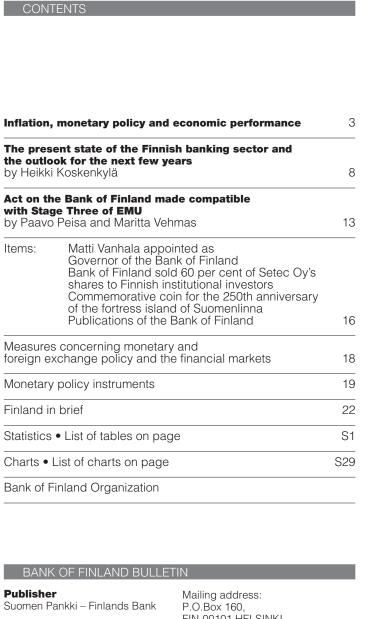
Bank of Finland Bulletin 6–7/1998



Editor-in-Chief

Matti Vanhala

Edited

by the Bank of Finland's Publication and Language Services

The contents of the Bulletin may be freely quoted, but due acknowledgement is requested.

ISSN 0784-6509

FIN-00101 HELSINKI, **FINLAND**

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

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

Printed by Libris Oy, Helsinki 1998

The Bank of Finland Bulletin is posted on our website (http://www.bof.fi).

Inflation, monetary policy and economic performance

t the start of May the EU-country heads of state and of government, as expected, confirmed that Finland and ten other EU countries will progress to Stage Three of EMU at the onset of 1999.

The prescribed primary task of the European System of Central Banks (ESCB) – established at the start of June – is to promote stable prices. Because that task has been accomplished in Finland in recent years, one might well assume that adaptation to the euro should occur without serious complications. However, after several years of robust growth, the Finnish economy is approaching its capacity limits, a state that has been historically marked by accelerating inflation, and the risk of repetition is still present. Any pickup in wage or price increases would portend a poor start for Finland in Stage Three.

Finnish interest rates are among the lowest of the future euro countries, and Finnish monetary policy can be characterized as relatively easy, especially if one takes into account that our economic growth rate is among the fastest of the EU countries. Money market rates in the euro countries will converge by the end of this year. The particular level at which this finally happens will depend on the inflation outlook over the next two years for the entire euro area. Presently, market expectations point to rising interest rates in the core countries and declining rates in countries where rates are now higher than the average. Finland belongs to the former group.

Owing to the rapid economic growth, the central government's financial position has improved significantly. It is crucial to maintain this trend through next year's budget and on through the entire term of the next Government. The most important task is to prevent a resumption of growth in public spending so as to attain a sustainable fiscal balance as soon as possible. This will enable a gradual reduction in taxes on wages, which would be highly propitious from the standpoint of employment.

National conduct of monetary policy continues until the end of the year

Monetary policy in the future euro countries continues on the national level until the end of 1998. This means that there may be differences in those countries' key central bank rates, and these differences may be reflected in deviations of market exchange rates from respective central rates.

Bilateral central rates are used in defining euro conversion rates. Euro-country central banks will need to ensure that their market exchange rates correspond to ERM central rates at the end of this year. The fixed rates vs the euro, on the other hand, will not be determined until the turn of the year. The reason for this is that the ECU basket contains some currencies that will not be joining the euro in the initial phase such as the pound sterling and Danish krone. At the turn of the year, one euro will be valued at the official external value of one ECU, calculated on the basis of the quoted values of the basket currencies on the last day of the year.

The advance announcement on the first weekend of May regarding the fixing of exchange rates at their central rates means that there will be no further changes in ERM central rates. There will nonetheless be small day-to-day deviations.

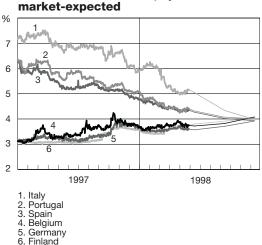
The EMU-related decisions of early May give a fairly clear prior conception of the framework for the conduct of monetary policy in the transition period. The European Central Bank (ECB) was established at the start of June. It's Governing Council will be the primary forum for discussion of monetary policy coordination during the interim phase.

Expectations for the ESCB's initial repo rate vary around a level slightly below 4 per cent. The need for an upward adjustment in core-country interest rates is increasing as economic conditions improve also in Germany and France. The stance of monetary policy in the core countries has long been relatively lax and growth-oriented (Chart 1).

Finnish inflation differentials vs the core countries widening

Finland will be adopting the euro in a situation in which inflation has been accelerating rapidly while it has decelerated in the core countries. The risk is that the differential will widen. In Finland consumer price inflation accelerated until November 1997 and has subsequently stabilized at just under 2 per cent p.a. The stabilizing of inflation was affected by the decline in import prices caused by the Asian crisis. This influence is now fading, and hence the underlying domestic demand pressures may again

Chart 1.



3-month interest rates, spot and

Situation at 1 June 1998; expected rates based on interest rate futures and FRAs.

Chart 2.

Harmonized CPI



Table 1. Annual inflation in Europe, April 1998 per harmonized CPI

Austria	1.2	Portugal	2.2
Belgium	1.3	Spain	1.9
Finland	1.7	EU 11	1.4
France	1.0	Denmark	1.6
Germany	1.0	Greece	5.1
Ireland	2.0	Sweden	1.4
Italy	2.2	UK	2.0
Luxembourg	1.1	EU 15	1.6
Netherlands	25		

boost the inflation rate. Another inflating factor is the persistent rise in asset prices.

In contrast to the Finnish experience, inflation has decelerated in recent months in many of the other euro countries. In April average inflation for all the euro countries was 1.4 per cent, in Germany and France 1 per cent (Table 1). Thus, compared to these other countries, Finland has already moved ahead by almost 1 percentage point (Chart 2). For this reason, the factors underlying the Bank of Finland's March hike in the tender rate - clearly stronger economic growth than in the other euro countries and the resulting inflation differential - are still in place, arguing for careful monitoring of the situation.

The slowing of inflation in the euro area has been more extensive than expected. Whereas two vears ago the inflation differential between the euro countries with the highest and lowest rates was nearly 5 percentage points, in March 1998 it was only 1 percentage point (Chart 3). The rapid narrowing of the differential has occurred despite substantial cross-country cyclical asymmetries. In the last twelve months inflation has continued to slow somewhat in EU countries. Moreover, there are no indications of a pickup in inflation in Germany or France over the next few months. On the other hand, there is some risk of a pickup in inflation in countries that have advanced further in the recovery phase of the business cycle. Besides Finland, these include Spain, the Netherlands, Ireland and Portugal as well as non-euro Denmark and UK.

It is not vet clear how wide the inflation differentials can get between the euro countries. Cycle-related differences should prove temporary. If price and wage setting behaviour lead to a different result, this would indicate either a lack of competition or malfunctioning markets. Longer-term and wider inflation differentials would lead quite quickly to losses in output and employment. Small-but-persistent inflation differentials are possible if the gaps between productivity growth rates in the closed and open sectors differ substantially across countries.

If the losses in customers and jobs that would result from overpricing are anticipated in advance, the EMU should stabilize the paths of prices and wages. This would require that inflation expectations be kept low on a permanent basis.

Moderate growth in monetary aggregates and credit

Despite robust economic growth, the monetary aggregates and stock of credit have recorded only moderate increases. The growth of the narrow money stock (M1) has been decelerating gradually since the large shifts in bank deposits ended. About FIM 25 billion flowed into M1 in 1996 and about another FIM 15 billion in 1997. Besides the growth in households' transaction accounts, companies' demand deposits have increased, to about FIM 50 billion at present. In recent months, howev-

Δ Bulletin 6-7 • 98 er, the twelve-month growth rate for narrow money has stabilized at a very moderate 4–5 per cent. The behaviour of the M2 aggregate has been more stable, having been growing at a twelve-month rate of 2–3 per cent for about a year. The fastest growing aggregate, broad money (M3), has grown at a twelve-month rate of 7–8 per cent in recent months (Table 2).

Finland's harmonized broad monetary aggregate (M3H) has also been growing at a very rapid rate, somewhat in excess of the average for the euro countries. The Finnish aggregate has fluctuated widely because of the inclusion of bank CDs held by the public and by the central government. The latter holdings have been especially volatile. Recently, companies' holdings of bank CDs have registered particularly rapid growth.

There could be further changes in the structure of the monetary aggregates. Investment funds are expanding as they attract money from transaction accounts and fixed-term deposits. Another factor that may be affecting depositors' behaviour is the FIM 150 000 limit on the government's deposit guarantee. Moreover, the reinvestment of funds released from maturing government 'yield' bonds may be affecting monetary aggregates in unpredictable ways.

Although household and business confidence are high, credit demand has remained quite subdued. Banks' stock of lending has been increasing at an annual rate of about 4 per cent already for several months. The growth is clearly attributable to a pickup in households' demand, largely in connection with buoyant demand for housing loans. The stock of lending to companies has further declined on the year-earlier period.

It appears that the sluggishness that marked the housing loan market in late 1997 and early 1998 came to a halt in March. New housing loans were raised in the amount of about FIM 3 billion compared to recent monthly growth rates in the region of FIM 2 billion. The removal of the stamp tax is probably promoting new lending as customers refinance old loans.

Lending interest rates have stayed low. Many banks have cut their prime rates in the early part of the year. The March hike in the Bank of Finland's tender rate has apparently not as yet been passed on to lending rates. Intense interbank competition for borrowers may keep interest rates low. Moreover, the banks are now in a highly liquid position and deposit-based funding remains very cheap. The average rate on deposits is 1.4 per cent.

Euro-area economy strengthening in spite of Asian crisis

Despite economic difficulties in Asia, economic growth in the euro area has gained momentum this year. This is evidenced by high growth rates in a number of continental European countries, the firming of expectations for economic performance in the

Chart 3.

CPI in Euro countries

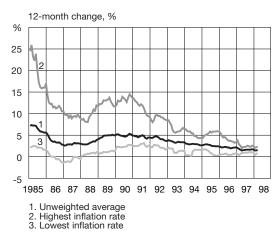


Table 2. Monetary and lending aggregates, 1998

Monetary aggregates	Jan	Feb	Mar
12-month change, % M1 M2 M3	4.1 2.7 6.9	4.8 2.7 8.2	4.1 2.2 7.7

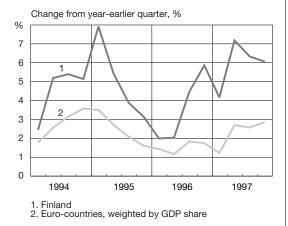
Bank lending aggregates and interest rates

12-month change, % Markka-denominated lending stock Total lending stock	4.0 2.7	3.9 2.7	3.8 3.1
Markka-denominated lending stock, bill. FIM Foreign currency-denominated	276.2	278.1	278.3
lending stock, bill. FIM Total lending stock, bill. FIM	16.3 292.5	17.4 295.5	17.5 295.8
Average interest rate on new lending, % Banks' interest rate margin, %-points	4.80 4.27	4.84 4.28	4.83 4.24

EU countries, the strengthening of manufacturers' order books, and still-declining interest rates in some countries. The growth rate for total output in the euro countries is expected to climb to nearly 3 per cent this year, largely as a result of a pronounced nearterm pickup in investments in production facilities (Chart 4). There is a general mood of optimism regarding economic performance in Europe, and in the US economic performance in terms of growth

Chart 4.

Total output



and employment has continued to exceed expectations during the first part of the year.

The financial position of the general government sector has improved quite rapidly in several EU countries even though economic growth has so far been fairly sluggish and unemployment disturbingly high in continental Europe. However, the forecast for 1998 points to only a modest improvement in the situation. Although 1999 budgets are not available, forecasts made by the EU commission and other international organizations indicate that, despite higher economic growth rates, general government deficits in some of the countries will continue to shrink only very sluggishly.

Due to the Asian crisis, EU countries are facing risks coming from two different directions. If the situation there worsens, the forecasts will need to be revised downward for Europe and other areas. The other risk is that the downward pressure that the crisis has exerted on commodity prices will prove to be short lived. In that case, the danger is that the changeover to the euro will occur in the context of a monetary-fiscal policy mix that will turn out to be overly lax.

Finland's growth prospects good

The growth in Finland's total output has remained robust during the early part of this year, the annual rate being nearly 6 per cent. The exceptionally long period of growth is attributable to the fact that, as export growth has gradually eased, domestic demand has finally recovered on a broad scale. Growth is supported by declining real interest rates, diminishing indebtedness in the private sector and positive expectations. Neither are there any signs of a slowing in the growth of manufacturing output. In March total manufacturing output increased by 9.5 per cent on the year-earlier period. The fastest growth is still in the exporting sectors, but exports have gone to a greater extent to European countries and Russia than to Asia.

Because of the southeast Asian crisis, the confidence indicator for manufacturing has declined in the early part of the year from its December peak. Improving economic conditions are now expected by only 20 per cent of manufacturing and construction firms. The economic outlook has remained strongest in the domestic market-oriented sectors, such as construction and building materials. By contrast, export demand weakened further in March, although export order books are still stronger than usual.

Consumer confidence in the country's economic future has increased. Moreover, one of every four consumers had experienced an improvement in his own financial situation and a similar proportion anticipated a further improvement. Private consumption growth accelerated in the latter part of 1997, amounting to 3 per cent for the whole year. Confidence in steady economic performance will boost consumption demand this year. Retail sales rose moderately in the first part of the year. Consumption of services has been recording robust growth for several years and, owing to households' positive economic outlook, the trend is expected to continue.

Private investment accelerated toward the end of the year and is expected to record fairly strong growth again this year in the construction and the industrial machinery and equipment sectors. Housing investment, which led the field in 1997, has been slowing this year despite strong demand at least for new rental housing. On the other hand, investment in construction of production facilities should increase, as nearly a third more building permits were granted in the first part of 1998 compared to the year-earlier period.

The number of employed has increased substantially in recent months. The improvement in the employment situation is however still focused on part-time and fixed-term jobs as evidenced by fact that permanent positions accounted for somewhat less than half of the increase in jobs. Moreover, hidden unemployment has increased, largely because discouraged job seekers continue to drop out of the labour force.

According to Statistics Finland's labour force survey, the unadjusted unemployment rate rose slightly in April, to 14.3 per cent. This was partly due to an increase in the labour supply in connection with the entry of new school graduates into the job market. On the other hand, the seasonally adjusted unemployment rate declined somewhat. The number of unemployed job seekers fell by 65 000 from the year-earlier figure, to 359 000.

Central government finances strengthened

Because of faster-than-expected consolidation of central government finances, the financial position of the general government sector improved faster than was estimated last autumn. This was the case despite the shift in 1997 to a deficit position for the local government sector and the contraction of the pension funds' surplus compared to 1996. The general government sector should record a small surplus already this year. Due to robust economic growth and fairly tight control of spending, the financial position of the general government sector should improve further in 1999.

The financial position of the central government is nonetheless likely to remain fairly weak. This is related to the possibility that over the long run economic growth could slow down, largely due to the changing age structure of the population. The combination of more moderate growth than at present and a slightly higher average interest rate payable on central government debt – absent compensating spending cuts – would keep the budget on a deficit path and slow the contraction of central government indebtedness. In the long run, increasing pension payments due to population ageing will pose an additional burden on public finances.

Moreover, taxation is notably more stringent in Finland than in other euro countries on average and hence there will be a substantial build-up of pressure to reduce taxes in the coming years. Deepening international integration will exert pressure to reduce taxes, at least on commodities. The taxation of wages is much too tight from the standpoint of the employment situation.

As the year progresses, the leeway for national monetary policy is gradually approaching zero and the responsibility for balanced economic performance is shifting to fiscal policymakers and labour market participants. It is crucial that the 1999 budget stay within the framework announced in early March. Assuming no additional spending cuts, it would not be propitious to cut income taxes next year by more than already agreed because this would substantially increase the risk of economic overheating and could also jeopardize price stability. It will be necessary to slow the growth in public expenditures to enable gradual reductions in taxes on wages, which would be particularly important in terms of long-run developments in the employment situation.

1 June 1998

• Key words: inflation, economic performance, monetary policy

The present state of the Finnish banking sector and the outlook for the next few years

or Finnish banks, 1997 was the second profitable year since the severe banking crisis in the first half of the 1990s. Banks' operating profit increased appreciably, amounting to FIM 6.5 billion (Table 1). Average return on equity was 17.7 per cent, which can be considered good by international standards. Reflecting strong economic performance, the total lending stock started to recover later in the year (Chart 1). The narrowing of interest rate margins halted, as deposit rates on transaction accounts declined markedly while lending rates remained largely unchanged.

Banks' solvency ratio, calculated according to BIS criteria, underwent a slight improvement last year in response to positive financial results (Table 1). It should be noted however that banks redeemed some FIM 3.5 billion worth of the preferred capital certificates that had been issued to the Finnish government for capital support provided in 1992 in order to avert a credit crunch. At the end of the year, unredeemed certificates amounted to FIM 3.1 billion (Merita FIM 1.7 billion, OKOBANK Group by **Heikki Koskenkylä**, Head of Department Financial Markets Department Bank of Finland

Central Cooperative FIM 0.7 billion, Skopbank FIM 0.6 billion, savings banks FIM 0.1 billion, local cooperative banks FIM 0.006 billion). The impact of this unredeemed amount on bank solvency was 0.9 percentage point. Deposit banks' solvency, as measured in terms of Tier I capital, was 7.6 per cent at yearend (excl. preferred capital certificates, 6.7 per cent).

Reasons for the improvement *in financial results*

The pronounced improvement in operating profits was due to a reduction in loan and guarantee losses, lower operational expenses and improved net income from financial operations (Table 1). Other income remained at a high level, as in the previous year, particularly as a result of capital gains on sales of shares. The total stock of lending to the public and public sector entities continued to contract slowly on an annual basis (-1.5 per cent), while outstanding markka lending increased to some extent. By contrast, there was still a marked

Table 1. Deposit banks'* financial results and balance sheet developments, 1993 – 1997, bill. FIM

	1993	1994	1995	1996	1997
Net income from financial operations	13.0	13.7	12.4	11.0	11.7
Other income	9.7	8.6	8.2	10.2	10.2
Total income	22.3	22.3	20.6	21.2	21.9
Operational expenses	15.3	16.4	15.5	12.8	12.0
Refunded pension fund surplus (+)				1.2	1.5
Depreciation	1.9	1.5	1.7	2.1	2.5
Profit before loan losses	5.5	4.4	3.4	7.5	8.9
Loan and guarantee losses	14.7	11.2	6.2	3.7	2.4
Operating profit	-9.2	-6.8	-2.8	3.8	6.5
Total assets	726.8	667.8	616.6	578.2	608.4
Nonperforming assets, net	35.9	25.4	19.6	12.3	8.3
– % of claims on the public etc	8.7	7.2	6.3	4.0	2.7
Loan losses, % of claims on the public	3.6	3.2	2.0	1.2	0.8
Risk-weighted assets and liabilities	488.5	419.5	371.7	372.3	383.4
Solvency ratio, %	10.7	11.7	12.0	11.4	11.6
Return on equity, %	-25.9	-20.3	-9.6	11.8	17.7
Return on assets, %	-1.35	-1.01	-0.48	0.56	0.92

* 1996 and 1997 figures are not fully comparable with previous years' data. For 1996 and 1997, the figures for OKOBANK Group Central Cooperative are used; previously, separate figures for the OKO Group and cooperative banks. Return on equity = operating profit/equity, return on assets = operating profit/total assets.

Source: Financial Supervision Authority.

Table 2.	Efficiency* of Finnish and Swedish
	banks, 1993–1997

	1993	1994	1995	1996	1997
Finland	1.32	1.24	1.21	1.56	1.68
Sweden	2.09	2.06	2.10	1.93	1.74

* Efficiency = (net income from financial operations + other income)/ operational expenses, where operational expenses = expenses + depreciation

decline in the stock of foreign currency-denominated lending (some 30 per cent). Already in the second half of 1997, the growth of the stock of markkadenominated lending picked up to an annual rate of about 4 per cent, and the decline in the stock of foreign currency-denominated lending apparently came to a halt. The expansion of the lending stock was boosted by a generally favourable economic climate, low lending rates and a stable performance by the economy and the financial system, which helped restore optimism for the future. A growing portion of bank lending (over 70 per cent) is tied to short-term market rates, either directly or indirectly via banks' own prime rates.

Banks' nonperforming assets continued to decline last year, amounting to 2.7 per cent of claims on the public and on public sector entities at the end of the year. Loan and guarantee losses decreased to 0.8 per cent of these claims. Such relative shares of nonperforming assets and loan losses are already good by international standards. In 1997, as in 1996, banks recovered significant amounts of assets previously booked as loan losses.

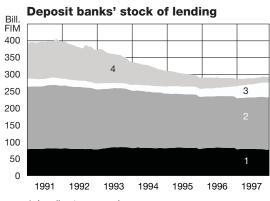
Banking sector efficiency has improved markedly

Operational expenses continued to decline for the fourth year in succession (Table 1). As income expanded at the same time, bank efficiency improved substantially (Table 2), already approaching a level on a par with Swedish banks. Over the last few years, Swedish banks' efficiency has been among the best in Europe. In Finland, the numbers of banking sector employees and branches have diminished substantially from the peak figures recorded at the end of the 1980s (employees by almost 50 per cent, branches by 45 per cent, Chart In no other OECD country has the downsizing been so drastic. The reductions have affected large banks in particular, whereas small banks have actually increased branch and employee numbers to some extent.

Net income from financial operations increased and the contraction in interest rate margins came to a halt

Banks' net income from financial operations (interest income less interest expenses) recorded a

Chart 1.



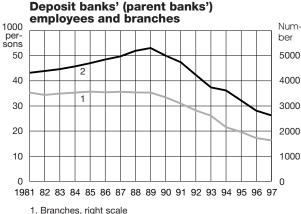
1. Lending to companies

2. Lending to households

3. Other markka-denominated lending

4. Foreign currency-denominated lending

Chart 2.



^{2.} Employees, left scale



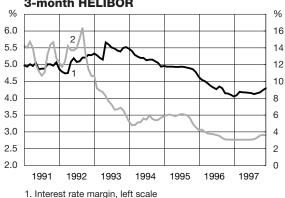




Chart 4.



2. Households

modest increase (6.3 per cent) last year. Lending rates declined slightly while deposit rates on transaction accounts fell substantially. The average rate on the markka-denominated lending stock declined from 5.86 per cent to 5.73 per cent. The average rate on transaction accounts fell from 1.39 per cent to 0.99 per cent. The average rate on total markka deposits also contracted notably, from 1.73 per cent to 1.44 per cent. These interest rate developments led to a widening of the banks' interest rate margin, ie the difference between the average markka lending and funding rates, from 4.1 per cent to 4.3 per cent (Charts 3 and 4).

