30 054	30 663	92 745
1989*									
I	20 327	45 721	29 061	1 457	292	35 808	29 424	31 626	96 858
II	20 841	48 406	28 843	1 519	283	38 183	28 877	32 831	99 892
III	21 537	48 392	28 714	1 539	288	39 154	28 279	33 036	100 470
IV	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906

5.6 HELSINKI STOCK EXCHANGE

During period	Turnover, mill.FIM			Share prices Unites index ¹ , 1975 = 100		
	Shares and subscription rights	Bonds and debentures	Total (1+2)	Banks	Industry	Overall index
	1	2	3	4	5	6
1985	3 114	9 046	12 160	184	234	229
1986	9 488	6 479	15 968	254	357	350
1987	26 641	4 604	31 245	319	603	546
1988	31 734	5 718	37 452	404	734	677
1989	33 160	7 375	40 536	441	793	742
1989						
April	3 520	171	3 691	489	854	807
May	2 861	367	3 228	482	851	801
June	2 016	268	2 283	486	844	796
July	1 344	303	1 647	473	823	776
Aug.	3 198	1 171	4 370	466	829	776
Sept.	2 265	400	2 665	429	786	732
Oct.	1 304	689	1 993	397	727	677
Nov.	1 081	876	1 957	369	674	627
Dec.	2 929	1 471	4 400	354	669	619
1990						
Jan.	4 475	709	5 184	332	701	633
Feb.	1 324	15	1 339	319	745	661
March	1 520	599	2 120	320	715	638
April	850	197	1 047	314	660	594

¹ Average of daily observations.

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, f.o.b.	Transport receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Investment income	Transfers and other income	Current account of receipts (6+7+8)	Imports of goods, c.i.f.	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
1985	82 475	6 216	3 258	6 224	15 698	98 173	5 847	3 791	107 811	80 764	2 545	5 031	6 554
1986	81 066	5 757	3 195	5 616	14 568	95 634	4 510	3 609	103 752	76 736	2 160	5 587	5 415
1987	83 826	6 370	3 736	6 099	16 204	100 030	5 075	3 231	108 336	81 867	2 610	6 811	6 488
1988	91 313	7 026	4 280	6 132	17 438	108 750	7 836	4 415	121 002	91 232	3 338	7 907	7 390
1989*	98 265	7 700	4 484	6 611	18 796	117 061	10 446	3 714	131 221	104 385	3 685	8 958	8 509
1987													
IV	21 638	1 554	808	1 890	4 252	25 890	1 659	777	28 325	21 573	694	1 741	2 019
1988													
I	20 516	1 623	776	1 583	3 982	24 498	1 863	1 083	27 443	19 684	671	1 829	2 011
II	22 569	1 752	1 041	1 379	4 172	26 740	1 890	1 119	29 750	23 184	780	1 916	1 730
III	21 621	1 880	1 486	1 264	4 631	26 251	1 978	1 133	29 363	23 767	943	2 210	1 789
IV	26 608	1 771	977	1 905	4 653	31 261	2 105	1 080	34 446	24 597	944	1 951	1 860
1989*													
I	24 944	1 851	869	1 335	4 055	28 998	2 505	867	32 370	24 290	824	1 977	2 109
II	23 370	1 946	1 076	1 568	4 590	27 960	2 488	946	31 394	24 759	951	2 148	2 173
III	22 534	2 004	1 420	1 673	5 098	27 632	2 567	942	31 141	25 634	957	2 409	2 008
IV	27 418	1 899	1 120	2 034	5 053	32 471	2 886	958	36 315	29 702	954	2 424	2 218
1990*													
I	24 413	2 088	889	1 363	4 341	28 753	3 072	1 146	32 971	24 857	909	2 412	2 189

During period	Services expenditure, total (11+12)+13)	Imports of goods and services (10+14)	Investment expenditure (15+16)	Transfers and other expenditure (17)	Current account (15+16+17)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account (20+21)+22)	Goods and services account net (19+23)(7-16)	Investment income, others, net (8-17)	Transfers and account (24+25)+26)=	Current account (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1985	14 130	94 893	12 134	5 300	112 327	1 711	3 671	-1 773	-330	1 568	3 279	-6 287	-1 509	-4 517
1986	13 162	89 898	11 719	5 964	107 580	4 329	3 597	-2 392	201	1 406	5 735	-7 209	-2 355	-3 828
1987	15 909	97 775	12 617	5 860	116 251	1 960	3 760	-3 075	-390	296	2 255	-7 542	-2 629	-7 915
1988	18 634	109 866	15 769	6 975	132 610	80	3 689	-3 627	-1 258	-1 196	-1 116	-7 933	-2 560	-11 608
1989*	21 152	125 537	20 500	7 184	153 221	-6 120	4 015	-4 473	-1 898	-2 356	-8 476	-10 054	-3 470	-22 000
1987														
IV	4 455	26 027	3 431	1 523	30 982	65	860	-933	-129	-203	-138	-1 773	-747	-2 657
1988														
I	4 510	24 194	3 882	1 974	30 050	832	952	-1 053	-428	-529	303	-2 019	-891	-2 606
II	4 426	27 610	3 863	1 556	33 029	-616	972	-875	-351	-254	-870	-1 972	-437	-3 279
III	4 942	28 709	3 511	1 558	33 778	-2 146	937	-723	-525	-311	-2 457	-1 533	-424	-4 415
IV	4 756	29 353	4 514	1 888	35 754	2 010	827	-975	45	-102	1 908	-2 409	-808	-1 308
1989*														
I	4 909	29 199	4 080	1 956	35 236	654	1 028	-1 108	-774	-855	-201	-1 575	-1 089	-2 865
II	5 272	30 031	5 514	1 815	37 360	-1 390	995	-1 072	-605	-682	-2 071	-3 026	-869	-5 966
III	5 374	31 008	5 113	1 656	37 777	-3 100	1 047	-989	-335	-276	-3 376	-2 546	-714	-6 636
IV	5 596	35 298	5 793	1 756	42 847	-2 284	945	-1 305	-184	-543	-2 828	-2 907	-798	-6 532
1990*														
I	5 510	30 367	5 543	2 061	37 971	-444	1 179	-1 523	-826	-1 170	-1 614	-2 471	-915	-5 000

6.2 CAPITAL ACCOUNT, MILL. FIM

During period	Direct investment in Finland	Port-folio investment in Finland	Long-term credits				Imports of other long-term capital	Imports of long-term capital (1+2+6+7)	Direct investment abroad	Port-folio investment abroad	Long-term export credits	Exports of other long-term capital	Exports of long-term capital (9+10+11+12)	Long-term capital account (8-13)
			Central government	Author-ized banks	Others	Total (3+4+5)								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1985	392	4 264	1 556	1 489	442	3 487	140	8 283	2 073	1 329	-1 313	1 026	3 115	5 168
1986	1 627	646	-63	5 935	-482	5 390	87	7 750	3 641	2 347	-381	702	6 309	1 441
1987	424	179	2 284	5 700	2 526	10 510	91	11 204	3 741	2 434 ^f	158	3 103	9 436 ^f	1 768 ^f
1988	1 164	245	-1 682	9 781	9 073	17 172	85	18 666	7 935	1 347	1 369	1 898	12 550	6 117
1989*	1 353	548	-1 854	14 659	10 854	23 659	79	25 639	11 900	187	2 934	778	15 799	9 840
1987														
IV	51	-30	2 108	1 471	-157	3 422	55	3 498	1 346	484	-65	482	2 247	1 252
1988														
I	63	347	-857	361	3 231	2 735	89	3 234	1 113	900	8	572	2 593	642
II	313	-313	1 179	2 356	1 592	5 127	-42	5 085	2 972	139	218	432	3 761	1 324
III	107	21	-1 571	3 011	887	2 327	-19	2 436	1 677	170	67	379	2 293	143
IV	681	190	-433	4 053	3 363	6 983	57	7 911	2 173	138	1 076	515	3 902	4 009
1989*														
I	-165	695	-141	5 951	2 199	8 009	42	8 581	3 173	-372	1 395	1 057	5 253	3 328
II	176	-241	-1 197	1 491	2 951	3 245	-22	3 158	1 785	430	543	160	2 918	240
III	484	87	-93	2 452	1 938	4 297	-16	4 852	3 237	333	225	158	3 953	899
IV	858	7	-423	4 765	3 766	8 108	75	9 048	3 705	-204	771	-597	3 675	5 373
1990*														
I	505	895	-341	8 052	12 362	20 073	126	21 599	1 984	296	593	407	3 280	18 319

During period	Basic balance	Short-term capital imports of au-thorized banks	Import liabilities and prepay-ments related to ex-ports	Imports of short-term capital (16+17)	Short-term capital exports of au-thorized banks	Export receiv-ables and prepay-ments related to imports	Exports of short-term capital (19+20)	Other short-term capital incl. errors and omissions	Short-term capital account (18-21+22)	Overall balance excl. reserve move-ments (15+23)	Change in central bank's foreign ex-change reserves (26+27)	Of which:	
												Convertible reserves	Tied reserves
	15	16	17	18	19	20	21	22	23	24	25	26	27
1985	651	6 890	350	7 240	323	1 732	2 055	-2 092	3 093	3 744	-3 744	-3 729	-15
1986	-2 387	6 019	-3 796	2 222	9 933	-92	9 841	2 075	-5 544	-7 930	7 930	11 678	-3 748
1987	-6 147 ^f	19 324	-665	18 659	-7 343	-183	-7 526	-4 302 ^f	21 883 ^f	15 736	-15 736	-17 817	2 081
1988	-5 492	10 950	-399	10 551	5 970	644	6 614	1 737	5 674	183	-183	-517	334
1989	-12 160	5 185	1 437	6 622	2 641	1 167	3 807	3 384	6 199	-5 961	5 961	4 455	1 506
1987													
IV	-1 405	-763	-1 468	-2 230	-6 436	27	-6 410	-147	4 032	2 627	-2 627	-2 820	193
1988													
I	-1 965	6 244	-1 632	4 612	2 966	-692	2 274	1 968	4 305	2 341	-2 341	-1 295	-1 046
II	-1 955	13 610	484	14 094	4 363	-692	3 671	-3 750	6 673	4 718	-4 718	-4 662	-57
III	-4 272	-142	1 411	1 269	3 405	1 014	4 419	334	-2 816	-7 088	7 088	6 337	751
IV	2 700	-8 761	-663	-9 424	-4 764	1 014	-3 750	3 185	-2 488	212	-212	-897	685
1989*													
I	463	6 707	-263	6 444	4 685	705	5 390	303	1 357	1 820	-1 820	-1 372	-449
II	-5 727	9 788	-2 086	7 703	4 648	704	5 352	2 202	4 552	-1 174	1 174	152	1 022
III	-5 737	4 629	1 086	5 715	4 747	-121	4 626	1 661	2 750	-2 987	2 987	1 802	1 185
IV	-1 159	-15 939	2 700	-13 239	-11 439	-121	-11 560	-782	-2 461	-3 620	3 620	3 873	-253
1990*													
I	13 319	16 319	700	17 019	12 400	900	13 300	-6 191	-2 472	10 847	-10 847	-11 254	408

