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Inflation, monetary policy and
economic performance

Finland's external indebtedness

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Inflation, monetary policy and economic performance

The Finnish economy turned in a robust performance in 1997. Output growth continued at a rapid pace, unemployment declined markedly and progress was made in consolidating central government finances. Although the rise in prices accelerated marginally, the inflation rate remained within range of the 2 per cent target. An easing of inflation pressures in the autumn enabled the central bank to keep its key interest rates unchanged following a 25 basis point hike in September all the way until mid-March, when the tender rate was raised by 15 basis points.

In March clearly stronger economic growth prospects in Finland compared to most of the other EU countries necessitated a degree of monetary tightening in Finland. The aim was to keep the economy on a path of sustainable growth and moderate inflation into the initial phase of monetary union.

Finland's economic growth is still among the fastest and its monetary policy interest rates among the lowest of the EU countries. The rate of rise in prices has stabilized in recent months, largely as a result of a downturn in import prices and a continuation of moderate wage drift. The decline in world prices of oil and other commodities owing to the Asian crisis has been pushing import prices down since October. However, this effect may be only a temporary one. The decline in world commodity prices has been reflected in a general slowing of inflation in the industrial countries. The effects of the Asian crisis are also reducing the risks of overheating stemming from the rapid growth as the Finnish economy approaches full utilization of capacity.

Despite the improved outlook for price stability and even if domestic inflation stays within range of the target of about 2 per cent, it could this year exceed the average rate for prospective euro-area countries by nearly a full percentage point. An inflation differential of this magnitude would not cause problems in the short run; what is essential is to ensure that the inflation rate stabilizes at the euro-area level in the context of the single monetary policy.

As we approach the launch of Stage Three of EMU, the manoeuvring leeway for national monetary policy is diminishing. From the start of next year, the European System of Central Banks will assume responsibility for euro-area monetary policy. With the end of an independent monetary policy, a

greater share of the task of ensuring balanced performance of the Finnish economy will devolve to fiscal policy and the labour market.

Although the wage increases agreed in the autumn negotiations were consistent with price stability, increasing wage drift in an environment of strong demand could destabilize prices in the course of the next two years. This risk may have diminished in recent times because it is now well known that in the future it will be more difficult to pass domestic cost rises onto prices. In such a milieu, an acceleration of wage inflation results directly in a weakening of employment prospects.

Manoeuvring leeway for monetary policy diminishing

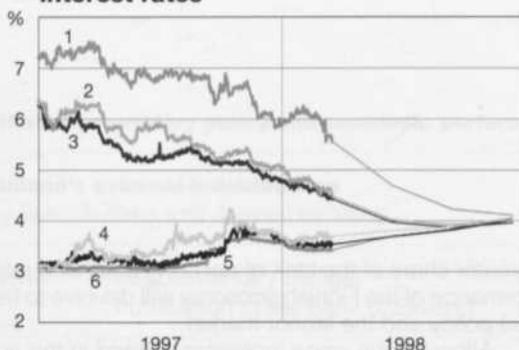
Recent developments in the money and currency markets in Finland and other prospective euro countries have been dominated by anticipation of the launch of Stage Three of EMU, which has been reflected in convergence of interest rates toward the lowest expected rates for the euro area and of exchange rates toward their central rates. The Irish punt, which had moved the farthest from its central rate, was revalued by 3 per cent in mid-March. At the same time, the Greek drachma was joined to the ERM at a DEM central rate 12 per cent weaker than the prevailing market rate. Since these exchange rate adjustments, the exchange rates of all the prospective euro countries have remained inside very narrow fluctuation ranges within the ERM and long-term interest rate differentials vs Germany have narrowed. The markka's DEM rate has in recent months deviated from its central rate by only 0.2-0.3 per cent and long-term interest rates are less than 20 basis points above corresponding German rates.

Key central bank rates are also converging, and short-term interest rates have declined in southern European countries. The key rates of the Irish and Italian central banks are the farthest from the core-ERM level; for three-month rates the differential is about 200 basis points.

The expected initial euro interest rate has declined somewhat. According to market expectations, the starting rate appears to be settling onto a common path set by inflation expectations in the large prospective euro countries and has stabilized

Chart 1.

Actual and expected 3-month interest rates



1. Italy
2. Portugal
3. Spain
4. Belgium
5. Germany
6. Finland

Situation at 19 Mar 1998.
Expected interest rates are based on interest rate futures and FRAs.

at about 4 per cent (Chart 1). The uncertainty as to world economic growth prospects attributable to the Asian crisis and the decline in commodity prices have helped to lower interest rate expectations.

At the start of 1999 the European System of Central Banks will assume responsibility for euro area-wide price stability. The convergence of monetary policies has already advanced quite far, and the process can be anticipated to accelerate once decisions are made on the first weekend in May concerning which countries will initially proceed to Stage Three of EMU. Because the Bank of Finland's tender rate is right at the ERM core country level and the exchange rate is very close to its central rate, only scant leeway remains for national monetary policy. This underlines the present role of fiscal policy and the responsibility of labour market participants for curbing inflation pressures.

The Asian crisis has increased uncertainty about the world economy

Much uncertainty still surrounds the seriousness and effects of the Asian crisis, which has begun to be reflected in order books and output in the United States and other industrial countries. The crisis has weakened prospects for world economic growth but has at the same time reduced inflation pressures. The trend in world commodity prices has turned down since mid-1997. In response to subsiding inflation expectations and slower growth, long-term interest rates have generally been declining in recent months.

Market expectations regarding monetary tightening in the US have been put on hold. In 1997 economic growth was highly robust, but estimates

point to a slowing this year, due to both cyclical factors and the Asian crisis. Despite the rapid growth, the inflation rate has remained subdued. This stems largely from a long-standing downtrend in producer prices. Forward rates have declined across the board, nor at the moment are dollar interest rates expected to rise. Nonetheless, because of tight labour market conditions and an uptrend in service prices, there still exists some risk of a pickup in US inflation. On the other hand, the offsetting effect of the Asian crisis could curb the pickup in inflation even to a greater extent than forecasted.

The Japanese economy, on the other hand, is sputtering as a result of both regional and domestic problems. Economic growth is nonetheless getting some stimulation from easy monetary policy and depreciation of the yen.

Production activity in the EU countries has continued at a high level. The dampening of aggregate demand due to the Asian crisis has been most clearly reflected in the pronounced downtrend in commodity prices that began already in mid-1997 and which has curbed inflation pressures in Europe as well. Growth is still accelerating albeit not as rapidly as previously forecasted. The rise in unemployment is coming to a halt, and both consumer and business confidence have strengthened. In an environment of low interest rates and buoyant purchasing power, domestic demand is recovering and is taking the place of exports as the engine of economic growth. Although public sector deficits have been reduced, the central government's financial position is in many EU countries (as in Finland) still a matter of critical concern. Halting the growth of indebtedness and achieving fiscal balance/surplus will take several years yet.

European inflation has slowed

In recent months the European countries have achieved an abrupt slowing of inflation, to just 1.3 per cent in January. An important factor in the slowing has been the decline in world commodity prices in response to the Asian crisis. Because the cheapening of commodities has more than offset the appreciation of the dollar, it is possible that inflation in the prospective euro countries will remain moderate in 1998. Germany's annual inflation rate dropped to 0.8 per cent in January compared to 1.4 per cent in December, in terms of the harmonized CPI. The

European annual inflation rates, Jan 1998 (harmonized CPI)

Belgium	0.5	Finland	1.8
France	0.6	Italy	1.9
Germany	0.8	Spain	1.9
Austria	1.1	Sweden	2.1
Ireland	1.2	Greece	4.3
Luxembourg	1.5		
United Kingdom	1.5	EU-15	1.3
Netherlands	1.6	EEA	1.3
Portugal	1.6	Norway	1.6
Denmark	1.7	Iceland	2.2

rates of rise in German import and wholesale prices have also slowed substantially in recent months.

Moderate near-term inflation pressures

In Finland the December–January rise in consumer prices was slightly less than expected, and the risk of a higher-than-expected pickup in inflation during the winter and early spring months has further receded. Inflation pressures are being curbed by a decline in import prices and continuously moderate wage drift. Despite these favourable supply effects, domestic inflation has somewhat abruptly risen above the EU country average (Chart 2).

The risks of demand inflation are nonetheless still present. Finland's economic growth in 1997 could stand as the record high for the decade and total output in 1997 clearly exceeded the peak level of the pre-recession years. Even though wage negotiations last autumn resulted in agreed wage increases consistent with price stability, price stability could at some point be jeopardized by wage drift, which might increase in the buoyant demand environment as compared to the extremely moderate wage drift experienced during the previous agreement period. However, as domestic cost increases will in the future be more difficult to pass on to prices, a pickup in wage inflation will weaken the outlook for employment.

Finland's annual rate of inflation accelerated to about 2 per cent at the turn of the year. In February the twelve-month change in the CPI was 1.9 per cent. Underlying inflation was lower because the components that had boosted consumer prices in January, ie housing prices and taxes, are not included in the indicator of underlying inflation. As measured by the EU's harmonized CPI, Finland's inflation rate exceeded the average for prospective euro countries by 0.5 percentage point already in January. The main components of the CPI that have risen most in the last year are housing costs (2.5 per cent) and food (3.0 per cent). According to Statistics Finland's survey of consumer confidence, which provides a measure of inflation expectations, the rise in consumer prices for 1998 is expected to remain at about 2 per cent.

Key price indices, 12-month change, %

	1997		1998	
	Whole year	Dec	Jan	Feb
Harmonized CPI	1.2	1.6	1.8	1.7
Indicator of underlying inflation	0.7	1.3	1.4	..
Consumer price index	1.2	1.9	2.1	1.9
Producer price index:				
manufacturing	0.5	2.5	1.3	0.2
domestic	1.4	1.8	0.8	..
Export price index	-2.1	3.4	1.7	2.2
Import price index	1.1	1.4	-0.1	-0.2
Housing price index	17.5	19.1*	..	..
Level of earnings index	2.0	0.6*	..	..
Agreement wage index	1.3	0.0*	..	..

* 4th quarter

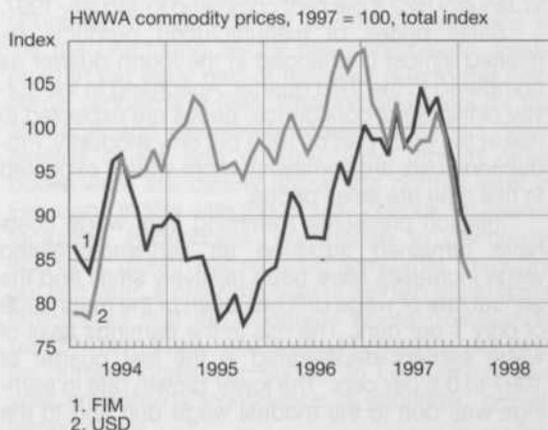
Chart 2.

Harmonized CPI



Chart 3.

World market prices of commodities



World commodity prices have declined during the last half-year despite rapid growth in OECD countries' manufacturing output. The continued fall in world commodity prices in January – February was due partly to the over-25 per cent decline in crude oil prices as compared to the final quarter of 1997. This was a result of the OPEC countries' autumn decision on production quotas, the mild early winter and the economic difficulties of the Asian countries. The latter also had an impact on the decline of about 5 per cent in nonenergy commodity prices over the last quarter of 1997 and early months of 1998 (Chart 3).

The breaking of international inflation has also been reflected in Finnish foreign trade prices and

producer prices. The rise in Finnish export and import prices came to a halt last year, as world prices particularly of crude oil, pulp and metals turned sharply downward. During the past year Finnish export prices rose considerably faster than import prices and thus the terms of trade improved by 3.3 per cent over the twelve-month period ending January 1998.