Net income from financial operations was also buoyed by a pickup in the stock of markka lending in the latter half of 1997 and a further decline in nonperforming assets. Markka deposits increased moderately (2.6 per cent), and the strong uptrend in transaction accounts of the last few years seems to have levelled off. Transaction deposits, which earn very low interest rates, are still large, accounting for almost 50 per cent of all deposits (Chart 5). The Finnish public has not yet switched en masse to other investment outlets (investment funds, pension schemes, shares, bonds, etc) as has already been the case in many other countries (eg Sweden, Denmark, the US and most EU countries). The flow of new funds into taxfree 2 per cent accounts increased considerably in 1997.

Banks' other income (net income from securities trade, fees, etc) recorded robust growth already in 1996 and stayed at the same level last year (Table 1). Net income from securities trade is subject to fairly wide annual fluctuations. In 1996 -1997 this income was exceptionally high (FIM 2 billion in 1997), but there are major differences between banks. Banks' gains on sales of shares were particularly large, whereas gains on value changes in bond portfolios decreased, as the decline in long-term rates came to a halt. Fee income, which is the most stable item in other income, developed favourably last year.

Banks' short-term outlook is good assuming favourable economic trends continue

Growth prospects for the Finnish economy continue to be good, with robust growth forecasted for 1998 and 1999. This will foster strong financial performance on the part of banks, inter alia via growth in the stock of lending. Market expectations indicate that short-term euro interest rates will start out at a level slightly higher than that presently prevailing in the core EMU countries and Finland. In Finland a rise in interest rates would boost Finnish banks' net income from financial operations, as lending rates are generally more responsive to changes in market rates than are interest rates. We could even see a moderate widening of interest rate margins, although the heightening of competition in the context of EMU will tend to squeeze margins.

^{2. 3-}month HELIBOR, right scale

A strong economic performance will mean further reductions in loan losses and continued low levels of credit risk. Tighter competition forces banks to pay increasing attention to the control and pricing of risk.

Banks' operational expenses are likely to contract further, albeit at a slower pace than in recent years. The transition to Stage Three of EMU will bring a temporary hike in expenses.¹ The heaviest strain on the Finnish banking sector – a legacy of the banking crisis – is the still-large real estate holdings (about 7 per cent of the aggregate balance sheet). Income on these holdings, which are contracting very slowly, is not fully in line with marketbased earnings. A favourable economic performance over the next several years will be necessary to enable a significant reduction in banks' real estate holdings.

On the whole, banks' operating profits can be expected to continue to grow somewhat over the next two years, even though the start of Stage Three of EMU on 1 January 1999 will mean a decline in certain income items, eg income from currency trading.

Banking sector is undergoing significant structural changes and foreign banks are strengthening their position

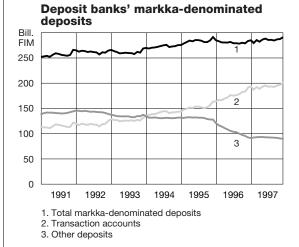
Decisions on important structural changes in the Finnish banking sector were made last year. Recently, such structural changes – mostly mergers – have occurred frequently in the Nordic countries, Europe and the US. They have in most cases comprised mergers between banks, but there have also been mergers between banks and insurance companies, eg in Switzerland and Sweden.

The major structural changes in the Finnish banking sector in 1997 were the formation of the OKOBANK Group Central Cooperative, the establishment of MeritaNordbanken, the combination of Postipankki and Finnish Export Credit Ltd to form Leonia, and the merger of Mandatum and Interbank to form Mandatum Pankki plc.

Foreign banks have notably stepped up their activities in Finland in recent years. At the onset of 1998, they already maintained 17 branches in Finland, with an aggregate balance sheet accounting for about 8 per cent (FIM 49 billion) of the Finnish banking sector's aggregate balance sheet.

The aggregate balance sheet of foreign banks located in Finland is however mainly composed of short-term items (money market and similar items). Deposits and lending to the public are still rather small (Table 3). In money market and currency trading, the market shares of foreign (primarily

Chart 5.



Swedish) banks have been very high, an estimated 30–35 per cent.

Foreign banks compete especially in the money and capital markets and for the business of large and medium-sized companies. Large and international companies are their main focus of attention.

Foreign banks' operations in Finland can at least for the time being be classified into two categories on the basis of level of activity. So far, the most important rivals for Finnish banks have been the Swedish Svenska Handelsbanken (SHB) and Skandinaviska Enskilda Banken (SEB), which together account for some 90 per cent of foreign banks' aggregate balance sheet. The SHB is the only foreign bank that also focuses on retail banking business, ie on households and small and medium-sized companies. The bank already has twelve branches in Finland and has announced its intention to have more than 20 in all.

Table 3. Foreign banks in Finland, bill. FIM

	31 Dec 1996	31 Dec 1997
Aggregate balance sheet Total deposits Total lending to the public	41.0 1.3 3.8	48.6 2.1 6.7

¹ For more details on the wider implications of EMU for the Finnish banking sector, see the article 'The present situation of Finnish banks and possible impacts of EMU' in the June – July 1997 issue of the Bulletin.

EMU can be expected to bring more foreign banks to Finland. These banks will provide financial services either by setting up branches or selling cross-border services on the basis of 'remote access', for which the constantly developing and expanding Internet facilities provide strong potential. The competitive situation in the banking market will change drastically, as the single currency – the euro – eliminates exchange rate risks between the EMU countries. In fact, it can be expected that foreign banks will substantially raise the level of competition in the Finnish financial markets over the next few years. This will mean greater diversification in the provision of financial services and probably lower prices.

1 June 1998

• Key words: banking, profitability, efficiency, structural change

Act on the Bank of Finland made compatible with Stage Three of EMU

egislation governing the Bank of Finland has been revised twice within a short period of time. The Act on the Bank of Finland (719/ 1997) that entered into force on 1 January 1998 was amended by a new Act on the Bank of Finland (214/1998, new Act), which was passed by Parliament on 20 March 1998. At the same time, Parliament passed the Act on Repeal of the Currency Act (215/1998) and the Coins Act (216/ 1998). The provisions of the new Act that concern the Bank's independence entered into force on 1 May 1998; all the other provisions will enter into force when Finland joins the euro area on 1 January 1999. Adoption of these new laws makes Finnish legislation compatible with the requirements of the Treaty establishing the European Community (Treaty) and the Statute of the European System of Central Banks and the European Central Bank (ESCB Statute).

Participation in Stage Three of EMU necessitated legislative changes

According to Article 108 of the Treaty, each member state must ensure, at latest when the European System of Central Banks (ESCB) is established, that its national legislation is compatible with the Treaty and the ESCB Statute. The Treaty requires that national legislation ensure the independence of the central bank. At the start of Stage Three, participating countries' powers in respect of monetary policy and exchange rate policy will be transferred to the Community level and the national central banks will become a part of the ESCB. National legislation must provide for the transfer to the European Central Bank (ECB) of competence and decisionmaking powers associated with the tasks of the ESCB; and provisions on the Bank of Finland's objectives, tasks and powers must be compatible with corresponding provisions on the ECB and the ESCB. National legislation must also ensure that the Bank of Finland is able to perform its tasks as a member of the ESCB in accord with the decisions of the ECB.

At the time of writing, all member states have either adapted the statutes of their central banks to the requirements of the Treaty and the ESCB Statute or have progressed far in making the required changes. It has not been necessary to by **Paavo Peisa**, Economist International Secretariat and **Maritta Vehmas**, Legal Counsel Legal Affairs Unit Bank of Finland

amend Danish legislation since it was already consistent with central bank independence nor is there a need for other changes as long as Denmark does not adopt the single currency. Unlike the other member states, the United Kingdom is not obliged to provide for the independence of its central bank as it has notified the European Council that it does not intend to join Stage Three on 1 January 1999 and is thus, under a Treaty protocol, not required to fulfil any Stage Three obligations. The UK is nonetheless presently working on a new statute for its national central bank that will provide for greater operational independence.

The Act on the Bank of Finland that entered into force at the start of 1998 was drafted mainly in accord with national needs and hence did not meet all the requirements for Stage Three, although one of the objectives was to increase the independence of the Bank pursuant to the Treaty.

The Government's proposal on the new Act, the Act to Repeal the Currency Act and the Coins Act (6/1998 vp), which was presented to Parliament on 27 February 1998, contained the amendments that were necessary in order for the Bank of Finland to participate in the ESCB after Finland joins the euro area. The European Monetary Institute (EMI) was consulted on the new law, and Parliament acted swiftly to pass the bill on 20 March 1998. The provisions of the new Act concerning the Bank's independence entered into force on 1 May 1998 and those concerning the Bank's legal integration into the ESCB and the Currency Act will enter into force when Finland joins the euro area.

The new legislation on the Bank of Finland was assessed in respect of its compatibility with the Treaty in convergence reports based on Article 109j of the Treaty and submitted on 25 March by the EMI and by the European Commission. In both reports, the Finnish legislation was considered compatible with the Treaty and the ESCB Statute requirements for Stage Three.

Changes incorporated in the new Act

The most important changes incorporated in the new Act concerned the integration of the Bank of Finland into the ESCB. According to Article 106 of the Treaty, the ESCB concept is that of a unified entity consisting of the ECB and national central banks and committed to accomplishing its prescribed objectives and tasks. The ESCB itself is not a legal person but rather a system composed of national central banks that are independent institutions under their respective national laws and the ECB. Thus a national central bank is both an independent national central bank and a part of the ESCB. This idea is also reflected in the new Act, according to which the Bank of Finland is the central bank of Finland and an independent institution governed by public law, which is to function as part of the ESCB in the manner laid down in the Treaty. In performing the tasks of the ESCB, the Bank of Finland will act in accord with guidelines and instructions issued by the ECB, which will be binding on the national central banks. In performing ESCBrelated tasks, neither the Bank of Finland nor members of its governing bodies can seek or take instructions concerning such tasks from entities other than the ECB.

The primary objective of the Bank of Finland is to maintain price stability. Without prejudice to the primary objective, the Bank is also required to support other economic policy objectives in accord with the Treaty. Thus the statutory objective of the Bank is compatible with the objective of the ESCB as set out in the Treaty.

At the start of Stage Three, decisionmaking power in matters concerning the monetary policy of euro-area member states will be transferred to the Governing Council of the ECB. According to the new Act, the task of the Bank of Finland will be to contribute to the execution of monetary policy as defined by the ECB Governing Council. The Bank will also contribute to the maintenance of the currency supply and issuance of banknotes and to the holding and management of foreign reserve assets. It will also contribute to maintaining the reliability and efficiency of the payment system and overall financial system and participate in their development and will also provide for the compilation and publication of statistics necessary for carrying out its tasks.

In its present form, the section concerning the powers of the Bank of Finland is sufficiently broad to be valid in Stage Three. However, when the Bank becomes a member of the ESCB, it can no longer participate in the maintenance of a system of national reference rates. In practice, this means that after this year, the Bank will no longer set the base rate or calculate or publish HELIBOR interest rates. Provisions concerning the Bank's powers in respect of interest rates are excluded from the new Act. The Ministry of Finance is currently preparing a legislative amendment that will transfer the right to set the base rate to the Ministry of Finance. The provision by which the Bank, with exceptionally good cause, could temporarily rescind its collateral requirement for granting credit is also excluded from the new Act. According to the new Act, the Bank is required to obtain adequate collateral for all credit that it grants.

The Bank's governing bodies are the Parliamentary Supervisory Council and the Board. The new Act has not changed the division of responsibilities between the Council and the Board. The tasks of the Council are connected with supervision of the Bank's administration and operations, administrative decisions and certain other responsibilities listed in the Act.

With regard to the transfer of the Bank's monetary policy powers to the Community level, the Government's proposal on the new Act and statements of parliamentary committees have stressed the importance of maintaining an open national discussion on ECB monetary policy. Therefore, the new Act emphasizes the right of the Parliamentary Supervisory Council, Parliament and the Parliamentary Economic Committee to obtain information on and to discuss the ECB's monetary policy. In addition to its regular annual report, the Parliamentary Supervisory Council may, when necessary, submit to Parliament other reports concerning the implementation of monetary policy and other operations of the Bank. The new Act contains provisions by which the Governor and other members of the Board are obliged to provide the Parliamentary Supervisory Council with information on a regular basis concerning the execution of monetary policy and other activities of the Bank. The Governor and other members of the Board may also be heard by the competent parliamentary committees. The provisions thus provide both Parliament and the Parliamentary Supervisory Council with ample possibilities to assess ex post and express their opinions on the conduct of monetary policy from the national viewpoint.

Article 107 of the Treaty prohibits the ECB, the national central banks and members of their decisionmaking bodies from seeking or taking instructions from any outside entity. This article also provides for the independent status of the governors vis-à-vis national decisionmaking bodies when the governors are acting as members of the ECB Governing Council. In its Convergence Report, the EMI considered that national legislation may not include provisions that could restrict the powers of the governors in their capacity as members of the ECB Governing Council. In order to clarify the legal framework, the new Act includes a provision by which the independence and powers of the Governor of the Bank of Finland in respect to the performance of his duties as a member of the ECB Governing Council are laid down in the Treaty. The grounds for dismissal of a member of the Board have been revised to conform to the wording of the Treaty. According to the new Act, a member of the Board other than the Governor may appeal a decision on his dismissal to the Supreme Administrative Court and the Governor can appeal to the European Court of Justice.

Monetary income and allocation of profit

When the Bank of Finland becomes a part of the ESCB, there will be some changes in the factors affecting its financial results. This is due particularly to the fact that the monetary income accruing in the performance of monetary policy-related tasks will be calculated and allocated between the national central banks in accord with provisions of the ESCB Statute and decisions of the ECB Governing Council.

The monetary income of a national central bank will be equal to its annual income derived from its assets held against notes in circulation and deposit liabilities to credit institutions¹. As a rule, the aggregate monetary income of the national central banks will be allocated among them in proportion to their capital contributions to the ECB. However, if the allocation of monetary income leads to significant changes in the distribution of income between the central banks, the ECB Governing Council may decide to introduce the allocation procedure gradually over a period of up to five financial years following the start of Stage Three.

Under the new Act, half of the Bank's profit, including the monetary income accruing within the ESCB, will be transferred to the reserve fund. The remaining profit will be made available to the central government. The Parliamentary Supervisory Council may decide on another breakdown of the profit if this is justifiable on the basis of the Bank's financial condition or the size of the reserve fund.

Financial independence of a central bank requires that it be able to decide on the use of the funds required to fulfil its mandate. Therefore the EMI has considered that the provisions restricting the use of a national central bank's profit must be accompanied by a safeguard clause to ensure the bank's ability to properly perform its ESCB-related tasks. Although the new Act does not actually contain such a safeguard clause, the explanatory memorandum to the Act states that the Parliamentary Supervisory Council will specifically take into account the risks associated with the Bank's balance sheet. Moreover, in its decisionmaking the Council will take into account the fact that the Bank's performance of its ESCB-related tasks must not be jeopardized. In its Convergence Report published in March, the EMI states that the safeguard clause is contained in the explanatory memorandum, which in Nordic legal systems tends to have almost virtually the same status as the law itself.

Repeal of the Currency Act and enactment of a new Coins Act

With the introduction of the euro, central banks' monetary powers will be transferred to the Community level and the single currency will be governed by provisions contained in the EU Council Regulation on the introduction of the euro, which will enter into force on 1 January 1999. Thus the present Finnish Currency Act will be repealed. However, within the limits prescribed in the EU Council Regulation, certain provisions of the Currency Act mentioned in transitional provisions will be applicable as long as markka-denominated notes and coins remain legal tender. The government still has the exclusive right to mint coins in Finland. The new Coins Act contains national provisions on coins that supplement the EU provisions on coins.

From the start of Stage Three, decisionmaking concerning exchange rate policy will also be transferred to the community level. This means that through its participation in the euro area, Finland will lose its national competence to decide on exchange rates, and the provisions in the Currency Act concerning the external value of the Finnish markka will be repealed. Decisionmaking power in respect of the external value of the euro will rest with the EU Council and to some extent with the ECB. There will be no separate legislation in Finland on the preparation of decisions concerning the external value of the euro on the national level; the general rules for the preparation of matters in the EU will be followed in the national preparation of decisions.

1 June 1998

• Key words: Act on the Bank of Finland, central bank, ESCB, EMU

¹ The ECB Governing Council may decide by a qualified majority vote that monetary income will be calculated by an alternative (so-called indirect) method for a period not to exceed five years.

ltems

Matti Vanhala appointed as Governor of the Bank of Finland

The President of the Republic has appointed Mr Matti Vanhala, M Sc (Econ), as Governor of the Bank of Finland, effective 5 June 1998. The appointment followed a proposal by the Parliamentary Supervisory Council. Mr Vanhala replaces Ms Sirkka Hämäläinen, who has been appointed to the Executive Board of the European Central Bank.

Mr Vanhala has held several posts at the Bank of Finland since 1970. He was appointed a Member of the Board in 1992. In 1977–1980 he worked as a member of the Executive Board of the International Monetary Fund.

Bank of Finland sold 60 per cent of Setec Oy's shares to Finnish institutional investors

In a transaction concluded 29 May 1998, the Bank of Finland is selling 60 per cent of its shareholdings in Setec Oy, a company formed out of the Bank of Finland's banknote printing works in 1991, to an investor group led by the Finnish National Fund for Research and Development (SITRA) and including also Finnish Industry Investment Ltd, Pension-Varma (a mutual insurance company) and Nova Life Insurance Company. The upper management of Setec also became shareholders of Setec in connection with the transaction.

This arrangement aims at broadening the ownership base of Setec Oy and developing the company into an international group with a strong position particularly in the Nordic markets. It is intended that the company will be listed within a few years.

Commemorative coin for the 250th anniversary of the fortress island of Suomenlinna

To commemorate the 250th anniversary of the fortress island of Suomenlinna, the Mint of Finland Ltd has struck a silver coin in the denomination of 100 markkaa.

Suomenlinna, originally Sweaborg, was built to protect Sweden against Russia in 1748 on six islands facing Helsinki. During the nineteenth century when Finland was a grand-duchy under Russia, it became a major garrison. When Finland became independent in 1917, it became a Finnish garrison named Suomenlinna. Suomenlinna was accepted in 1991 in the Unesco list of world heritage as a unique monument of military architecture.

The obverse of the commemorative coin shows an 18th-century sailing ship in front of the King's



Gate in Suomenlinna. The reverse depicts Suomenlinna with the church, the bridge and the shoreline fortifications. The coin is designed by artist Harri Ojala.

The issue has been limited to 35 000 coins, plus a maximum of 5 000 special quality proof coins. The silver content of the coin is 925 o/oo, the weight 22 grammes and the diameter 35 mm.

The coin was issued on 12 May 1998 and it is legal tender. Foreign sales are handled by the commercial banks and the Mint of Finland Ltd.

Publications of the Bank of Finland

Two doctoral dissertations have been published in the Bank of Finland's Series E.

The study by Kimmo Virolainen, "Tax Incentives and Corporate Borrowing: Evidence from Finnish Company Panel Data" (E:10), analyses the relationship between taxes and corporate borrowing decisions, both theoretically and empirically. A dynamic stochastic model that allows for interactions between the firm's investment and financial decisions is constructed and its properties are examined. It is shown that corporate tax exhaustion may yield an internal financial optimum for the firm without the need to resort to institutional borrowing constraints. The comparative static results with respect to the firm's optimal debt level remain mostly indeterminate due to conflicting income and substitution effects, but it is possible to prove analytically that firms' borrowing responses to changes in a key tax incentive variable, the available nondebt tax shields, should vary according to their profitability. This result is also confirmed by a simulation analysis.

In the empirical work, the borrowing behaviour of Finnish companies is analysed, both descriptively and econometrically, over the period 1978–1991. The descriptive analysis reports financing and investment patterns of Finnish companies and their tax status, focusing on flows of finance instead of stocks. The econometric analysis is carried out on company-level panel data covering 548 Finnish manufacturing companies. A two-step generalized method of moments estimation procedure is employed to enable consistent estimation in the presence of unobservable firm-specific effects. The results of the econometric analysis are in line with the implications of the theoretical model and provide evidence in favour of the tax incentive effects. The key results are shown to hold for the whole sample period although Finnish firms' adjustment toward a new tax environment already shows up in the weakening of the tax incentive effects in the latter part of the sample period.

Overall, the results of this study provide support for a positive role for taxation in the firm's financial decisionmaking. They also imply that changes in the tax system may give rise to significant shifts in the financing behaviour of companies. Helsinki 1998. ISBN 951-686-573-9. ISSN 1238-1691.

• Key words: taxation, corporate finance, capital structure

* * *

The study by Monica Ahlstedt, "Analyses of Financial Risks in a GARCH Framework" (E:11), uses GARCH modelling to estimate and forecast conditional variances and covariances of returns calculated from a set of financial market series: twelve markka exchange rates, twelve corresponding short-term euro interest rates and the Finnish short-term interest rate, the Finnish long-term interest rate, the Finnish all-share index and real estate prices.

The variances are specified through univariate estimation and the analysis is then extended to a portfolio of assets by presenting and applying two alternative methods for covariance modelling. The first method is based on the assumption of identical autocorrelation structure for variances and covariances. The other method is based on the assumption of constant correlation. Both methods are flexible and enable the extension of the analysis to a large number of return series.

The study then derives a forecast function from the models estimated from pooled data for variances and covariances of exchange rates and interest rates and from individual data for the other rates, in the form of a weighted moving average of past squared residuals. GARCH forecasts for the variances of individual return series as well as portfolios are compared in an ex post context, on the one hand, to two alternative forecasts based on piecewise homoscedastic variance models and, on the other, to actual data on squared returns.

The empirical results in the study show that the estimated variance-covariance models display a high degree of similarity both across the variables and across subsamples (ie across exchange rate regimes); GARCH(1,1) seems to represent the underlying conditional variance process fairly well. In terms of persistence in the variance processes, which is nearly IGARCH(1,1), the estimated models are also remarkably similar both for the individual variables and for pooled data. Hence parsimony suggests using an integrated process to represent volatility in the sample. The study also argues that the estimated GARCH models represent a methodological and empirical improvement over those estimates typically used eg in value-at-risk calculations.

Helsinki 1998. ISBN 951-686-575-5. ISSN 1238-1691.

 Key words: time-dependent volatility, GARCH estimation, value-at-risk models

Measures concerning monetary and foreign exchange policy and the financial markets

1997

SEPTEMBER

Tender rate. On 15 September, the Bank of Finland raises its tender rate from 3.00 per cent to 3.25 per cent. In addition, the interest rate on banks' excess reserves is raised from 1.00 per cent to 1.25 per cent.

NOVEMBER

Money market tenders. As at 3 November, the Bank of Finland shortens the maturity applied in its money market tenders from one month to two weeks. The normal settlement day for these tenders will be the banking day following the trade day. Liquidity credit. As at 3 November, the Bank of Finland shortens the maturity applied in its liquidity credit from seven days to one day. The Bank of Finland also abolishes the limits on collateralized liquidity credit.

1998

JANUARY

Finnish deposit guarantee scheme revised.

The Finnish deposit guarantee scheme is revised as from the start of 1998 by amendment and extension of the Act on Credit Institutions (1229/97). All deposit banks must now belong to a common deposit guarantee fund. Instead of the previous full coverage, the guarantee is now limited to a maximum of FIM 150 000 per depositor/bank.