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

End of period	Long-term liabilities							Long-term assets					Long-term debt, net (8-13)	
	Direct investment in Finland	Portfolio investment in Finland	Long-term credits			Other long-term capital	Total (1+2+6+7)	Direct investment abroad	Portfolio investment abroad	Long-term export credits	Other long-term capital	Total (9+10+11+12)		
			Central government	Authorized banks	Others									Total (3+4+5)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1985	3 274	6 313	25 678	6 410	34 276	66 364	652	76 603	10 524	2 350	6 539	3 053	22 466	54 137
1986	4 892	7 992	26 292	11 992	32 044	70 330	739	83 953	13 727	4 697	5 649	3 685	27 758	56 195
1987	5 285	6 382 ^r	27 861	17 365	33 088	78 314	830	90 810 ^r	16 651	7 131 ^r	5 240	6 607 ^r	35 629 ^r	55 181 ^r
1988	6 438	6 848	26 011	27 427	41 787	95 226	915	109 427	24 562	8 478	6 686	8 543	48 269	61 158
1989*	7 738	8 556	23 118	39 946	51 211	114 276	994	131 564	35 751	8 665	9 501	9 303	63 220	68 344
1987														
IV	5 285	6 382	27 861	17 365	33 088	78 314	830	90 810	16 651	7 131	5 240	6 607	35 629	55 181
1988														
I	5 340	7 406	26 637	17 594	35 883	80 114	919	93 779	17 730	8 031	5 248	7 171	38 180	55 599
II	5 664	6 471	28 390	20 464	38 232	87 084	877	100 096	21 168	8 170	5 685	7 701	42 724	57 372
III	5 768	5 557	26 991	23 697	39 248	89 935	858	102 118	22 852	8 340	5 787	8 111	45 090	57 028
IV	6 438	6 848	26 011	27 427	41 787	95 226	915	109 427	24 562	8 478	6 686	8 543	48 269	61 158
1989*														
I	6 233	7 833	25 357	32 799	43 289	101 448	957	116 471	25 355	8 106	8 025	9 579	51 065	65 406
II	6 421	7 881	24 178	34 097	46 669	104 943	935	120 180	28 044	8 536	8 674	9 784	55 038	65 142
III	6 740	8 258	23 893	36 200	48 032	108 124	919	124 041	30 773	8 869	8 830	9 922	58 394	65 647
IV	7 738	8 556	23 118	39 946	51 211	114 276	994	131 564	35 751	8 665	9 501	9 303	63 220	68 344
1990*														
I	8 036	9 451	21 920	44 907	62 177	129 006	1 120	147 613	37 264	8 961	9 894	9 675	65 794	81 819

End of period	Short-term liabilities				Short-term assets				Short-term liabilities, net (18-22)	Debt, net (14+23)	Debt service payments	Of which: repayments	Debt service ratio
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits and other liabilities	Total (15+16+17)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits and other assets	Total (19+20+21)					
	15	16	17	18	19	20	21	22	23	24	25	26	27
1985	4 070	51 374	17 474	72 918	25 183	36 208	18 450	79 841	-6 922	47 215	11 287	4 808	10.5
1986	3 455	56 881	14 483	74 819	16 613	46 141	19 279	82 034	-7 215	48 980	13 462	6 018	13.0
1987	3 362	73 132	16 898	93 392	31 134	38 798	18 060	87 993	5 400	60 581 ^r	14 203	6 516	13.1
1988	3 341	83 828	15 919	103 088	32 037	44 768	20 830	97 635	5 452	66 610	11 760	3 750	9.7
1989*	3 558	89 013	19 351	111 922	25 113	47 409	22 874	95 395	16 527	84 871	11 405	1 255	8.7
1987													
IV	3 362	73 132	16 898	93 392	31 134	38 798	18 060	87 993	5 400	60 581	4 236	2 392	15.0
1988													
I	3 467	79 633	14 053	97 153	33 515	41 764	18 861	94 140	3 013	58 612	2 416	378	8.8
II	3 177	91 364	14 577	109 118	39 025	46 127	17 560	102 711	6 407	63 779	2 779	788	9.3
III	3 539	90 827	17 297	111 663	32 750	49 532	20 090	102 372	9 291	66 319	3 812	2 260	13.0
IV	3 341	83 828	15 919	103 088	32 037	44 768	20 830	97 635	5 452	66 610	2 752	324	8.0
1989*													
I	3 278	90 535	16 771	110 584	33 376	49 453	21 539	104 368	6 216	71 622	2 337	738	7.2
II	3 136	100 323	15 521	118 979	32 142	54 101	23 415	109 658	9 322	74 464	4 563	1 513	14.5
III	3 919	104 952	16 731	125 602	29 839	58 848	23 541	112 228	13 374	79 021	3 226	656	10.4
IV	3 558	89 013	19 351	111 922	25 113	47 409	22 874	95 395	16 527	84 871	1 279	-1 652	3.5
1990*													
I	4 036	105 331	18 909	128 276	35 895	59 809	25 257	120 961	7 315	89 134	4 688	2 053	14.2

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

End of period	Long-term liabilities					Long-term assets					Long-term liabilities, net (5-10)
	Corporate sector	Financial institutions	Central government	Local government	Total (1+2+3+4)	Corporate sector	Financial institutions	Central government	Other	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
1985	35 709	13 980	26 330	585	76 603	17 102	3 131	1 955	279	22 466	54 137
1986	36 243	20 169	27 031	509	83 953	19 209	5 721	2 309	520	27 758	56 195
1987	34 876 ^f	26 734	28 691	511	90 810 ^f	22 517 ^f	9 740	2 653	719 ^f	35 629 ^f	55 181 ^f
1988	40 875	41 127	26 926	499	109 427	31 168	12 977	3 101	1 024	48 269	61 158
1989*	50 292	56 584	24 112	575	131 564	42 127	15 070	3 651	2 372	63 220	68 344
1987											
IV	34 876 ^f	26 734	28 691	511	90 810 ^f	22 517 ^f	9 740	2 653	719 ^f	35 629 ^f	55 181 ^f
1988											
I	37 623	28 095	27 556	506	93 779	23 808	10 716	2 851	806	38 180	55 599
II	38 856	31 463	29 267	513	100 096	27 482	11 455	2 887	901	42 724	57 372
III	38 060	35 695	27 849	516	102 118	29 354	11 830	2 938	968	45 090	57 028
IV	40 875	41 127	26 926	499	109 427	31 168	12 977	3 101	1 024	48 268	61 158
1989*											
I	41 662	47 978	26 314	515	116 471	32 212	14 288	3 299	1 266	51 065	65 406
II	43 121	51 447	25 113	501	120 180	35 327	14 978	3 331	1 402	55 038	65 142
III	45 516	53 224	24 812	491	124 041	37 332	15 906	3 374	1 782	58 394	65 647
IV	50 292	56 584	24 112	575	131 564	42 127	15 070	3 651	2 372	63 220	68 344
1990*											
I	61 010	62 957	23 040	604	147 613	44 119	15 218	3 833	2 624	65 794	81 819

7. FOREIGN TRADE

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

During period	Exports, f.o.b.	Imports, c.i.f.	Balance (1-2)
1985	84 028	81 520	2 508
1986	82 579	77 601	4 978
1987	85 516	82 807	2 709
1988	92 902	92 118	784
1989*	99 794	105 288	-5 494
1989*¹			
April	8 930	8 361	569
May	7 681	8 635	-954
June	7 145	8 032	-887
July	7 485	7 424	61
Aug.	7 885	9 858	-1 973
Sept.	7 553	8 596	-1 043
Oct.	10 390	10 873	-483
Nov.	9 431	9 920	-489
Dec.	7 978	9 018	-1 040
1990*			
Jan.	8 538	8 300	238
Feb.	8 037	8 110	-73
March	8 228	8 566	-338
April	9 059	9 960	-901

¹ Owing to certain technical difficulties during the summer months 1989 the figures for individual months of the foreign trade statistics compiled by the Board of Customs may contain inaccuracies. However, the cumulative total for 1989 should not be unduly affected.

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

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1985	115	104	138	135	102
1986	116	110	135	121	111
1987	118	119	138	119	116
1988	121	130	145	122	119
1989*	121	143	156	126	123
1987					
III	116	116	140	121	115
IV	121	128	140	119	117
1988					
I	114	116	140	120	117
II	123	133	141	121	117
III	113	134	147	123	119
IV	136	137	150	124	121
1989*					
I	123	132	156	128	122
II	116	136	155	126	123
III	112	141	155	126	124
IV	134	163	157	126	125

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, f.o.b.					Imports by use of goods, c.i.f.				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
1985	6 728	25 030	9 803	24 412	18 055	38 676	17 770	11 675	12 967	432
1986	6 947	24 600	7 858	26 115	17 059	39 292	10 070	12 898	15 069	272
1987	7 470	27 058	7 770	26 230	16 988	41 174	9 406	14 138	17 478	611
1988	7 567	30 474	8 450	29 225	17 186	45 790	7 533	17 274	20 828	693
1989*	7 418	32 520	8 843	32 684	18 329	51 726	8 283	20 462	24 056	761
1989*²										
April	660	2 728	673	3 308	1 561	4 102	540	1 626	1 962	131
May	669	2 712	633	2 198	1 469	4 173	678	1 825	1 833	126
June	598	2 518	587	1 991	1 451	3 926	595	1 791	1 706	14
July	551	2 510	737	2 471	1 216	3 527	925	1 447	1 517	8
Aug.	477	2 978	668	2 379	1 383	5 009	862	1 748	2 189	50
Sept.	597	2 598	648	2 223	1 487	3 941	753	1 778	2 003	121
Oct.	719	2 913	967	3 866	1 925	5 463	733	2 055	2 546	76
Nov.	700	2 859	844	3 318	1 710	4 697	903	1 996	2 284	40
Dec.	618	2 552	684	2 805	1 319	4 326	796	1 867	1 963	66
1990*										
Jan.	617	2 327	824	3 426	1 344	4 028	498	1 782	1 963	29
Feb.	667	2 447	829	2 597	1 497	4 053	428	1 579	1 984	66
March	623	2 803	753	2 616	1 433	4 199	483	1 666	2 180	38
April	682	2 824	804	3 304	1 445	4 589	764	2 007	2 411	189