The rise in asset prices has continued, but it appears that the peak period ended during the summer – autumn months of 1997. In the last quarter of 1997 prices of existing dwellings recorded a rise in the whole-country average of only about 2 per cent on the previous quarter and the annual rate of rise slowed to 15 per cent.

The rise in prices of existing dwellings has been a precondition for the construction of new housing. Despite the recovery of housing construction, there is an excess demand situation in the housing market that is keeping prices on an uptrend because market-financed housing construction is still relatively modest.

The average increase in construction costs has stayed far below the trend in subcontractors' offering prices, which, since bottoming out in 1997, have rebounded sharply in conjunction with the recovery in construction activity. Overall construction costs rose in January by 2.8 per cent compared to January 1997.

Sales prices of manufacturing products remained almost unchanged in the fourth quarter as compared to the third quarter. According to the survey of industrial confidence, prices are expected to rise in the early part of 1998 but only modestly. Production costs are somewhat more widely expected to rise than are sales prices.

Inflation pressures stemming from wage costs have remained subdued as settlement-related wage increases have been relatively small and the annual rate of wage drift has been of the magnitude of only 1 per cent. The rise in the earnings level of wage earners decelerated in the last quarter of 1997 to 0.6 per cent. The lower growth rate in earnings was due to the modest wage drift and to the fact that there were no settlement-related across-the-board increases in 1997 and that the 1996 increases took effect in the fourth quarter. Despite vigorous growth in output and alleged construction bottlenecks, country-wide wage drift has not increased from the previous quarter.

The autumn wage negotiations resulted in a two-year settlement under which covered wages will rise on average by 2.6 per cent in 1998 and 1.7 per cent in 1999. The 1998 rise will be composed of a 1.7 per cent across-the-board increase, 0.5 per cent in industry-specific increases and 0.4 per cent in increases for women and low-wage earners. The settlement also entails wage indexation and earnings adjustments in both years. If wage drift remains moderate, as in recent years, the average annual rise in the earnings level will be 3 per cent over the settlement period.

Demand for housing loans remains brisk

Finnish monetary aggregates have long been marked by large shifts between items, which have thus grown at substantially different and widely fluctuating rates. In recent months the growth rate of the M2 aggregate has been of the magnitude of 3 per cent. The trend growth rate of narrow money (M1) has by contrast slowed, now that the major shifts between deposit accounts have already taken place. The growth rate of M1 has fluctuated in the range of 5–6 per cent in recent months. Recently, the fastest growing aggregate has been M3, fluctuations in which depend largely on portfolio adjustments of the major economic agents such as the central government, mutual funds and insurance companies. All in all, the growth rates of the monetary aggregates have been relatively moderate and at least not yet indicative of significant inflation pressures.

The demand for housing loans has remained brisk, although seasonal factors exerted a slight breaking effect on demand growth in December and January as compared to last autumn. In the autumn new housing loans were raised at a monthly rate of over FIM 2.5 billion compared to about FIM 1.5 billion during the recession years. The stock of housing loans also started on a modest uptrend in 1997. In 1996, although new borrowing was brisk, the stock of housing loans continued to decline as repayments exceeded new borrowings.

The demand for consumer loans from banks, by contrast, has not started to increase. The stock of corporate loans has also remained stable. It appears that the corporate sector is continuing to finance its investments by means other than traditional bank loans. The demand for foreign currency-denominated loans has continued to decline. The total stock of bank lending, particularly the markka-denominated stock, has nonetheless begun to increase owing to households' buoyant demand for credit. The annual growth rate has been in the region of 4 per cent.

Economic growth is peaking

The economy's total output rose last year by nearly 6 per cent, which is the highest annual rate since the end of the 1970s. Thus Finland's growth has clearly exceeded the average for OECD countries over the last four years. This growth has been attributable to manufacturing output supplemented by robust growth in the Asian and Russian export markets and the recovery of domestic construction (Chart 4).

The overall increase in manufacturing output was 8 per cent last year, led by the strong 18 per cent growth recorded by the electronics industry. Forest as well as metal and engineering industries' output grew, by 15 per cent and 10 per cent respectively. In both Finland and Sweden the electronics industries have throughout the 1990s contributed to record growth rates in manufacturing out-

put, which reached their highest levels at the end of 1997. This year rising capacity utilization rates in certain sectors are reducing the growth rate, and it is anticipated that the Asian crisis will slow the growth of exports of manufacturing products in the latter half of 1998.

Growth in the domestic sector of the economy has focused on construction and the closely related construction materials and furniture industries. Output in the construction industry rose last year by about 10 per cent. In recent years construction output has been dominated by repairs, which are estimated to account for 50 per cent of the total, but within total housing construction, new construction increased vigorously last year. Sales likewise increased clearly last year. Many private service sectors also recorded growth. The output of public services remained unchanged.

Growth on the demand side was based equally on net exports, private consumption and private investment. The 13.5 per cent increase in exports was the prime factor in the growth of aggregate demand. Exports of services also increased last year albeit by less than merchandise exports. Increases in receipts from services also derived from construction exports and foreigners' travel in Finland. In geographic terms, particularly pronounced increases were recorded in exports to eastern Europe and the Far East. The growth in exports to EU countries was not as great as in other exports. In particular, the growth in exports to our most important trade partner, Germany, was fairly sluggish.

The growth in private consumption demand was, according to preliminary data, only somewhat more than 3 per cent. The consumption of services has been increasing vigorously already for several years. The growth in private consumption is expected to continue at a steady pace this year even though disposable income will clearly expand by less than in 1997.

Of the economy's demand components, private investment was hardest hit by the recession of the 1990s. Private fixed investment has been growing already for three years, even last year by 11 per cent. Despite the growth, the investment ratio is still considerably lower than that of the 1980s due to sluggish investment activity in recent years in the private service sector. This year, investment growth in the manufacturing sector will however recover although investment in the forest industry will decline.

Other private investment will also continue to increase at a reasonable rate. In 1997 the housing sector recorded the fastest growth in investment, nearly a third in volume terms, after being flat in 1996. Last year construction of nearly 30 000 new dwellings was started up, a figure that topped the previous year's total by 6 000. Despite the surge, housing construction is still at a considerably lower level than in earlier decades. Growth in housing investment is expected to decelerate this year.

Chart 4.

Total output



The confidence indicator for manufacturing rose yet at the end of last year to a record high level. Finnish manufacturers' confidence in business conditions was at the top of the list for EU countries. The outlook for business conditions in the manufacturing sector has nonetheless weakened in the early part of this year due to the economic problems in Asia. New export orders for the electrical and electronics industries turned down already at the end of 1997 even though order books were still clearly above the normal level in February. In line with the cloudy outlook for manufacturing, households' confidence in continued economic growth has receded somewhat. Throughout last year, a clear majority of Finnish consumers anticipated that the economy would continue to perform favourably, which also buoyed the demand for durable consumer goods. In February of this year households' confidence in economic growth turned down.

The number of employed has been rising since 1994, i.e. throughout the period of output growth. Employment increased first in the manufacturing sector and later in the services sector. Last year the growth in employment accelerated along with the growth in the labour-intensive construction industry. It is estimated that the construction industry employed 20 000 more persons in 1997 than in 1996. Already in the latter half of 1997 the unemployment rate dropped below 13 per cent. However, because of the high rate in the early part of the year, the average for 1997 was as high as 14.5 per cent. This year the number of employed will continue to increase.

The growth in the demand for labour is continuing at a rapid pace and is again this year focused on construction and services. Because the supply of labour will increase by only a few thousand, the

unemployment rate should drop again by a couple percentage points.

Current account surplus grew by more than anticipated

The current account surplus expanded last year to FIM 33 billion, which exceeded the 1996 surplus by FIM 11 billion and amounted to 5 per cent of total output. Finland again recorded a very large negative net international investment position at the end of 1997, which amounted to FIM 244 billion or 44 per cent of total output. The growth in the current account surplus was almost entirely the result of merchandise trade. The services balance improved slightly and external debt-related expenditure on the investment income account decreased. Current transfers however increased slightly compared to 1996.

The volume of merchandise exports increased by nearly 16 per cent on average compared to the previous year. Exports of metal and machine products grew by nearly a fifth and exports of wood products by even more. The share of metal and engineering products in total exports rose to over 40 per cent whereas the share for the forest industry was less than a third. The volume of merchandise imports grew by 11 per cent for the year as a whole. Receipts and expenditures on the services account rose by about the same amount. Owing to rapid growth in recent years, the shares of merchandise exports going to Asian countries and to Russia have each risen to more than 10 per cent, and the share of electronics industry exports going to Asia, for example, was almost a third last year. A possible collapse of export markets in the Far East would certainly have an impact on Finland's total exports.

The role of fiscal policy in ensuring balanced economic performance is upgraded

Finland clearly met the public sector convergence criteria for EMU. The deficit for the general government was only 0.9 per cent of total output, which was substantially below the 3 per cent maximum. However, the central government's deficit still amounted to 4 per cent of total output. The ratio of general government debt to GDP was 55.8 per cent compared to the allowed 60 per cent.

Although the general government deficit decreased in 1997 compared to 1996, certain discretionary items – mainly the reduction of taxes on earned income – had a modest stimulative effect on income generation in the private sector. Owing to the robust growth of the economy, general government tax revenues increased substantially while transfer payments decreased in response to the decline in unemployment. Moreover, in connection with the reform of capital taxation, the transition reserves set up in 1993 had to be dismantled by end-1997, which provided a one-off increase in corporate tax revenue.

The central government's 1998 budget is moderately contractionary. When the budget was drafted last August, expenditure cuts were made beyond those called for in the long-term budget plan because of the robustness of the economy. Reductions in taxes on earned income that were agreed in connection with the wage settlement concluded in December, and amounting to over FIM 3 billion, will for the most part take effect this year. The February supplementary budget took into account certain increases in central government expenditures related to the wage settlement, amounting to almost FIM 0.5 billion, as well as several other items, and as a result total expenditure will increase by about FIM 1 billion. Thus central government outlays will increase somewhat this year in nominal terms, though not in real terms. Since it appears that the Finnish economy will continue to grow at a robust pace and that interest rates in the core European countries will remain low, economic fundamentals argue for further cuts in public spending already this year.

At the start of March the Government came to an agreement on an expenditure plan for the years 1999–2002. The planned expenditures for 1999 are binding whereas for later years these represent only guidelines. All categories of expenditure will be cut in 1999 by 1 per cent compared to the long-term budget drafted in February 1997. The budget total will thus rise beyond this year's total by almost FIM 1 billion so that, taking into account the path of inflation, total expenditure should decline slightly in real terms. According to the current estimate, the central government deficit will fall to 1.5 per cent and the general government surplus will rise to 1 per cent of total output. In early June the Government will be evaluating the latest economic forecasts and will reconsider the draft budget for 1999.

Even though the central government finances appear to be moving into balance, possibly more rapidly than was anticipated last year when the convergence programme was drawn up in connection with the drafting of the budget, even more rapid consolidation would be propitious in light of the present healthy state of the economy. Also inflation pressures, which will be difficult to cope with on the basis of domestic monetary policy once the single currency has been launched, could to some extent be alleviated via a tighter fiscal policy stance than we have at present. In cutting expenditures, we should reserve room particularly for the easing of income taxation so as to provide the necessary stimulus for a long-run improvement in the employment situation.

6 April 1998

- Key words: inflation, monetary policy, economic performance

Finland's external indebtedness

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After the recession of the early 1990s the Finnish economy picked up in 1993, largely because of rapid growth in exports. At first the export growth was based on improved competitiveness due to the depreciation of the markka. Subsequently, Finland's competitiveness has remained good despite a strengthening of the markka, because of moderate wage increases and rapid improvements in productivity. As a result of reduced imports due to the domestic recession, the trade account posted a surplus as early as 1991. It was not until 1994 that the current account moved into surplus, as the bloated external debt kept interest payments at a high level.