MARCH

Tender rate. On 19 March, the Bank of Finland raises its tender rate from 3.25 per cent to 3.40 per cent. In addition, the interest rate on banks' excess reserves is raised from 1.25 per cent to 1.40 per cent.

APRIL

Abolishment of stamp tax on lending. Parliament has abrogated the stamp tax as it applies to lending and mortgages, effective with respect to agreements concluded on or after 29 April 1998.

Monetary policy instruments – May 1998

The Bank of Finland's monetary policy objective is to stabilize the inflation rate at about 2 per cent. This corresponds to the price stability objectives of the major ERM countries. Finland joined the Exchange Rate Mechanism (ERM) of the European Monetary System on 14 October 1996. The central rate for the markka is presently FIM 6.01125 per ECU and the corresponding central rate against the Deutschemark is FIM 3.04. The Bank of Finland is responsible for ensuring that the markka remains within the ±15 per cent fluctuation margin vs the other ERM currencies.

The Bank of Finland's instruments of monetary policy comprise market operations, the liquidity credit facility and the minimum reserve system.

Through its market operations, the Bank of Finland can on its own iniative exert an immediate impact on banks' liquidity, short-term market rates and the exchange rate. Money market operations are usually conducted via tenders. Changes in the tender rate have immediate effects on money market rates and through them on banks' lending and deposit rates. The Bank of Finland can also affect the exchange rate when this is considered appropriate.

The liquidity credit facility consists of liquidity credit granted by the Bank of Finland when needed and deposits of excess reserves at the Bank. The main function of this facility in respect of an individual bank is to safeguard its liquidity in the event of an unexpected change in liquidity conditions. The rates of interest on liquidity credit and excess reserves, which are decided by the central bank, usually form the upper and lower limits for the shortest market rates.

The minimum reserve requirement is used to affect both the demand for central bank financing and banks' lending possibilities. Because required reserves held at the central bank do not bear interest, the system also supports the central bank's profitability. Fulfilment of reserve requirements on the basis of averaging facilitates banks' management of payment transactions.

Banks wishing to participate in the Bank of Finland's money market operations and to gain access to the liquidity credit facility are required to have a current account at the Bank of Finland. By means of a current account, a bank is able to effect payment transactions with the Bank of Finland and other current account holders in a safe, efficient manner.

The base rate, which is set by the Bank of Finland, was formerly an important reference rate. It is however being gradually superseded by market rates and has hardly any practical importance in the determination of new lending and borrowing rates.

Market operations

The Bank of Finland affects interest rates and exchange rates by means of market operations, ie by dealing in securities or foreign exchange assets with its selected counterparties.

Money market operations can be carried out in the form of either bilateral money market transactions or tenders. Tenders, in which the Bank of Finland lends money to the banks, are carried out via repurchase (repo) transactions. In order to drain liquidity from the banking system, ie collect deposits from banks, the Bank of Finland generally sells its own CDs via tenders.

In a fixed-rate tender, the Bank of Finland announces the tender rate in advance and the banks submit bids for the volumes they wish to transact. In a variable-rate tender, banks bid by both rate and volume, and the Bank of Finland's tender rate becomes the weighted average of accepted bids. The Bank of Finland applies a two-week maturity in its tenders. The settlement lag for tender-related payments is one banking day, ie payments are settled on the banking day following the trade day. Short-term market rates move in line with the tender rate. Since 19 March 1998 the tender rate has been 3.40 per cent.

The Bank of Finland may accept as money market counterparties credit institutions that are subject to minimum reserve requirements and which the Bank of Finland considers to be otherwise qualified to operate as counterparties. A counterparty is required to have a current account at the Bank of Finland and adequate technical facilities and to be an active and important money market participant. Counterparties in outright bilateral trades are also required to act as market makers' for money market instruments and to observe the money market rules and code of conduct. At its discretion, the Bank of Finland may also accept as counterparties market participants that are not subject to minimum reserve requirements.

The following banks have been accepted as counterparties for money market operations: Aktia Savings Bank Ltd Bank of Åland Ltd Merita Bank Ltd Okobank Postipankki Ltd Skandinaviska Enskilda Banken Helsinki Branch Svenska Handelsbanken AB, Branch Operation in Finland Normally, the instruments accepted for the Bank of

Normally, the instruments accepted for the Bank of Finland's outright money market transactions are Treasury bills and Bank of Finland CDs. In special cases, other money market instruments can be approved for use in outright transactions.

Acceptable underlying assets for repo transactions comprise Bank of Finland CDs, benchmark government bonds, Treasury bills, notes issued by Asset Management Company Arsenal, and CDs issued by banks that operate as money market counterparties.

In repo transactions, haircuts are set according to issuer and maturity as follows:

¹ Functioning as a market maker means that the counterparty is able to give binding buy/sell quotes on the securities or foreign currencies in question.

Issuer		Short-term 12 months or less	Long-term over 12 months
Bank of Finland	CDs	0 %	
Government	Treasury bills	0 %	
	Benchmark government bonds	0 %	5 %
Arsenal	Notes	5 %	
Banks	CDs	5 %	

The Bank of Finland conducts foreign exchange operations with the banks primarily when it wants to influence the exchange rate. The Bank attempts to even out wide fluctuations in the exchange rate and, in the context of the ERM, it is responsible for keeping the markka's exchange value against other ERM currencies within the allowed ±15 per cent fluctuation margins. In addition, the Bank of Finland may convert currencies that the central government has borrowed from abroad into markkaa and sell foreign exchange to the central government as needed to service loans.

The Bank of Finland requires that its counterparties in foreign exchange operations act as market makers for the Finnish markka. The following banks have been accepted as counterparties for outright foreign exchange operations:

Merita Bank Ltd Okobank Postipankki Ltd Skandinaviska Enskilda Banken Helsinki Branch Svenska Handelsbanken AB, Branch Operation in Finland

Liquidity credit facility

Upon application, the Bank of Finland may grant access to the liquidity credit facility to any credit institution that is subject to the minimum reserve requirement and has a current account at the Bank of Finland. The facility enables the credit institution to obtain liquidity credit or accrue interest on its excess reserve deposits at the Bank of Finland.

Liquidity credit must be fully collateralized and the applicable interest rate is tied to the Bank of Finland's tender rate. Since 19 March 1998 the rate on liquidity credit has been 5.40 per cent, ie the margin vs the tender rate has been 2 percentage points. The maturity for liquidity credit may be 1, 7, 14, 21 or 28 days. The maturity and other terms and conditions are decided by the Bank of Finland. Since the start of November 1997, the maturity on liquidity credit has been one day. If the monthly average of a bank's daily current

If the monthly average of a bank's daily current account balances exceeds the bank's reserve requirement, the bank is considered to have excess reserves. The Bank of Finland may separately decide to pay interest on excess reserves; since 19 March 1998 the rate has been 1.40 per cent.

The following banks have been granted access to the Bank of Finland's liquidity credit facility: Aktia Savings Bank Ltd Bank of Åland Ltd Citibank International plc Finland Branch Crédit Agricole Indosuez Helsinki Branch Den Danske Bank Helsinki Branch Interbank Ltd Merita Bank Ltd Okobank Postipankki Ltd Skandinaviska Enskilda Banken Helsinki Branch Svenska Handelsbanken AB, Branch Operation in Finland Skopbank Unibank A.S. Helsinki Branch

Minimum reserve system

By virtue of the Act on the Bank of Finland, a deposit bank or branch of a foreign credit institution which carries on deposit banking activities in Finland must hold non-interest-bearing reserves at the Bank of Finland. The maximum reserve requirement is 5 per cent of the mandatory reserve holder's liabilities. The reserve requirement is calculated against the reserve base as at the last day of each calendar month. The reserve requirement based on the reserve base effective at the end of a given month must be met during the second calendar month following such effective date. Thus the lag between the effective date of the reserve base and the end of the corresponding reserve maintenance period is about 60 days.

The reserve requirement is graded according to the composition of a bank's funding so that the more liquid an item, the larger the reserve requirement. The reserve requirement on deposits payable on demand (ie liquid deposits) is 2 per cent, on other deposits 1.5 per cent and on other balance sheet items 1 per cent. At the end of April 1998, the sum total of required reserves was FIM 6.9 billion and the weighted average reserve requirement 1.7 per cent.

A bank with a current account at the Bank of Finland can meet its reserve requirements by maintaining the monthly average of its daily balances at least as high as the minimum reserve requirement. Thus banks may use funds in their current accounts for effecting payments so long as the average monthly balances meet their respective reserve requirements on the last banking day of each month. Banks that do not have a current account at the Bank of Finland or use another bank as their central financial institution deposit their reserves in special minimum reserve accounts at the Bank of Finland.

The minimum reserve requirement applies to the following banks:

Aktia Savings Bank Ltd Bank of Aland Ltd Citibank International plc Finland Branch Crédit Agricole Indosuez Helsinki Branch Den Danske Bank Helsinki Branch Gyllenberg Private Bank Oy Interbank Ltd Merita Bank Ltd **OP-Homebank Ltd** Okohank Okopankki Oy, an Okobank subsidiary Postipankki Ltd Skandinaviska Enskilda Banken Helsinki Branch Skopbank Svenska Handelsbanken AB, Branch Operation in Finland Unibank A.S. Helsinki Branch Other cooperative banks and savings banks

Current account system

The Bank of Finland's current account (BoF-RTGS) system is an essential part of the payment and clearing system in Finland. Payments effected in the system can be divided into three main types: (1) business transactions between the Bank of Finland and the banks, ie payments

20 Bulletin 6–7 • 98

related to monetary policy and maintenance of the money supply, (2) interbank payments and (3) payments related to clearing and settlement systems, including cover for interbank settlement of trades effected via the Finnish Central Securities Depository.

Upon application, the Bank of Finland may open a current account for any Finnish or foreign credit institution operating in Finland that is subject to minimum reserve requirements and which fulfils certain other requirements. The credit institution must be subject to supervision by the Financial Supervision Authority or to other comparable public supervision. It must meet the capital adequacy requirements laid down in the Credit Institutions Act and its own funds must amount to at least FIM 30 million. For special reasons, the Bank of Finland may at its discretion open current accounts for other entities participating in the financial markets.

Upon application, the Bank of Finland may also grant an intraday credit limit on the current account of a credit institution subject to minimum reserve requirements, if such account holder provides the Bank of Finland full collateral for the credit limit in accord with the Bank's guidelines.

At the start of May 1997, the Bank of Finland abolished the application procedure for changes in intraday overdraft limits on current accounts. Credit institutions entitled to intraday credit can now change their limits by notifying the Bank of Finland of the requested limit and posting the necessary Bank-approved collateral. As a result, banks are able to manage their liquidity more flexibly in accord with their own needs.

Current account holders have workstations linked to the Bank of Finland's current account data base via a data communications network. Current account holders themselves effect payments to other current account holders via their workstations.

The following entities have a current account at the Bank of Finland:

Aktia Savings Bank Ltd

Asset Management Company Arsenal Ltd Bank of Åland Ltd Citibank International plc Finland Branch Crédit Agricole Indosuez Helsinki Branch Den Danske Bank Helsinki Branch Finnish Central Securities Depository Ltd Finnish Export Credit Ltd Gyllenberg Private Bank Oy HÉX Oy, Helsinki Securities and Derivatives Exchange, Clearing House Interbank Ltd Merita Bank Ltd Okobank Postipankki Ltd Skandinaviska Enskilda Banken Helsinki Branch

Skopbank State Treasury

Svenska Handelsbanken AB,

Branch Operation in Finland

Unibank A.S. Helsinki Branch

Base rate

The Parliamentary Supervisory Council decides on the Bank of Finland's base rate upon a proposal of the Board of the Bank of Finland. The base rate is used as a market reference rate. About 5.5 per cent of outstanding deposits and 12.5 per cent of lending is tied to the base rate, but only 0.6 per cent of new lending is tied to it (March 1998). Since 16 September 1996, the base rate has been 4.0 per cent.

Finland in brief

Land, climate and population

Finland covers an area of more than 338 000 square kilometres. The total area is slowly increasing because of the steady uplift of the land since the last glacial era. The country shares frontiers with Sweden in the west, Norway in the north and Russia in the east and has a coastline bordered by the Baltic Sea in the south and west. Agricultural land accounts for 8 % of the total area, forest and other wooded land for 68 % 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 21° C (70° F) in July and -3° C (25° F) in February.

Finland has a population of 5 147 349 (31 December 1997) and an average population density of 17 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 539 363 inhabitants, Espoo (Esbo) 200 834, Tampere (Tammerfors) 188 726, Vantaa (Vanda) 171 297 and Turku (Åbo) 168 772.

There are two official languages: 93 % of the population speaks Finnish as its mother tongue and 5.7 % Swedish. There is a small Lapp population in the north. Finnish is a member of the small Finno-Ugrian group of languages, which also includes Estonian and Hungarian.

Form of government

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

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

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

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

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

Finland is divided into 452 self-governing municipalities. Members of the municipal council are elected by universal suffrage for a period of four years.

International relations

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

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

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

The economy

Output and employment. Of the gross domestic product of FIM 502 billion in basic values in 1996, 2 % was generated in agriculture and fishing, 2 % in forestry, 26 % in industry, 6 % in construction, 11 % in trade, restaurants and hotels, 9 % in transport and communications, 4 % in finance and insurance, 21 % in other private services and 19 % by producers of government services. Of total employment of 2.2 million persons in 1997, 7.0 % were engaged in primary production, 27.4 % in industry and construction and 65.6 % in services.

In 1996, expenditure on the gross domestic product in purchasers' values amounted to FIM 577 billion and was distributed as follows: net exports 8 % (exports 38 %, imports –30 %), gross fixed capital formation 16 %, private consumption 55 % and government consumption 22 %. Finland's tax ratio (gross taxes including compulsory employment pension contributions relative to GDP) was 48.2 per cent, which is somewhat below the average for the Nordic countries.

Average annual (compounded) growth of real GDP was 4.7 % in the period 1950-59, 5.0 % in 1960-69,

3.7 % in 1970–79, 3.7 % in 1980–89 and 3.6 % in 1950–96. Finland's GDP per capita in 1996 was USD 24 400.

Foreign trade. EU countries absorb the bulk of Finnish merchandise exports. In 1993–1997 their average share was 51.7 %. Over the same period, Finland's exports to other European countries (including Russia) accounted for 22.1 % and to the rest of the world for 26.2 %. The regional distribution of Finland's merchandise imports in the same period has been quite similar to that of exports: EU countries accounted for 53.8 %, other European countries for 22.3 % and the rest of the world for 24.0 %.

In 1997, the share of forest industry products in total merchandise exports was 30.8 %, the share of metal and engineering products 43.3 % and the share of other goods 25.9 %. Raw materials and intermediate goods (incl. crude oil) accounted for 60.9 % of merchandise imports, fuels for 4.4 %, investment goods for 15 % and consumption goods for 21.9 %.

Forest resources. Finland has fairly abundant forest resources but only limited amounts of other raw materials. The growing stock comprises 1 937 million cubic metres, of which 46 % is pine, 36 % spruce, 15 % birch and 3 % other broad-leaved species.

According to the latest National Forest Inventory (1989–1994), the annual volume increment is about 75.4 million cubic metres. During the same time period, the average annual drain has been about 55 million cubic metres.

Finance and banking

Currency. Finland has had its own monetary system since 1865. The currency unit is the markka (plural: markkaa), abbreviation FIM, which is divided into 100 penniä (singular: penni). From 1 November 1977 to 7 June 1991 the external value of the markka was officially expressed in terms of a trade-weighted currency index, which was permitted to fluctuate within a prescribed range (from 30 November 1988 the range was 6 percentage points). From 7 June 1991 to 7 September 1992, the markka was pegged to the European Currency Unit, the ECU. The fluctuation margins and the midpoint were set so as to correspond to the fluctuation margins and midpoint of the old currency index. The midpoint was first 4.87580 (FIM/ECU). Owing to the devaluation of the markka on 15 November 1991, the midpoint was increased to 5.55841 and the fluctuation limits to 5.39166 and 5.72516. On 8 September 1992, the fluctuation limits of the markka were abandoned and the markka was allowed to float. On 14 October 1996, the markka was joined to the Exchange Rate Mechanism (ERM) of the European Monetary System (EMS) at the central rate of 5.80661 per ECU. As from 16 March 1998 the ECU central rate is FIM 6.01125.

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

Other banks (31 Dec 1997). Finland has three major groups of deposit banks with a total of 1 242 offices. There are two big commercial banks with national branch networks and five smaller ones. The commercial banks have a total of 10 foreign branches, subsidiaries and associate banks and 16 representative offices abroad. There are 40 savings banks and 294 cooperative banks, both with extensive branch networks. In addition, 6 foreign banks have branches and 7 foreign banks have representative offices in Finland.

Financial markets. Of the total stock of FIM 726 billion in outstanding domestic credit at end-September 1997, 48 % was accounted for by deposit banks, 6 % by insurance companies, 23 % by pension insurance institutions, 12 % by other credit institutions, and 11 % by state and local authorities and social security funds.

In the money market, 72 % of the instruments in value terms, which totalled about FIM 134 billion at end-December 1997, were accounted for by bank certificates of deposit (including central bank paper). Other negotiable money market instruments consist of Treasury bills, commercial paper and local authority paper.

At end-March 1998, there are 81 companies on the official list, 32 on the OTC list and 15 on the brokers list for the HEX, Helsinki Exchanges. Total market capitalization for the official list was FIM 518 billion, the OTC list FIM 6 billion, and the brokers list FIM 8 billion, at end-March 1998. Domestic bonds and debentures in circulation at end-March 1998 totalled FIM 289 billion; government bonds comprised 76 % of the total. Turnover on the HEX, Helsinki Exchanges amounted to FIM 187 billion in 1997. In January–March 1998 share turnover amounted to FIM 60 billion.

STATISTICS

1.	1.1	balance sheet of the Bank of Finland The balance sheet of the Bank of Finland Time series for the balance sheet items	S2 S2
	1.2	of the Bank of Finland	S3
2.		Bank of Finland's operations he money and foreign exchange markets	
	and	the banks' forward exchange position	S4
	2.2	The Bank of Finland's minimum reserve system and standing facilities The Bank of Finland's money market transactions The Bank of Finland's transactions	S4 S4
		in foreign currencies and the stock of reserve assets Forward exchange contracts	S5 S5
з.		es of interest	S6
		Money market rates and rates applied by the Bank of Finland	S6
	3.3	The Bank of Finland's liquidity facility Weighted Eurorates and commercial ECU interest rate	S6 S6
		Rates of interest applied by banks Yields on bonds and shares	S7 S7
ι.	Rat	es of exchange	S8
		Middle rates Markka value of the ECU and currency indices	S8 S9
		Deviations of ERM currencies' markka rates from central rates	S9
5.	Fina	ancial markets and money supply	S10
	5.1 5.2	Bank funding from the public Bank lending to the public	S10 S10
	5.3	Money supply Liabilities and assets of the central government	S11 S11
	5.5	Markka bond market	S12 S12
		a) Issues b) Stock	S12
	5.6	c) Turnover Helsinki Stock Exchange	S13 S13
5.		ance of payments, foreign liabilities	S14
	6.1	assets Current account	S14
	6.3	Capital and financial account Finland's international investment position	S15 S16
	6.4	Finland's net international investment position (liabilities less assets), by sector	S17
7.		eign trade	S18
		Exports, imports and the trade balance Foreign trade: indices of volume, prices and	S18
		terms of trade Foreign trade by main groups	S18 S18
	7.4	Foreign trade by regions and countries	S19
3.	Don 8.1	nestic economic developments Supply and use of resources	S20 S20
	8.2	Volume of industrial production Indicators of domestic supply and demand	S20 S21
	8.4	Wages and prices	S22
	о.с 8.6	Labour, employment and unemployment Central government finances: revenue, expenditure and financial balance	S23
			S24
NO	tes	and explanations to the statistical section	S25

1. The balance sheet of the Bank of Finland

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

	1997		199	8	
	31 Dec	8 May	15 May	22 May	29 May
ASSETS					
Reserve assets	51 455	47 422	49 026	48 575	48 626
Gold	1 742	1 742	1 742	1 742	1 742
Special drawing rights	1 772	1 293	1 313	1 204	1 203
IMF reserve tranche	3 036	3 311	3 305	3 542	3 541
ECU-claim on the European Monetary Insitute	4 078	2 720	2 721	2 718	2 721
Foreign exchange assets	40 827	38 356	39 946	39 370	39 418
Other foreign claims	3 342	3 026	3 026	2 786	2 786
Markka subscription to Finland's quota in the IMF	3 281	2 965	2 965	2 725	2 725
Share in the European Monetary Institute	61	61	61	61	61
Claims on financial institutions	2 951	132	132	133	2 094
Liquidity credits	-	-	—	-	-
Securities with repurchase commitments	-	-	-	-	1 962
Term credits	-	-	-	-	-
Bonds	114	93	93	93	93
Other	2 837	39	39	40	39
Claims on the public sector	2 015	2 021	2 021	2 021	2 024
Treasury bills	-	-	—	-	-
Bonds	-	-	—	-	-
Total coinage	2 015	2 021	2 021	2 021	2 024
Other	-	-	-	-	-
Claims on corporations	1 762	1 620	1 620	1 620	1 620
Financing of domestic deliveries (KTR)	26	14	14	14	14
Other	1 736	1 606	1 606	1 606	1 606
Other assets	635	516	493	524	497
Accrued items	528	422	399	431	397
Other	107	95	94	93	100
Valuation account	-	-	-		-
Total	62 159	54 736	56 318	55 658	57 647
LIABILITIES Foreign liabilities	4 911	4.260	4 363	4 196	4 000
	1 046	4 369 1 035	1 033	1 033	4 200 1 032
Allocations of special drawing rights IMF markka accounts	3 281	2 965	2 965	2 725	2 725
Other	584	2 903 368	2 903 364	438	442
Notes and coin in circulation	17 817	16 667	16 658	16 966	16 909
Notes	15 923	14 791	14 783	15 090	15 030
Coin	1 894	1 875	1 875	1876	1 879
Certificates of deposit	10 500	8 100	6 450	7 650	12 820
Liabilities to financial institutions	10 681	6 863	10 016	8 394	5 089
Reserve deposits	7 911	6 863	10 0 16	8 394	5 089
Term deposits	-		10 0 10		0 000
Other	2 770	0	0	0	0
Liabilities to the public sector		-	-	-	-
Current accounts	_	_	_	_	_
Other	_	_	_	_	_
Liabilities to corporations	32	13	13	13	13
Deposits for investment and ship purchase	32	13	13	13	13
Other	-	-	-	-	-
Other liabilities	55	192	135	243	143
Accrued items	23	153	101	212	110
Other	32	39	34	32	33
Valuation account	258	627	779	291	570
Provisions	12 140	12 140	12 140	12 140	12 140
Pension provision	1 601	1 601	1 601	1 601	1 601
Other	10 540	10 540	10 540	10 540	10 540
Capital accounts	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Net earnings	_		-	-	
U U					
Total	62 159	54 736	56 318	55 658	57 647
S2 Bulletin 6-7 • 98					