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, f.o.b.				Imports, c.i.f.			
	1989*		1990* January–April		1989*		1990* January–April	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period on the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	75 493	75.6	26 716	4.2	82 767	78.6	28 307	7.9
OECD Europe	64 393	64.5	22 735	3.5	67 056	63.7	23 091	8.4
Of which:								
Austria	1 175	1.2	369	3.2	1 295	1.2	454	11.1
Belgium and Luxembourg	1 947	2.0	724	−0.6	2 932	2.8	982	4.5
Denmark	3 257	3.3	1 080	−5.0	3 290	3.1	1 143	17.2
France	5 453	5.5	2 252	22.5	4 418	4.2	1 636	26.8
Federal Republic of Germany	10 785	10.8	3 866	8.2	18 234	17.3	6 328	7.8
Italy	2 989	3.0	1 069	2.1	4 900	4.7	1 697	10.2
Netherlands	3 961	4.0	1 475	10.9	3 416	3.2	1 087	0.2
Norway	2 920	2.9	1 026	5.6	2 457	2.3	965	22.6
Spain	1 831	1.8	712	22.9	1 129	1.1	432	9.1
Sweden	14 314	14.3	5 171	5.3	14 314	13.6	4 689	1.7
Switzerland	1 680	1.7	585	7.9	1 829	1.7	566	−1.7
United Kingdom	11 958	12.0	3 644	−15.5	6 898	6.6	2 319	5.2
Other OECD	11 100	11.1	3 980	8.2	15 711	14.9	5 216	6.0
Of which:								
Canada	1 359	1.4	470	−7.0	919	0.9	233	−24.3
Japan	2 033	2.0	493	−31.5	7 695	7.3	2 517	0.9
United States	6 388	6.4	2 640	34.7	6 669	6.3	2 371	19.1
CMEA countries	16 248	16.3	4 335	−28.9	14 907	14.2	4 177	−3.7
Of which:								
Soviet Union	14 496	14.5	3 722	−32.4	12 152	11.5	3 280	−4.4
Developing countries	7 224	7.2	2 421	10.4	6 612	6.3	2 126	3.0
OPEC countries	1 558	1.6	534	10.4	680	0.6	183	84.1
Other	5 666	5.7	1 887	10.4	5 932	5.6	1 943	−1.1
Other countries	829	0.8	390	27.6	1 002	1.0	326	8.3
TOTAL	99 794	100.0	33 862	−1.1	105 288	100.0	34 936	6.1
Of which:								
EEC countries	43 869	44.0	15 451	2.5	46 903	44.5	16 329	10.2
EFTA countries	20 195	20.2	7 179	5.3	20 006	19.0	6 708	4.0

8. DOMESTIC ECONOMIC DEVELOPMENTS

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

(seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4	5	6	7	8	9
1985	181 664	68 218	69 599	10 453	1 772	331 706	98 173	94 893	334 986
1986	189 113	70 325	69 328	10 738	810	340 314	99 498	97 795	342 017
1987*	199 981	73 458	72 761	11 654	2 246	360 100	102 127	106 568	355 659
1988*	209 986	75 278	81 256	11 470	8 901	386 891	106 124	118 772	374 243
1989*	217 444	77 704	92 991	11 208	15 800	415 147	107 897	130 229	392 815
1987*									
III	49 931	18 480	17 933	3 089	-955	88 479	26 588	26 368	88 699
IV	51 364	18 599	18 669	2 911	1 531	93 073	24 600	27 463	90 210
1988*									
I	51 931	18 601	19 524	2 884	1 208	94 147	25 357	27 759	91 745
II	51 861	18 752	19 858	2 746	2 917	96 135	26 837	29 855	93 117
III	52 795	18 904	20 873	2 999	2 272	97 843	26 412	30 885	93 369
IV	53 400	19 021	21 002	2 841	2 503	98 766	27 518	30 273	96 012
1989*									
I	53 606	19 217	21 408	2 760	3 084	100 076	27 830	31 748	96 158
II	54 595	19 363	23 173	2 812	2 516	102 458	26 257	30 849	97 866
III	54 638	19 504	23 686	2 756	4 352	104 935	26 660	32 507	99 089
IV	54 606	19 621	24 723	2 880	5 848	107 678	27 150	35 125	99 702

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1985=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manu- facturing	Wood and paper industries	Metal and engineering industries	Other manu- facturing	Energy and water supply
	(100.0)	(1.6)	(87.9)	(16.5)	(30.0)	(41.4)	(10.5)
	1	2	3	4	5	6	7
1985	100.4	99.8	100.4	100.1	100.6	100.3	100.2
1986	101.9	102.8	102.0	102.3	103.0	101.2	100.4
1987	107.2	99.9	107.2	106.5	110.2	105.4	107.8
1988*	111.1	110.6	111.2	114.5	114.8	107.3	110.3
1989*	114.5	114.8	115.1	118.1	123.9	107.5	109.1
1989*							
March	115.3	119.5	116.1	119.3	123.0	108.0	108.9
April	113.0	112.4	113.4	119.7	120.8	105.4	110.8
May	115.4	113.9	116.0	122.1	122.6	108.7	111.6
June	115.3	116.5	115.5	117.6	124.2	108.2	114.7
July	114.3	109.8	115.6	116.8	125.0	109.1	105.8
Aug.	116.3	103.6	117.6	118.3	131.4	108.1	105.7
Sept.	115.0	110.2	116.3	118.6	126.6	108.1	103.7
Oct.	114.3	117.9	115.2	115.8	125.7	107.1	105.8
Nov.	114.4	116.2	115.2	117.6	124.1	107.4	110.7
Dec.	113.6	117.1	113.2	112.7	123.5	105.1	115.6
1990*							
Jan.	114.4	116.1	112.8	116.8	120.1	106.4	122.2
Feb.	114.7	121.7	114.8	117.9	125.5	105.6	112.7
March	113.7	109.3	113.9	116.7	119.3	107.1	113.0

8.3 INDICATORS OF DOMESTIC SUPPLY AND DEMAND, 1985=100

(seasonally adjusted figures)

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	104.7	102.5	94.0	88.4	99.9	99.5	105.2	102.0
1987	111.3	107.7	95.6	89.0	101.0	102.6	114.3	106.8
1988*	116.7	113.0	108.6	106.0	113.4	110.6	135.0	110.5
1989*	124.2	117.0	127.4	132.3	139.7	115.9	160.3	114.8
1988*								
IV	118.5	114.7	114.4	117.1	122.3	110.9	146.5	112.3
1989*								
Feb.	120.9	115.9	..	..	..	..	..	113.2
March	119.3	114.9	..	..	..	..	..	113.7
April	121.4	117.4	..	..	..	..	..	114.3
May	128.2	119.8	..	..	..	..	..	115.1
June	121.1	118.2	..	..	..	..	..	115.0
July	120.6	116.5	..	..	..	..	..	114.6
Aug.	126.7	117.4	..	..	..	..	..	116.0
Sept.	124.9	117.5	..	..	..	..	..	115.5
Oct.	130.4	116.0	..	..	..	..	..	116.0
Nov.	130.9	117.7	..	..	..	..	..	116.3
Dec.	122.3	112.7	..	..	..	..	..	115.0
I	121.2	116.8	118.6	120.5	127.9	108.5	134.0	113.3
II	123.6	118.5	128.5	131.2	148.8	113.3	167.4	114.8
III	124.1	117.2	128.0	133.0	137.7	119.0	151.7	115.4
IV	127.8	115.5	134.4	144.6	144.3	123.1	189.8	115.7
1990*								
Jan.	127.9	112.9	..	..	..	..	..	115.6
Feb.	119.5	101.8	..	..	..	..	..	114.6

8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which: Manufacturing (SIC 3)	Central government	Local government	Non-profit institutions			Domes-tic goods	Imported goods		Exported goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	106.9	106.6	106.2	106.6	107.8	107.2	102.9	97.0	98.6	91.0	96.5	96.7	96.4	104.3
1987	114.4	114.5	113.4	115.7	113.3	115.2	107.2	97.9	100.2	89.3	97.3	98.1	96.8	109.1
1988	124.7	124.6	122.7	128.8	122.0	128.0	112.6	101.5	104.9	89.1	101.7	103.8	100.7	116.3
1989¹	135.7	136.4	133.8	137.4	132.2	136.4	120.0	107.3	111.3	92.6	107.8	110.5	106.4	125.5
1988														
IV	128.4	128.5	126.6	132.1	125.2	131.4	114.7	103.6	107.3	90.0	104.0	107.1	102.5	119.6
1989¹														
April	..	..	..	..	..	..	119.1	107.0	110.6	93.6	107.1	109.9	105.8	124.3
May	..	..	..	..	..	..	119.5	107.4	111.3	93.2	107.8	110.1	106.6	124.9
June	..	..	..	..	..	..	120.6	107.4	111.4	92.6	107.9	110.4	106.8	124.6
July	..	..	..	..	..	..	120.4	107.4	111.4	92.6	108.2	110.5	107.1	124.8
Aug.	..	..	..	..	..	..	120.6	107.6	111.8	92.3	108.3	110.6	107.3	125.8
Sept.	..	..	..	..	..	..	121.9	108.1	112.4	92.3	108.8	111.3	107.6	127.6
Oct.	..	..	..	..	..	..	122.4	108.7	113.2	92.5	109.2	111.7	108.0	128.2
Nov.	..	..	..	..	..	..	122.3	108.9	113.5	92.3	109.1	111.2	108.0	128.6
Dec.	..	..	..	..	..	..	123.0	109.0	113.6	92.4	109.3	111.5	108.2	129.8
I	131.7	131.6	129.4	135.0	129.7	134.4	116.8	105.4	108.9	92.5	105.8	109.4	104.0	122.3
II	135.8	136.8	134.3	137.0	131.4	136.3	119.7	107.3	111.1	93.1	107.6	110.1	106.4	124.6
III	136.2	137.3	134.3	137.5	131.7	136.4	121.0	107.7	111.9	92.4	108.4	110.8	107.3	126.1
IV	139.0	139.8	137.1	140.0	135.8	138.5	122.6	108.9	113.4	92.4	109.2	111.5	108.1	128.9
1990														
Jan.	..	..	..	..	..	..	124.8	109.4	113.9	93.0	109.4	111.5	108.4	130.4
Feb.	..	..	..	..	..	..	125.3	109.2	113.8	92.5	108.9	110.2	108.2	130.8
March	..	..	..	..	..	..	125.7	109.3	114.1	91.9	109.0	110.1	108.5	131.7
April	..	..	..	..	..	..	126.4	109.7	114.7	91.4	109.6	110.4	109.2	134.7

¹ Preliminary figures for columns 1—6.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status		By industry			Unemployed	Unemployment rate	
				Self-employed	Wage and salary earners	Agriculture and forestry	Industry	Construction			Service industries
	%			1000 persons							%
	1	2	3	4	5	6	7	8	9	10	11
1985	69.2	2 566	2 437	361	2 076	280	597	178	1 380	129	5.0
1986	69.1	2 569	2 431	359	2 071	266	589	185	1 391	138	5.4
1987	68.6	2 554	2 423	372	2 051	251	569	184	1 419	130	5.1
1988	68.4	2 546	2 431	368	2 062	238	553	188	1 452	116	4.6
1989	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5
1989											
March	68.5	2 549	2 458	368	2 089	230	558	208	1 461	92	3.6
April	69.1	2 572	2 480	373	2 107	230	550	203	1 497	92	3.6
May	69.2	2 578	2 492	362	2 129	221	576	194	1 501	86	3.3
June	68.7	2 557	2 471	363	2 108	217	564	199	1 492	85	3.3
July	68.6	2 557	2 467	370	2 097	206	561	195	1 505	90	3.5
Aug.	68.3	2 543	2 451	349	2 103	199	566	194	1 492	92	3.6
Sept.	68.4	2 550	2 462	365	2 097	217	574	204	1 468	88	3.5
Oct.	68.6	2 557	2 483	379	2 104	218	557	201	1 506	74	2.9
Nov.	68.7	2 560	2 471	372	2 100	212	562	193	1 504	89	3.5
Dec.	68.9	2 566	2 476	366	2 109	212	565	207	1 491	90	3.5
1990											
Jan.	68.5	2 556	2 487	378	2 109	220	561	200	1 505	69	2.7
Feb.	69.0	2 573	2 494	371	2 123	216	557	211	1 508	79	3.1
March	68.4	2 550	2 480	359	2 121	214	548	207	1 511	70	2.7