Finland's net external liabilities (international investment position basis) peaked in 1993 and 1994, exceeding 50 per cent of GDP. Owing to the surplus on the current account in recent years, Finland has been able to pay down its interest-tied external liabilities, thus reducing the net interest burden on the current account. By the end of 1997, interest-tied net external liabilities declined to roughly the level that obtained in the early 1990s, ie about a fourth of GDP. On the other hand, foreigners' net claims on Finland have not declined during the last couple years, as foreigners' investments in listed Finnish shares have increased and market values of these shares have risen.

Current account continues to post large surpluses

The year 1997 was the fifth year of vigorous growth in the Finnish economy. The growth rate clearly exceeded the EU average. Despite the economic boom, the current account has stayed in surplus. In 1997 the surplus amounted to FIM 31.6 billion, ie 5.1 per cent of total output (Chart 1). The notable rise in the current account surplus has been matched by a considerable decline in the general government deficit while the surplus of the private sector has diminished slightly.

After slower growth in 1996, the global economy picked up in the latter half of 1997. Finland's export growth accelerated again in the early months of 1996 and continued at a robust pace through 1997 (Chart 2). In 1997 the volume of merchandise exports increased by a total of 16.0 per cent. Exports of paper and pulp as well as products of the metal

Chart 1.

Current account and trade balance



Chart 2.

Foreign trade

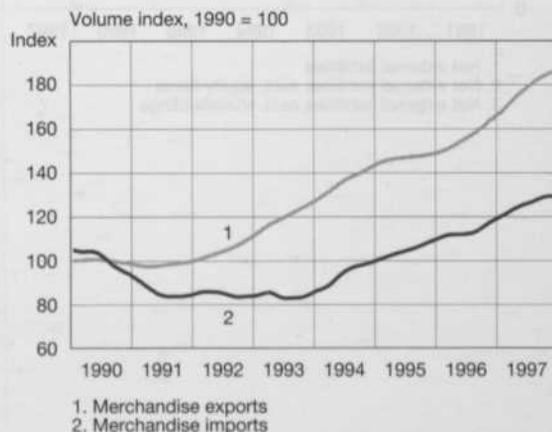


Chart 3.

Services account and net investment income

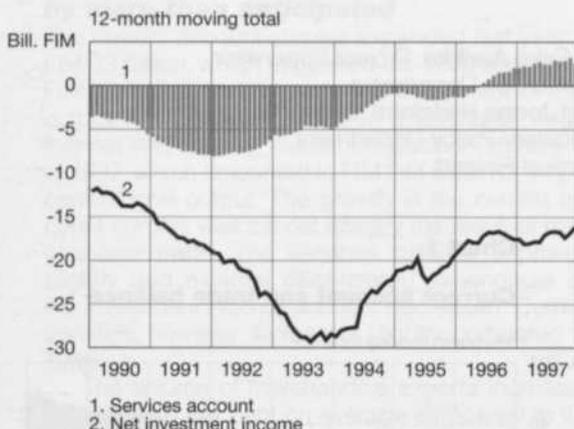


Chart 4.

Finland's net external liabilities



and engineering industries, especially the electrical and electronics industries, recorded a particularly strong recovery. The Asian crisis did not dampen the growth of exports in 1997.

Imports continued to expand in 1997 owing to robust domestic demand. Exports however grew faster than imports in volume terms, and despite a slight weakening in the terms of trade, the trade account surplus grew substantially compared to 1996, amounting to FIM 52.4 billion. It is noteworthy that over half of the trade account surplus was ascribable to trade with non-EU countries, mainly Asian and transition countries. On the whole, Finland's exports and its trade account surplus vis-à-vis these countries have grown vigorously during the last three years.

Of the other items in the current account, net investment income also strengthened, as interest-free net external liabilities declined and dividend payments abroad remained small (Chart 3). In the services account, transport receipts continued to increase more rapidly than expenditures related to expanded travel. The current transfers balance remained negative, due partly to net contributions to the EU and increased development aid.

Share investments have increased notably

In the last couple years, net external liabilities have not declined despite the marked surplus on the current account (Chart 4). This seeming inconsistency between developments in the current account and in external indebtedness is attributable to changes in share prices. The surge in share prices has increased the value of Finnish shares held by foreigners. By contrast, exchange rates have only had a minor impact on the markka value of net external liabilities.

The favourable performance of the Finnish economy and companies' strong financial results have heightened foreign investors' interest in shares of Finnish companies (Chart 5). At end-1997 foreign investors held a total of FIM 172 billion worth of Finnish shares, ie 44 per cent of the total market value of shares. When the securities markets were freed of exchange control at the start of 1991, foreigners were holding only FIM 5 billion worth of Finnish shares.

In recent years, the market value of shares held by foreigners has been affected considerably more by rises in share prices than by net sales of shares abroad. In 1996 and 1997, increases in share prices raised the market value of Finnish shares held by foreign investors by FIM 79 billion, whereas net sales of shares abroad totalled FIM 30 billion.

Finnish investors have also shown increased interest in foreign shares and bonds during the last couple years (Chart 5). Insurance companies in particular have begun to diversify their portfolios by acquiring foreign securities. The global uptrend in share prices of recent years has also boosted the

market value of Finnish investors' holdings of foreign shares. However, the rise in foreign share prices has not offset the impact of higher prices of Finnish shares on Finland's international investment position, since Finnish investors' holdings of foreign shares are still relatively modest. At end-1997 Finnish investors held foreign shares totalling FIM 18 billion and foreign bonds totalling FIM 42 billion.

At the end of 1997 the market value of net share investment (ie nonresidents' investments in Finnish shares minus residents' investments in foreign shares) amounted to FIM 154 billion. Changes in share prices are nowadays clearly reflected in Finland's net international investment position, since share investments is the largest item therein.

External liabilities of the private sector have declined considerably

At the end of 1997, Finland's net external liabilities amounted to FIM 268 billion, ie 43 per cent of GDP (Chart 4). Because of the importance nowadays of shares and other equity items, the traditional Finnish term 'ulkomainen nettovelka' (net foreign liabilities) more clearly refers to the 'net international investment position' (an IMF concept) rather than simply external indebtedness. Therefore, since the start of 1998 the traditional Finnish term has been replaced in the context of balance of payments reporting by the term 'ulkomainen nettovarallisuus', for which the English equivalent is 'net international investment position'. Finland's net international investment position is now reported with a minus sign, since external liabilities exceed external assets.

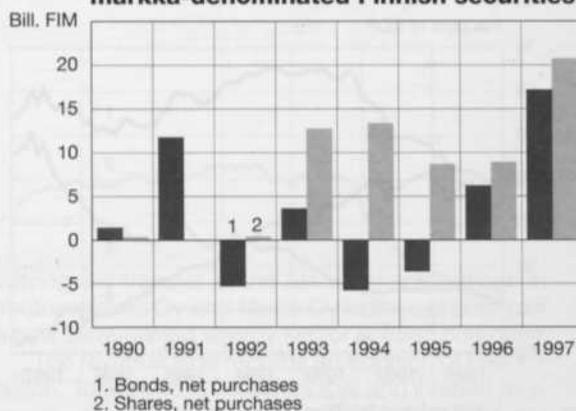
In the past, net external liabilities consisted almost exclusively of interest-tied lending between residents and nonresidents. By excluding shares and other equity items from the net external liabilities, one obtains interest-tied net external liabilities, which amounted to FIM 155 billion, ie 25 per cent of GDP, at end-1997 (Chart 4). Since 1994 interest-tied net external liabilities have declined steadily owing to the surplus on the current account. Last year the decline was FIM 18 billion.

During the 1990s the private sector has been rapidly paying down foreign loans raised in the late 1980s. At the end of 1990 the sector's interest-tied net external liabilities amounted to nearly FIM 120 billion, but by end-1997 they were down to just under FIM 20 billion. Finland's net external liabilities are attributable to the corporate sector, as financial institutions have moved to a net external asset position.

The central government's foreign currency-denominated debt is still large and has declined sluggishly in recent years, although its net borrowing requirement has been covered for the most part in the domestic financial markets. At the end of 1997, the foreign currency-denominated debt amounted to FIM 169 billion, ie 27 per cent of GDP (Chart 6). The central government paid down FIM 19 billion of this debt last year.

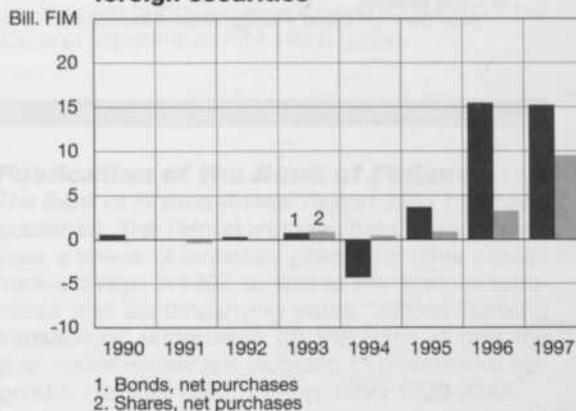
Chart 5.

Nonresidents' investments in markka-denominated Finnish securities



1. Bonds, net purchases
2. Shares, net purchases

Residents' investments in foreign securities



1. Bonds, net purchases
2. Shares, net purchases

Chart 6.

Finland's net external liabilities



- 1. Net external liabilities
- 2. Central government foreign currency-denominated debt, net
- 3. Markka-denominated securities, net
- 4. Other liabilities (excl. Bank of Finland's foreign reserve assets), net

In 1997 foreign investors showed a growing interest in markka-denominated government bonds. They were attracted by the favourable performance of the Finnish economy, continuing consolidation of central government finances and positive expectations regarding the EMU process. Nonresidents' net investments in markka-denominated bonds increased to FIM 17 billion in 1997. At the end of the year, nonresidents held FIM 39 billion worth of markka-denominated central government bonds.

19 March 1998

- Key words: balance of payments, current account, capital flows, net international investment position, foreign trade

Items

Supplementary budget for 1998

The supplementary budget includes additional expenditure arising from the civil service and other collective agreements signed by the central government on 11 December 1997, pursuant to the negotiated wage settlement, and takes into account other necessary changes.

The supplementary budget includes some FIM 1.1 billion of increases in appropriations, of which additional appropriations required under the negotiated civil service and other collective agreements account for just over FIM 0.5 billion. The supplementary budget contains an authorization for initiation of acquisition procedures for a fleet of helicopters, in accord with the Council of State's security and defence policy report, which will require a maximum expenditure by the central government of FIM 6.1 billion in 1999–2006, at the exchange rate in effect at the date of entry into effect of the supplementary budget. The Council of State is authorized to approve of ownership arrangements in-

volving the transfer of the State's shareholdings in Imatran Voima Oy and Neste Oy to the ownership of a new state-owned energy sector holding company.

The revenue side records an addition of FIM 1.1 billion. Total income from principal and interest payments on capital support extended to deposit banks is estimated at nearly FIM 0.6 billion.

Including the supplementary budget, central government budgeted revenue totals FIM 189.7 billion and expenditure FIM 189.6 billion.

Publication of the Bank of Finland

The Bank of Finland Annual Report 1997 has been published. The Report includes the Governor's review, a review of monetary policy and other central bank activities in 1997, as well as the financial statements and accompanying notes. Various banking transactions undertaken by the Bank during the year under review are included in a statistical appendix. Helsinki 1998. 119 pp. ISSN 1239-9345.

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.