End of			P	Public sector							
period ⁻	Gold	Special drawing rights	IMF reserve tranche	ECU-claim on the European Monetary Institute	Foreign exchange assets	Reserve assets (1+2+3 +4+5)	Other claims, net	Net claims (6+7)	Claims	Liabil- ities	Net claims (9–10)
	1	2	3	4	5	6	7	8	9	10	11
1993 1994 1995 1996 1997	2 180 2 180 1 742 1 742 1 742	664 1 537 1 569 1 344 1 772	1 747 1 354 1 685 1 953 3 036	3 363 2 541 4 078	28 882 47 672 40 506 28 817 40 827	33 473 52 743 48 865 36 397 51 455	-1 324 -1 114 -2 082 -1 826 -1 569	32 148 51 629 46 783 34 571 49 886	1 788 1 806 1 882 1 906 2 015	784 93 75 –	1 004 1 713 1 807 1 906 2 015
1997 May Jun Jul Aug Sep Oct Nov Dec	1 742 1 742 1 742 1 742 1 742 1 742 1 742 1 742 1 742 1 742	1 121 1 100 1 557 1 711 1 588 1 489 1 234 1 772	1 998 1 963 2 023 2 031 2 081 2 068 2 271 3 036	4 000 3 984 3 965 3 978 3 958 4 031 4 071 4 078	49 607 50 322 55 189 54 008 52 686 54 754 41 920 40 827	58 468 59 111 64 475 63 470 62 055 64 085 51 238 51 455	-1 267 -1 397 -1 533 -1 622 -1 750 -1 941 -2 256 -1 569	57 201 57 714 62 942 61 848 60 305 62 144 48 982 49 886	1 908 1 921 1 921 1 926 1 939 1 947 1 955 2 015		1 908 1 921 1 921 1 926 1 939 1 947 1 955 2 015
1998 Jan Feb Mar Apr May	1 742 1 742 1 742 1 742 1 742 1 742	1 323 1 230 1 680 1 558 1 203	3 065 3 389 3 399 3 351 3 541	3 310 3 318 3 334 2 727 2 721	40 268 38 830 34 412 37 034 39 418	49 709 48 510 44 567 46 414 48 626	-1 389 -1 413 -1 362 -1 611 -1 414	48 320 47 097 43 205 44 803 47 212	2 019 2 020 2 017 2 019 2 024	_ _ _ _	2 019 2 020 2 017 2 019 2 024

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

End of		Domestic fina	ancial sector			Corporate see			
period -	Term claims on deposit banks, net	Reserve deposits of deposit banks ¹	Other claims on financial institu- tions, net	Net claims (12+13+ 14)	Claims in the form of special financing	Special deposits and other items, net	Net claims (16+17)	Notes and coin in circu- lation	Out- standing CDs issued by the Bank of Finland
	12	13	14	15	16	17	18	19	20
1993 1994 1995 1996 1997	7 337 1 480 7 076 11 626	6 398 6 526 15 676 6 829 7 911	-463 -347 655 372 181	476 -5 392 -7 945 5 169 -7 730	496 316 185 70 26	720 1 285 1 706 1 623 1 704	1 216 1 601 1 891 1 692 1 730	14 994 14 315 15 611 16 891 17 817	14 837 35 236 27 090 15 530 10 500
1997 May Jun Jul Aug Sep Oct Nov Dec	12 568 9 558 10 575 8 225 9 214 15 103 4 411 -	-8 091 -10 397 -3 651 -12 522 -4 458 -13 983 -11 612 -7 911	283 258 252 252 226 188 184 184	4 760 -581 7 176 -4 045 4 982 1 308 -7 017 -7 730	42 42 37 33 26 26 26	1 669 1 695 1 712 1 748 1 767 1 792 1 684 1 704	1 712 1 738 1 754 1 785 1 800 1 819 1 710 1 730	16 068 16 315 16 359 16 287 16 046 16 144 16 381 17 817	34 760 29 110 40 170 28 440 36 760 34 900 12 200 10 500
1998 Jan Feb Mar Apr May	1 929 3 648 1 962	-5 642 -10 365 -8 417 -6 255 -5 089	157 155 153 132 132	-3 556 -6 562 -8 264 -6 123 -2 995	26 21 18 14 14	1 713 1 715 1 718 1 723 1 593	1 739 1 736 1 736 1 737 1 607	16 416 16 274 16 190 16 845 16 909	13 740 9 360 3 100 6 900 12 820

The Bank of Finland's operations in the money and foreign exchange markets and the banks' forward exchange position *The Bank of Finland's minimum reserve system and standing facilities* 2.

2.1

		R	eserve requiremen	t	Required	Excess	Total reserves,	Liquidity
		On deposits payable on demand, %	On other deposits, %	On other items, %	reserves ¹ , mill. FIM	reserves, mill. FIM	mill. FIM (4+5)	credits, mill. FIM
		1	2	3	4	5	6	7
1993 1994 1995 1996 1997	I-IX X–XII	2.0 2.0 2.0 2.0 2.0 2.0 2.0	1.5 1.5 1.5 1.5 1.5 1.5	1.0 1.0 1.0 1.0 1.0 1.0	6 398 6 526 6 557 6 530 6 652 6 717	616 440 747	7 146 7 092 7 464	440 14 123 37 121 1
1997 May Jun Jul Aug Sep Oct Nov Dec		2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0	1.5 1.5 1.5 1.5 1.5 1.5 1.5	1.0 1.0 1.0 1.0 1.0 1.0 1.0	6 623 6 602 6 777 6 803 6 769 6 799 6 911 6 999	598 1 165 378 626 521 1 020 892 310	7 221 7 767 7 155 7 429 7 290 7 818 7 803 7 309	- - - - -
1998 Jan Feb Mar Apr May		2.0 2.0 2.0 2.0 2.0	1.5 1.5 1.5 1.5 1.5	1.0 1.0 1.0 1.0 1.0	6 995 6 947 6 947 6 866 6 834	321 147 895 198 1 197	7 317 7 095 7 842 7 065 8 031	- 0 - 3

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1–2–3)
	1	2	3	4
1993 1994 1995 1996 1997	86 521 35 540 50 435 94 080 128 220	146 899 351 820 434 810 250 980 422 500	-50 486 -295 165 -393 930 -190 562 -294 770	-9 892 -21 115 9 555 33 662 490
1997 May Jun Jul Aug Sep Oct Nov Dec	5 700 9 600 10 420 8 350 12 300 12 200 11 400 0	34 760 32 760 36 520 30 260 34 630 36 900 15 700 22 430	-34 700 -22 160 -22 950 -26 320 -23 120 -28 830 -18 480 -26 110	5 640 -1 000 -3 150 4 410 790 4 130 14 180 3 680
1998 Jan Feb Mar Apr May	2 000 4 280 0 2 000	30 040 23 540 7 000 10 400 17 870	-27 770 -19 260 -9 610 -7 850 -10 650	-270 0 2 610 -2 550 -5 220

2.3 The Bank of Finland's transactions in foreign currencies and the stock of reserve assets, mill FIM

During	Interventio	n in the foreign ex	change market	Spot	Central	Reserve a	
period	Spot purchases	Spot sales	Forward exchange intervention = change in forward exchange position	transactions related to forward contracts, net	government's foreign exchange transactions, net	(end of p mill. FIM	eriod) mill. USD
	1	2	3	4	5	6	7
1993 1994 1995 1996 1997	25 120 20 930 4 910 7 360 47 620	-45 080 -12 900 -5 470 -7 320 -1 470	7 460 9 060 -6 170 -	-6 910 -8 930 9 170 - 4 310	33 240 24 660 -10 135 -13 868 -37 540	29 517 33 473 52 743 48 865 36 397	5 628 5 787 11 120 11 211 7 838
1997 May Jun Jul Aug Sep Oct Nov Dec	2 880 4 940 - - - - -	-60 	-100 70 -1 310 -70 -70 -3 160 -1 560 -	6 300 - 3 100 1 560 -	-930 -870 -3 560 -670 -1 240 -800 -15 300 -610	58 468 59 111 64 475 63 470 62 055 64 085 51 238 51 455	11 407 11 392 11 807 11 784 11 707 12 342 9 602 9 492
1998 Jan Feb Mar Apr May	5 330 4 860	- - -	- 2 800 -620	-2 780 -540	-2 730 -1 410 -6 590 -1 280	49 709 48 510 44 567 46 414 48 626	8 974 8 825 7 950 8 529 8 970

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

Stock			Finnis	h banks' forw	ard contracts				idents' forwa		The Bank of Finland's	
at end of period		Finnish custon Finnish banks		With	foreign custor	ners	Total	custom	ts with Finnis ers nnish banks)		forward contracts	
	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net (1–2)	Currency purchases from foreign customers	Currency sales to foreign customers	Net (4–5)	Net (3+6)	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net (8–9)	Net currency sales	
	1	2	3	4	5	6	7	8	9	10	11	
1993 1994 1995 1996 1997	38 373 51 096 60 280 53 520 66 649	23 721 22 093 19 095 21 793 37 507	14 652 29 003 41 185 31 726 29 142	14 346 19 236 31 837 44 068 105 128	21 895 32 791 48 906 72 021 127 793	-7 548 -13 555 -17 069 -27 953 -22 665	7 104 15 448 24 116 3 773 6 477	11 632 18 372 12 829 15 871 23 490	2 173 4 780 6 871 6 908 14 552	9 459 13 592 5 957 8 963 8 938	-	
1997 Apr May Jun Jul Aug Sep Oct Nov Dec	65 819 65 324 65 886 71 933 74 387 69 721 68 258 68 813 66 649	25 160 25 735 30 056 31 074 33 124 36 411 37 917 36 778 37 507	40 659 39 588 35 830 40 859 41 263 33 310 30 340 32 035 29 142	59 142 53 735 58 688 55 146 60 935 68 654 92 393 93 566 105 128	84 411 82 076 83 157 83 978 99 872 93 287 116 191 115 303 127 793	-25 268 -28 340 -24 468 -28 831 -38 936 -24 632 -23 798 -21 737 -22 665	15 391 11 248 11 362 12 028 2 327 8 678 6 542 10 298 6 477	20 854 22 115 24 007 30 797 28 558 24 439 24 034 28 528 23 490	10 927 9 477 12 681 14 976 17 323 16 998 19 297 17 234 14 552	9 927 12 638 11 326 15 821 11 235 7 441 4 737 11 294 8 938	-5 589 -5 589 -5 589 -4 690 -4 690 -4 690 -1 578 -	
1998 Jan Feb Mar Apr	66 113 70 214 67 157 61 717	32 546 32 074 33 100 36 202	33 568 38 140 34 057 25 516	95 925 91 570 96 525 90 097	116 620 118 695 121 046 109 915	-20 695 -27 125 -24 521 -19 818	12 873 11 015 9 536 5 698	19 041 22 024 19 762 22 235	7 592 6 215 6 366 5 892	11 449 15 809 13 396 16 344	 -2 766 -2 211	

3. Rates of interest

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

Average of	Interbank		HELIB	OR		E	Bank of Finland rates	6
daily observations	overnight [—] rate	1 month	3 months	6 months	12 months	Liquidity credit rate	Excess-reserve rate ¹	Base rate
	1	2	3	4	5	6	7	8
1993 1994 1995 1996 1997	7.71 4.38 5.26 3.66 2.87	7.85 5.11 5.63 3.58 3.10	7.73 5.35 5.76 3.63 3.23	7.59 5.78 5.97 3.74 3.41	7.47 6.33 6.34 3.99 3.69	8.95 7.11 7.63 5.57 5.07	4.95 3.11 3.63 1.57 1.07	6.85 5.27 5.20 4.38 4.00
1997 May Jun Jul Aug Sep Oct Nov Dec	2.51 2.76 2.85 3.02 3.06 2.75 2.90 3.20	3.01 3.00 3.01 3.15 3.29 3.35 3.31	3.08 3.07 3.08 3.13 3.31 3.57 3.65 3.60	3.19 3.22 3.31 3.52 3.91 4.00 3.87	3.40 3.42 3.50 3.68 3.89 4.26 4.32 4.18	5.00 5.00 5.00 5.14 5.25 5.25 5.25	1.00 1.00 1.00 1.14 1.25 1.25 1.25	4.00 4.00 4.00 4.00 4.00 4.00 4.00 4.00
1998 Jan Feb Mar Apr May	2.80 3.18 3.10 3.30 3.20	3.30 3.29 3.36 3.50 3.57	3.48 3.42 3.47 3.63 3.75	3.63 3.56 3.58 3.75 3.86	3.86 3.74 3.76 3.93 4.04	5.25 5.25 5.31 5.40 5.40	1.25 1.25 1.31 1.40 1.40	4.00 4.00 4.00 4.00 4.00

¹ Call money deposit rate until 2 October 1995.

3.2 The Bank of Finland's liquidity facility

3.3 Weighted Eurorates and commercial ECU interest rate, per cent

	The Bank of Finland's tender rate, %		Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	deposits:	Excess- reserve rate
	1		2	3	4	5
1993 1994 1995 1996 1997	7.87 5.11 5.63 3.57 3.07	1993 1994 1995 1996 1997	+2.00 +2.00 +2.00 +2.00 +2.00	7 7 7 7 1	- 2.00 - 2.00	2.25 1.00 1.25
1997 May Jun Jul Aug Sep Oct Nov Dec	3.00 3.00 3.00 3.14 3.25 3.25 3.25	1997 May Jun Jul Aug Sep Oct Nov Dec	+2.00 +2.00 +2.00 +2.00 +2.00 +2.00 +2.00 +2.00	7 7 7 7 7 1	• • • • •	1.00 1.00 1.00 1.25 1.25 1.25 1.25
1998 Jan Feb Mar Apr May	3.25 3.25 3.31 3.40 3.40	1998 Jan Feb Mar Apr May	+2.00 +2.00 +2.00 +2.00 +2.00	1 1 1 1		1.25 1.25 1.40 1.40 1.40
13.3.1990 14.6.1990 5.7.1996 23.8.1990 18.9.1990 9.10.1990 15.9.1990 19.3.1990	5 3.60 3.50 5 3.25 5 3.10 5 3.00 7 3.25	13.3.199 14.6.199 5.7.1996 23.8.199 18.9.199 9.10.199 15.9.199 19.3.199	96 96 96 96 96 97			1.75 1.60 1.50 1.25 1.10 1.00 1.25 1.40

Average of daily obser-	ECU	3 currencies	Commercia ECU
vations		3 months	
	1	2	3
1993 1994 1995 1996 1997	8.0 5.9 5.9 4.4 4.3	5.9 5.2 5.2 4.3 4.4	8.1 6.1 6.0 4.4 4.3
1997 May Jun Jul Aug Sep Oct Nov Dec	4.1 4.2 4.3 4.3 4.5 4.6 4.5	4.3 4.3 4.4 4.5 4.6 4.8 4.8	4.2 4.2 4.4 4.3 4.5 4.6 4.5
1998 Jan Feb Mar Apr May	4.4 4.4 4.3 4.4 4.4	4.6 4.6 4.6 4.6 4.6	4.3 4.4 4.3 4.3 4.4

Average			Lending					Markka dep	osits and ot	her markka	funding	
for period		New ci	redits		Average lending	Of which:	24- month	36- month	Other tax-	Average rate of	Average rate of	Average rate of
	Cheque account and postal giro credits	Bills of ex- change	Loans	New lending, total	rate	Com- mercial banks	tax- exempt deposits ¹	tax- exempt deposits ¹	exempt deposits, max. rate of interest ¹	interest on deposits	interest on other funding	interest on markka funding
	1	2	3	4	5	6	7	8	9	10	11	12
1993 1994 1995 1996 1997	9.69 7.32 7.85 5.61 4.83	13.55 11.55 11.33 9.61 9.66	9.40 7.13 7.30 5.31 4.73	9.75 7.35 7.46 5.43 4.81	10.20 8.18 8.04 6.49 5.64	9.92 7.91 7.75 6.15 5.29	3.50 3.25 2.75 2.00	4.50 4.25 3.75 3.00	2.00 2.00 2.00 2.00 2.00	4.78 2.99 3.13 2.15 1.47	8.86 5.96 6.29 4.31	6.15 4.01 4.08 2.78
1997 Apr May Jun Jul Aug Sep Oct Nov Dec	6.03 5.25 5.46 5.45 4.17 4.99 4.08 6.06 6.07	9.68 9.83 9.31 9.69 9.77 9.42 9.70 9.52 9.21	4.53 4.85 4.84 4.43 4.75 4.69 4.95 4.98 4.74	4.64 4.96 4.93 4.53 4.80 4.77 4.97 5.08 4.83	5.65 5.62 5.59 5.57 5.54 5.61 5.67 5.74	5.29 5.27 5.24 5.21 5.18 5.22 5.27 5.35 5.43	2.00 2.00 2.00 2.00 2.00 2.00 2.00 2.00	· · · ·	2.00 2.00 2.00 2.00 2.00 2.00 2.00 2.00	1.47 1.45 1.43 1.42 1.42 1.42 1.44 1.43 1.44	 	
1998 Jan Feb Mar Apr	4.54 5.43 5.91 5.81	9.58 9.26 9.23 9.21	4.75 4.75 4.74 4.82	4.80 4.84 4.83 4.89	5.71 5.71 5.60 5.60	5.41 5.40 5.34 5.34			2.00 2.00 2.00 2.00	1.44 1.43 1.36 1.37	 	

3.4 Rates of interest applied by banks, per cent

¹ End of period.

Period		Bo	nds		Shares
	Reference rate by the Bank o		Taxable governi	e ment bonds	Share yield
	3 years	5 years	5 years	10 years	
	1	2	3	4	5
1993 1994 1995 1996 1997	8.5 8.5 8.2 5.8 5.0	8.9 9.3 8.9 6.8 5.7	8.2 8.4 7.9 6.0 4.9	8.8 9.1 8.8 7.1 6.0	1.2 1.0 2.4 2.1 2.0
1997 Apr May Jun Jul Aug Sep Oct Nov Dec	5.0 4.9 4.9 5.0 5.2 5.3 5.4 5.2	5.8 5.7 5.6 5.7 5.8 5.9 5.9 5.9 5.8	5.0 4.8 4.7 4.9 5.1 5.1 4.8	6.4 6.2 6.1 5.9 5.9 5.8 5.7 5.8 5.8 5.6	2.3 2.2 2.1 2.0 2.0 1.9 2.0 2.0 2.0
1998 Jan Feb Mar Apr	5.0 4.9 4.9 4.9	5.5 5.4 5.4 5.4	4.6 4.5 4.4 4.5	5.3 5.2 5.0 5.0	1.8 2.0 2.5 2.4

3.5	Yields on	bonds and	shares,	per cent
-----	-----------	-----------	---------	----------

4. Rates of exchange4.1 Middle rates, FIM

Average of daily	New York	Montreal	London	Dublin	Stock- holm	Oslo	Copen- hagen	Reykja- vik	Frankfurt am Main	Amster- dam	Brussels	Zurich
quo- tations	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 ISK	1 DEM	1 NLG	1 BEF	1 CHF
	1	2	3	4	5	6	7	8	9	10	11	12
1993 1994 1995 1996 1997	5.7189 5.2184 4.3658 4.5905 5.1944	4.434 3.824 3.181 3.367 3.753	8.582 7.982 6.891 7.164 8.506	8.371 7.799 6.999 7.345 7.871	0.7350 0.6758 0.6123 0.6847 0.6799	0.8059 0.7393 0.6889 0.7111 0.7339	0.8822 0.8207 0.7790 0.7921 0.7859	0.0846 0.0745 0.0674 0.0689 0.0732	3.4584 3.2169 3.0471 3.0530 2.9939	3.0787 2.8684 2.7202 2.7247 2.6603	0.1561 0.1481 0.1484	3.8706 3.8179 3.6941 3.7211 3.5785
1997 May Jun Jul Aug Sep Oct Nov Dec	5.1337 5.1732 5.3051 5.5097 5.3561 5.2695 5.2205 5.3714	3.722 3.737 3.854 3.967 3.862 3.803 3.696 3.768	8.382 8.503 8.869 8.838 8.571 8.595 8.809 8.925	7.780 7.797 7.942 8.004 7.931 7.730 7.844 7.830	0.6694 0.6680 0.6793 0.6891 0.6954 0.6958 0.6902 0.6899	0.7271 0.7177 0.7134 0.7221 0.7318 0.7444 0.7395 0.7413	0.7922 0.7869 0.7783 0.7850 0.7862 0.7874 0.7916 0.7934	0.0729 0.0735 0.0747 0.0759 0.0747 0.0737 0.0735 0.0749	3.0169 2.9961 2.9641 2.9903 2.9932 2.9981 3.0130 3.0220	2.6825 2.6637 2.6325 2.6550 2.6579 2.6613 2.6731 2.6817	0.1462 0.1452 0.1436 0.1448 0.1450 0.1454 0.1461 0.1465	3.5881 3.5832 3.6380 3.6364 3.6278 3.7093
1998 Jan Feb Mar Apr May	5.4948 5.5022 5.5420 5.5063 5.3917	3.815 3.835 3.913 3.854 3.732	8.988 9.018 9.203 9.205 8.830	7.599 7.573 7.584 7.651 7.650	0.6858 0.6812 0.6956 0.7039 0.7009	0.7333 0.7282 0.7311 0.7312 0.7242	0.7946 0.7958 0.7962 0.7960 0.7975	0.0755 0.0760 0.0764 0.0764 0.0756	3.0268 3.0328 3.0348 3.0356 3.0391	2.6859 2.6908 2.6927 2.6957 2.6970	0.1471 0.1471	3.7261 3.7570 3.7242 3.6565 3.6485