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

During period	Revenue						Expenditure				
	Direct taxes	Indirect taxes	Other taxes and similar revenue	Other revenue	Revenue before financial transactions (1+2+3+4)	Redemptions of loans granted by the state	Revenue before borrowing (5+6)	Consumption	Transfers and subsidies	Of which:	
										Local government	Other domestic sectors
	1	2	3	4	5	6	7	8	9	10	11
1985	25 750	47 578	546	10 415	84 290	2 071	86 361	24 835	49 269	21 183	26 866
1986	28 079	51 733	323	11 640	91 774	2 209	93 983	26 354	52 845	23 215	28 131
1987	29 454	57 312	491	12 391	99 648	2 482	102 129	29 419	59 498	26 456	30 964
1988	35 339	66 348	473	13 629	115 789	2 557	118 346	32 266	65 502	29 757	33 108
1989	39 398	76 459	471	15 990	132 317	3 926	136 242	35 082	72 008	33 244	35 621
1989											
Feb.	2 792	6 185	86	824	9 887	67	9 953	2 708	6 177	2 464	3 446
March	3 375	5 613	37	1 014	10 040	1 713	11 754	2 735	5 204	2 589	2 320
April	3 881	6 221	36	1 266	11 405	63	11 468	2 911	6 055	3 337	2 532
May	2 927	6 045	38	2 349	11 359	300	11 658	3 135	6 870	2 881	3 544
June	3 186	6 347	13	1 156	10 701	264	10 965	3 034	5 632	3 033	2 447
July	3 938	7 353	62	945	12 298	115	12 412	3 453	5 043	2 594	2 203
Aug.	3 211	6 455	119	1 065	10 850	488	11 338	2 780	5 768	2 685	2 918
Sept.	3 172	5 474	46	1 354	10 046	210	10 256	2 792	5 100	2 659	2 312
Oct.	3 108	6 458	46	969	10 581	101	10 682	2 950	6 203	3 001	3 058
Nov.	3 199	7 013	47	1 396	11 655	391	12 045	2 942	6 912	2 817	3 944
Dec.	3 518	7 813	-60	2 471	13 742	209	13 951	2 877	7 315	2 752	3 831
1990											
Jan.	3 134	6 036	76	1 244	10 490	4	10 494	3 290	5 810	2 890	2 813
Feb.	3 287	5 579	50	908	9 824	49	9 873	3 170	6 209	2 717	3 181

During period	Expenditure					Financial balance			
	Fixed investment	Other expenditure	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)
1985	5 700	4 936	84 739	4 982	89 722	-449	-3 361	3 506	145
1986	6 111	5 058	90 368	4 913	95 281	1 406	-1 298	4 203	2 905
1987	7 089	4 732	100 738	5 672	106 410	-1 090	-4 280	7 604	3 324
1988	7 565	5 614	110 946	6 529	117 476	4 842	870	2 417 ^f	3 287 ^f
1989	8 393	5 343	120 825	7 565	128 390	11 492	7 852	-4 010	3 842
1989									
Feb.	501	288	9 675	557	10 232	212	-278	-634	-912
March	591	640	9 170	1 841	11 011	870	742	137	880
April	544	941	10 451	379	10 830	954	638	-1 512	-875
May	670	642	11 317	639	11 956	42	-297	189	-109
June	839	316	9 821	515	10 336	880	629	-708	-79
July	619	-13	9 103	414	9 517	3 195	2 895	-151	2 744
Aug.	634	309	9 490	467	9 957	1 359	1 381	-519	862
Sept.	740	649	9 282	470	9 752	765	505	-75	429
Oct.	779	672	10 604	617	11 221	-23	-539	-532	-1 072
Nov.	758	193	10 805	503	11 308	850	737	-387	351
Dec.	1 107	-41	11 258	479	11 736	2 484	2 215	1 199	3 414
1990									
Jan.	371	590	10 061	673	10 735	429	-241	-1 141	-1 382
Feb.	361	150	9 890	382	10 272	-66	-399	-365	-763

NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

GENERAL

Source

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

Symbols used

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

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

NOTES AND EXPLANATIONS TO TABLES

1 THE BALANCE SHEET OF THE BANK OF FINLAND

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

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

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

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

change used in the statistics are the forward rates on the contract date.

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

3 RATES OF INTEREST

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

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

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

Table 3.4 *Lending.* New credits (Columns 1-4): the rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts, whereas annual rates are arithmetic averages of monthly observations. As from January 1989, Postipankki Oy has been included in the calculation of the average rate on the commercial banks' outstanding stock of loans. *Deposits.* The rates of interest applied to deposit accounts (Columns 7-9) are the rates of interest applied to standard tax-exempt deposit accounts as agreed upon between banks. The average rate of interest on the stock of regulated deposits (Column 10) is the average rate of interest weighted by the deposit amounts at the end of period, where the stock of deposits comprises cheque accounts, postal giro accounts, deposit accounts with a cheque facility, savings and ordinary deposit accounts, other time deposit accounts and taxable investment accounts. The average rate of interest on unregulated deposits (Column 11) is the average rate of interest weighted by the amounts in the period. Unregulated deposits include, inter alia, sales of certificates of deposit, promissory notes and bonds as well as corporate deposits at market rates.

Table 3.5 *Secondary market rates.* The long-term unregulated market rate (Columns 1 and 2) is calculated by the Bank of Finland as the monthly

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

The rate of interest on taxfree bonds issued by the government and mortgage banks (Column 9) in the period from December 1, 1989 to December 31, 1990 may not exceed the Bank of Finland's base rate.

4 RATES OF EXCHANGE

Table 4.1 The quotation of the noncommercial rate for the Belgian franc, BEL, was terminated on March 2, 1990. Since then there has been only one rate for the Belgian franc. As from the beginning of May 1990 the standard abbreviation is BEF. Prior to that date, the quotations given in Column 10 are those of BEC (the commercial rate). The time series for BEC and BEL are shown separately for the last time in the May 1990 issue of the Bulletin.

Table 4.2 The weights of the Bank of Finland currency index (Column 1) are moving averages of the shares of countries in Finland's merchandise export and import trade. The index com-

prises 14 convertible currencies. The index values are based on the Bank of Finland's daily quotations at noon. The weights of the payments currency index (Column 2) are moving averages of the shares of payments currencies in Finland's trade. The index comprises 14 convertible currencies. The weights of the MERM index (Column 3) are fixed 1977 weights computed on the basis of the IMF's world trade model. Fourteen currencies are included in this index.

5 OTHER DOMESTIC FINANCING

Table 5.1 Source: The Central Statistical Office of Finland. The public comprises households and non-profit institutions, enterprises (excl. financial institutions) and local government. Domestic foreign-currency deposits are included in the figures. Time deposits (Column 2) consist of tax-exempt time deposits held by the public. Investment accounts (Column 3) are taxable time deposits held by the public. For the definition of unregulated deposits (Column 6), see the explanation under Table 3.4. Since the beginning of 1987, the figures for banks' holdings of certificates of deposit issued by other banks have been netted out. Netting out is done by the Bank of Finland.

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

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

(time deposits held by the public, incl. deposits with the Bank of Finland).

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

Table 5.5 Tables A and B on the markka bond market include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland.

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

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

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

Table 6.2 Columns 1-8: Net change in long-term liabilities. Columns 9-13: Net change in long-term assets. Portfolio investment in Finland (Column 2) and abroad (Column 10): Secondary market transactions in securities and share issues. As from the June-July 1989 issue of the Bulletin, portfolio investment abroad (Column 10) also includes investments in long-term bonds and shares by Finnish authorized banks. These were previously included in short-term capital exports of authorized banks. Long-term credits (Columns 3-6): Financial loans, import credits and leasing credits. Others (Column 5): Long-term credits of enterprises, financial institutions other than authorized banks and local government. Imports of other long-term capital (Column 7): Finland's subscriptions to international financial institutions paid in the form of promissory notes. Exports of other long-term capital (Column 12) = financial loans abroad + development credits + purchases of real estate and other acquisitions by private persons + Finland's subscriptions to international financial institutions.

Table 6.3 Net foreign debt (Columns 1-24) at the end of a period is

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

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

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

7 FOREIGN TRADE

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

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

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

8 DOMESTIC ECONOMIC DEVELOPMENTS

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

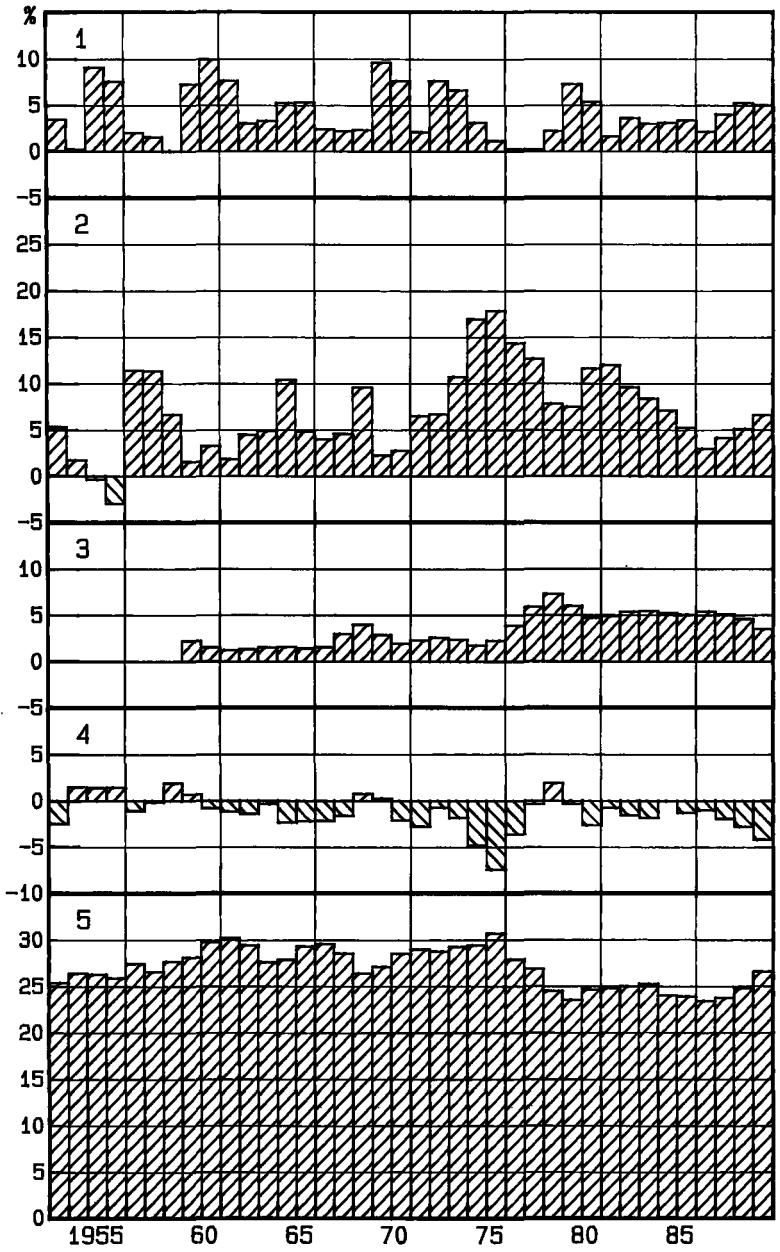
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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

Table 8.6 Source: Ministry of Finance.