Monetary policy instruments – March 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. In this regard, Finland's monetary policy remains unchanged, although membership underlines the importance of exchange rate stability. The central rate for the markka is FIM 6.01125 per ECU and the corresponding central rate against the Deutschmark 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 initiative have 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 short-term 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 ten-

ders. 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. As a preparatory step for economic and monetary union, the Bank of Finland began applying a two-week maturity in its tenders at the start of November 1997, in contrast to the previously applied one-month maturity. As a result, the key steering rate for the money market, the tender rate, is now expressed as an annualized two-week interest rate. Also effective 1 November 1997, the settlement lag for tender-related payments was shortened from two banking days to one, ie the 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 makers¹ 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:

Aktiä 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 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.

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.

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

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. As from the start of November 1997, the maturity on liquidity credit was shortened from seven days to one day. The other terms and conditions for liquidity credit were amended to the effect that the maximum credit amount no longer depends on meeting the minimum reserve requirement. Instead, banks can obtain liquidity credit in whatever amounts they choose subject to the provision of eligible collateral. Previously, a bank was allowed to obtain liquidity credit only to the extent needed to cover end-of-day negative balances on its current account or to maintain its average reserve balance at the minimum level.

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 February 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 Åland 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
Okobank
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 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 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
HEX 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 6.7 per cent of outstanding deposits and 13.3 per cent of lending is tied to the base rate, but only 1.7 per cent of new lending is tied to it (December 1997). 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 1 973 million cubic metres, of which 46 % is pine, 36 % spruce, 15 % birch and 3 % other broad-leaved species.

The annual growth increment totals 75.4 million cubic metres and the total drain was about 59 million cubic metres in 1996.

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 December 1996). Finland has three major groups of deposit banks with a total of 1 447 offices. There are two big commercial banks with national branch networks and five smaller ones. The commercial banks have a total of 14 foreign branches, subsidiaries and associate banks and 18 representative offices abroad. There are 40 savings banks and 298 cooperative banks with their own extensive branch networks. In addition, four foreign banks have branches in Finland and nine foreign banks have representative offices.

Financial markets. Of the total stock of FIM 712 billion in outstanding domestic credit at end-June 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, 68 % of the instruments, which totalled approximately FIM 165 billion at end-June 1997, were bank certificates of deposit (including central bank paper). Other negotiable money market instruments consist of Treasury bills, commercial paper and local authority paper.

There are 75 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 371 billion (at end-June 1997). Domestic bonds and debentures in circulation at end-June 1997 totalled FIM 259 billion; government bonds made up 73 % of the total. Turnover on the Stock Exchange in 1996 amounted to FIM 102 billion; the share of shares and subscription rights in the total was about 99 %. In January-June 1997 share turnover amounted to FIM 82 billion.

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1. The balance sheet of the Bank of Finland

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

	1997		1998		
	31 Dec	6 Mar	13 Mar	23 Mar	31 Mar
ASSETS					
Reserve assets	51 455	45 452	45 056	42 045	44 567
Gold	1 742	1 742	1 742	1 742	1 742
Special drawing rights	1 772	1 230	1 682	1 680	1 680
IMF reserve tranche	3 036	3 389	3 402	3 399	3 399
ECU-claim on the European Monetary Institute	4 078	3 320	3 327	3 330	3 334
Foreign exchange assets	40 827	35 770	34 904	31 894	34 412
Other foreign claims	3 342	3 028	3 027	3 027	3 027
Markka subscription to Finland's quota in the IMF	3 281	2 967	2 966	2 966	2 966
Share in the European Monetary Institute	61	61	61	61	61
Claims on financial institutions	2 951	3 095	153	153	153
Liquidity credits	-	2	-	-	-
Securities with repurchase commitments	-	2 940	-	-	-
Term credits	-	-	-	-	-
Bonds	114	97	97	97	97
Other	2 837	56	56	56	56
Claims on the public sector	2 015	2 020	2 020	2 020	2 017
Treasury bills	-	-	-	-	-
Bonds	-	-	-	-	-
Total coinage	2 015	2 020	2 020	2 020	2 017
Other	-	-	-	-	-
Claims on corporations	1 762	1 754	1 754	1 754	1 754
Financing of domestic deliveries (KTR)	26	18	18	18	18
Other	1 736	1 736	1 736	1 736	1 736
Other assets	635	503	476	426	461
Accrued items	528	405	365	315	346
Other	107	98	111	110	115
Valuation account	-	-	-	-	-
Total	62 159	55 851	52 487	49 425	51 979
LIABILITIES					
Foreign liabilities	4 911	4 336	4 330	4 394	4 389
Allocations of special drawing rights	1 046	1 060	1 064	1 063	1 063
IMF markka accounts	3 281	2 967	2 966	2 966	2 966
Other	584	309	300	365	360
Notes and coin in circulation	17 817	16 391	16 329	16 245	16 190
Notes	15 923	14 541	14 477	14 393	14 338
Coin	1 894	1 851	1 851	1 852	1 852
Certificates of deposit	10 500	9 360	2 250	3 900	3 100
Liabilities to financial institutions	10 681	6 381	10 044	5 227	8 417
Reserve deposits	7 911	6 381	10 044	5 227	8 417
Term deposits	-	-	-	-	-
Other	2 770	0	0	0	0
Liabilities to the public sector	-	-	-	-	-
Current accounts	-	-	-	-	-
Other	-	-	-	-	-
Liabilities to corporations	32	20	19	19	18
Deposits for investment and ship purchase	32	20	19	19	18
Other	-	-	-	-	-
Other liabilities	55	49	49	41	41
Accrued items	23	11	19	13	10
Other	32	37	30	29	31
Valuation account	258	1 410	1 561	1 695	1 919
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	-	-	-	-	-
Total	62 159	55 851	52 487	49 425	51 979

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

End of period	Foreign sector								Public sector		
	Gold	Special drawing rights	IMF reserve tranche	ECU-claim on the European Monetary Institute	Foreign exchange assets	Reserve assets (1+2+3+4+5)	Other claims, net	Net claims (6+7)	Claims	Liabilities	Net claims (9-10)
	1	2	3	4	5	6	7	8	9	10	11
1993	2 180	664	1 747	.	28 882	33 473	-1 324	32 148	1 788	784	1 004
1994	2 180	1 537	1 354	.	47 672	52 743	-1 114	51 629	1 806	93	1 713
1995	1 742	1 569	1 685	3 363	40 506	48 865	-2 082	46 783	1 882	75	1 807
1996	1 742	1 344	1 953	2 541	28 817	36 397	-1 826	34 571	1 906	-	1 906
1997	1 742	1 772	3 036	4 078	40 827	51 455	-1 569	49 886	2 015	-	2 015
1997											
Mar	1 742	1 514	1 930	2 532	51 982	59 700	-1 268	58 432	1 907	-	1 907
Apr	1 742	1 186	1 986	4 011	49 851	58 775	-1 227	57 548	1 904	-	1 904
May	1 742	1 121	1 998	4 000	49 607	58 468	-1 267	57 201	1 908	-	1 908
Jun	1 742	1 100	1 963	3 984	50 322	59 111	-1 397	57 714	1 921	-	1 921
Jul	1 742	1 557	2 023	3 965	55 189	64 475	-1 533	62 942	1 921	-	1 921
Aug	1 742	1 711	2 031	3 978	54 008	63 470	-1 622	61 848	1 926	-	1 926
Sep	1 742	1 588	2 081	3 958	52 686	62 055	-1 750	60 305	1 939	-	1 939
Oct	1 742	1 489	2 068	4 031	54 754	64 085	-1 941	62 144	1 947	-	1 947
Nov	1 742	1 234	2 271	4 071	41 920	51 238	-2 256	48 982	1 955	-	1 955
Dec	1 742	1 772	3 036	4 078	40 827	51 455	-1 569	49 886	2 015	-	2 015
1998											
Jan	1 742	1 323	3 065	3 310	40 268	49 709	-1 389	48 320	2 019	-	2 019
Feb	1 742	1 230	3 389	3 318	38 830	48 510	-1 413	47 097	2 020	-	2 020
Mar	1 742	1 680	3 399	3 334	34 412	44 567	-1 362	43 205	2 017	-	2 017

End of period	Domestic financial sector				Corporate sector				
	Term claims on deposit banks, net	Reserve deposits of deposit banks ¹	Other claims on financial institutions, 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 circulation	Out-standing CDs issued by the Bank of Finland
	12	13	14	15	16	17	18	19	20
1993	7 337	-6 398	-463	476	496	720	1 216	14 994	14 837
1994	1 480	-6 526	-347	-5 392	316	1 285	1 601	14 315	35 236
1995	7 076	-15 676	655	-7 945	185	1 706	1 891	15 611	27 090
1996	11 626	-6 829	372	5 169	70	1 623	1 692	16 891	15 530
1997	-	-7 911	181	-7 730	26	1 704	1 730	17 817	10 500
1997									
Mar	18 158	-10 649	319	7 828	59	1 919	1 978	16 131	41 950
Apr	17 070	-6 717	294	10 647	50	1 784	1 834	16 064	41 700
May	12 568	-8 091	283	4 760	42	1 669	1 712	16 068	34 760
Jun	9 558	-10 397	258	-581	42	1 695	1 738	16 315	29 110
Jul	10 575	-3 651	252	7 176	42	1 712	1 754	16 359	40 170
Aug	8 225	-12 522	252	-4 045	37	1 748	1 785	16 287	28 440
Sep	9 214	-4 458	226	4 982	33	1 767	1 800	16 046	36 760
Oct	15 103	-13 983	188	1 308	26	1 792	1 819	16 144	34 900
Nov	4 411	-11 612	184	-7 017	26	1 684	1 710	16 381	12 200
Dec	-	-7 911	181	-7 730	26	1 704	1 730	17 817	10 500
1998									
Jan	1 929	-5 642	157	-3 556	26	1 713	1 739	16 416	13 740
Feb	3 648	-10 365	155	-6 562	21	1 715	1 736	16 274	9 360
Mar	-	-8 417	153	-8 264	18	1 718	1 736	16 190	3 100

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

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

	Reserve requirement			Required reserves ¹ , mill. FIM	Excess reserves, mill. FIM	Total reserves, mill. FIM (4+5)	Liquidity credits, mill. FIM
	On deposits payable on demand, %	On other deposits, %	On other items, %				
	1	2	3	4	5	6	7
1993	2.0	1.5	1.0	6 398			440
1994	2.0	1.5	1.0	6 526			14
1995	2.0	1.5	1.0	6 557			123
I-IX	2.0	1.5	1.0	6 530	616	7146	37
X-XII	2.0	1.5	1.0	6 652	440	7092	121
1996	2.0	1.5	1.0	6 717	747	7464	1
1997							
Mar	2.0	1.5	1.0	6 582	1478	8060	-
Apr	2.0	1.5	1.0	6 589	566	7156	18
May	2.0	1.5	1.0	6 623	598	7221	-
Jun	2.0	1.5	1.0	6 602	1165	7767	-
Jul	2.0	1.5	1.0	6 777	378	7155	-
Aug	2.0	1.5	1.0	6 803	626	7429	-
Sep	2.0	1.5	1.0	6 769	521	7290	-
Oct	2.0	1.5	1.0	6 799	1020	7818	-
Nov	2.0	1.5	1.0	6 911	892	7803	-
Dec	2.0	1.5	1.0	6 999	310	7309	-
1998							
Jan	2.0	1.5	1.0	6 995	321	7317	-
Feb	2.0	1.5	1.0	6 947	147	7095	-
Mar	2.0	1.5	1.0	6 947	895	7842	0