Average of daily quo-	Paris	Rome	Vienna	Lisbon	Madrid	Athens	Tallinn	Tokyo	Mel– bourne	Seoul	ECU Commer cial	SDR
tations	1 FRF	1 ITL	1 ATS	1 PTE	1 ESP	1 GRD	1 EEK	1 JPY	1 AUD	1 KRW	1 XEU	1 XDR
	13	14	15	16	17	18	19	20	21	22	23	24
1993 1994 1995 1996 1997	1.0096 0.9406 0.8748 0.8978 0.8894	0.00364 0.00324 0.00268 0.00298 0.00305	0.4916 0.4573 0.4331 0.4340 0.4255	0.0356 0.0314 0.0291 0.0298 0.0296	0.0451 0.0390 0.0350 0.0363 0.0355	0.025 0.0215 0.0189 0.0191 0.0190	0.4323 0.4021 0.3809 0.3816 0.3742	0.05168 0.05106 0.04663 0.04225 0.04303	3.885 3.814 3.238 3.593 3.859		6.685 6.175 5.644 5.751 5.864	7.98671 7.46629 6.61879 6.66357 7.14420
1997 May Jun Jul Aug Sep Oct Nov Dec	0.8945 0.8878 0.8785 0.8873 0.8904 0.8936 0.9000 0.9028	0.00305 0.00305 0.00304 0.00306 0.00307 0.00306 0.00308 0.00308	0.4286 0.4258 0.4213 0.4250 0.4254 0.4260 0.4281 0.4295	0.0299 0.0297 0.0293 0.0295 0.0295 0.0294 0.0295 0.0296	0.0357 0.0355 0.0351 0.0354 0.0355 0.0355 0.0357 0.0357	0.0189 0.0189 0.0189 0.0191 0.0190 0.0190 0.0192 0.0192	0.3771 0.3745 0.3705 0.3738 0.3741 0.3748 0.3766 0.3777	0.04335 0.04527 0.04609 0.04672 0.04434 0.04355 0.04172 0.04152	3.975 3.902 3.939 4.085 3.876 3.800 3.630 3.562	0.00569 0.00507	5.880 5.855 5.846 5.886 5.872 5.891 5.961 5.980	7.12016 7.19320 7.30859 7.45951 7.28131 7.21962 7.17348 7.27353
1998 Jan Feb Mar Apr May	0.9038 0.9048 0.9053 0.9055 0.9063	0.00308 0.00307 0.00308 0.00307 0.00308	0.4303 0.4311 0.4314 0.4315 0.4319	0.0296 0.0296 0.0297 0.0296 0.0297	0.0357 0.0358 0.0358 0.0357 0.0358	0.0192 0.0192 0.0182 0.0174 0.0176	0.3784 0.3791 0.3794 0.3794 0.3799	0.04253 0.04377 0.04298 0.04169 0.03995	3.611 3.711 3.712 3.592 3.396	0.00325 0.00340 0.00373 0.00397 0.00385	5.978 5.989 6.018 6.017 5.986	7.38238 7.42807 7.44954 7.39411 7.24735

Average	Markka value	Currency indic	es, 1982=100
of daily observa- tions	of the ECU FIM/ECU	Trade-weighted currency index	Payments currency index
	1	2	3
1993 1994 1995 1996 1997	6.69420 6.19108 5.70936 5.83028 5.88125	132.4 123.2 111.6 115.3 118.4	136.0 125.5 111.6 115.8 122.6
1997 May Jun Jul Aug Sep Oct Nov Dec	5.90366 5.88180 5.86447 5.90587 5.89038 5.89074 5.94676 5.97130	118.6 118.7 119.0 120.4 119.5 119.4 119.4 119.4 119.5	122.1 122.4 123.8 126.4 124.7 123.9 123.7 125.4
1998 Jan Feb Mar Apr May	5.98008 5.98982 6.00921 6.00867 5.98172	120.1 120.4 121.3 121.2 119.9	126.7 126.8 127.6 127.3 125.6

4.2 Markka value of the ECU and currency indices

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

Average of daily observa	ECU ations	DEM	FRF	NLG	DKK	BEF	ESP	ATS	PTE	IEP	ITL	GRD
Central rate a 16 Mar 1998	as of 6.01125	3.04001	0.906420	2.69806	0.796976	0.147391	0.0357345	0.432094	0.0296571	7.54951	0.00307071	0.0168382
	1	2	3	4	5	6	7	8	9	10	11	12
1995 1996 1997	-1.69 0.30 0.46	0.23 0.43 –1.52	-3.48 -0.95 -1.88	0.82 0.99 –1.40	-2.25 -0.61 -1.39	0.49 0.65 –1.56	-2.02 1.49 -0.78	0.24 0.44 –1.53	-1.84 0.40 -0.12	-4.52 0.21 7.38	 -3.07 -0.72	
1997 May Jun Jul Aug Sep Oct Nov Dec	0.84 0.47 0.17 0.88 0.62 0.78 1.58 2.00	-0.76 -1.44 -2.50 -1.64 -1.54 -1.38 -0.89 -0.59	-1.31 -2.06 -3.08 -2.11 -1.77 -1.41 -0.71 -0.40	-0.58 -1.27 -2.43 -1.60 -1.49 -1.36 -0.92 -0.61	-0.60 -1.26 -2.35 -1.50 -1.36 -1.20 -0.67 -0.45	-0.84 -1.49 -2.58 -1.74 -1.62 -1.38 -0.89 -0.62	0.02 -0.74 -1.65 -0.92 -0.73 -0.63 -0.18 0.03	-0.80 -1.45 -2.50 -1.65 -1.56 -1.40 -0.92 -0.59	0.97 0.01 -1.04 -0.47 -0.59 -0.75 -0.46 -0.26	6.14 6.37 8.36 9.20 8.20 5.47 7.02 6.83	-0.53 -0.61 -0.86 -0.30 -0.11 -0.29 0.14 0.40	
1998 Jan Feb Mar Apr May	2.15 2.32 1.18 –0.04 –0.49	-0.43 -0.24 -0.17 -0.15 -0.03	-0.28 -0.18 -0.12 -0.10 -0.01	-0.45 -0.27 -0.20 -0.09 -0.04	-0.29 -0.15 -0.10 -0.12 0.07	-0.45 -0.30 -0.19 -0.18 -0.06	-0.07 0.13 0.17 0.02 0.18	0.42 0.24 0.17 0.15 0.04	-0.21 -0.14 -0.01 -0.14 0.13	3.68 3.32 1.81 1.35 1.33	0.16 0.09 0.36 0.06 0.30	 3.46 4.31

5. Financial markets and money supply

5.1 Bank funding from the public, mill. FIM

End				Subject to withholding tax			Other taxable			Markka	Foreign	Other	Total	
of period	Cheque and trans-	Time deposits	Other deposits	Total	Cheque and trans	Other - deposits	Total	Chegue and trans	Other - deposit	Total s	deposits, total	currency deposits		funding
	actions accounts			(1+2+3)	actions accounts		(5+6)	actions accounts		(8+9)	(4+7+10)			(11+12+13)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1993 1994 1995 1996 1997*	88 881 96 796 106 997 132 113 140 891	66 361 63 329 63 599 29 672 46 976	1 457 1 895 2 611 <u>27 140</u> 19 119	156 699 162 021 173 207 188 926 206 985	10 360 9 467 10 916 10 746 7 883	51 943 47 908 45 529 25 207 14 446	62 303 57 375 56 445 35 953 22 329	32 098 37 279 45 558 48 329 52 472	17 664 18 739 16 163 10 438 9 293	49 762 56 018 61 721 58 767 61 765	268 764 275 414 291 373 283 646 291 079	13 332 14 843 12 495	62 599 58 067 50 675 55 046 74 141	346 813 356 891
1997* Apr May Jun Jul Aug Sep Oct Nov Dec	133 313 134 300 134 432 135 230 136 678 134 963 135 800 137 885 140 891	50 984 51 556 52 104 52 563 52 854 53 793 51 832 50 911 46 976	15 254 15 364 15 484 15 575 14 845 16 358 16 516	199 360 201 111 201 900 203 277 205 107 203 602 203 990 205 312 206 985	8 525 8 771 8 548 8 252 8 207 8 277 8 482 7 798 7 883	16 990 16 450 15 788 15 059 14 379 14 162 14 102 14 078 14 446	25 515 25 222 24 336 23 311 22 586 22 439 22 584 21 876 22 329	46 969 50 048 52 499 49 515 48 581 49 347 51 018 51 174 52 472	10 294 10 116 9 558 9 541 9 569 9 239 9 275 9 123 9 293	57 263 60 164 62 057 59 056 58 150 58 587 60 293 60 297 61 765	286 497 288 293 285 645 285 843 284 627 286 867 287 485	11 900 11 743 11 480 11 434 12 458 12 254 12 079	66 369 69 938 63 526 74 487 73 195 77 982 82 490 66 002 74 140	368 335 363 561 371 612 370 472 375 067 381 611 365 566
1998* Jan Feb Mar Apr	142 092 141 276 140 308 141 728	48 768 48 538 48 707 48 591	18 294 18 784 19 424 20 140	209 154 208 598 208 439 210 460	7 817 6 456 6 422 6 424	14 148 13 726 13 484 13 502	21 965 20 182 19 906 19 927	51 535 48 528 54 182 51 590	9 591 9 480 9 497 9 544	61 126 58 009 63 679 61 134	286 789 292 024	10 960	74 305 74 473 76 224 70 349	372 222 378 522

5.2 Bank lending to the public, mill. FIM

End of period	Non- financial corporations	Financial and insurance institutions (excl. banks)	General government (excl. central government)	Non- profit institutions	Households	Foreign sector	Markka- lending, total (1+2+3+4 4+5+6)	Foreign currency lending	Total lending (7+8)
	1	2	3	4	5	6	7	8	9
1993 1994 1995 1996 1997*	83 285 81 130 78 601 <u>82 894</u> 77 351	9 304 11 121 13 045 <u>18 554</u> 21 257	4 036 3 367 2 918 <u>3 052</u> 3 241	12 802 13 016 12 645 <u>13 088</u> 13 453	171 540 162 913 155 990 <u>152 594</u> 155 388	103 124 253 <u>119</u>	281 070 271 670 263 452 <u>270 301</u> 270 691	69 819 47 078 33 124 <u>24 130</u> 16 252	350 889 318 748 296 575 <u>294 430</u> 286 943
1997* Apr May Jun Jul Aug Sep Oct Nov Dec	79 582 79 532 79 240 78 977 78 637 78 597 78 392 76 557 77 351	16 409 17 233 17 409 17 866 19 006 19 613 20 566 21 218 21 257	2 979 3 031 2 973 2 964 2 976 3 071 3 055 3 215 3 241	13 213 13 154 13 214 13 294 13 467 13 617 13 573 13 709 13 453	151 866 152 515 152 671 153 460 154 484 155 001 155 563 156 001 155 388		264 049 265 466 265 507 266 562 268 570 269 898 271 147 270 699 270 691	18 707 18 491 17 709 17 318 16 802 16 378 18 314 16 928 16 246	282 756 283 956 283 215 283 879 285 371 286 276 289 461 287 627 286 937
1998* Jan Feb Mar Apr	77 916 78 339 77 954 78 748	21 485 22 196 22 033 22 529	3 240 3 450 3 422 3 533	13 152 13 166 13 273 13 285	155 345 155 871 156 557 157 411		271 138 273 022 273 238 275 506	16 352 17 431 17 505 20 136	287 490 290 453 290 743 295 642

5.3 Money supply, mill. FIM

End of	Foreign		Domestic credit		Other	Mon	etary aggregate	s
period	assets, net	Claims on the central government	Claims on the public	Total (2+3)	items, net	M ₁	M ₂ (1+4+5)	M ₃
	1	2	3	4	5	6	7	8
1993 1994 1995 1996 1997*	-25 989 12 844 25 481 40 638 69 620	1 848 6 092 19 837 12 821 12 184	403 742 365 712 353 340 350 230 339 143	405 589 371 804 373 177 363 052 351 327	-100 006 -97 953 -94 870 -106 399 -115 351	141 759 154 357 175 921 204 834 215 763	279 595 286 696 303 788 297 291 305 596	322 408 328 509 329 820 325 473 353 735
1997* Apr May Jun Jul Aug Sep Oct Nov Dec	58 607 63 055 73 732 73 618 72 388 87 246 83 239 71 173 69 620	14 411 16 769 3 256 6 226 5 162 3 686 5 621 9 482 12 184	337 724 338 988 337 432 337 876 339 432 340 221 342 934 340 584 339 143	352 134 355 757 340 689 344 102 344 594 343 906 348 555 350 067 351 327	-115 087 -118 523 -112 526 -118 445 -117 141 -133 023 -131 049 -119 678 -115 351	202 323 206 912 209 080 206 628 207 465 206 090 209 178 210 932 215 763	295 654 300 289 301 894 299 276 299 841 298 129 300 745 301 561 305 596	340 840 349 640 350 332 353 820 348 202 350 548 353 649 345 464 353 735
1998* Jan Feb Mar Apr	66 185 62 239 57 197	11 387 8 547 14 911 	339 957 342 763 342 071 	351 344 351 310 356 982 	–111 237 –112 745 –108 561 	215 491 210 276 214 506 214 083	306 292 300 804 305 618 305 861	363 245 355 012 364 489 360 541

5.4 Liabilities and assets of the central government, $_{\mbox{\scriptsize mill. FIM}}$

End of	Foreign curre	ncy–denomi	nated debt		Markka-der	nominated de	ebt		Central	Out-	Cash
period	Bonds	Other debt	Total (1+2)	Public bonds	Other long-term liabilities	Treasury notes and bills	Miscella- neous items	Total (4+5+6+7)	govern- ment debt (3+8)	standing lending	funds
	1	2	3	4	5	6	7	8	9	10	11
1993 1994 1995 1996 1997	142 824 160 587 158 545 158 847 142 717	12 753 15 975 13 756 16 161 25 839	155 577 176 562 172 301 175 008 168 556	71 082 93 008 143 948 177 700 214 876	16 060 17 100 17 492 17 187 16 545	22 824 33 153 37 864 37 620 30 388	-9 700 -12 300 -12 300 -12 300 -12 300	100 266 130 961 187 004 220 479 249 745	255 843 307 523 359 305 395 487 418 301	66 439 67 658 66 855 64 316 	36 487 43 012 41 878 38 369 33 868
1997 Apr May Jun Jul Aug Sep Oct Nov Dec	155 575 155 880 159 454 156 183 155 814 154 425 154 826 141 898 142 717	21 828 23 054 24 635 25 261 24 994 25 586 25 462 25 597 25 839	177 403 178 934 184 089 181 444 180 808 180 011 180 288 167 495 168 556	192 178 194 126 186 952 190 450 192 441 202 789 204 172 216 455 214 876	16 865 16 865 16 581 16 574 16 574 16 573 16 573 16 557 16 545	43 658 44 045 42 797 44 522 41 545 39 063 34 599 34 458 30 388	-12 300 -12 300 -12 300 -12 300 -12 300 -12 300 -12 300 -12 300 -12 417	240 588 242 923 234 248 239 533 238 547 246 332 243 310 255 396 249 628	417 991 421 857 418 337 420 977 419 355 426 343 423 598 422 891 418 184	66 479 65 951 65 979 65 569 65 716 66 004 66 151 65 837 65 305	41 543 46 841 37 376 37 195 37 233 48 389 48 685 42 539 33 868
1998 Jan Feb Mar Apr	143 626 143 776 137 141 132 022	26 312 26 265 26 233 25 735	169 938 170 041 163 374 157 757	214 642 217 195 218 647 220 246	16 545 16 545 16 494 16 310	31 081 25 712 27 949 24 755	-12 417 -12 417 -12 417 -12 417 -12 417	250 047 247 232 250 870 249 051	419 985 417 273 414 244 406 808	 	

5.5 Markka bond market

A) Issues, mill. FIM

During period	Corpo- rations	Financial institutions	Central government	Local government	Others	Total (1+2+3+4+5)
	1	2	3	4	5	6
1993 1994 1995 1996 1997*	11 691 4 053 643 3 213 2 383	10 481 9 899 4 487 9 074 7 041	36 512 31 553 66 557 62 139 57 165	2 235 593 26 20	63 	60 981 46 099 71 713 74 447 66 589
1997* Apr May Jun Jul Aug Sep Oct Nov Dec	6 	920 585 289 218 783 387 1 210 1 112	4 258 2 201 5 472 3 508 3 375 10 431 7 424 6 393		- - - - - - -	5 184 2 785 6 212 3 508 3 593 12 034 7 812 8 156 1 172
1998* Jan Feb Mar Apr	401 491 1 001	714 1 763 825 875	14 651 4 032 6 505 3 392	_ _ _ _	- - -	15 365 6 196 7 821 5 268

B) Stock, mill. FIM

End of			By sector				By type of loar	ı	Total (1+2+3+4+5)	
period	Corpo-	Financial	Central	Local	Others	Public is	ssues	Private	= ,	
	rations	institutions	government	government		Taxable	Taxfree	placings	(6+7+8)	
-	1	2	3	4	5	6	7	8	9	
1993 1994 1995 1996 1997*	32 459 30 179 26 480 25 266 23 327	73 893 66 467 55 223 44 849 43 881	73 682 94 865 145 177 179 419 216 215	6 884 6 981 5 814 4 362 3 648	2 009 953 357 100 84	119 552 141 935 186 799 220 037 261 316	10 391 7 581 5 034 2 956 1 345	58 984 49 929 41 218 31 003 24 494	188 927 199 445 233 051 253 996 287 155	
1997* Apr May Jun Jul Aug Sep Oct Nov Dec	25 462 24 336 23 872 23 402 23 103 23 844 23 433 23 709 23 327	44 214 43 819 42 300 41 461 41 564 42 915 43 068 44 123 43 881	193 517 195 466 188 292 191 789 204 128 211 426 217 794 216 215	4 126 3 977 3 943 3 932 3 924 3 918 3 910 3 860 3 648	99 93 91 91 90 88 86 84	236 936 238 090 229 911 232 715 234 752 247 500 254 735 262 709 261 316	2 107 1 842 1 833 1 829 1 663 1 477 1 366 1 349 1 345	28 375 27 759 26 754 26 131 26 047 25 918 25 824 25 514 24 494	267 418 267 691 258 498 260 675 262 462 274 895 281 925 289 572 287 155	
1998* Jan Feb Mar Apr	22 774 23 012 23 341 24 228	43 700 44 944 42 322 42 654	215 980 218 534 219 982 221 344	3 632 3 489 3 483 3 470	84 84 82 82	261 271 265 528 265 134 268 427	1 131 1 003 845 837	23 768 23 532 23 231 22 514	286 170 290 063 289 210 291 778	

C) Turnover, mill. FIM

During period		mary dealers' transactions in nchmark government bonds	
	Purchases from other primary dealers	Purchases from customers	Sales to customers
	1	2	3
1993 1994 1995 1996 1997	42 945 173 096 133 357 201 528 258 634	95 647 150 908 190 069 222 584 264 994	117 489 176 647 215 879 242 310 291 056
1997 May Jun Jul Aug Sep Oct Nov Dec	14 193 15 845 17 873 21 752 28 032 40 705 17 106 21 198	16 206 20 317 23 428 25 146 34 507 33 503 19 655 16 515	21 661 23 502 27 905 25 637 37 825 31 670 19 411 16 656
1998 Jan Feb Mar Apr May	22 397 12 826 17 211 ^r 14 448 12 010	23 508 15 971 22 000 ^r 15 315 14 332	25 746 16 099 23 870 ^r 18 415 14 337

5.6 Helsinki Stock Exchange

Average of daily						Share prices							nover ¹ , mill.	
observation	ns				HEX in	dex (28 Dec	1990=100	00)				Turr	iover [,] , mill.	
		l- lare dex	Banks and finance	Insurance	Trade	Construc- tion	Forest indus- tries	Metal and engi- neering	Telecom- munica- tions and electron- ics	icals	Con- glom- erates	Shares and subscrip- tion rights	Bonds and deben- tures	Total
	-	1	2	3	4	5	6	7	8	9	10	11	12	13
1993 1994 1995 1996 1997	18 19 20	240 347 918 032 207	608 719 500 460 822	644 802 638 <u>820</u> 1 576	- - 2 255	- - - 1 006	1 695 2 284 2 062 2 040 2 712	1 749 2 675 2 255 2 564 3 408	- - - 1 416	- - - 900	1 751 3 068 4 251 5 681 7 477	46 337 68 671 83 019 101 265 186 088	59 977 2 147 1 075 541 488	106 314 70 818 84 094 101 806 186 576
1997 May Jun Jul Aug Sep Oct Nov Dec	3 3 3 3 3 3 3 3 3	045 135 432 530 480 733 448 303	705 679 839 898 883 1 016 1 022 1 080	1 420 1 442 1 590 1 581 1 627 1 921 1 925 2 105	2 272 2 362 2 361 2 301 2 209 2 268 2 279 2 370	1 015 1 031 1 064 1 022 989 994 946 926	2 713 2 732 2 919 3 001 3 001 3 204 2 737 2 508	3 481 3 574 3 768 3 692 3 543 3 607 3 231 3 065	1 241 1 334 1 565 1 672 1 662 1 833 1 631 1 449	922 926 929 913 885 926 901 900	7 887 7 927 7 849 7 705 7 445 7 689 7 593 7 757	12 254 14 405 15 708 15 325 15 719 24 739 15 163 17 764	24 28 28 46 43 33 27 53	12 278 14 433 15 736 15 371 15 762 24 772 15 190 17 817
1998 Jan Feb Mar Apr May	3 8 4 2 4	430 851 249 705 925	1 136 1 190 1 270 1 393 1 344	2 128 2 418 2 570 2 957 3 024	2 526 2 639 2 759 2 876 2 832	956 1 005 1 009 1 073 1 145	2 589 2 886 3 278 3 460 3 673	3 045 3 167 3 393 3 506 3 748	1 499 1 804 2 085 2 450 2 632	933 988 1 054 1 135 1 121	8 324 9 848 10 813 11 614 11 547	15 485 20 050 24 260 25 985 18 303	53 43 173 38 21	15 538 20 093 24 433 26 023 18 324

¹ During period.