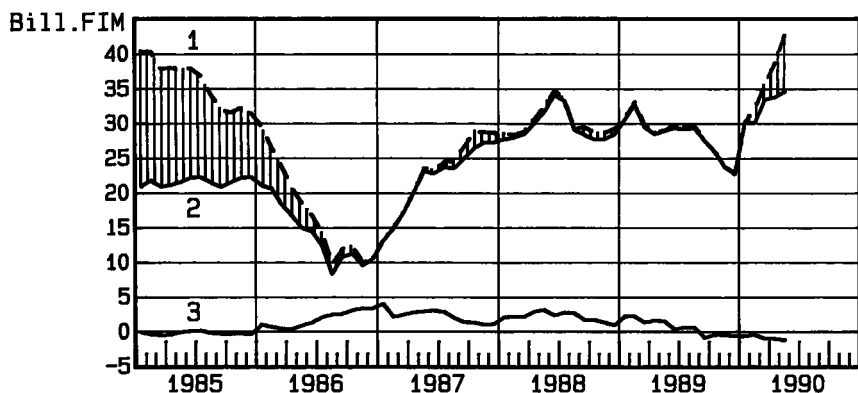
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Items affecting domestic liquidity	S29
5. Overnight rates	S30
6. HELIBOR rates of interest (daily)	S30
7. HELIBOR rates of interest (monthly)	S30
8. Rates of interest applied by the Bank of Finland	S31
9. 3-month covered Eurodollar rate and 3-month currency basket rates	S31
10. Rates on bonds and debentures	S31
11. Bank of Finland currency index (monthly)	S32
12. Bank of Finland currency index (daily)	S32
13. Changes in the exchange rates of selected Nordic currencies	S32
14. Changes in the exchange rates of selected major currencies	S33
15. Bank deposits from the public	S33
16. Bank lending to the public	S33
17. Money supply	S34
18. Direct investment	S34
19. Central government debt	S34
20. Current account	S35
21. Foreign debt	S35
22. Balance of payments	S36
23. Debt service ratio	S36
24. Foreign trade	S37
25. Foreign trade: prices and terms of trade	S37
26. Finland's export performance	S37
27. Production	S38
28. Fixed investment	S38
29. Employment and unemployment rate	S39
30. Prices and wages	S39
31. Central government finances	S40

1. LONG-TERM INDICATORS



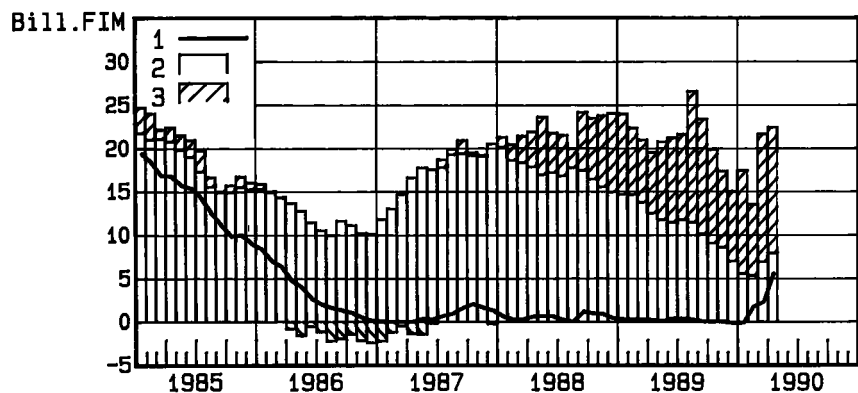
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



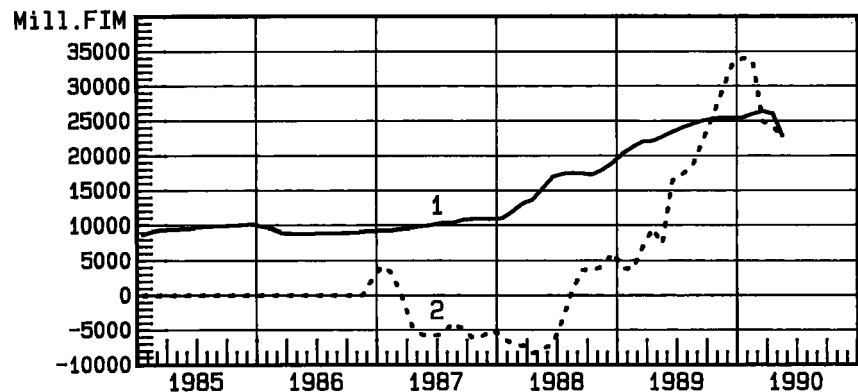
1. Convertible foreign exchange reserves plus forward position
2. Convertible foreign exchange reserves
3. Tied currencies

3. FORWARD MARKET



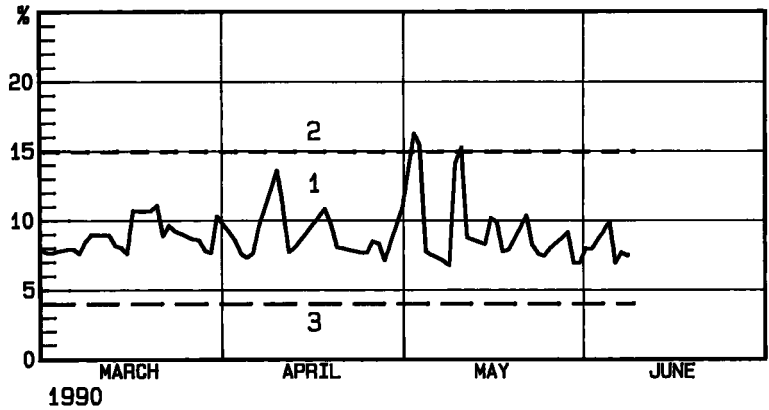
1. Forward exchange purchased by the Bank of Finland from banks
2. Forward exchange sold by companies to banks
3. Forward exchange sold by foreign banks to banks

4. ITEMS AFFECTING DOMESTIC LIQUIDITY



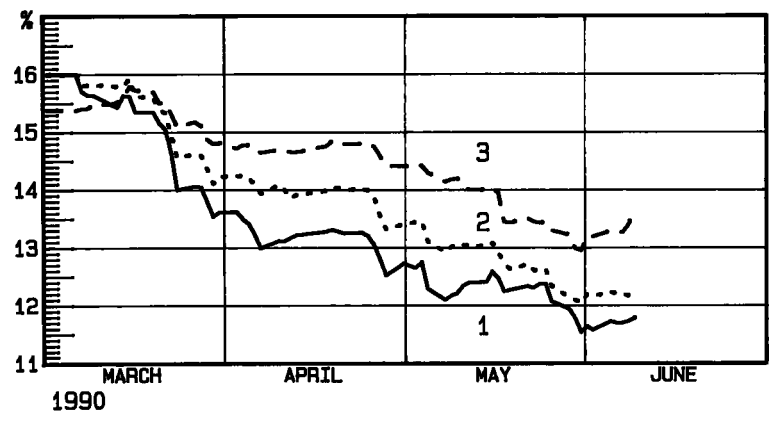
1. Cash reserve deposits
2. Bank of Finland's holdings of money market instruments, net

5. OVERNIGHT RATES



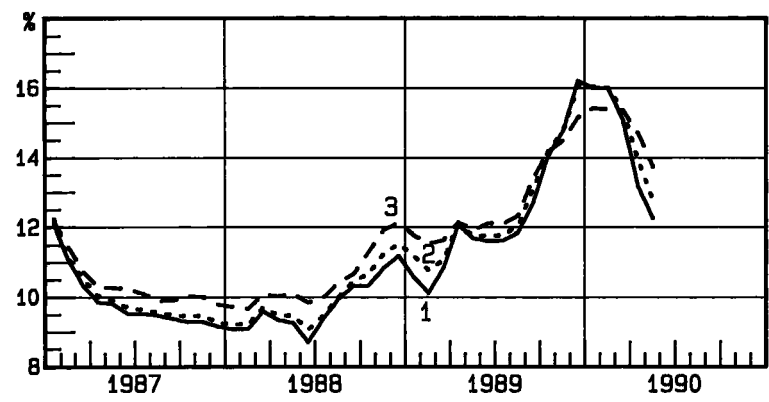
- 1. Inter-bank overnight rate
 - 2. Call money credit rate
 - 3. Call money deposit rate
- Daily observations

6. HELIBOR RATES OF INTEREST



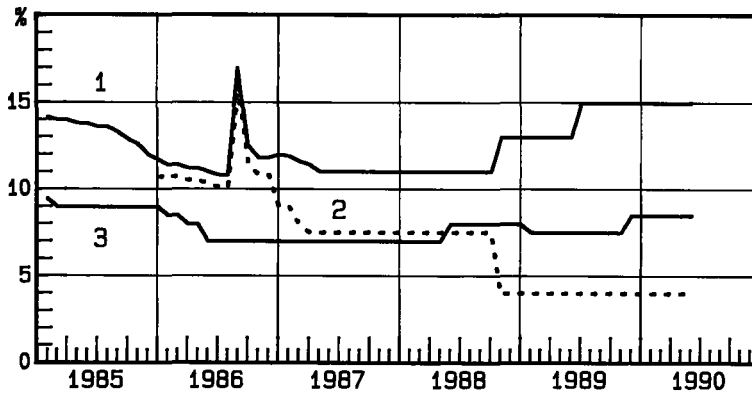
- 1. 1-month HELIBOR
 - 2. 3-month HELIBOR
 - 3. 12-month HELIBOR
- Daily observations

7. HELIBOR RATES OF INTEREST



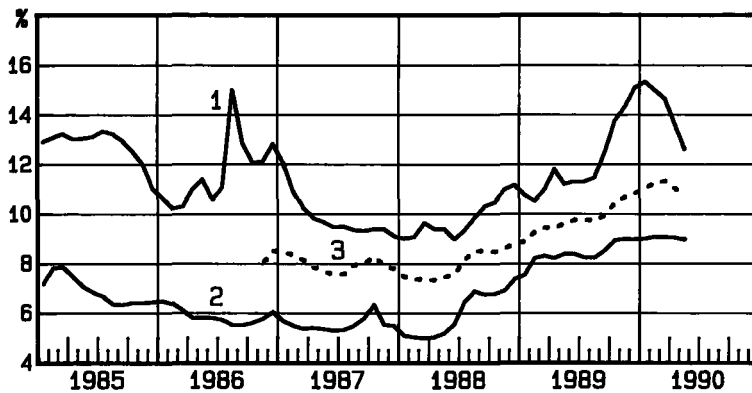
- 1. 1-month HELIBOR
 - 2. 3-month HELIBOR
 - 3. 12-month HELIBOR
- Monthly averages

8. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



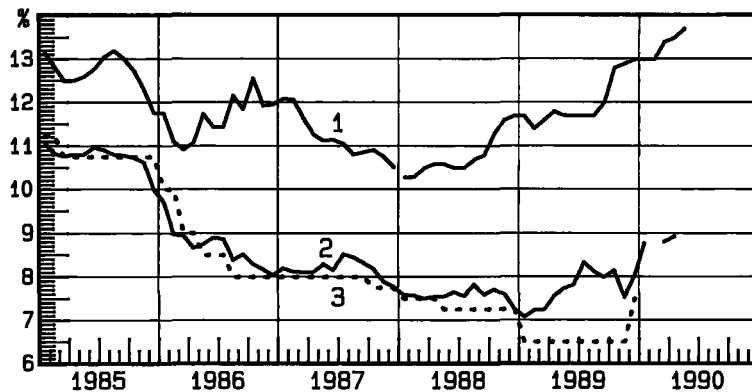
- 1. Call money credit rate
 - 2. Call money deposit rate
 - 3. Base rate
- End-of-month observations