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

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1-2-3)
	1	2	3	4
1993	86 521	146 899	-50 486	-9 892
1994	35 540	351 820	-295 165	-21 115
1995	50 435	434 810	-393 930	9 555
1996	94 080	250 980	-190 562	33 662
1997	128 220	422 500	-294 770	490
1997				
Mar	1 450	41 950	-47 030	6 530
Apr	24 200	41 700	-13 630	-3 870
May	5 700	34 760	-34 700	5 640
Jun	9 600	32 760	-22 160	-1 000
Jul	10 420	36 520	-22 950	-3 150
Aug	8 350	30 260	-26 320	4 410
Sep	12 300	34 630	-23 120	790
Oct	12 200	36 900	-28 830	4 130
Nov	11 400	15 700	-18 480	14 180
Dec	0	22 430	-26 110	3 680
1998				
Jan	2 000	30 040	-27 770	-270
Feb	4 280	23 540	-19 260	0
Mar	0	7 000	-9 610	2 610

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

During period	Intervention in the foreign exchange market			Spot transactions related to forward contracts, net	Central government's foreign exchange transactions, net	Reserve assets (end of period)	
	Spot purchases	Spot sales	Forward exchange intervention = change in forward exchange position			mill. FIM	mill. USD
1993	25 120	-45 080	7 460	-6 910	33 240	29 517	5 628
1994	20 930	-12 900	9 060	-8 930	24 660	33 473	5 787
1995	4 910	-5 470	-6 170	9 170	-10 135	52 743	11 120
1996	7 360	-7 320	-	-	-13 868	48 865	11 211
1997	47 620	-1 470	-	4 310	-37 540	36 397	7 838
1997							
Mar	1 460	-720	-2 610	2 540	-3 490	59 700	11 953
Apr	-	-690	-4 240	3 070	-8 160	58 775	11 285
May	-	-60	-100	-	-930	58 468	11 407
Jun	2 880	-	70	-	-870	59 111	11 392
Jul	4 940	-	-1 310	6 300	-3 560	64 475	11 807
Aug	-	-	-70	-	-670	63 470	11 784
Sep	-	-	-70	-	-1 240	62 055	11 707
Oct	-	-	-3 160	3 100	-800	64 085	12 342
Nov	-	-	-1 560	1 560	-15 300	51 238	9 602
Dec	-	-	-	-	-610	51 455	9 492
1998							
Jan	-	-	-	-	-2 730	49 709	8 974
Feb	-	-	-	-	-1 410	48 510	8 825
Mar	-	-	-	-	-	44 567	7 950

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

Stock at end of period	Finnish banks' forward contracts						Non-residents' forward contracts with Finnish customers (excl. Finnish banks)			The Bank of Finland's forward contracts	
	With Finnish customers (excl. Finnish banks)			With foreign customers			Total	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net	Net currency sales
	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net	Currency purchases from foreign customers	Currency sales to foreign customers	Net					
	1	2	3	4	5	6	7	8	9	10	11
1993	38 373	23 721	14 652	14 346	21 895	-7 548	7 104	11 632	2 173	9 459	1 939
1994	51 096	22 093	29 003	19 236	32 791	-13 555	15 448	18 372	4 780	13 592	-
1995	60 280	19 095	41 185	31 837	48 906	-17 069	24 116	12 829	6 871	5 957	-
1996	53 520	21 793	31 726	44 068	72 021	-27 953	3 773	15 871	6 908	8 963	-
1997	66 649	37 507	29 142	105 128	127 793	-22 665	6 477	23 490	14 552	8 938	-
1997											
Feb	60 646	20 139	40 507	58 008	66 207	-8 199	32 308	18 779	5 040	13 740	-12 185
Mar	62 218	23 415	38 803	57 783	85 313	-27 530	11 273	18 160	5 138	13 023	-9 924
Apr	65 819	25 160	40 659	59 142	84 411	-25 268	15 391	20 854	10927	9927	-5589
May	65 324	25 735	39 588	53 735	82 076	-28 340	11 248	22 115	9477	12638	-5589
Jun	65 886	30 056	35 830	58 688	83 157	-24 468	11 362	24 007	12681	11326	-5589
Jul	71 933	31 074	40 859	55 146	83 978	-28 831	12 028	30 797	14976	15821	-4690
Aug	74 387	33 124	41 263	60 935	99 872	-38 936	2 327	28 558	17323	11235	-4690
Sep	69 721	36 411	33 310	68 654	93 287	-24 632	8 678	24 439	16998	7441	-4690
Oct	68 258	37 917	30 340	92 393	116 191	-23 798	6 542	24 034	19297	4737	-1578
Nov	68 813	36 778	32 035	93 566	115 303	-21 737	10 298	28 528	17234	11294	-
Dec	66 649	37 507	29 142	105 128	127 793	-22 665	6 477	23 490	14552	8938	-
1998											
Jan	66 113	32 546	33 568	95 925	116 620	-20 695	12 873	19 041	7592	11449	-
Feb	70 214	32 074	38 140	91 570	118 695	-27 125	11 015	22 024	6215	15809	-

3. Rates of interest

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

Average of daily observations	Interbank overnight rate	HELIBOR				Bank of Finland rates		
		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	7.71	7.85	7.73	7.59	7.47	8.95	4.95	6.85
1994	4.38	5.11	5.35	5.78	6.33	7.11	3.11	5.27
1995	5.26	5.63	5.76	5.97	6.34	7.63	3.63	5.20
1996	3.66	3.58	3.63	3.74	3.99	5.57	1.57	4.38
1997	2.87	3.10	3.23	3.41	3.69	5.07	1.07	4.00
1997								
Mar	2.51	3.01	3.07	3.18	3.42	5.00	1.00	4.00
Apr	3.24	3.02	3.08	3.21	3.48	5.00	1.00	4.00
May	2.51	3.01	3.08	3.19	3.40	5.00	1.00	4.00
Jun	2.76	3.00	3.07	3.19	3.42	5.00	1.00	4.00
Jul	2.85	3.00	3.08	3.22	3.50	5.00	1.00	4.00
Aug	3.02	3.01	3.13	3.31	3.68	5.00	1.00	4.00
Sep	3.06	3.15	3.31	3.52	3.89	5.14	1.14	4.00
Oct	2.75	3.29	3.57	3.91	4.26	5.25	1.25	4.00
Nov	2.90	3.35	3.65	4.00	4.32	5.25	1.25	4.00
Dec	3.20	3.31	3.60	3.87	4.18	5.25	1.25	4.00
1998								
Jan	2.80	3.30	3.48	3.63	3.86	5.25	1.25	4.00
Feb	3.18	3.29	3.42	3.56	3.74	5.25	1.25	4.00
Mar	3.10	3.36	3.47	3.58	3.76	5.31	1.31	4.00

¹ Call money deposit rate until 2 October 1995.

3.2 The Bank of Finland's liquidity facility

The Bank of Finland's tender rate, %	Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	Call money deposits: interest rate margin, %-points	Excess-reserve rate		
1	2	3	4	5		
1993	7.87	1993	+2.00	7	-2.00	
1994	5.11	1994	+2.00	7	-2.00	
1995	5.63	1995	+2.00	7		2.25
1996	3.57	1996	+2.00	7		1.00
1997	3.07	1997	+2.00	1		1.25
1997		1997				
Mar	3.00	Mar	+2.00	7		1.00
Apr	3.00	Apr	+2.00	7		1.00
May	3.00	May	+2.00	7		1.00
Jun	3.00	Jun	+2.00	7		1.00
Jul	3.00	Jul	+2.00	7		1.00
Aug	3.00	Aug	+2.00	7		1.00
Sep	3.14	Sep	+2.00	7		1.25
Oct	3.25	Oct	+2.00	7		1.25
Nov	3.25	Nov	+2.00	1		1.25
Dec	3.25	Dec	+2.00	1		1.25
1998		1998				
Jan	3.25	Jan	+2.00	1		1.25
Feb	3.25	Feb	+2.00	1		1.25
Mar	3.31	Mar	+2.00	1		1.40
13.3.1996	3.75	13.3.1996				1.75
14.6.1996	3.60	14.6.1996				1.60
5.7.1996	3.50	5.7.1996				1.50
23.8.1996	3.25	23.8.1996				1.25
18.9.1996	3.10	18.9.1996				1.10
9.10.1996	3.00	9.10.1996				1.00
15.9.1997	3.25	15.9.1997				1.25
19.3.1998	3.40	19.3.1998				1.40

3.3 Weighted Eurorates and commercial ECU interest rate, per cent

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

3.4 Rates of interest applied by banks, per cent

Average for period	Lending					Markka deposits and other markka funding						
	New credits				Average lending rate	Of which: Commercial banks	24-month tax-exempt deposits ¹	36-month tax-exempt deposits ¹	Other tax-exempt deposits, max. rate of interest ¹	Average rate of interest on deposits	Average rate of interest on other funding	Average rate of interest on markka funding
	Cheque account and postal giro credits	Bills of exchange	Loans	New lending, total								
	1	2	3	4	5	6	7	8	9	10	11	12
1993	9.69	13.55	9.40	9.75	10.20	9.92	3.50	4.50	2.00	4.78	8.86	6.15
1994	7.32	11.55	7.13	7.35	8.18	7.91	3.25	4.25	2.00	2.99	5.96	4.01
1995	7.85	11.33	7.30	7.46	8.04	7.75	2.75	3.75	2.00	3.13	6.29	4.08
1996	5.61	9.61	5.31	5.43	6.49	6.15	2.00	3.00	2.00	2.15	4.31	2.78
1997	4.83	9.66	4.73	4.81	5.64	5.29			2.00	1.47	..	..
1997												
Feb	5.59	10.01	4.67	4.79	5.70	5.35	2.00		2.00	1.61	..	..
Mar	5.51	9.97	4.78	4.91	5.67	5.32	2.00		2.00	1.48	..	..
Apr	6.03	9.68	4.53	4.64	5.65	5.29	2.00		2.00	1.47	..	..
May	5.25	9.83	4.85	4.96	5.62	5.27	2.00		2.00	1.45	..	..
Jun	5.46	9.31	4.84	4.93	5.59	5.24	2.00		2.00	1.43	..	..
Jul	5.45	9.69	4.43	4.53	5.57	5.21	2.00		2.00	1.42	..	..
Aug	4.17	9.77	4.75	4.80	5.54	5.18	2.00		2.00	1.42	..	..
Sep	4.99	9.42	4.69	4.77	5.57	5.22	2.00		2.00	1.42	..	..
Oct	4.09	9.70	4.95	4.97	5.61	5.27	2.00		2.00	1.44	..	..
Nov	6.06	9.52	4.98	5.08	5.67	5.35	2.00		2.00	1.43	..	..
Dec	6.07	9.21	4.74	4.83	5.74	5.43			2.00	1.44	..	..
1998												
Jan	4.54	9.58	4.75	4.80	5.71	5.41			2.00	1.44	..	..
Feb	5.43	9.26	4.75	4.84	5.71	5.40			2.00	1.43	..	..

¹ End of period.