6. Balance of payments, foreign assets and liabilities 6.1 Current account, mill. FIM

During period	Exports of goods, fob	Trans- port receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Invest- ment income	Trans- fers and other income	Current account receipts (6+7+8)	Imports of goods, cif	Trans- port ex- pendi- ture	Travel ex- pendi- ture	Other services expendi- ture
	1	2	3	4	5	6	7	8	9	10	11	12	13
1993 1994 1995 1996* 1997*	132 550 152 022 172 820 182 436 207 800	10 430 11 385 11 900 12 404 13 410	7 079 7 314 7 536 7 338 8 380	9 379 11 808 14 986 15 315 15 396	26 888 30 508 34 422 35 057 37 186	159 438 182 530 207 242 217 493 244 985	6 137 9 617 12 929 15 375 17 479	6 506 4 919 8 596 7 698 8 023	172 080 197 067 228 767 240 566 270 487	101 559 118 684 125 450 138 106 155 444	5 646 5 862 6 029 5 529 6 117	8 697 10 450 10 559	17 008 16 800 19 150 16 921 17 034
1995 IV	46 154	2 976	1 903	3 870	8 749	54 903	3 892	3 360	62 155	33 926	1 481	2 779	4 937
1996* V	42 631 48 126 41 925 49 754	2 997 3 128 3 252 3 027	1 677 1 873 2 065 1 724	3 473 3 729 4 158 3 955	8 146 8 730 9 474 8 706	50 777 56 856 51 399 58 460	4 242 4 511 3 110 3 512	1 446 2 076 1 339 2 837	56 466 63 443 55 848 64 809	33 495 34 519 31 989 38 102	1 382 1 367 1 402 1 377	2 615 2 678 2 571 2 696	4 088 3 994
1997* I II III IV	46 179 52 517 52 609 56 495	3 206 3 407 3 546 3 252	1 566 2 131 2 578 2 105	3 334 4 035 3 959 4 069	8 106 9 572 10 082 9 426	54 285 62 089 62 691 65 920	3 643 5 182 4 091 4 562	2 131 1 899 1 877 2 117	60 059 69 170 68 659 72 599	35 672 39 411 38 213 42 148	1 524 1 545 1 538 1 509	2 475 2 958 2 919 3 082	4 305 3 867
1998* I	55 572	3 504	1 818	3 984	9 306	64 878	3 566	2 125	70 568	41 261	1 643	2 717	4 614

ouring eriod	Services expendi- ture, total (11+12 +13)	Imports of goods and services (10+14)	Invest- ment ex- pendi- ture	Trans- fers and other ex- pendi- ture	Current account expendi- ture (15+16 +17)	Trade account (1–10)	Trans- port (2–11)	Travel (3–12)	Other services (4–13)	Services account (20+21 +22)	Goods and services account (19+23)	Invest- ment income, net (7–16)	Trans- fers and others, net (8–17)	Current account (24+25 +26)= (9–18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1993 1994 1995 1996* 1997*	31 891 31 359 35 629 33 009 34 586	133 450 150 043 161 080 171 115 190 030	31 801 32 529 32 900	12 627 14 520	190 440 206 237		5 523 5 870 6 875	-1 382 -2 914	-1 606	-851	32 487 46 162 46 378	-28 443 -22 184 -19 600 -17 525 -16 112	-3 676 -4 032 -6 821	-6 340 6 627 22 531 22 031 31 626
1995 IV	9 196	43 122	6 538	3 407	53 067	12 228	1 494	-875	-1 066	-447	11 781	-2 646	-47	9 087
1996* V	8 296 8 133 7 966 8 613	41 792 42 652 39 956 46 715	8 529 10 773 6 556 7 042	3 862 3 055	54 331 57 287 49 567 57 350	9 136 13 607 9 936 11 652	1 614 1 761 1 850 1 650	-938 -805 -506 -972	-827 -358 164 -585	-151 598 1 508 93	8 985 14 204 11 444 11 745	-4 287 -6 262 -3 447 -3 530	-1 786	2 135 6 157 6 280 7 459
1997* V	8 226 8 809 8 325 9 226	43 898 48 220 46 538 51 374	8 461 10 444 7 217 7 468	3 806	56 831 62 145 57 562 62 324		1 681 1 861 2 008 1 743	-909 -827 -342 -977	893 271 91 566	-120 763 1 757 199	10 387 13 869 16 153 14 547	-4 818 -5 263 -3 126 -2 906	-1 581 -1 930	3 228 7 026 11 097 10 275
1998* I	8 974	50 235	9 159	4 824	64 218	14 311	1 861	-899	-630	332	14 643	-5 593	-2 699	6 350

6.2 Capital and financial account, mill. FIM

During	Capital						Financia	account					
period	account, imports of	Direct		Portfo	olio investme	ent in Finla	nd		Ot	her investm	ent in Finlar	ıd	Total
	or capital	invest- ment in Finland	Shares	Bonds	Of which: markka denominat ed bonds	Money market instru- - ments	Finan- cial deriva- tives	Total (3+4+ 6+7)	Trade credits	Loans	Other capital	Total (9+10+ 11)	(2+8+12)
	1	2	3	4	5	6	7	8	9	10	11	12	13
1993 1994 1995 1996* 1997*	0 0 487 596 1 295	4 945 8 240 4 642 5 093 8 009	12 748 13 400 8 734 8 937 20 774	30 353 21 977 -17 868 -4 624 -4 353		-4 382 -2 134 1 421 1 016 2 776	59 2 588 1 501 616	38 719 33 302 -5 125 6 830 19 813	4 467 3 107 -1 216 -3 383 -662	5 457 647 -6 985 12 737 10 681	-29 801 -1 392 8 376 -1 347 6 320	-19 877 2 361 176 8 006 16 340	23 787 43 903 -307 19 929 44 161
1995 IV	487	3 109	1 920	-6 181	358	2 666	839	-756	1 609	-254	2 707	4 063	6 416
1996* I II III IV	0 0 596	1 759 486 2 522 326	1 216 6 143 374 1 204	2 635 -5 184 -4 841 2 766	277	502 363 -254 406	1 119 754 -180 -192	5 472 2 076 -4 902 4 185	-3 416 -735 -42 809	4 632 4 717 2 516 872	-552 -3 119 4 371 -2 048	665 863 6 844 -366	7 895 3 425 4 463 4 145
1997* V	0 450 0 845	2 342 2 574 552 2 541	5 121 7 579 3 460 4 614	4 126 5 234 2 844 -16 558	9 562 10 013	2 197 -1 751 -2 252 4 582	-94 28 438 245	11 349 11 091 4 489 -7 117	-822 -1 731 867 1 023	6 608 3 193 5 016 -4 135	16 464 -7 150 3 438 -6 432	22 250 -5 688 9 322 -9 544	35 941 7 977 14 363 -14 120
1998* I	66	1 638	5 064	-8 937	1 101	-2 277	-226	-6 376	148	438	4 927	5 514	776

During	Capital						Financial	account						Errors
period	account exports	Direct		Portfolio i	nvestment a	abroad			Other inve	estment at	oroad	Total	Change	and omis-
	of capital	invest- ment abroad	Shares	s Bonds	Money market in- struments		Total - (16+17+ 18+19)	Trade credits	Loans	Other capital	Total (21+ 22+23)	(15+ 20+24)	in central bank's re- serve asset (increase -)	
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1993 1994 1995 1996* 1997*	0 0 206 340 0	8 050 22 447 6 539 16 516 22 879	873 434 892 3 250 9 493	767 -4 294 3 685 15 455 15 215	1 932 -855 -5 492 364 -617	 -279 -168 -172 371	3 571 -4 994 -1 084 18 897 24 463	1 923 1 213 3 839 982 3 789	-839 -7 460 -2 712 4 523 6 761	9 576 9 762 11 750 15 927 3 107	10 660 3 516 12 877 21 431 13 657	22 282 20 968 18 332 56 845 60 998	-25 504 -	6 055 -4 058 -5 652 554 -5 296
1995 IV	102	2 410	184	1 797	-967	-115	899	933	-2 373	6 433	4 993	8 302	291 -	7 878
1996* V	61 0 0 279	5 508 6 798 3 793 417	567 1 041 728 914	4 019 3 041 4 179 4 216	2 424 162 -2 457 235	-26 71 -51 -166	6 983 4 315 2 399 5 200	-670 779 -792 1 665	2 416 -2 064 1 565 2 606	6 458 4 834 1 927 2 708	8 205 3 549 2 700 6 979	20 696 14 662 8 892 12 595		3 473 3 377 -721 1 179
1997* V	0 0 0 0	2 347 6 338 3 551 10 643	1 866 2 475 2 165 2 987	6 620 5 313 595 2 687	4 286 -2 783 -2 975 855	13 275 52 31	12 786 5 280 -162 6 559	918 189 966 1 716	3 245 1 127 14 561 -12 172	-3 185 7 390 4 868 -5 966	978 8 706 20 395 -16 422	16 110 20 324 23 784 780	-22 134 3 031 -2 968 11 283 -	-925 1 841 1 292 7 504
1998* I	0	11 165	2 414	1 433	-1 090	-199	2 558	1 274	5 903	-8 595	-1 417	12 306	7878 -	2 765

Position						Ass	sets					
at end of	Direct		Po	rtfolio investr	nent			0	ther invest	ment		Total
period	invest- ment abroad	Shares	Bonds	Money market instruments	Financial deri- vatives	Total (2+3+ 4+5)	Trade credits	Loans	Curren- cy and deposits	Other	Total (7+8+ 9+10)	assets (1+6+11)
	1	2	3	4	5	6	7	8	9	10	11	12
1993 1994 1995 1996* 1997*	53 090 59 451 65 350 82 038 110 216	1 783 1 984 3 216 7 460 18 373	10 709 5 109 9 619 25 077 42 384	11 030 9 115 2 736 3 478 3 155	447 488 177 -21 1 404	23 968 16 696 15 748 35 993 65 316	26 256 25 500 28 358 29 929 30 027	35 981 24 847 20 381 25 438 34 236	5 799 8 257 7 290 5 895 7 249	91 127 109 847 115 543 124 541 148 954	159 162 168 451 171 571 185 803 220 466	236 221 244 598 252 669 303 834 395 998
1995 IV	65 350	3 216	9 619	2 736	177	15 748	28 358	20 381	7 290	115 543	171 571	252 669
1996* V	73 551 79 164 81 377 82 038	3 984 4 999 5 835 7 460	14 063 16 834 20 620 25 077	5 670 5 842 3 176 3 478	169 93 48 –21	23 886 27 768 29 679 35 993	27 980 28 892 27 902 29 929	23 594 21 499 22 873 25 438	5 435 5 523 6 488 5 895	121 308 118 075 119 331 124 541	178 317 173 989 176 594 185 803	275 754 280 922 287 650 303 834
1997* I II III IV	85 318 93 589 98 456 110 216	9 898 13 400 16 001 18 373	32 534 38 994 39 793 42 384	7 598 5 080 2 239 3 155	171 610 813 1 404	50 201 58 083 58 845 65 316	26 391 26 976 28 097 30 027	29 411 31 180 45 991 34 236	6 065 7 027 5 490 7 249	147 489 155 578 165 857 148 954	209 355 220 760 245 435 220 466	344 875 372 433 402 736 395 998
1998* I	123 073	23 391	45 127	2 114	1 381	72 013	32 017	40 318	7 503	134 673	214 512	409 598

6.3 Finland's international investment position, mill. FIM

Position							Liabilities						
at end of period	Direct invest-			Portfolio inv	vestment				O	ther invest	tment		Total liabilities
period	ment in Finland	Shares	Bonds	Of which: markka denominat- ed bonds	Money market instru- ments	Finan- cial deriva- tives	Total (14+15+ 17+18)	Trade credits	Loans	Curren- cy and deposits	Other	Total (20+21+ 22+23)	(13+19+24)
	13	14	15	16	17	18	19	20	21	22	23	24	25
1993 1994 1995 1996* 1997*		30 375 60 558 63 746 108 932 172 393	266 269 258 823 228 676 229 919 243 679	22 285 19 638 26 284	14 995 10 309 10 099 10 888 14 110	-6 103 -5 179 1 545 3 634 5 567	305 536 324 511 304 066 353 373 435 749	18 206 19 852 18 540 14 863 13 997	90 825 82 649 69 249 83 295 98 221	4 025 3 430 2 568 1 733 2 760	54 188 46 566 53 557 55 279 64 262	167 243 152 498 143 914 155 170 179 241	497 170 508 855 484 874 549 397 663 996
1995 IV	36 894	63 746	228 676	19 638	10 099	1 545	304 066	18 540	69 249	2 568	53 557	143 914	484 874
1996* I II III IV	38 422 38 616 40 808 40 854	68 674 80 962 91 198 108 932	241 085 234 317 225 308 229 919	23 855 23 656	11 192 11 126 11 286 10 888	2 424 3 099 2 948 3 634	323 375 329 504 330 740 353 373	14 873 14 214 13 940 14 863	77 934 81 836 82 365 83 295	1 518 1 939 1 742 1 733	55 412 51 588 55 621 55 279	149 737 149 577 153 668 155 170	511 533 517 697 525 216 549 397
1997* I II III IV	45 801 46 350	129 824 162 713 201 959 172 393	240 656 254 080 258 062 243 679	37 534 47 920	13 258 11 813 9 267 14 110	2 789 1 003 2 642 5 567	386 527 429 609 471 930 435 749	13 794 12 092 12 978 13 997	90 724 97 074 102 147 98 221	2 624 2 870 2 737 2 760	66 344 69 899	179 648 178 380 187 762 179 241	609 366 653 791 706 042 663 996
1998* I	50 648	246 199	239 126	46 413	11 727	4 689	501 741	14 123	100 037	3 097	69 816	187 073	739 462

Position at end of period	Corporate sector	House- holds and nonprofit institutions	Banks	Bank of Finland	Other financial institution	Central govern- s ment	Local govern- ment	Net (1+2+3+ 4+5+6+7)	and dividend	Net interest and dividend expenditure in relation to current account receipts, %
	1	2	3	4	5	6	7	8	9	10
1993 1994 1995 1996* 1997*	-54 315 -82 428 -72 374 -107 522 -153 965	3 436 3 503 2 293 1 468 3 218	-45 658 -33 800 -18 970 12 904 11 076	33 279 52 606 47 708 35 522 50 931	-29 737 -21 931 -13 297 -1 785 11 561	-164 892 -179 113 -174 481 -183 703 -188 315	-3 062 -3 093 -3 085 -2 448 -2 503	-260 949 -264 257 -232 205 -245 563 -267 998	21 897 20 296 17 490 16 477 15 712	12.7 10.3 7.6 6.8 5.8
1995 IV	-72 374	2 293	-18 970	47 708	-13 297	-174 481	-3 085	-232 205	2 118	3.4
1996* V	75 429 83 595 92 415 107 522	2 502 2 595 1 104 1 468	-4 613 4 569 6 027 12 904	42 679 33 647 34 482 35 522		–188 118 –185 184 –182 336 –183 703	-3 169 -3 118 -2 535 -2 448	-235 779 -236 776 -237 566 -245 563	6 000	7.1 9.5 5.7 5.0
1997* I II III IV	-130 938 -159 963 -192 639 -153 965	1 715 1 854 2 930 3 218	-6 325 11 131 20 426 11 076	59 120 58 737 61 333 50 931	3 336 8 240 9 756 11 561	-189 002 -198 960 -202 657 -188 315	-2 396 -2 396 -2 456 -2 503	-264 491 -281 358 -303 306 -267 998	4 713 5 158 3 021 2 821	7.8 7.5 4.4 3.9
1998* I	-210 962	3 959	1 000	44 268	14 272	-180 103	-2 297	-329 864	5 488	7.8

6.4 Finland's net international investment position (assets less liabilities)¹, by sector, mill. FIM

¹ Finland's net international investment position (NIIP) is expressed as external assets less external liabilities.

7. Foreign trade

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

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

		<i>a 100, 11111. 1 11</i>		an		1 11440, 13	000=100		
During period	Exports, fob	Imports, cif	Balance (1–2)	Period	Volu (seasonall)	me y adjusted)	Pric	ces	Terms of trade
					Exports	Imports	Exports	Imports	
	1	2	3		1	2	3	4	5
1993 1994 1995 1996 1997*	134 114 154 164 176 021 186 336 211 696	103 165 120 612 128 556 141 720 159 190	30 949 33 552 47 465 44 616 52 506	1993 1994 1995 1996 1997*	120.6 136.5 145.7 153.1 177.4	83.6 98.0 104.6 113.5 126.1	109.7 111.4 119.2 120.2 117.7	119.6 119.3 119.2 121.1 122.4	91.7 93.3 100.0 99.3 96.2
1997* Mar Apr May Jun Jul Aug Sep Oct Nov Dec	16 719 18 827 17 341 17 317 18 231 16 339 19 006 20 747 19 370 17 355	13 152 14 314 12 709 13 324 12 271 12 189 14 690 15 190 13 990 13 902	3 567 4 513 4 632 3 993 5 960 4 150 4 316 5 557 5 380 3 453	1997* Mar Apr Jun Jul Aug Sep Oct Nov Dec	169.7 185.9 173.3 175.3 190.1 175.8 188.4 193.7 180.3 174.0	119.3 131.6 119.4 128.9 125.8 122.0 137.5 134.9 128.0 129.2	115.5 116.2 116.2 116.3 117.2 118.5 118.7 120.7 120.1 120.7	121.1 120.8 122.3 121.9 123.6 123.5 123.8 123.8 123.2 122.5	95.4 96.2 95.0 94.8 96.0 96.3 97.5 97.5 98.5
1998* Jan Feb Mar	17 886 19 914 18 900	13 156 13 444 15 700	4 730 6 470 3 200	1998* Jan Feb Mar	183.8 199.9 184.9	134.0 134.2 144.2	120.2 120.4 120.1	121.4 120.7 120.2	99.0 99.8 99.9

7.3 Foreign trade by main groups, mill. FIM

During		Expo	rts by industri	es, fob			Impor	ts by use of g	oods, cif	
period	Wood industry	Paper industry	Chemical industry	Metal and engineering	Other	Raw materials	Crude oil, fuels and	Finishe	ed goods	Other
	products	products	products	industry products	goods	(excl. crude oil)	lubricants	Investment goods	Consumer goods	goods
	1	2	3	4	5	6	7	8	9	10
1993 1994 1995 1996 1997*	10 910 14 198 13 451 12 688 15 423	37 430 41 249 48 754 44 602 49 674	14 205 15 725 15 877 18 482 20 743	48 158 55 895 69 336 78 969 91 757	23 411 27 097 28 603 31 595 34 099	54 792 66 156 71 397 72 970 84 129	10 904 11 687 9 685 12 944 12 886	15 396 17 227 19 660 22 004 23 904	21 066 24 684 25 514 30 897 34 899	1 007 858 2 300 2 905 3 372
1997* Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec	1 133 1 258 1 352 1 440 1 294 1 195 933 1 453 1 649 1 373 1 223	3 611 3 851 4 222 4 160 3 695 4 303 4 282 4 408 4 845 4 255 4 233	1 725 1 576 1 936 1 804 1 702 1 667 1 741 1 697 2 009 1 882 1 445	5 955 7 341 8 272 6 969 7 752 8 595 6 656 8 273 8 950 8 931 7 855	2 618 2 693 3 045 2 968 2 874 2 471 2 471 3 175 3 294 2 929 2 599	6 238 6 977 7 628 6 944 7 374 6 396 6 869 7 622 7 803 7 483 7 063	1 044 805 941 1 065 1 151 767 1 061 1 350 1 137 1 192	1 608 2 002 2 086 1 779 1 957 1 724 1 697 2 255 2 438 2 257 2 376	2 840 3 000 3 125 2 700 2 645 2 811 2 654 3 178 3 395 2 909 3 052	215 368 534 219 283 189 202 574 204 204 204 219
1998* Jan Feb	1 148 1 252	4 522 4 453	1 738 1 517	7 344 9 625	3 134 3 067	6 713 7 406	1 272 613	2 010 1 873	2 833 3 229	328 323

Region and country		Expo	ts, fob			Imp	orts, cif	
country	199	7*	Mar 199	97 – Feb 1998	19	997*	Mar 199	7 – Feb 1998
-	Mill. FIM	Percentage share	Mill. FIM	12-month change calculated from 12-month moving total	Mill. FIM	Percentage share	Mill. FIM	12-month change calculated from 12-month moving total
	1	2	3	4	5	6	7	8
European Union ¹ Austria Belgium and	112 277 2 003	53.0 0.9	115 543 2 172	12.3 29.0	93 841 1 702	58.9 1.1	95 449 1 752	10.9 15.3
Luxembourg Denmark France Germany Greece Ireland Italy	4 890 6 494 8 862 23 226 1 243 1 682 6 290	2.3 3.1 4.2 11.0 0.6 0.8 3.0	5 004 6 625 9 203 23 966 1 731 1 807 6 638	4.0 16.2 17.2 5.5 67.9 58.3 33.9	4 048 5 459 7 734 23 147 401 1 242 6 461	2.5 3.4 4.9 14.5 0.3 0.8 4.1	4 117 5 654 7 953 23 429 408 1 309 6 636	-1.3 12.6 23.5 9.3 11.9 13.5 15.8
Netherlands Portugal Spain Sweden United Kingdom	8 675 1 192 4 594 20 830 21 108	4.1 0.6 2.2 9.8 10.0	8 862 1 231 4 764 20 859 21 450	17.0 30.0 14.3 3.5 12.3	6 437 1 167 2 275 19 088 12 164	4.0 0.7 1.4 12.0 7.6	6 574 1 178 2 546 19 367 11 984	24.7 13.2 31.8 13.7 -4.8
Rest of Europe Of which:	42 815	20.2	44 151	28.4	27 652	17.4	27 933	13.7
Estonia Norway Poland Russia Switzerland	6 719 6 345 3 756 15 463 2 080	3.2 3.0 1.8 7.3 1.0	6 892 6 484 3 869 16 068 2 134	31.0 20.5 32.2 36.5 2.4	2 188 5 899 1 794 12 522 2 669	1.4 3.7 1.1 7.9 1.7	2 249 5 962 1 789 12 534 2 694	32.6 -3.5 30.9 17.8 10.5
Non-European industrialized countries Of which:	s ² 23 857	11.3	25 834	16.9	22 441	14.1	23 265	20.9
Australia Japan U.S.A	2 666 4 025 14 733	1.3 1.9 7.0	2 617 3 847 16 917	26.3 -18.1 21.9	1 020 8 586 11 719	0.6 5.4 7.4	1 112 8 827 12 242	-5.3 21.2 24.2
Dynamic Asian economies ³ Of which:	16 726	7.9	16 603	17.9	7 249	4.6	7 399	13.0
China Hong Kong South Korea	3 814 3 944 2 456	1.8 1.9 1.2	3 911 4 226 2 298	33.6 39.8 –14.9	2 844 633 701	1.8 0.4 0.4	2 895 665 714	32.0 –5.0 –5.2
Other countries	16 022	7.6	16 499	11.4	8 007	5.0	8 043	23.8
TOTAL	211 696	100.0	218 630	16.1	159 190	100.0	162 089	13.4
Of which: Africa Asia Control and	3 330 29 849	1.6 14.1	3 451 29 677	32.0 6.9	1 381 18 807	0.9 11.8	1 446 19 091	53.2 16.7
Central and South America North America Europe Oceania	3 554 16 783 155 091 3 087	1.7 7.9 73.3 1.5	3 787 18 981 159 694 3 039	37.5 26.4 16.3 20.1	3 515 12 754 121 493 1 242	2.2 8.0 76.3 0.8	3 587 13 247 123 383 1 336	52.0 23.6 11.5 –5.0

7.4 Foreign trade by regions and countries

Including exports / imports to EU unspecified by country.
 Australia, Canada, Japan, New Zealand, United States.
 China, Hong Kong, Malaysia, Singapore, South Korea, Taiwan, Thailand.