9. 3-MONTH COVERED EURODOLLAR RATE AND 3-MONTH CURRENCY BASKET RATES



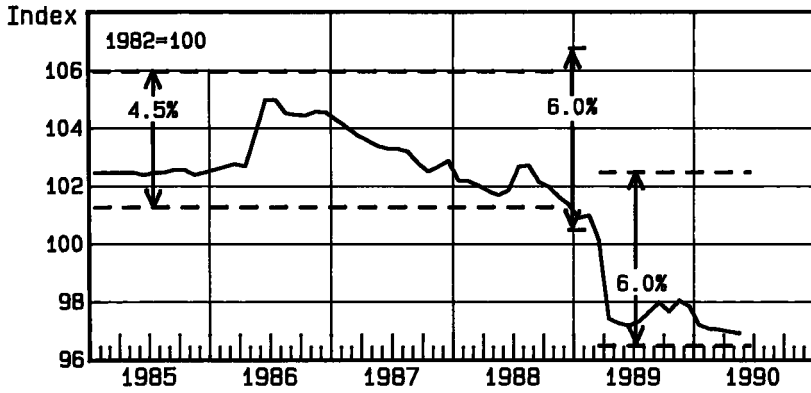
- 1. Covered Eurodollar rate
- 2. 3-currency basket rate (DEM 60 %, USD 30 %, GBP 10 %)
- 3. 14-currency basket rate (Bank of Finland currency index weights)

10. RATES ON BONDS AND DEBENTURES



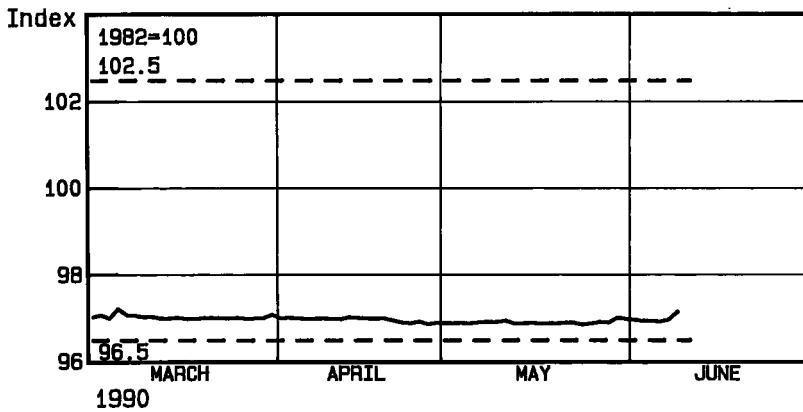
- 1. Long-term (5-year) market rate (before 1988 rate on (3-6 year) fixed-rate debentures)
- 2. Rate on (9-10 year) tax-free government bonds
- 3. Rate at issue on new 10-year taxfree government bonds

11. BANK OF FINLAND CURRENCY INDEX



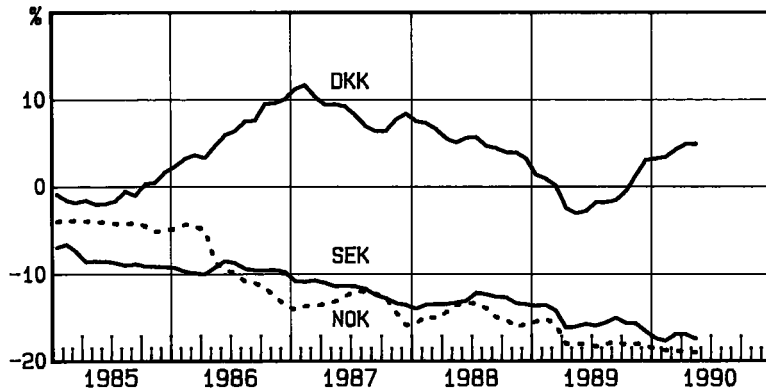
4.5 % and 6.0 % = fluctuation range of the index
Monthly averages

12. BANK OF FINLAND CURRENCY INDEX



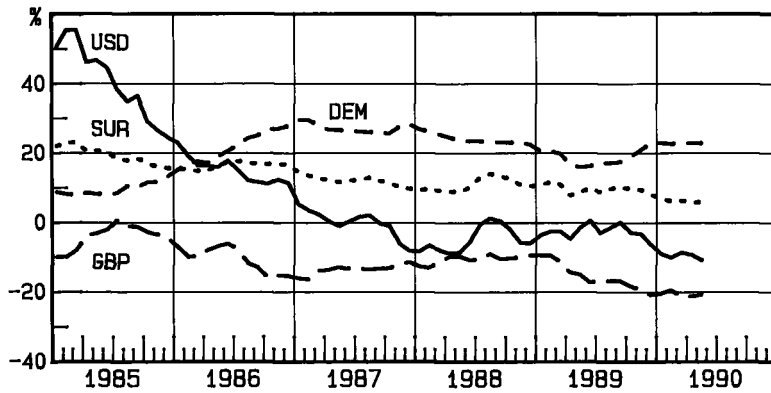
Daily observations

13. CHANGES IN THE EXCHANGE RATES OF SELECTED NORDIC CURRENCIES



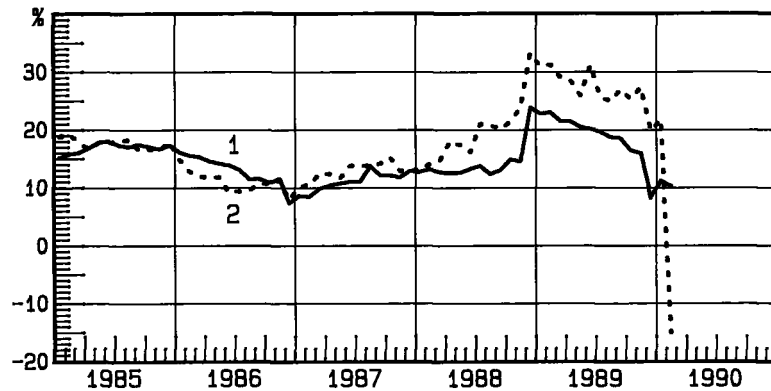
Monthly changes in markka selling rates calculated from the average rates for January 1982

14. CHANGES IN THE EXCHANGE RATES OF SELECTED MAJOR CURRENCIES



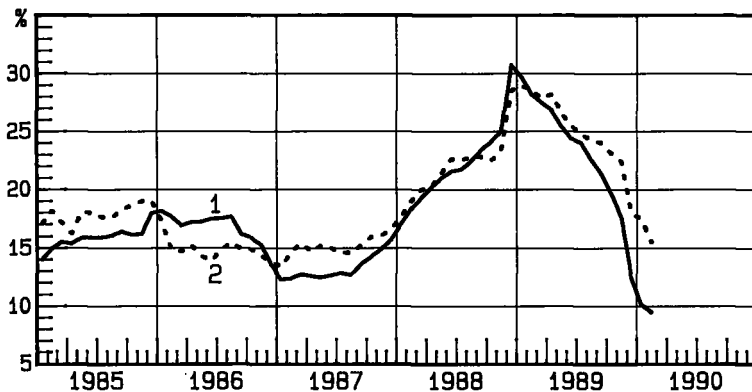
Monthly changes in markka selling rates calculated from the average rates for January 1982

15. BANK DEPOSITS FROM THE PUBLIC



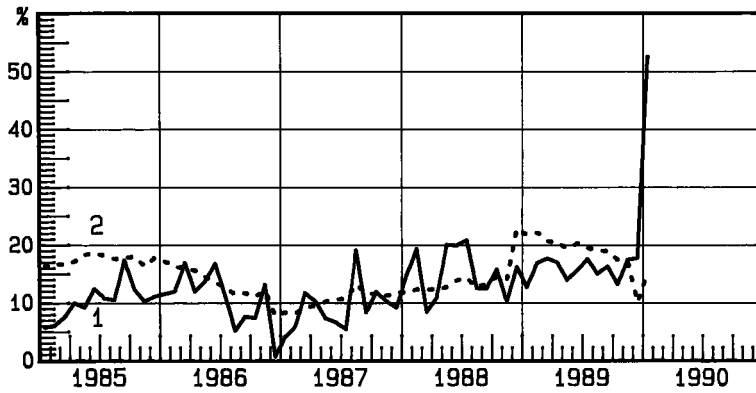
1. Regulated deposits
2. Total deposits
Change from the corresponding month of the previous year, per cent

16. BANK LENDING TO THE PUBLIC



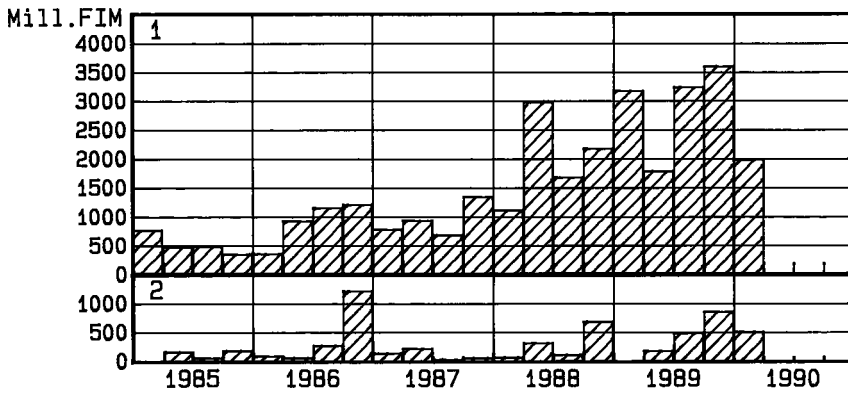
1. Markka lending
2. Total lending
Change from the corresponding month of the previous year, per cent

17. MONEY SUPPLY



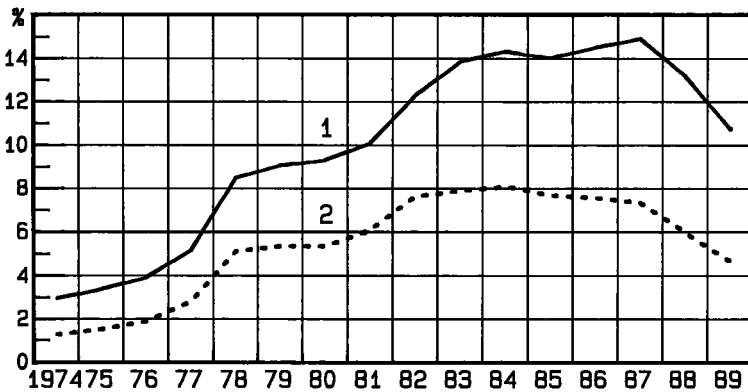
1. Narrow money supply (M1)
 2. Broad money supply (M2)
- Change from the corresponding month of the previous year, per cent