3.5 Yields on bonds and shares, per cent

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

4. Rates of exchange

4.1 Middle rates, FIM

Average of daily quotations	New York	Montreal	London	Dublin	Stockholm	Oslo	Copenhagen	Reykjavik	Frankfurt am Main	Amsterdam	Brussels	Zurich
	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	5.7189	4.434	8.582	8.371	0.7350	0.8059	0.8822	0.0846	3.4584	3.0787	0.1655	3.8706
1994	5.2184	3.824	7.982	7.799	0.6758	0.7393	0.8207	0.0745	3.2169	2.8684	0.1561	3.8179
1995	4.3658	3.181	6.891	6.999	0.6123	0.6889	0.7790	0.0674	3.0471	2.7202	0.1481	3.6941
1996	4.5905	3.367	7.164	7.345	0.6847	0.7111	0.7921	0.0689	3.0530	2.7247	0.1484	3.7211
1997	5.1944	3.753	8.506	7.871	0.6799	0.7339	0.7859	0.0732	2.9939	2.6603	0.1451	3.5785
1997												
Mar	5.0716	3.702	8.141	7.932	0.6622	0.7448	0.7834	0.0713	2.9886	2.6558	0.1448	3.4601
Apr	5.1307	3.681	8.360	7.965	0.6678	0.7360	0.7876	0.0721	3.0003	2.6680	0.1454	3.5109
May	5.1337	3.722	8.382	7.780	0.6694	0.7271	0.7922	0.0729	3.0169	2.6825	0.1462	3.5903
Jun	5.1732	3.737	8.503	7.797	0.6680	0.7177	0.7869	0.0735	2.9961	2.6637	0.1452	3.5881
Jul	5.3051	3.854	8.869	7.942	0.6793	0.7134	0.7783	0.0747	2.9641	2.6325	0.1436	3.5832
Aug	5.5097	3.967	8.838	8.004	0.6891	0.7221	0.7850	0.0759	2.9903	2.6550	0.1448	3.6380
Sep	5.3561	3.862	8.571	7.931	0.6954	0.7318	0.7862	0.0747	2.9932	2.6579	0.1450	3.6364
Oct	5.2695	3.803	8.595	7.730	0.6958	0.7444	0.7874	0.0737	2.9981	2.6613	0.1454	3.6278
Nov	5.2205	3.696	8.809	7.844	0.6902	0.7395	0.7916	0.0735	3.0130	2.6731	0.1461	3.7093
Dec	5.3714	3.768	8.925	7.830	0.6899	0.7413	0.7934	0.0749	3.0220	2.6817	0.1465	3.7327
1998												
Jan	5.4948	3.815	8.988	7.599	0.6858	0.7333	0.7946	0.0755	3.0268	2.6859	0.1467	3.7261
Feb	5.5022	3.835	9.018	7.573	0.6812	0.7282	0.7958	0.0760	3.0328	2.6908	0.1470	3.7570
Mar	5.5420	3.913	9.203	7.584	0.6956	0.7311	0.7962	0.0764	3.0348	2.6927	0.1471	3.7242

Average of daily quotations	Paris	Rome	Vienna	Lisbon	Madrid	Athens	Tallinn	Tokyo	Melbourne	Seoul	ECU Commercial	SDR
	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	1.0096	0.00364	0.4916	0.0356	0.0451	0.025	0.4323	0.05168	3.885		6.685	7.98671
1994	0.9406	0.00324	0.4573	0.0314	0.0390	0.0215	0.4021	0.05106	3.814		6.175	7.46629
1995	0.8748	0.00268	0.4331	0.0291	0.0350	0.0189	0.3809	0.04663	3.238		5.644	6.61879
1996	0.8978	0.00298	0.4340	0.0298	0.0363	0.0191	0.3816	0.04225	3.593		5.751	6.66357
1997	0.8894	0.00305	0.4255	0.0296	0.0355	0.0190	0.3742	0.04303	3.859		5.864	7.14420
1997												
Mar	0.8859	0.00299	0.4246	0.0297	0.0352	0.0190	0.3736	0.04138	3.998		5.801	6.98562
Apr	0.8908	0.00303	0.4263	0.0299	0.0356	0.0190	0.3750	0.04086	3.997		5.853	7.03636
May	0.8945	0.00305	0.4286	0.0299	0.0357	0.0189	0.3771	0.04335	3.975		5.880	7.12016
Jun	0.8878	0.00305	0.4258	0.0297	0.0355	0.0189	0.3745	0.04527	3.902		5.855	7.19320
Jul	0.8785	0.00304	0.4213	0.0293	0.0351	0.0189	0.3705	0.04609	3.939	0.00596	5.846	7.30859
Aug	0.8873	0.00306	0.4250	0.0295	0.0354	0.0191	0.3738	0.04672	4.085	0.00614	5.886	7.45951
Sep	0.8904	0.00307	0.4254	0.0295	0.0355	0.0190	0.3741	0.04434	3.876	0.00589	5.872	7.28131
Oct	0.8936	0.00306	0.4260	0.0294	0.0355	0.0190	0.3748	0.04355	3.800	0.00569	5.891	7.21962
Nov	0.9000	0.00308	0.4281	0.0295	0.0357	0.0192	0.3766	0.04172	3.630	0.00507	5.961	7.17348
Dec	0.9028	0.00308	0.4295	0.0296	0.0357	0.0192	0.3777	0.04152	3.562	0.00368	5.980	7.27353
1998												
Jan	0.9038	0.00308	0.4303	0.0296	0.0357	0.0192	0.3784	0.04253	3.611	0.00325	5.978	7.38238
Feb	0.9048	0.00307	0.4311	0.0296	0.0358	0.0192	0.3791	0.04377	3.711	0.00340	5.989	7.42807
Mar	0.9053	0.00308	0.4314	0.0297	0.0358	0.0182	0.3794	0.04298	3.712	0.00373	6.018	7.44954

4.2 Markka value of the ECU and currency indices

Average of daily observations	Markka value of the ECU FIM/ECU	Currency indices, 1982=100	
		Trade-weighted currency index	Payments currency index
		1	2	3
1993	6.69420	132.4	136.0
1994	6.19108	123.2	125.5
1995	5.70936	111.6	111.6
1996	5.83028	115.3	115.8
1997	5.88125	118.4	122.6
1997			
Mar	5.82954	116.8	120.5
Apr	5.87626	117.8	121.5
May	5.90366	118.6	122.1
Jun	5.88180	118.7	122.4
Jul	5.86447	119.0	123.8
Aug	5.90587	120.4	126.4
Sep	5.89038	119.5	124.7
Oct	5.89974	119.4	123.9
Nov	5.94676	119.4	123.7
Dec	5.97130	119.5	125.4
1998			
Jan	5.98008	120.1	126.7
Feb	5.98982	120.4	126.8
Mar	6.00921	121.3	127.6

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

Average of daily observations	ECU	DEM	FRF	NLG	DKK	BEF	ESP	ATS	PTE	IEP	ITL	GRD
Central rate as of												
16 Mar 1998	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	-1.69	0.23	-3.48	0.82	-2.25	0.49	-2.02	0.24	-1.84	-4.52	..	..
1996	0.30	0.43	-0.95	0.99	-0.61	0.65	1.49	0.44	0.40	0.21	-3.07	..
1997	0.46	-1.52	-1.88	-1.40	-1.39	-1.56	-0.78	-1.53	-0.12	7.38	-0.72	..
1997												
Mar	-0.42	-1.69	-2.27	-1.57	-1.70	-1.73	-1.45	-1.73	0.29	8.22	-2.53	..
Apr	0.38	-1.31	-1.73	-1.12	-1.18	-1.34	-0.52	-1.34	0.88	8.67	-1.31	..
May	0.84	-0.76	-1.31	-0.58	-0.60	-0.84	0.02	-0.80	0.97	6.14	-0.53	..
Jun	0.47	-1.44	-2.06	-1.27	-1.26	-1.49	-0.74	-1.45	0.01	6.37	-0.61	..
Jul	0.17	-2.50	-3.08	-2.43	-2.35	-2.58	-1.65	-2.50	-1.04	8.36	-0.86	..
Aug	0.88	-1.64	-2.11	-1.60	-1.50	-1.74	-0.92	-1.65	-0.47	9.20	-0.30	..
Sep	0.62	-1.54	-1.77	-1.49	-1.36	-1.62	-0.73	-1.56	-0.59	8.20	-0.11	..
Oct	0.78	-1.38	-1.41	-1.36	-1.20	-1.38	-0.63	-1.40	-0.75	5.47	-0.29	..
Nov	1.58	-0.89	-0.71	-0.92	-0.67	-0.89	-0.18	-0.92	-0.46	7.02	0.14	..
Dec	2.00	-0.59	-0.40	-0.61	-0.45	-0.62	0.03	-0.59	-0.26	6.83	0.40	..
1998												
Jan	2.15	-0.43	-0.28	-0.45	-0.29	-0.45	-0.07	-0.42	-0.21	3.68	0.16	..
Feb	2.32	-0.24	-0.18	-0.27	-0.15	-0.30	0.13	-0.24	-0.14	3.32	0.09	..
Mar	1.18	-0.17	-0.12	-0.20	-0.10	-0.19	0.17	-0.17	-0.01	1.81	0.36	..

5. Financial markets and money supply

5.1 Bank funding from the public, mill. FIM

End of period	Tax-exempt				Subject to withholding tax			Other taxable			Markka deposits, total	Foreign currency deposits	Other markka funding	Total funding
	Cheque and trans- actions accounts	Time deposits	Other deposits	Total	Cheque and trans- actions accounts	Other deposits	Total	Cheque and trans- actions accounts	Other deposits	Total				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1993	88 881	66 361	1 457	156 699	10 360	51 943	62 303	32 098	17 664	49 762	268 764	15 788	62 599	347 151
1994	96 796	63 329	1 895	162 021	9 467	47 908	57 375	37 279	18 739	56 018	275 414	13 332	58 067	346 813
1995	106 997	63 599	2 611	173 207	10 916	45 529	56 445	45 558	16 163	61 721	291 373	14 843	50 675	356 891
1996	132 113	<u>29 672</u>	<u>27 140</u>	188 926	10 746	25 207	35 953	48 329	10 438	58 767	283 646	12 495	55 046	351 187
1997*	140 891	46 976	19 119	206 985	7 883	14 446	22 329	52 472	9 293	61 765	291 079	12 272	74 141	377 491
1997*														
Feb	131 106	48 529	13 234	192 869	11 273	20 165	31 438	44 822	10 368	55 189	279 497	12 043	60 346	351 885
Mar	132 054	50 024	13 824	195 902	11 512	19 201	30 713	48 803	9 973	58 775	285 390	11 876	66 039	363 306
Apr	133 313	50 984	15 063	199 360	8 525	16 990	25 515	46 969	10 294	57 263	282 139	10 794	66 369	359 302
May	134 300	51 556	15 254	201 111	8 771	16 450	25 222	50 048	10 116	60 164	286 497	11 900	69 938	368 335
Jun	134 432	52 104	15 364	201 900	8 548	15 788	24 336	52 499	9 558	62 057	288 293	11 743	63 526	363 561
Jul	135 230	52 563	15 484	203 277	8 252	15 059	23 311	49 515	9 541	59 056	285 645	11 480	74 487	371 612
Aug	136 678	52 854	15 575	205 107	8 207	14 379	22 586	48 581	9 569	58 150	285 843	11 434	73 195	370 472
Sep	134 963	53 793	14 845	203 602	8 277	14 162	22 439	49 347	9 239	58 587	284 627	12 458	77 982	375 067
Oct	135 800	51 832	16 358	203 990	8 482	14 102	22 584	51 018	9 275	60 293	286 867	12 254	82 490	381 611
Nov	137 885	50 911	16 516	205 312	7 798	14 078	21 876	51 174	9 123	60 297	287 485	12 079	66 002	365 566
Dec	140 891	46 976	19 119	206 985	7 883	14 446	22 329	52 472	9 293	61 765	291 079	12 272	74 140	377 491
1998*														
Jan	142 092	48 768	18 294	209 154	7 817	14 148	21 965	51 535	9 591	61 126	292 245	11 550	74 305	378 100
Feb	141 276	48 538	18 784	208 598	6 456	13 726	20 182	48 528	9 480	58 009	286 789	10 960	74 473	372 222