8. Domestic economic developments

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

Period		umption nditure	Fixe	d stment	Change in stocks, incl. statistical	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7–8)
	Private	Public	Private	Public	discrepancy	(1+2+3+4+3)			
	1	2	3	4	5	6	7	8	9
1993 1994 1995 1996* 1997*	240 177 244 761 255 968 265 673 273 638	103 028 102 728 104 645 108 272 107 926	60 638 60 543 69 718 75 262 84 708	13 890 14 107 13 338 14 742 15 420	10 221 22 236 20 568 17 399 20 544	427 954 444 375 464 237 481 348 502 236	142 459 161 376 174 580 181 447 204 736	113 842 128 411 137 327 143 300 156 625	456 571 477 340 501 490 519 495 550 347
1995* III IV	64 055 64 504	26 291 26 545	18 017 17 122	3 223 3 373	6 212 5 265	117 798 116 809	42 194 43 596	34 495 34 868	125 497 125 537
1996* I II III IV	65 995 65 779 66 546 67 353	26 653 27 108 27 195 27 316	18 039 18 231 19 396 19 596	3 541 3 663 3 770 3 768	6 545 2 840 4 290 3 724	120 773 117 621 121 197 121 757	43 212 45 161 45 065 48 009	36 380 34 890 35 167 36 863	127 605 127 892 131 095 132 903
1997* I II III IV	67 481 68 017 68 700 69 440	26 619 27 035 27 110 27 162	18 707 20 975 22 290 22 736	3 730 3 976 3 910 3 804	5 898 5 802 3 478 5 366	122 435 125 805 125 488 128 508	47 984 50 590 54 000 52 162	37 500 39 318 40 090 39 717	132 919 137 077 139 398 140 953

8.2 Volume of industrial production, 1995=100 (seasonally adjusted figures)

Period	Total Industry	Mining and quarrying	Manu- facturing	Wood and paper industry	Metal industry	Other manu- facturing	Energy
	(100.0)	(1.1)	(90.0)	(23.5)	(36.2)	(30.3)	(8.9)
	1	2	3	4	5	6	7
1993 1994 1995 1996* 1997*	84.9 94.2 100.1 103.4 112.6	90.2 102.0 99.3 100.4 123.4	83.7 93.4 100.1 102.9 112.8	89.2 99.5 100.0 97.3 111.0	72.6 85.1 100.2 106.8 119.5	92.5 98.4 100.0 102.5 106.2	96.0 101.6 100.0 109.6 109.5
1997* Mar Apr May Jun Jun Aug Sep Oct Nov Dec	109.3 111.7 109.8 112.4 117.3 113.9 114.8 119.6 117.2 120.8	131.6 112.7 109.9 139.7 128.5 94.7 144.6 138.5 138.0 133.6	109.3 111.9 109.9 112.6 116.9 114.5 115.3 120.6 117.6 121.9	106.2 106.6 110.6 109.2 111.5 112.5 110.5 113.9 119.3 120.9	113.1 119.2 113.6 119.3 126.5 121.2 119.4 123.1 123.7 131.3	106.4 104.6 103.4 104.9 108.9 106.2 104.6 106.9 108.6 110.8	107.8 110.1 107.4 105.5 109.7 110.2 105.6 109.4 111.8 112.3
1998* Jan Feb Mar	117.6 118.2 119.9	124.7 126.9 128.2	118.5 118.6 120.4	115.1 116.4 115.8	127.6 127.7 132.8	109.2 108.5 108.0	107.3 111.5 114.7

		,	1 5	,	, ,	o ,	
Period	Volume of wholesale	Volume of retail	Volume of construction	Of wh	ich:	Imports of investment	Monthly GDP
	trade	trade	of buildings	Residential buildings	Industrial buildings	goods	indicator
	1	2	3	4	5	6	7
1993 1994 1995 1996 1997*	68.5 73.0 76.2 77.8 82.7	78.1 79.7 82.6 86.0 89.2	46.9 42.2 42.0 43.5 53.4	47.2 45.1 41.1 38.8 53.4	35.6 35.2 49.9 52.0 63.0	72.9 84.4 88.5 106.2 118.8	89.8 93.7 97.8 100.7 106.6
1997* Mar Apr May Jun Jul Aug Sep Oct Nov Dec	91.0 92.6 92.2 93.1 93.5 92.8 93.4 93.7 92.6 90.2	77.4 81.8 77.5 77.8 77.7 78.3 79.6 79.6 81.5 82.2	50.4 52.5 52.7 53.6 55.1 56.4 58.1 58.6 58.3 57.9	53.5 55.1 53.2 52.6 52.8 54.4 55.5 56.5 58.1	$\begin{array}{c} 61.9\\ 62.9\\ 64.5\\ 63.7\\ 65.4\\ 66.4\\ 66.0\\ 66.6\\ 66.9\\ 66.4\end{array}$	112.9 121.0 112.8 117.3 120.4 109.5 127.5 132.4 117.2 128.8	103.3 106.0 104.9 106.3 107.5 106.8 108.1 108.7 109.3 110.4
1998* Jan Feb Mar	93.4 94.6 	82.1 82.2 	54.9 53.8 52.7	56.6 55.8 54.7	64.4 62.5 61.5	118.9 129.3	109.0 110.0 111.8

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

8.4 Wages and prices, 1990=100

Period	Index		By sectors		Con-	Indica-	Basic	Ву	origin	Produc-	By mark	eting area	Building
	of wage and salary earnings	Private	Of which: Manufac- turing (SIC 3	Public 3)	sumer price index	tor of under- lying infla- tion	price index for domestic supply	Domes- tic goods	Import- ed goods	er price index for manu- facturing	Export- ed goods	Home market goods	cost index
	1	2	3	4	5	6	7	8	9	10	11	12	13
1993 1994 1995 1996 ¹ 1997 ¹	109.2 111.4 116.6 121.2 123.7	108.8 111.6 117.4 122.0 124.4	110.0 115.0 123.1 127.8 130.8	110.1 111.1 114.7 119.3 122.0	109.7 110.9 112.0 112.6 114.0	109.9 111.4 111.3 111.4 112.3	104.8 106.2 106.9 105.9 107.6	100.8 102.8 103.8 102.0 104.0	119.3 118.7 118.5 120.1 120.9	105.5 107.1 110.8 110.9 111.4	109.2 110.2 118.0 118.5 116.8	103.9 105.8 107.7 107.6 109.1	100.7 102.2 103.5 102.7 105.2
19961 IV	123.2	123.9	130.3	121.4	112.8	111.6	106.2	102.5	119.8	110.1	115.9	107.6	103.3
1997 Apr May Jun Jul Aug Sep Oct Nov Dec		 	·· ·· ·· ··	 	113.8 114.0 114.2 114.2 114.4 114.6 114.9 114.8 114.8	112.0 112.3 112.5 112.3 112.5 112.8 113.1 112.9 113.0	106.6 107.3 107.4 107.9 108.2 108.4 108.7 108.5 108.2	103.2 103.6 103.9 104.1 104.5 104.8 105.0 104.9 104.8	119.3 120.8 120.5 122.1 122.0 121.8 122.3 121.7 121.0	110.4 110.7 111.0 111.4 112.2 112.3 113.0 112.8 112.8	115.2 115.2 115.4 116.3 117.6 117.8 119.8 119.2 119.9	108.4 108.7 109.1 109.3 109.9 110.0 110.0 110.0 109.7	104.4 104.8 105.2 105.5 106.0 106.1 106.3 106.2 106.3
1997 ¹ V	123.5 123.5 123.6 124.0	124.3 124.2 124.3 124.7	130.8 130.7 130.6 131.2	121.7 121.8 122.1 122.3	112.9 114.0 114.4 114.9	111.4 112.2 112.5 113.0	106.6 107.1 108.2 108.5	103.0 103.6 104.5 104.9	119.8 120.2 122.0 121.7	110.2 110.7 112.0 112.9	114.9 115.3 117.2 119.6	108.0 108.7 109.7 109.9	103.8 104.8 105.9 106.3
1998 Jan Feb Mar Apr	 	 	 	 	115.0 114.9 115.2 115.7	112.7 112.7 112.9 	107.5 107.1 107.0 106.9	104.2 103.9 103.9 103.6	119.9 119.3 118.8 119.2	112.0 112.0 111.9 111.3	119.4 119.5 119.4 118.2	108.9 108.5 108.6 108.4	106.6 106.6 107.0 107.4

¹ Preliminary figures for columns 1-4.

Period	Labour force	Labour force		By industr	ial status		By industry	Unem-	Unem-	
	partici- pation rate among 15–74 year olds	lorce		Self- employed	Wage and salary earners	Agri- culture, forestry and fishing	Mining, manufac- turing and energy supply	Other industries	ployed	ploy- ment rate
	%				1000 pers	ons				%
	1	2	3	4	5	6	7	8	9	10
1993 1994 1995 1996 1997*	65.3 64.8 65.1 65.0 65.7	2 484 2 480 2 497 2 503 2 537	2 041 2 024 2 068 2 096 2 170	312 312 304 302 325	1 729 1 712 1 764 1 794 1 845	173 167 158 148 153	424 426 456 459 463	1 444 1 430 1 454 1 489 1 554	444 456 430 408 367	17.9 18.4 17.2 16.3 14.5
1997* Apr May Jun Jul Aug Sep Oct Nov Dec	65.9 66.5 66.1 64.9 65.4 65.5 65.2 65.6 65.7	2 548 2 551 2 549 2 525 2 535 2 535 2 534 2 520 2 530 2 544	2 161 2 170 2 179 2 168 2 178 2 177 2 173 2 189 2 207	301 306 309 297 302 296 289 300 310	1 860 1 865 1 870 1 871 1 876 1 881 1 884 1 889 1 897	160 152 156 155 148 144 154 150	462 462 455 463 477 460 458 464 472	1 538 1 556 1 567 1 550 1 552 1 573 1 560 1 579 1 585	387 381 370 357 357 357 347 341 337	15.3 15.0 14.6 13.9 14.0 14.1 13.7 13.4 13.2
1998* Jan Feb Mar Apr	65.2 65.3 65.1 64.9	2 528 2 532 2 517 2 513	2 199 2 206 2 193 2 194	296 300 282 278	1 902 1 906 1 911 1 916	145 147 145 145	463 474 460 464	1 591 1 586 1 587 1 585	329 326 324 319	12.9 12.9 12.9 12.8

8.5 Labour, employment and unemployment (seasonally adjusted figures)

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	Other revenue	Revenue before	Redemp- tions of	Revenue before borrowing (5+6)	Consump- tion	Trans- fers and subsidies	Of which:		
			similar revenue		financial transactions (1+2+3+4)	loans				Local govern- ment	Other domestic sectors	
	1	2	3	4	5	6	7	8	9	10	11	
1993 1994 1995 1996 1997	31 667 34 588 40 092 48 357 52 548	67 291 68 124 66 902 73 943 78 273	1 443 1 792 1 720 1 947 3 686	28 823 24 095 35 837 39 778 38 716	129 224 128 599 144 550 164 024 173 223	7 366 7 308 7 923 9 893 8 413	136 593 135 900 152 473 173 918 181 637	46 880 48 750 51 446 53 696 54 596	108 608 108 155 113 644 110 039 101 948	42 720 40 388 39 481 33 199 30 133	63 535 65 519 67 514 69 533 64 125	
1997 Mar Apr May Jun Jul Aug Sep Oct Nov Dec	6 173 3 808 5 929 3 928 4 133 4 034 3 869 3 744 5 733 4 143	8 768 5 040 6 399 6 110 6 519 6 841 6 859 6 392 6 835 6 770	353 219 179 260 273 181 178 1 407 201 251	2 692 3 072 4 036 2 619 1 522 1 590 3 857 1 839 5 057 5 918	17 986 12 139 16 543 12 917 12 447 12 646 14 763 13 382 17 826 17 082	213 3 262 1 030 551 1 270 339 251 506 878 28	18 199 15 401 17 573 13 468 13 717 12 985 15 014 13 888 18 704 17 110	4 753 4 102 4 199 5 440 4 888 3 975 4 611 4 037 4 616 6 451	8 779 10 571 8 482 9 483 1 531 6 801 7 596 9 934 7 271 11 394	3 719 4 062 3 687 3 447 -2 955 1 363 2 413 2 409 2 501 2 502	4 702 5 786 4 223 5 304 3 794 4 855 4 575 6 971 4 507 8 542	
1998 Jan Feb Mar	3 236 4 909 4 810	7 632 7 571 7 442	409 1 264 222	3 000 3 708 4 527	14 277 17 452 17 001	80 72 3 783	14 358 17 524 20 783	5 343 4 035 5 161	11 871 8 339 6 240	3 887 3 309 264	5 783 4 607 5 527	

During period			Expendit	ure	Financial balance				
	Fixed invest- ment	Other expendi- ture	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5–14)	Net borrowing requirement (7–16)	Net borrowing	Cash surplus (18+19)
	12	13	14	15	16	17	18	19	20
1993 1994 1995 1996 1997	4 306 3 737 3 208 3 325 3 317	18 076 22 281 26 336 29 911 24 636	177 870 182 923 194 635 196 972 184 497	19 753 17 886 16 765 13 756 10 542	197 623 200 760 211 399 210 747 195 037	-48 646 -54 324 -50 085 -32 947 -11 274	-61 030 -64 860 -58 926 -36 828 -13 400	84 036 73 193 54 071 33 845 10 371	23 009 8 336 -4 854 -2 983 -3 028
1997 Mar Apr Jun Jul Aug Sep Oct Nov Dec	164 193 377 203 328 253 326 297 234 590	4 660 3 094 752 2 121 1 750 286 2 860 1 957 734 579	18 356 17 960 13 810 17 247 8 497 11 315 15 393 16 225 12 855 19 014	425 4 670 739 708 921 494 641 682 589 -286	18 780 22 630 14 549 17 954 9 417 11 809 16 034 16 906 13 444 18 730	-370 -5 821 2 733 -4 330 3 950 1 331 -630 -2 843 4 971 -1 932	-581 -7 229 3 024 -4 486 4 300 1 176 -1 020 -3 018 5 260 -1 620	1 203 -2 609 3 167 -3 959 209 -987 8 777 -3 021 -3 608 -5 652	622 -9 837 6 191 -8 445 4 509 189 7 757 -6 039 1 651 -7 271
1998 Jan Feb Mar	217 203 169	3 658 1 165 7 033	21 089 13 742 18 603	587 453 4 456	21 676 14 196 23 059	-6 812 3 710 -1 602	-7 318 3 328 -2 276	417 -2 821 -3 653	-6 901 507 -5 928

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
- .. Data not availa
- Nil
 S Affected by stri
- S Affected by strike Break in series
- _ Break in series

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

Notes and explanations to tables

1 The balance sheet of the Bank of Finland

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

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

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

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

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

exchange reserves of forward transactions in the form of swaps and maturing forward transactions. The central government's foreign exchange transactions (Column 5) comprise transactions related to drawings and redemptions of government loans and associated interest payments.

 Table 2.4 The markka value of forward contracts is given.

3 Rates of interest

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

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

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

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

Table 3.4 *Lending.* New credits (Columns 1–4): rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts. Annual rates are arithmetic average of monthly observations until 1987 after which they are weighted by loan amounts. Average lending rates (Columns 5 and 6) are all weighted by



loan amounts. As from January 1989, the loans of Postipankki Ltd have been included in the commercial banks' outstanding stock of loans. Deposits. 24-month and 36month tax-exempt deposits (Columns 7 and 8): from May (September) 1992, 24-month (36-month) deposits are taxexempt if they carry a rate of interest which is at most the Bank of Finland's base rate less two percentage points (one percentage point). In the period from January 1989 to April 1992, 24-month deposits (Column 7) were taxexempt if they carried a rate of interest which was at most the Bank of Finland's base rate less one percentage point. Other tax-exempt deposits (Column 9): in the period from January 1989 to April 1992, deposits other than 24-month deposits were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less 4 percentage points. From May 1992, deposits other than 24-month or 36-month deposits are tax-exempt if they carry a maximum rate of interest as prescribed by law. The maximum rate was first set at 4.5 per cent. From May 1993 until November 1993 it was 2.5 per cent and thereafter 2.0 per cent. All markka deposits (Column 10): the stock of deposits comprises all markka deposits by the public. The monthly and annual average rates of interest are weighted by deposit amounts. Other funding (Column 11): CDs outstanding + promissory notes + bonds. The average rate of interest is weighted by amounts. Total markka funding (Column 12); markka deposits by the public + banks' other markka funding. The rate of interest is weighted by amounts

Table 3.5 Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered rates for taxable, fixed-rate bonds quoted daily by the five largest banks. The yields on fiveyear and ten-year government bonds (Columns 3 and 4) are calculated by the Bank of Finland as averages of the bid rates quoted daily by the primary dealers. As from 1 January 1998 the five-year yield is based on quotations for a fixed-rate bullet housing bond (1/92, 15 Mar 1992 – 15 Mar 2002). As from 24 November 1997 the ten-year yield is based on quotations for a fixed-rate bullet serial bond (1/97, 25 Apr 1997–2008). The share yield (Column 5) is the weighted effective yield on shares quoted on the Helsinki Stock Exchange. Source: Statistics Finland.

4 Rates of exchange

Table 4.2 FIM/ECU (Column 1): The markka value of the ECU is calculated as the sum of the dollar amounts of the currencies in the ECU valued at current market rates quoted daily at noon Finnish time. The markka was floated on 8 September 1992, continuing until 14 October 1996, when it was joined to the EU's Exchange Rate Mechanism (ERM) at the central rate of 5.80661 per ECU. As from 16 March 1998 the ECU central rate is FIM 6.01125. Trade-weighted currency index (Column 2): The weights are moving averages of the shares of (currently) 16 countries in Finland's foreign merchandise trade (only convertible currencies are included). The payments currency index (Column 3): The weights are moving averages of shares of payments currencies (16 convertible currencies) in Finland's foreign trade.

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

5 Financial markets and money supply

Table 5.1 The public comprises all entities except the central government, deposit banks and the Bank of Finland. Markka deposits are classified according to tax treatment. The tax status (exempt vs subject to withholding tax) of deposits held by households and estates is determined by the rate of interest. Time deposits that are tax-exempt under income tax law (maximum interest rate: 2 per cent) were transferred in connection with a statistical revision from other deposits (column 3) to time deposits (column 2) at the start of 1997. The remaining traditional 24- and 36-month tax-exempt deposits matured in 1996 and 1997 as the law on deposits tax relief expired. The withholding tax is a final tax collected at source by banks in connection with the payment of interest. Deposits under 'Other taxable' (columns 8-10) are held by entities other than households and estates, ie mostly by enterprises and local governments, and interest earned on them is taxed as ordinary income. Other markka funding (column 13) comprises CDs issued by banks, money market promissory notes and repo sales. The figures for bank CDs include only CDs held by entities other than banks, the Bank of Finland and the central government

 Table 5.2 The public comprises all entities except the
 central government, deposit banks and the Bank of Finland. Loans granted from central government funds are not included in markka lending. Banks' markka lending to the foreign sector (column 6) comprises foreign economic units located in Finland, eg foreign embassies, consulates and units of international organizations. As from 1 Jan 1997 lending to these entities is no longer included in domestic lending, pursuant to the new classification of institutional sectors. The breaks in series at end-1996 are due to the statistical revision. Since the revision, these columns do not include lending by foreign branches of Finnish deposit banks nor do columns 1-7 and 9 any longer include bonds, debentures and other bearer instruments held by banks and classified as investment assets

Table 5.3 Foreign assets, net (Column 1) = the Bank of Finland's foreign claims + banks' foreign claims (incl. foreign claims of banks' foreign branches) - the Bank of Finland's foreign liabilities – banks' foreign liabilities (incl. foreign liabilities of banks' foreign branches). Domestic credit. Claims on the central government, net (Column 2) = the Bank of Finland's claims on the central government + banks' claims on the central government - the central government's deposits with the Bank of Finland and Postipankki – loans granted from state funds through banks. Claims on the public (incl. local government), (Column 3) = the Bank of Finland's claims on the private sector + banks' claims on the private sector (loans to the public, bonds and debentures (excl. government bonds and bank debentures), claims on other financial institutions, shares held by banks). Other items, net (Column 5) = capital accounts and other items of the Bank of Finland (incl. private sector time deposits with the Bank of Finland) + capital accounts of deposit banks + unclassified assets and liabilities of deposit banks, net (bank debentures, bank CDs held by the public, other market funding and foreign currency deposits by the public). M₁ (Column 6) = currency in circulation - banks' till money + markka cheque and postal giro account deposits and transactions account deposits held by the public. M₂ (Column 7) = M_1 + quasi-money (markka time deposits held by the public, excl. deposits with the Bank of Finland). M₃ (Column 8) = M_2 + bank CDs held by the public.

Table 5.4 Source: State Treasury Office. Other foreign currency-denominated debt (Column 2) consists of other bonds and debentures and long-term promissory notes. Other bonds and debentures are so-called private placings; long-term promissory notes are bank loans. Miscellaneous items (Column 7) consist of two minus items, the liability to the State Pension Fund and the liability to the State Fund for Nuclear Waste Disposal, which are intragovernmental debts. In the September 1997 issue of the Bulletin, columns 7, 8 and 9 were retroactively revised for the whole period shown. Outstanding lending (Column 10) comprises the stock of loans granted from the central government budget and from extra-budgetary funds. Cash funds (Column 11) comprise the cash funds held in central government accounting offices, funds held in cheque and postal giro accounts, as well as placements of central government cash funds. The main part of the latter is reserved for covering transferable allocations budgeted in previous years.

Table 5.5Sources: Table A: Financial Supervision fromthe beginning of 1994. Table B: Statistics Finland. Table C:Finnish Central Securities Depository from 1 August 1997.Tables A and B include markka-denominated bondsissued by Finnish issuers in Finland and abroad as well asthose issued by foreign issuers in Finland. As from 15January 1997 the following act as primary dealers: AlfredBerg Finland, Den Danske Bank, Evli Fixed Income Securities, Goldman Sachs International, Merita Bank,Okobank, Postipankki, Skandinaviska Enskilda Banken,Svenska Handelsbanken AB (publ) and Unibank A/S.Customers include all parties other than primary dealers.

Table 5.6 Source: The Helsinki Stock Exchange. The table has been expanded to take into account the change in the Helsinki Stock Exchange classification of listed companies as from the start of 1997. Column 3 now includes only insurance.

6 Balance of payments, foreign assets and liabilities

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

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

Table 6.2 The capital account (Columns 1 and 14) reflects unrequited capital transfers such as forgiven debts and aid from EU funds.

In the financial account financial derivatives include payments arising from currency and interest rate swaps related to loans, ie outstanding loans are recorded according to the original loan contract. Medium-term notes (MTNs) are included under bonds (Columns 4 and 17). The category other investment (Columns 9–12 and 21–24) covers transactions related to trade credits, loans, currency and deposits and other assets and liabilities. Transactions in assets and liabilities related to short- and long-term supplier credits and advance payments related to imports and exports are recorded under trade credits (Columns 9 and 21). The item 'Other capital' (Columns 11 and 23) includes transactions in currency and deposits and shortand long-term assets and liabilities of different sectors not covered by any of the items above. In addition, this category includes changes in the central government's subscriptions to and quotas in international organizations as well as transactions in the Bank of Finland's short- and long-term assets and liabilities (excl. reserve items). The most important sub-item under the item 'other capital' comprises banks' other short-term assets and liabilities (in practice interbank deposits). The central bank's reserve assets (Column 26) comprise gold, special drawing rights (SDRs), the reserve position in the IMF, ECU-claim on the ECB and foreign exchange assets. A negative figure implies an increase in reserves.

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

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

As of January 1998, Finland's net international investment position (NIIP) is expressed as external assets less external liabilities.

7 Foreign trade

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

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

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

8 Domestic economic developments

Tables 8.1 – 8.5 Source: Statistics Finland. Seasonal adjustment for tables 8.1 and 8.2 is provided by Statistics Finland, for tables 8.3 and 8.5 by the Bank of Finland.