18. DIRECT INVESTMENT



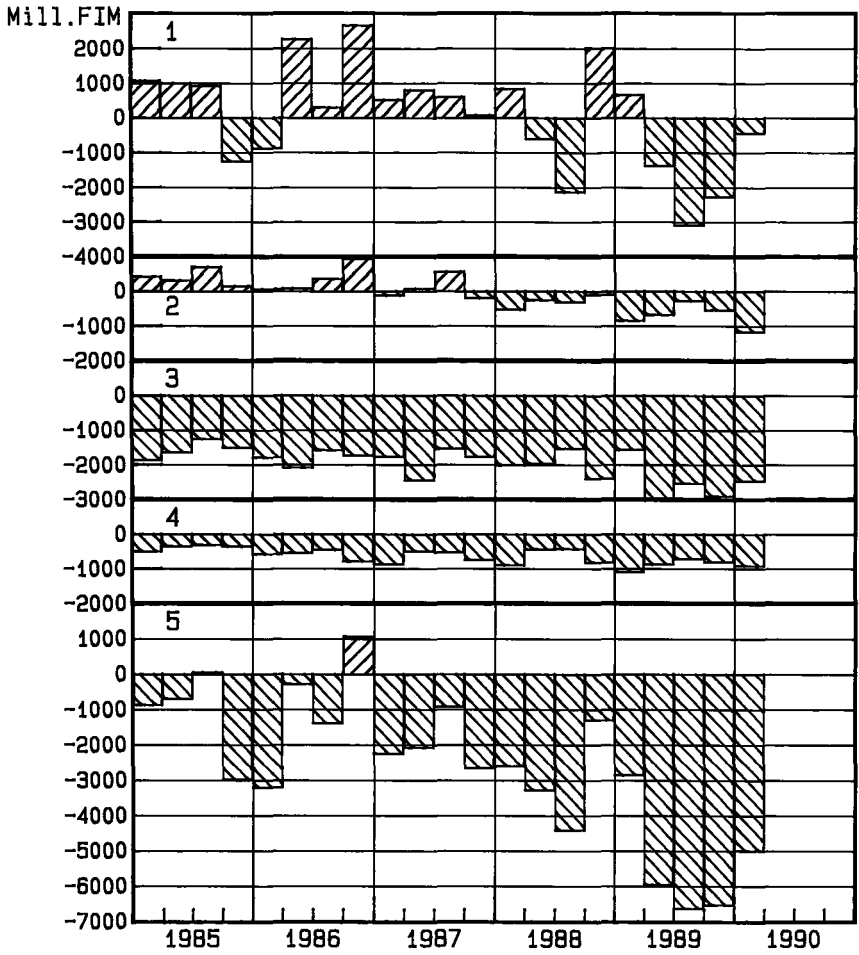
1. Finnish direct investment abroad, net
2. Foreign direct investment in Finland, net

19. CENTRAL GOVERNMENT DEBT



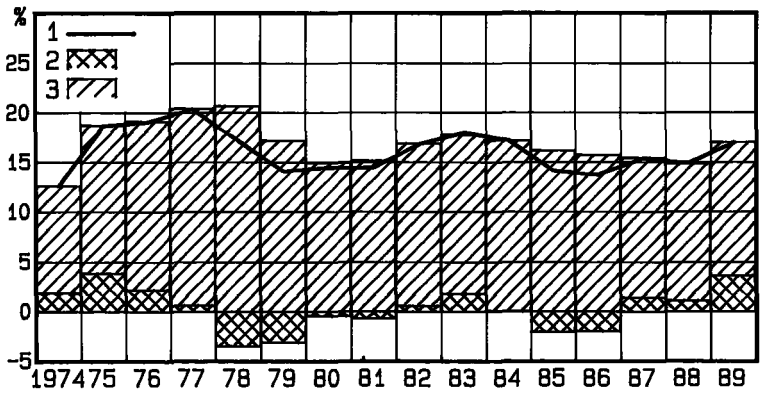
1. Total debt
 2. Of which: foreign debt
- As a percentage of GDP

20. CURRENT ACCOUNT



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

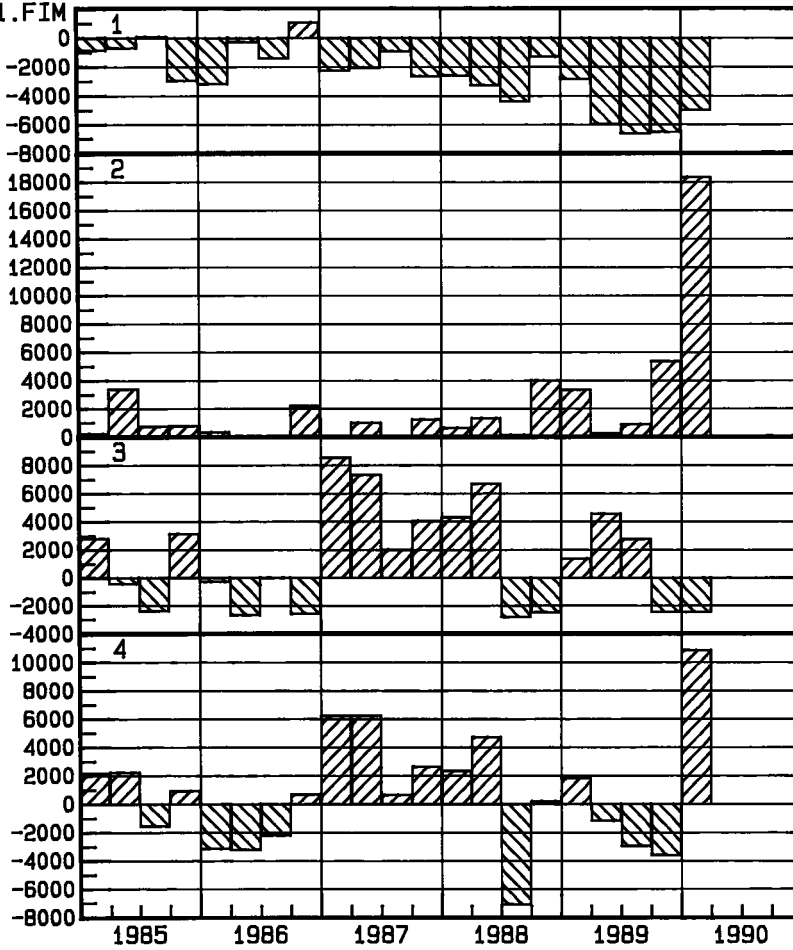
21. FOREIGN DEBT



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

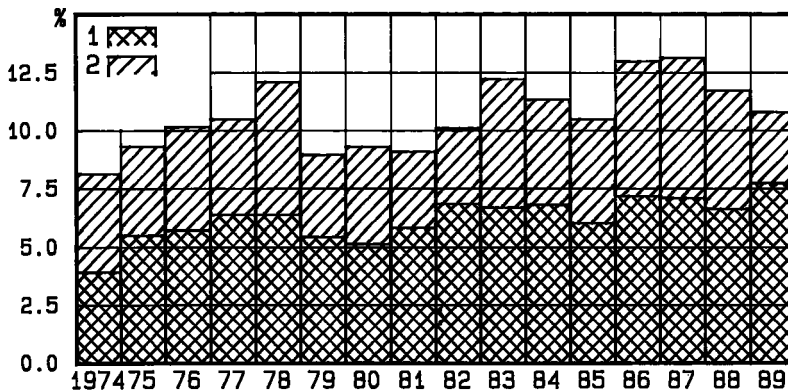
22. BALANCE OF PAYMENTS

Mill.FIM



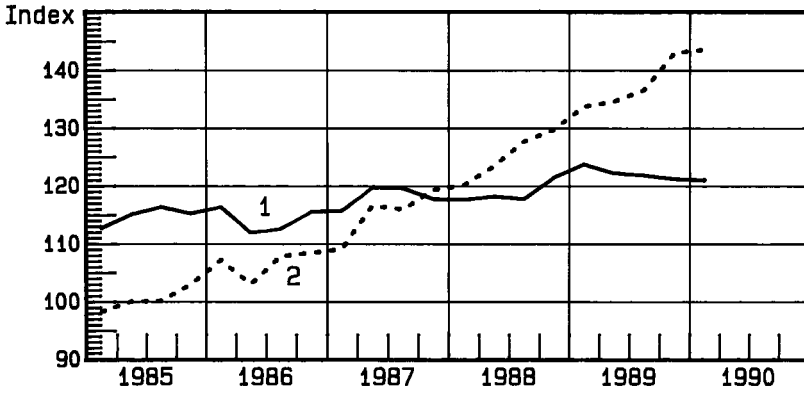
1. Current account
2. Long-term capital account
3. Short-term capital account
4. Overall balance=change in the foreign exchange reserves of the Bank of Finland

23. DEBT SERVICE RATIO



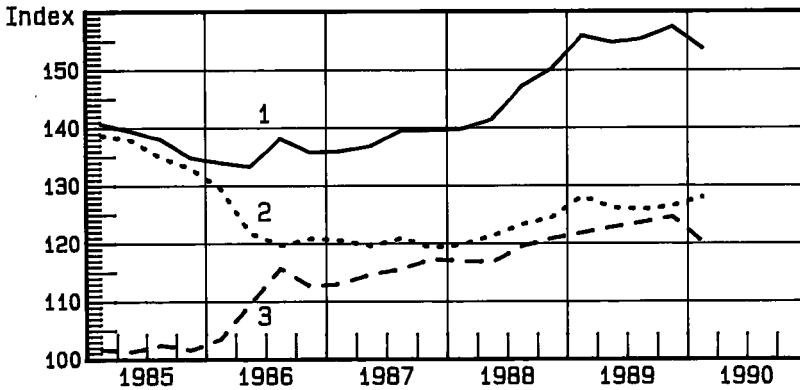
1. Interest payments
 2. Redemptions
- As a percentage of current account earnings

24. FOREIGN TRADE



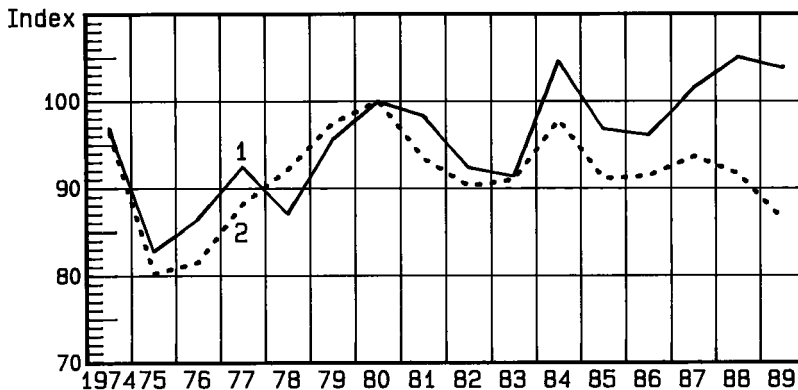
1. Total exports
 2. Total imports
- Volume index, 1980 = 100, four-quarter moving average shown as at the last quarter