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+5+6)	Foreign currency lending	Total lending (7+8)
	1	2	3	4	5	6	7	8	9
1993	83 285	9 304	4 036	12 802	171 540	103	281 070	69 819	350 889
1994	81 130	11 121	3 367	13 016	162 913	124	271 670	47 078	318 748
1995	78 601	13 045	2 918	12 645	155 990	253	263 452	33 124	296 575
1996	<u>82 894</u>	<u>18 554</u>	<u>3 052</u>	<u>13 088</u>	<u>152 594</u>	<u>119</u>	<u>270 301</u>	<u>24 130</u>	<u>294 430</u>
1997*	77 351	21 257	3 241	13 453	155 388	.	270 691	16 252	286 943
1997*									
Feb	79 050	15 224	3 014	13 197	151 542	.	262 027	20 276	282 303
Mar	79 043	15 757	2 956	13 160	151 711	.	262 627	18 834	281 461
Apr	79 582	16 409	2 979	13 213	151 866	.	264 049	18 707	282 756
May	79 532	17 233	3 031	13 154	152 515	.	265 466	18 491	283 956
Jun	79 240	17 409	2 973	13 214	152 671	.	265 507	17 709	283 215
Jul	78 977	17 866	2 964	13 294	153 460	.	266 562	17 318	283 879
Aug	78 637	19 006	2 976	13 467	154 484	.	268 570	16 802	285 371
Sep	78 597	19 613	3 071	13 617	155 001	.	269 898	16 378	286 276
Oct	78 392	20 566	3 055	13 573	155 563	.	271 147	18 314	289 461
Nov	76 557	21 218	3 215	13 709	156 001	.	270 699	16 928	287 627
Dec	77 351	21 257	3 241	13 453	155 388	.	270 691	16 246	286 937
1998*									
Jan	77 916	21 485	3 240	13 152	155 345	.	271 138	16 352	287 490
Feb	78 339	22 196	3 450	13 166	155 871	.	273 022	17 431	290 453

5.3 Money supply, mill. FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	Monetary aggregates		
		Claims on the central government	Claims on the public	Total (2+3)		M ₁	M ₂ (1+4+5)	M ₃
	1	2	3	4	5	6	7	8
1993	-25 989	1 848	403 742	405 589	-100 006	141 759	279 595	322 408
1994	12 844	6 092	365 712	371 804	-97 953	154 357	286 696	328 509
1995	25 481	19 837	353 340	373 177	-94 870	175 921	303 788	329 820
1996	40 638	12 821	350 230	363 052	-106 399	204 834	297 291	325 473
1997*	69 620	12 184	339 143	351 327	-115 351	215 763	305 596	353 735
1997*								
Feb	56 559	9 887	338 163	348 050	-111 708	200 605	292 901	328 095
Mar	56 787	10 209	337 213	347 421	-105 146	206 040	299 062	338 407
Apr	58 607	14 411	337 724	352 134	-115 087	202 323	295 654	340 840
May	63 055	16 769	338 988	355 757	-118 523	206 912	300 289	349 640
Jun	73 732	3 256	337 432	340 689	-112 526	209 080	301 894	350 332
Jul	73 618	6 226	337 876	344 102	-118 445	206 628	299 276	353 820
Aug	72 388	5 162	339 432	344 594	-117 141	207 465	299 841	348 202
Sep	87 246	3 686	340 221	343 906	-133 023	206 090	298 129	350 548
Oct	83 239	5 621	342 934	348 555	-131 049	209 178	300 745	353 649
Nov	71 173	9 482	340 584	350 067	-119 678	210 932	301 561	345 464
Dec	69 620	12 184	339 143	351 327	-115 351	215 763	305 596	353 735
1998*								
Jan	66 185	11 387	339 957	351 344	-111 237	215 491	306 292	363 245
Feb	..	..	..	..	..	210 276	300 804	355 012

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

End of period	Foreign currency-denominated debt			Markka-denominated debt				Total (4+5+6+7)	Central government debt (3+8)	Out-standing lending	Cash funds
	Bonds	Other debt	Total (1+2)	Public bonds	Other long-term liabilities	Treasury notes and bills	Miscellaneous items				
	1	2	3	4	5	6	7	8	9	10	11
1993	142 824	12 753	155 577	71 082	16 060	22 824	-9 700	100 266	255 843	66 439	36 487
1994	160 587	15 975	176 562	93 008	17 100	33 153	-12 300	130 961	307 523	67 658	43 012
1995	158 545	13 756	172 301	143 948	17 492	37 864	-12 300	187 004	359 305	66 855	41 878
1996	158 847	16 161	175 008	177 700	17 187	37 620	-12 300	220 479	395 487	64 316	38 369
1997	142 717	25 839	168 556	214 876	16 545	30 388	-12 300	249 745	418 301	..	33 868
1997											
Mar	158 001	21 195	179 196	187 972	17 149	43 821	-12 300	236 879	416 075	65 096	44 839
Apr	155 575	21 828	177 403	192 178	16 865	43 658	-12 300	240 588	417 991	66 479	41 543
May	155 880	23 054	178 934	194 126	16 865	44 045	-12 300	242 923	421 857	65 951	46 841
Jun	159 454	24 635	184 089	186 952	16 581	42 797	-12 300	234 248	418 337	65 979	37 376
Jul	156 183	25 261	181 444	190 450	16 574	44 522	-12 300	239 533	420 977	65 569	37 195
Aug	155 814	24 994	180 808	192 441	16 574	41 545	-12 300	238 547	419 355	65 716	37 233
Sep	154 425	25 586	180 011	202 789	16 573	39 063	-12 300	246 332	426 343	66 004	48 389
Oct	154 826	25 462	180 288	204 172	16 573	34 599	-12 300	243 310	423 598	66 151	48 685
Nov	141 898	25 597	167 495	216 455	16 557	34 458	-12 417	255 279	422 774	65 837	42 539
Dec	142 717	25 839	168 556	214 876	16 545	30 388	-12 417	249 628	418 184	..	33 868
1998											
Jan	143 626	26 312	169 938	214 642	16 545	31 081	-12 417	250 047	419 985	..	..
Feb	143 776	26 265	170 041	217 195	16 545	25 712	-12 417	247 232	417 273	..	..
Mar	137 141	26 233	163 374	218 647	16 494	27 949	-12 417	250 870	414 244	..	..

5.5 Markka bond market

A) Issues, mill. FIM

During period	Corporations	Financial institutions	Central government	Local government	Others	Total (1+2+3+4+5)
	1	2	3	4	5	6
1993	11 691	10 481	36 512	2 235	63	60 981
1994	4 053	9 899	31 553	593	-	46 099
1995	643	4 487	66 557	26	-	71 713
1996	3 213	9 074	62 139	20	-	74 447
1997*	2 383	7 041	57 165	-	-	66 589
1997*						
Feb	417	432	4 836	-	-	5 685
Mar	75	730	4 660	-	-	5 465
Apr	6	920	4 258	-	-	5 184
May	-	585	2 201	-	-	2 785
Jun	451	289	5 472	-	-	6 212
Jul	-	-	3 508	-	-	3 508
Aug	-	218	3 375	-	-	3 593
Sep	820	783	10 431	-	-	12 034
Oct	1	387	7 424	-	-	7 812
Nov	553	1 210	6 393	-	-	8 156
Dec	60	1 112	-	-	-	1 172
1998*						
Jan	-	714	14 651	-	-	15 365
Feb	401	1 763	4 032	-	-	6 196

B) Stock, mill. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
1	2	3	4	5	6	7	8	9	
1993	32 459	73 893	73 682	6 884	2 009	119 552	10 391	58 984	188 927
1994	30 179	66 467	94 865	6 981	953	141 935	7 581	49 929	199 445
1995	26 480	55 223	145 177	5 814	357	186 799	5 034	41 218	233 051
1996	25 266	44 849	179 419	4 362	100	220 037	2 956	31 003	253 996
1997*	23 327	43 881	216 215	3 648	84	261 316	1 345	24 494	287 155
1997*									
Feb	24 727	41 827	185 472	4 302	140	226 058	2 393	28 017	256 468
Mar	25 514	43 257	189 688	4 126	99	231 672	2 118	28 894	262 684
Apr	25 462	44 214	193 517	4 126	99	236 936	2 107	28 375	267 418
May	24 336	43 819	195 466	3 977	93	238 090	1 842	27 759	267 691
Jun	23 872	42 300	188 292	3 943	91	229 911	1 833	26 754	258 498
Jul	23 402	41 461	191 789	3 932	91	232 715	1 829	26 131	260 675
Aug	23 103	41 564	193 780	3 924	91	234 752	1 663	26 047	262 462
Sep	23 844	42 915	204 128	3 918	90	247 500	1 477	25 918	274 895
Oct	23 433	43 068	211 426	3 910	88	254 735	1 366	25 824	281 925
Nov	23 709	44 123	217 794	3 860	86	262 709	1 349	25 514	289 572
Dec	23 327	43 881	216 215	3 648	84	261 316	1 345	24 494	287 155
1998*									
Jan	22 774	43 700	215 980	3 632	84	261 271	1 131	23 768	286 170
Feb	23 012	44 944	218 534	3 489	84	265 528	1 003	23 532	290 063

C) Turnover, mill. FIM

During period	Primary dealers' transactions in benchmark government bonds		
	Purchases from other primary dealers	Purchases from customers	Sales to customers
	1	2	3
1993	42 945	95 647	117 489
1994	173 096	150 908	176 647
1995	133 357	190 069	215 879
1996	201 528	222 584	242 310
1997	258 634	264 994	291 056
1997			
Mar	24 965	20 852	24 048
Apr	18 425	17 110	21 183
May	14 193	16 206	21 661
Jun	15 845	20 317	23 502
Jul	17 873	23 428	27 905
Aug	21 752	25 146	25 637
Sep	28 032	34 507	37 825
Oct	40 705	33 503	31 670
Nov	17 106	19 655	19 411
Dec	21 198	16 515	16 656
1998			
Jan	22 397	23 508	25 746
Feb	12 826	15 971	16 099
Mar	17 051	21 870	23 690

5.6 Helsinki Stock Exchange

Average of daily observations	Share prices										Turnover ¹ , mill. FIM		
	HEX index (28 Dec 1990=1000)										Shares and subscription rights	Bonds and debentures	Total
	All-share index	Banks and finance	Insurance	Trade	Construction	Forest industries	Metal and engineering	Telecommunications and electronics	Chemicals	Conglomerates			
1	2	3	4	5	6	7	8	9	10	11	12	13	
1993	1 240	608	644	-	-	1 695	1 749	-	-	1 751	46 337	59 977	106 314
1994	1 847	719	802	-	-	2 284	2 675	-	-	3 068	68 671	2 147	70 818
1995	1 918	500	638	-	-	2 062	2 255	-	-	4 251	83 019	1 075	84 094
1996	2 032	460	820	-	-	2 040	2 564	-	-	5 681	101 265	541	101 806
1997	3 207	822	1 576	2 255	1 006	2 712	3 408	1 416	900	7 477	186 088	488	186 576
1997													
Mar	2 907	723	1 365	2 215	1 041	2 521	3 336	1 140	891	7 228	10 786	26	10 811
Apr	2 826	654	1 357	2 200	1 017	2 487	3 276	1 100	877	7 148	12 401	43	12 444
May	3 045	705	1 420	2 272	1 015	2 713	3 481	1 241	922	7 887	12 254	24	12 278
Jun	3 135	679	1 442	2 362	1 031	2 732	3 574	1 334	926	7 927	14 405	28	14 433
Jul	3 432	839	1 590	2 361	1 064	2 919	3 768	1 565	929	7 849	15 708	28	15 736
Aug	3 530	898	1 581	2 301	1 022	3 001	3 692	1 672	913	7 705	15 325	46	15 371
Sep	3 480	883	1 627	2 209	989	3 001	3 543	1 662	885	7 445	15 719	43	15 762
Oct	3 733	1 016	1 921	2 268	994	3 204	3 607	1 833	926	7 689	24 739	33	24 772
Nov	3 448	1 022	1 925	2 279	946	2 737	3 231	1 631	901	7 593	15 163	27	15 190
Dec	3 303	1 080	2 105	2 370	926	2 508	3 065	1 449	900	7 757	17 764	53	17 817
1998													
Jan	3 430	1 136	2 128	2 526	956	2 589	3 045	1 499	933	8 324	15 485	53	15 538
Feb	3 851	1 190	2 418	2 639	1 005	2 886	3 167	1 804	988	9 848	20 050	43	20 093
Mar	4 249	1 270	2 570	2 759	1 009	3 278	3 393	2 085	1 054	10 813	24 260	173	24 433

¹ During period.