Table 8.2 Volume index of industrial production has been revised. The new base year is 1995 = 100. Industrial classification has also been slightly revised. The indices are adjusted for the number of working days in each month. This causes small differences in the annual averages from the corresponding unadjusted figures.

Table 8.3 The indices of wholesale and retail trade (Columns 1 and 2) are seasonally adjusted by Statistics Finland. The monthly GDP indicator (Column 7) is a weighted index of 11 readily available output indicators for various industries.

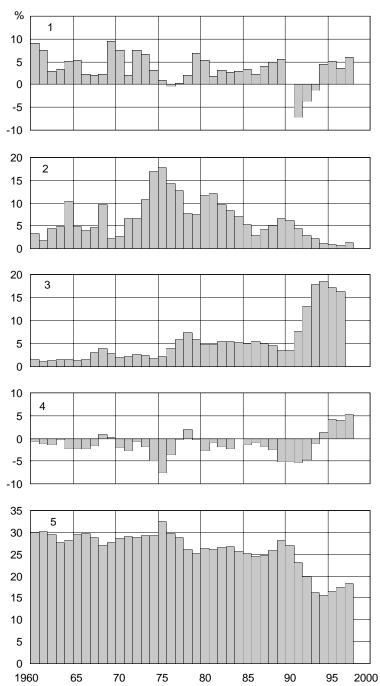
Table 8.4 The indicator of underlying inflation (Column 6) is the consumer price index from which the effect of indirect taxes, subsidies and housing-related capital costs (house prices and mortgage interest payments) has been removed (see the article by Pentti Pikkarainen and Timo Tyrväinen in the June – July 1993 issue of the Bulletin). Statistics Finland calculates the indicator and publishes it together with the consumer price index on the 15th of every month (or the next business day). It is lagged by one month in comparison with the consumer price index.

Table 8.6 Source: Ministry of Finance.

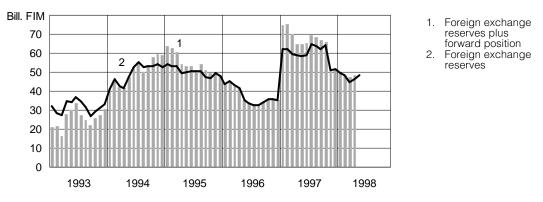
CHARTS

1.	Long-term indicators	S30
2.	The Bank of Finland's foreign exchange reserves and forward position	S31
З.	Forward market	S31
4.	Interest rates set by the Bank of Finland	S31
5.	Banks' liquidity position at the Bank of Finland	S32
6.	Liquidity management interest rates	S32
7.	HELIBOR interest rates, daily	S32
8.	HELIBOR interest rates, monthly	S33
9.	Bond yields	S33
10.	Differential between Finnish and German interest rates	S33
11.	Differential between German and selected EU-countries' 10-year interest rates	S34
12.	ERM exchange rates: deviation from DEM central parity	S34
13.	ERM exchange rates: deviation from DEM central parity	S34
14.	Bank of Finland currency index and markka value of the ECU	S35
	Daily spot rates for the markka against the Deutschemark and US dollar	S35
16.	Daily spot rates for the markka against the pound sterling and Swedish krona	S35
17.	Monthly spot rates for the markka against the Deutschemark and US dollar	S36
18.	Monthly spot rates for the markka against the pound sterling and Swedish krona	S36
19.	Banks' markka lending rates and markka funding rates	S36
20.	Bank funding from the public	S37
21.	Bank lending to the public	S37
22.	Money supply	S37
23.	Current account	S38
24.	Balance of payments	S39
25.	Net interest and dividend expenditure	S40
26.	Finland's net international investment position	S40
27.	Share market	S40
28.	Foreign trade	S41
29.	Foreign trade: prices and terms of trade	S41
30.	Finland's export performance	S41
31.	Production	S42
32.	Fixed investment	S42
33.	Employment and the unemployment rate	S43
34.	Prices and wages	S43
35.	Central government finances	S44
36.	Central government debt	S44
	Bulletin 6–7 • 98	S29

1. Long-term indicators



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



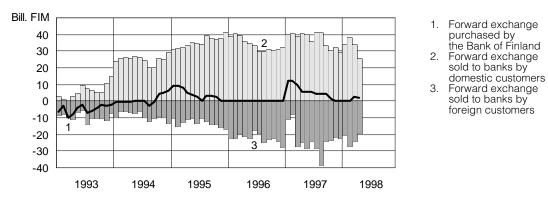
2. The Bank of Finland's foreign exchange reserves and forward position

3. Forward market

4.

1993

1994



$\binom{\%}{10} \underbrace{1}{5} \underbrace{1}{2} \underbrace{1$

1995

1996

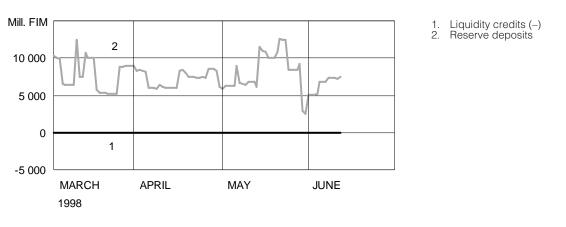
Rates of interest set by the Bank of Finland

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

1998

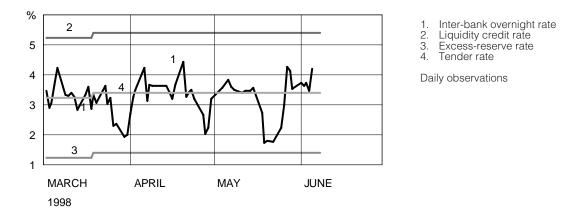
1997

End-of-month observations



5. Banks' liquidity position at the Bank of Finland

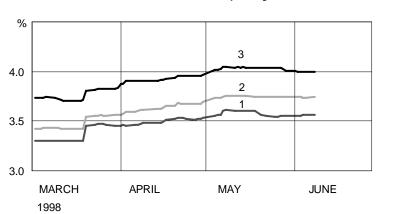
6. Liquidity management interest rates



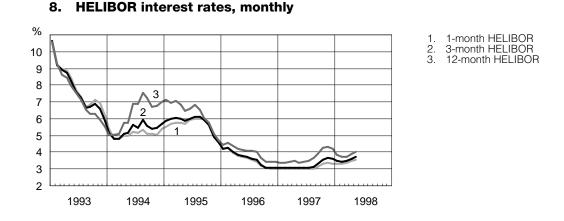
1-month HELIBOR

3-month HELIBOR 12-month HELIBOR

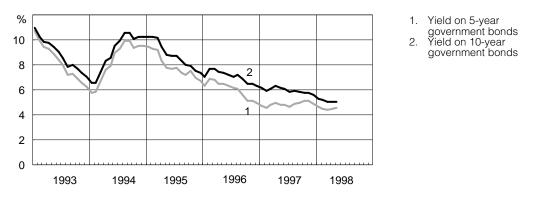
1. 2. 3.

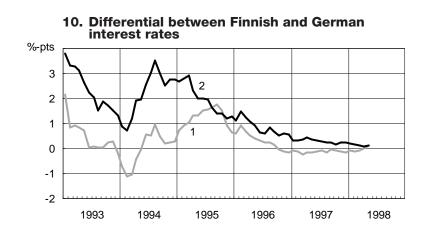


7. HELIBOR rates of interest, daily

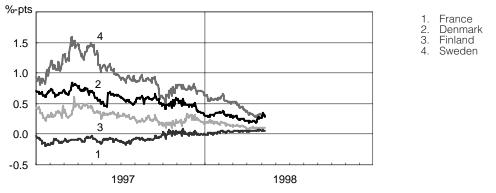


9. Bond yields



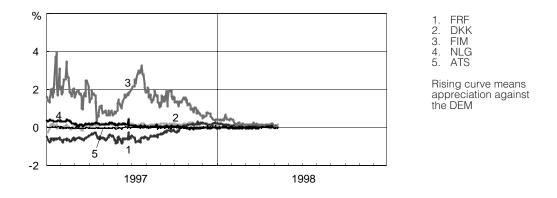


- 1. 3-month HELIBOR minus 3-month DEM eurorate
- 10-year Finnish government bond yield minus 10-year German government bond yield

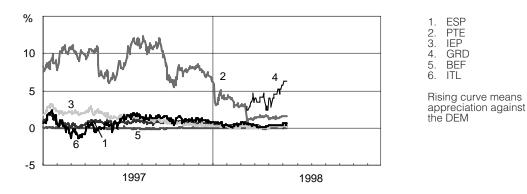


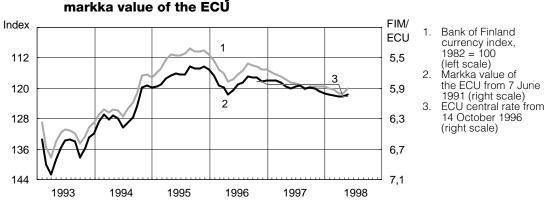
11. Differential between German and selected EU-countries' 10-year interest rates

12. ERM exchange rates: deviation from DEM central parity



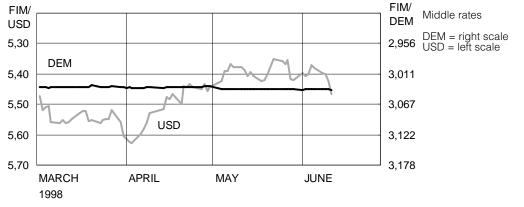
13. ERM exchange rates: deviation from DEM central parity

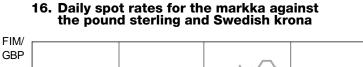


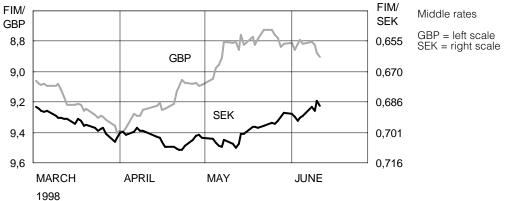


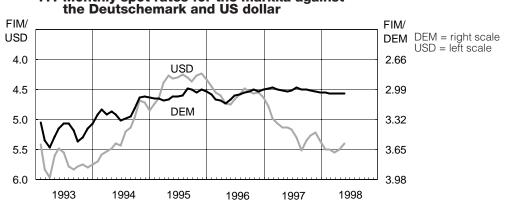
14. Bank of Finland currency index and markka value of the ECU

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

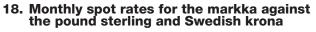


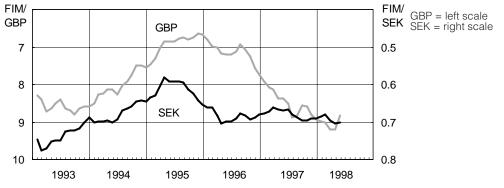




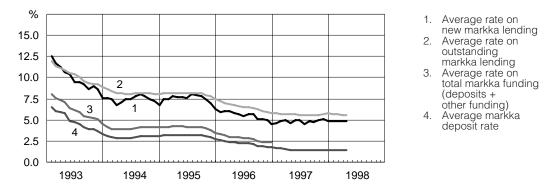


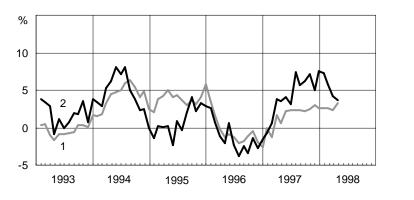
17. Monthly spot rates for the markka against the Deutschemark and US dollar











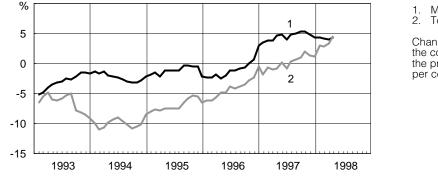
Markka deposits 1.

Total funding 2.

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

21. Bank lending to the public

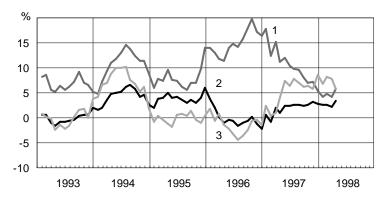
20. Bank funding from the public



Markka lending Total lending

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

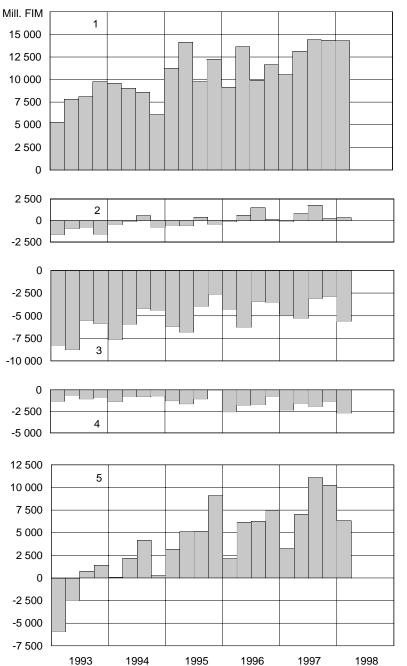




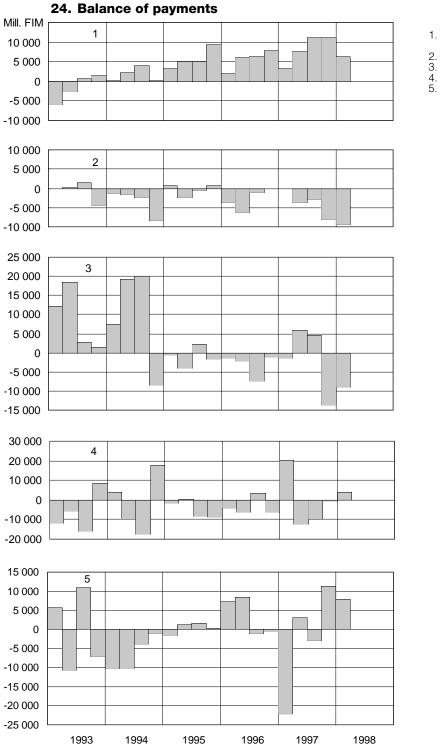
- 1.
- 2.
- Narrow money (M1) Broad money (M2) M2 + bank CDs held by the public (M3) З.

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

23. Current account

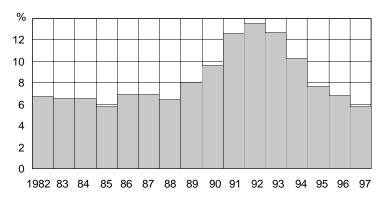


- 1. Trade account
- Services account
 Investment income
- account
- 4. Unrequited transfers account and
- other items, net 5. Current account

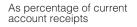


- 1. Current and
- capital account
- Direct investment

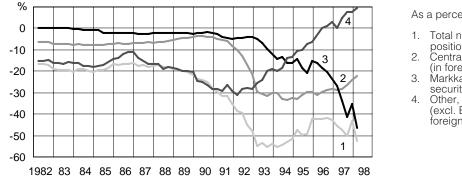
- Portfolio investment Other investment Change in central bank's reserve assets (increase = -)



25. Net interest and dividend expenditure

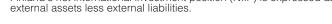


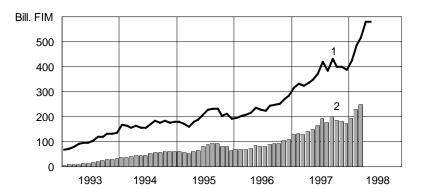
26. Finland's net international investment position



Finland's net international investment position (NIIP) is expressed as external assets less external liabilities.

- As a percentage of GDP
- 1. Total net investment position Central government
- (in foreign currencies)
- Markka-denominated securities
 - Other, net (excl. Bank of Finland's foreign exchange)

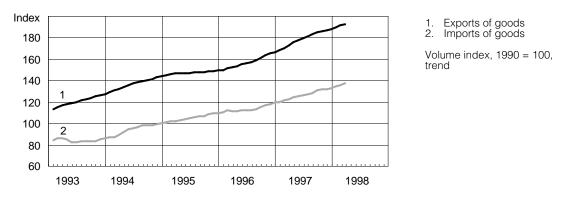




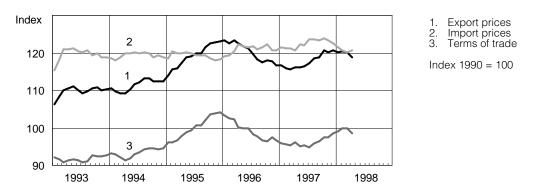
27. Share market

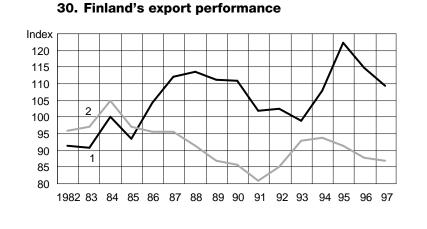
- 1. Market capitalization
- of listed shares Non-residents' holdings 2. of Finnish shares



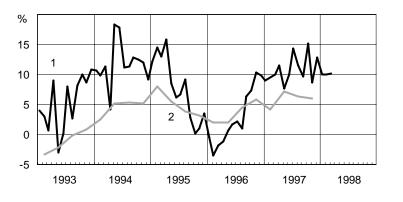


29. Foreign trade: prices and terms of trade



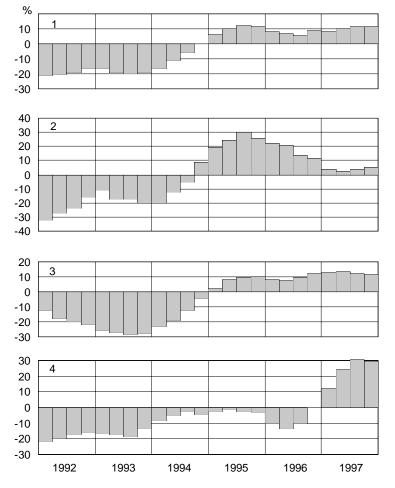


- Value of exports to OECD countries in relation to imports of OECD countries
 Volume of exports to OECD countries in
- relation to imports of OECD countries



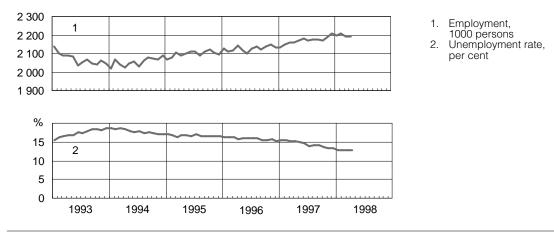
- 1. Industrial production, change in volume from the corresponding month of the previous year, per cent GDP.
- 2. change in volume from the corresponding quarter of the previous year, per cent

32. Fixed investment



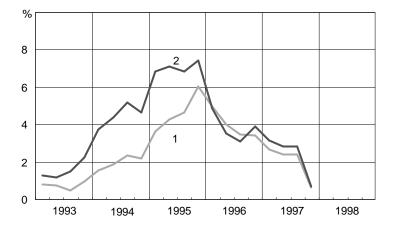
- Total fixed investment 1.
- Investment in machinery 2.
- and equipment Building investment, excl. residential З. 4. Residential buildings

Four-quarter volume change calculated from four-quarter moving totals and plotted at the last quarter, per cent



33. Employment and the unemployment rate

34. Prices and wages

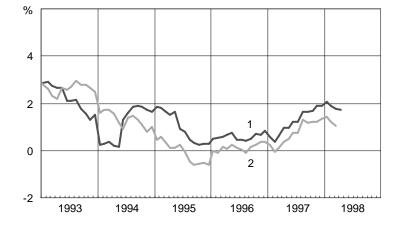


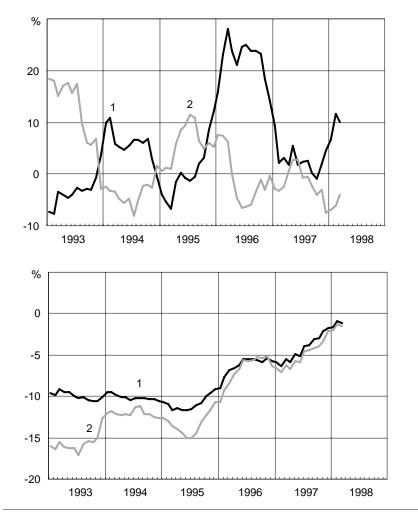
- Index of wage and salary earnings, all wage and salary earners
- Index of wage and salary earnings, manufacturing workers

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

 Consumer price index
 Indicator of underlying inflation

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





35. Central government finances



2. Expenditure excl. redemptions of central government debt

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

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

Total debt

debt

Of which: foreign

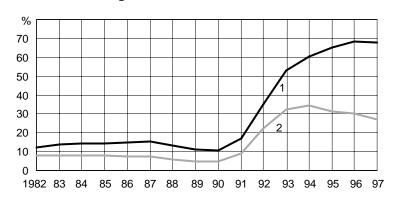
As a percentage of GDP

currency-denominated

1.

2.

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



36. Central government debt

THE PARLIAMENTARY SUPERVISORY COUNCIL

ILKKA KANERVA, Chairman JOHANNES KOSKINEN, Vice Chairman OLAVI ALA-NISSILÄ

KIMMO SASI TUULIKKI HÄMÄLÄINEN MAURI PEKKARINEN

VIRPA PUISTO MARTTI KORHONEN ANNELI JÄÄTTEENMÄKI

ANTON MÄKELÄ, Secretary to the Parliamentary Supervisory Council

THE BOARD

MATTI VANHALA, Chairman ESKO OLLILA

MATTI KORHONEN

HEIKKI T. HÄMÄLÄINEN, Secretary to the Board

DIRECTOR

PENTTI KOIVIKKO

DEPARTMENTS AND OTHER UNITS

Accounting ESA OJANEN, in addition to own duties

Administration URPO LEVO

Communications ANTTI JUUSELA

Economics ANTTI SUVANTO

Financial Markets HEIKKI KOSKENKYLÄ, Adviser to the Board: RALF PAULI

Information Services MARTTI LEHTONEN

Information Technology PERTTI SIMOLA

Internal Audit TAINA KIVELÄ

International Secretariat KJELL PETER SÖDERLUND

Legal Affairs ARNO LINDGREN

Management Secretarial Staff HEIKKI T. HÄMÄLÄINEN

Market Operations MARKUS FOGELHOLM

Monetary Policy PENTTI PIKKARAINEN, Adviser to the Board: KARI PUUMANEN

Organization and Management Development ESA OJANEN

Payment Instruments ANTTI HEINONEN

Payments and Settlement RAIMO HYVÄRINEN

Personnel AURA LAENTO. Adviser to the Board: ANTON MÄKELÄ

Publication and Language Services ANTERO ARIMO

Research JUHA TARKKA Adviser to the Board: DAVID MAYES

Security JYRKI AHVONEN

Institute for Economies in Transition PEKKA SUTELA

BRANCH OFFICES

Kuopio, Oulu, Tampere, Turku

FINANCIAL SUPERVISION AUTHORITY (functions as an independent body in connection with the Bank of Finland; it has its own organization chart)

KAARLO JÄNNÄRI, Director General

MATTI LOUEKOSKI