25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



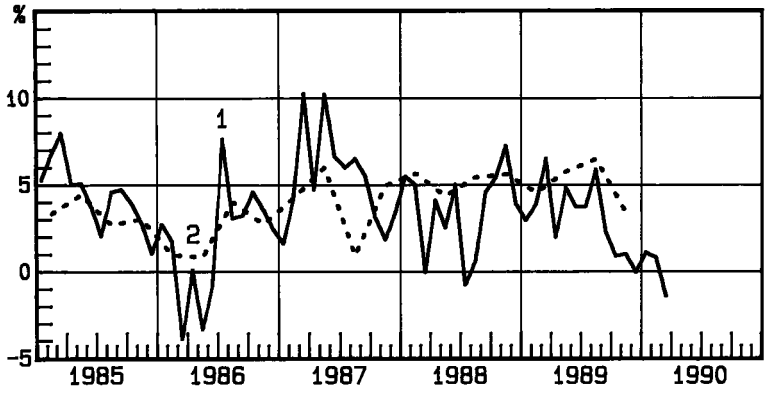
1. Unit value index of exports
 2. Unit value index of imports
 3. Terms of trade
- 1980 = 100

26. FINLAND'S EXPORT PERFORMANCE



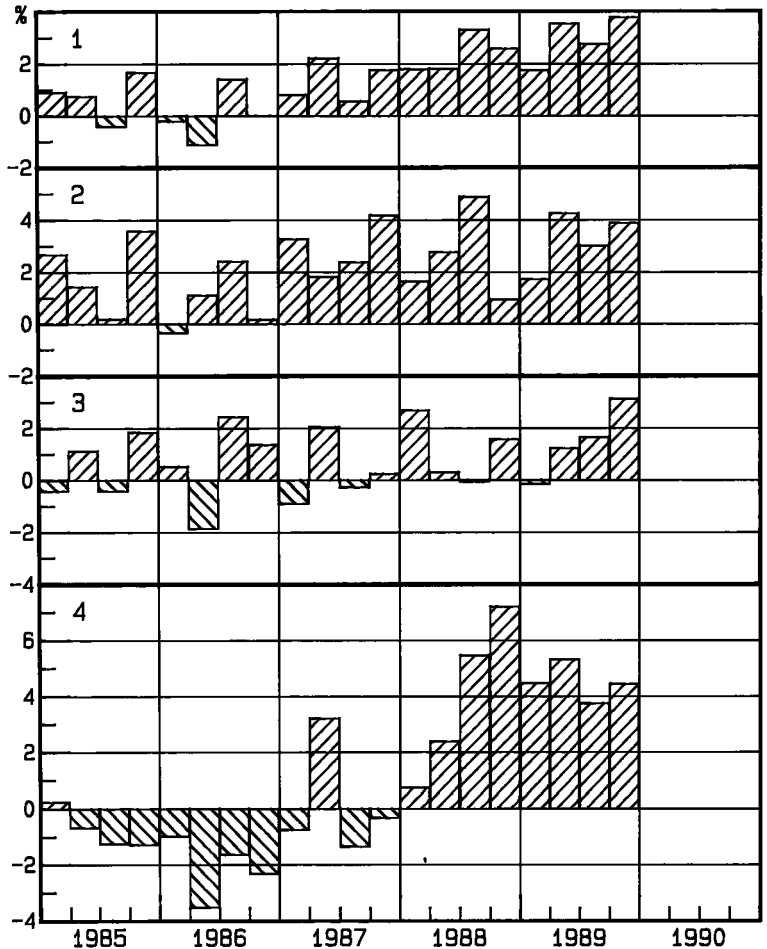
1. Value of exports to western countries in relation to exports of OECD Europe
 2. Volume of western exports in relation to exports of OECD Europe
- 1980 = 100

27. PRODUCTION



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

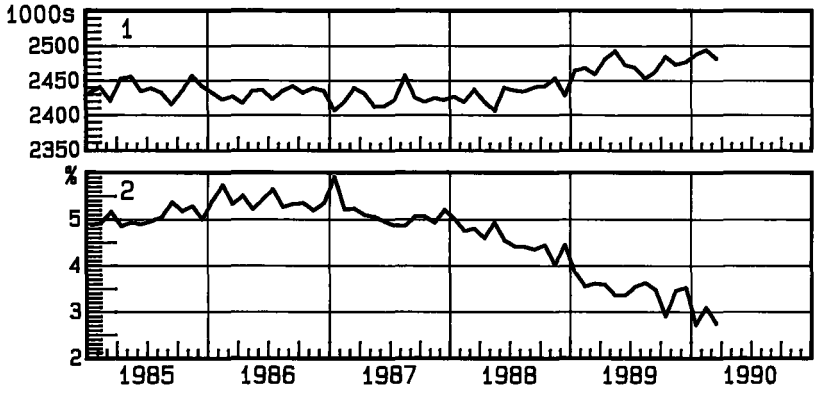
28. FIXED INVESTMENT



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

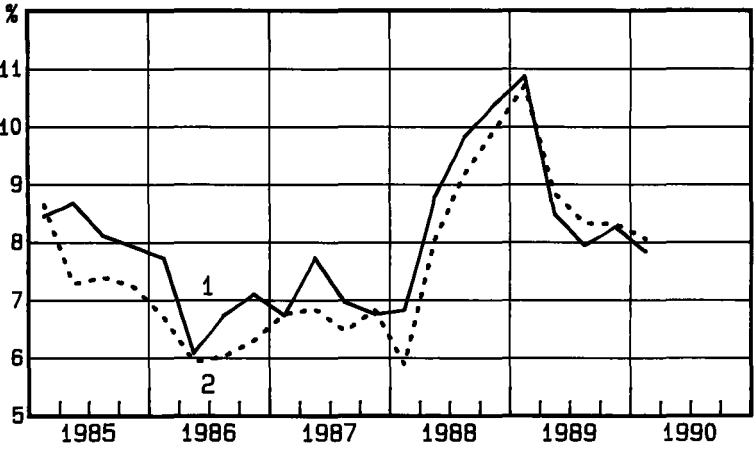
Volume changes calculated from four-quarter moving totals and shown as at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE

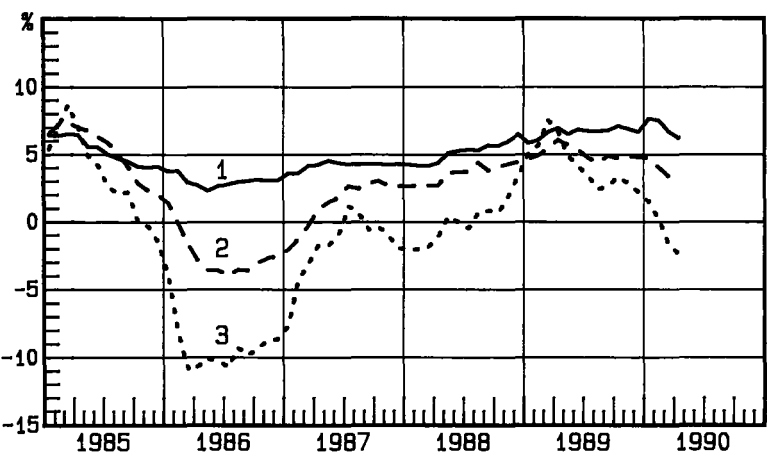


- 1. Employment, 1000 persons
- 2. Unemployment rate, per cent

30. PRICES AND WAGES

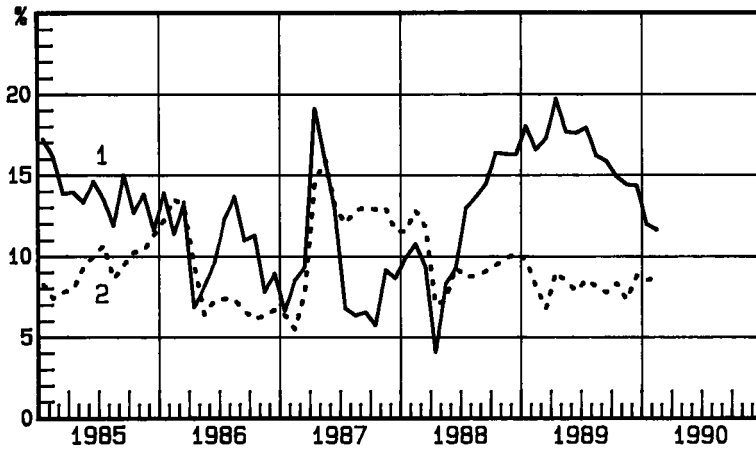


- 1. Index of wage and salary earnings, all wage and salary earners
 - 2. Index of wage and salary earnings, manufacturing workers
- Change from the corresponding quarter of the previous year, per cent



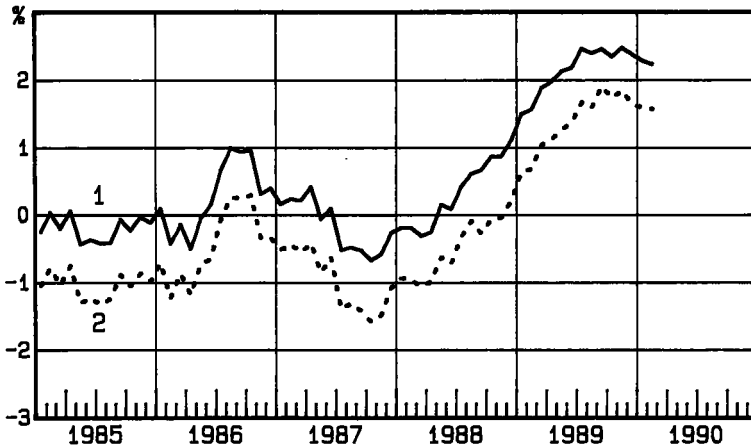
- 1. Consumer price index
 - 2. Wholesale price index
 - 3. Import price index
- Change from the corresponding month of the previous year

31. CENTRAL GOVERNMENT FINANCES



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

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



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

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

BANK OF FINLAND

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PERTTI HIETALA, Vice Chairman
MATTI MAIJALA

TUURE JUNNILA
ANTTI KALLIOMÄKI

HEIKKI PERHO
JUSSI RANTA

HENRIK WESTERLUND
PAAVO VÄYRYNEN

THE BOARD OF MANAGEMENT

ROLF KULLBERG, Chairman

ESKO OLLILA

ELE ALENIUS

KALEVI SORSA
Speaker of Parliament, on leave of absence

HARRI HOLKERI
Prime Minister, on leave of absence

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Administration Department URPO LEVO
Data Processing Department RIITTA JOKINEN

Payment Instruments Department
REIJO MÄKINEN
Personnel Department ANTON MÄKELÄ
Branches

SIRKKA HÄMÄLÄINEN

Central Bank Policy Department
(excl. international Office)
JOHNNY ÅKERHOLM
Economics Department KARI PUUMANEN
Exchange Control Department ESA OJANEN

Information Department ANTTI HEINONEN
Market Operations Department KARI PEKONEN
Research Department HEIKKI KOSKENKYLÄ

MATTI VANHALA

Bilateral Trade Department
KARI HOLOPAINEN
Financial Markets Department PETER NYBERG
(Acting Head)
International Office of the Central Bank Policy Dpt.

Payments and Settlement Department
RAIMO HYVÄRINEN
Risk Monitoring Department KAARLO JÄNNÄRI

Internal Audit Department TIMO MÄNNISTÖ

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

BRANCH OFFICES

12 branches: Joensuu, Jyväskylä, Kotka, Kuopio, Lahti, Mikkeli, Oulu, Pori, Rovaniemi, Tampere, Turku, Vaasa

SECURITY PRINTING HOUSE

VELI TARVAINEN, Managing Director