6. Balance of payments, foreign liabilities and assets

6.1 Current account, mill. FIM

During period	Exports of goods, fob	Transport receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Investment income	Transfers and other income	Current account receipts (6+7+8)	Imports of goods, cif	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
1993	132 550	10 430	7 079	9 379	26 888	159 438	6 137	6 506	172 080	101 559	5 646	9 237	17 008
1994	152 022	11 385	7 314	11 808	30 508	182 530	9 617	4 919	197 067	118 684	5 862	8 697	16 800
1995	172 820	11 900	7 536	14 986	34 422	207 242	12 929	8 596	228 767	125 450	6 029	10 450	19 150
1996*	182 436	12 404	7 338	15 315	35 057	217 493	15 375	7 698	240 566	138 106	5 529	10 559	16 921
1997*	207 800	13 410	8 380	15 396	37 186	244 985	17 479	8 023	270 487	155 444	6 117	11 435	17 034
1995													
III	39 617	2 976	2 243	3 718	8 937	48 554	2 707	2 143	53 404	29 856	1 498	2 707	4 349
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*													
I	42 631	2 997	1 677	3 473	8 146	50 777	4 242	1 446	56 466	33 495	1 382	2 615	4 299
II	48 126	3 128	1 873	3 729	8 730	56 856	4 511	2 076	63 443	34 519	1 367	2 678	4 088
III	41 925	3 252	2 065	4 158	9 474	51 399	3 110	1 339	55 848	31 989	1 402	2 571	3 994
IV	49 754	3 027	1 724	3 955	8 706	58 460	3 512	2 837	64 809	38 102	1 377	2 696	4 540
1997*													
I	46 179	3 206	1 566	3 334	8 106	54 285	3 643	2 131	60 059	35 672	1 524	2 475	4 227
II	52 517	3 407	2 131	4 035	9 572	62 089	5 182	1 899	69 170	39 411	1 545	2 958	4 305
III	52 609	3 546	2 578	3 959	10 082	62 691	4 091	1 877	68 659	38 213	1 538	2 919	3 867
IV	56 495	3 252	2 105	4 069	9 426	65 920	4 562	2 117	72 599	42 148	1 509	3 082	4 635

During period	Services expenditure, total (11+12 +13)	Imports of goods and services (10+14)	Investment expenditure	Transfers and other expenditure	Current account expenditure (15+16 +17)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account (20+21 +22)	Goods and services account (19+23)	Investment income, net (7-16)	Transfers and others, net (8-17)	Current account (24+25 +26)= (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1993	31 891	133 450	34 580	10 390	178 421	30 991	4 784	-2 159	-7 629	-5 004	25 988	-28 443	-3 885	-6 340
1994	31 359	150 043	31 801	8 596	190 440	33 339	5 523	-1 382	-4 992	-851	32 487	-22 184	-3 676	6 627
1995	35 629	161 080	32 529	12 627	206 237	47 370	5 870	-2 914	-4 164	-1 207	46 162	-19 600	-4 032	22 531
1996*	33 009	171 115	32 900	14 520	218 535	44 330	6 875	-3 221	-1 606	2 048	46 378	-17 525	-6 821	22 031
1997*	34 586	190 030	33 591	15 240	238 861	52 356	7 293	-3 055	-1 639	2 600	54 955	-16 112	-7 217	31 626
1995														
III	8 554	38 410	6 630	3 205	48 244	9 761	1 478	-464	-631	383	10 144	-3 923	-1 061	5 160
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*														
I	8 296	41 792	8 529	4 010	54 331	9 136	1 614	-938	-827	-151	8 985	-4 287	-2 563	2 135
II	8 133	42 652	10 773	3 862	57 287	13 607	1 761	-805	-358	598	14 204	-6 262	-1 786	6 157
III	7 966	39 956	6 556	3 055	49 567	9 936	1 850	-506	164	1 508	11 444	-3 447	-1 716	6 280
IV	8 613	46 715	7 042	3 593	57 350	11 652	1 650	-972	-585	93	11 745	-3 530	-756	7 459
1997*														
I	8 226*	43 898	8 461	4 472	56 831	10 507	1 681	-909	-893	-120	10 387	-4 818	-2 341	3 228
II	8 809	48 220	10 444	3 480	62 145	13 106	1 861	-827	-271	763	13 869	-5 263	-1 581	7 026
III	8 325	46 538	7 217	3 806	57 562	14 395	2 008	-342	91	1 757	16 153	-3 126	-1 930	11 097
IV	9 226	51 374	7 468	3 482	62 324	14 347	1 743	-977	-566	199	14 547	-2 906	-1 365	10 275

6.2 Capital and financial account, mill. FIM

During period	Capital account, imports of capital	Financial account											Total (2+8+12)
		Direct investment in Finland	Portfolio investment in Finland					Other investment in Finland					
			Shares	Bonds	Of which: markka-denominated bonds	Money market instruments	Financial derivatives	Total (3+4+6+7)	Trade credits	Loans	Other capital	Total (9+10+11)	
1	2	3	4	5	6	7	8	9	10	11	12	13	
1993	0	4 945	12 748	30 353	3 616	-4 382	..	38 719	4 467	5 457	-29 801	-19 877	23 787
1994	0	8 240	13 400	21 977	-5 783	-2 134	59	33 302	3 107	647	-1 392	2 361	43 903
1995	487	4 642	8 734	-17 868	-3 634	1 421	2 588	-5 125	-1 216	-6 985	8 376	176	-307
1996*	596	5 093	8 937	-4 624	6 250	1 016	1 501	6 830	-3 383	12 737	-1 347	8 006	19 929
1997*	1 295	8 009	20 774	-4 353	17 191	2 776	616	19 813	-662	10 681	6 320	16 340	44 161
1995													
III	0	151	2 940	-2 503	932	1 618	1 079	3 134	-1 089	-3 192	-744	-5 025	-1 740
IV	487	3 109	1 920	-6 181	358	2 666	839	-756	1 609	-254	2 707	4 063	6 416
1996*													
I	0	1 759	1 216	2 635	1 155	502	1 119	5 472	-3 416	4 632	-552	665	7 895
II	0	486	6 143	-5 184	2 516	363	754	2 076	-735	4 717	-3 119	863	3 425
III	0	2 522	374	-4 841	277	-254	-180	-4 902	-42	2 516	4 371	6 844	4 463
IV	596	326	1 204	2 766	2 303	406	-192	4 185	809	872	-2 048	-366	4 145
1997*													
I	0	2 342	5 121	4 126	952	2 197	-94	11 349	-822	6 608	16 464	22 250	35 941
II	450	2 574	7 579	5 234	9 562	-1 751	28	11 091	-1 731	3 193	-7 150	-5 688	7 977
III	0	552	3 460	2 844	10 013	-2 252	438	4 489	867	5 016	3 438	9 322	14 363
IV	845	2 541	4 614	-16 558	-3 336	4 582	245	-7 117	1 023	-4 135	-6 432	-9 544	-14 120

During period	Capital account, exports of capital	Financial account											Errors and omissions	
		Direct investment abroad	Portfolio investment abroad					Other investment abroad				Total (15+20+24)		Change in central bank's reserve assets (increase-)
			Shares	Bonds	Money market instruments	Financial derivatives	Total (16+17+18+19)	Trade credits	Loans	Other capital	Total (21+22+23)			
14	15	16	17	18	19	20	21	22	23	24	25	26	27	
1993	0	8 050	873	767	1 932	..	3 571	1 923	-839	9 576	10 660	22 282	-1 219	6 055
1994	0	22 447	434	-4 294	-855	-279	-4 994	1 213	-7 460	9 762	3 516	20 968	-25 504	-4 058
1995	206	6 539	892	3 685	-5 492	-168	-1 084	3 839	-2 712	11 750	12 877	18 332	1 480	-5 652
1996*	340	16 516	3 250	15 455	364	-172	18 897	982	4 523	15 927	21 431	56 845	14 075	554
1997*	0	22 879	9 493	15 215	-617	371	24 463	3 789	6 761	3 107	13 657	60 998	-10 788	-5 296
1995														
III	0	827	461	28	521	-37	973	-132	1 044	3 431	4 343	6 143	1 592	1 131
IV	102	2 410	184	1 797	-967	-115	899	933	-2 373	6 433	4 993	8 302	291	-7 878
1996*														
I	61	5 508	567	4 019	2 424	-26	6 983	-670	2 416	6 458	8 205	20 696	7 254	3 473
II	0	6 798	1 041	3 041	162	71	4 315	779	-2 064	4 834	3 549	14 662	8 457	-3 377
III	0	3 793	728	4 179	-2 457	-51	2 399	-792	1 565	1 927	2 700	8 892	-1 132	-721
IV	279	417	914	4 216	235	-166	5 200	1 665	2 606	2 708	6 979	12 595	-505	1 179
1997*														
I	0	2 347	1 866	6 620	4 286	13	12 786	918	3 245	-3 185	978	16 110	-22 134	-925
II	0	6 338	2 475	5 313	-2 783	275	5 280	189	1 127	7 390	8 706	20 324	3 031	1 841
III	0	3 551	2 165	595	-2 975	52	-162	966	14 561	4 868	20 395	23 784	-2 968	1 292
IV	0	10 643	2 987	2 687	855	31	6 559	1 716	-12 172	-5 966	-16 422	780	11 283	-7 504

6.3 Finland's international investment position, mill. FIM

Position at end of period	Liabilities												Total liabilities (1+7+12)
	Direct investment in Finland	Portfolio investment					Total (2+3+5+6)	Other investment					
		Shares	Bonds	Of which: marka-denominated bonds	Money market instruments	Financial derivatives		Trade credits	Loans	Currency and deposits	Other	Total (8+9+10+11)	
1	2	3	4	5	6	7	8	9	10	11	12	13	
1993	24 391	30 375	266 269	27 402	14 995	-6 103	305 536	18 206	90 825	4 025	54 188	167 243	497 170
1994	31 846	60 558	258 823	22 285	10 309	-5 179	324 511	19 852	82 649	3 430	46 566	152 498	508 855
1995	36 894	63 746	228 676	19 638	10 099	1 545	304 066	18 540	69 249	2 568	53 557	143 914	484 874
1996*	40 854	108 932	229 919	26 284	10 888	3 634	353 373	14 863	83 295	1 733	55 279	155 170	549 397
1997*	49 005	172 393	243 679	45 180	14 110	5 567	435 749	13 997	98 221	2 760	64 262	179 241	663 996
1995													
III	33 665	93 020	233 054	20 230	7 262	-520	332 815	16 930	68 882	2 364	50 032	138 208	504 688
IV	36 894	63 746	228 676	19 638	10 099	1 545	304 066	18 540	69 249	2 568	53 557	143 914	484 874
1996*													
I	38 422	68 674	241 085	20 699	11 192	2 424	323 375	14 873	77 934	1 518	55 412	149 737	511 533
II	38 616	80 962	234 317	23 855	11 126	3 099	329 504	14 214	81 836	1 939	51 588	149 577	517 697
III	40 808	91 198	225 308	23 656	11 286	2 948	330 740	13 940	82 365	1 742	55 621	153 668	525 216
IV	40 854	108 932	229 919	26 284	10 888	3 634	353 373	14 863	83 295	1 733	55 279	155 170	549 397
1997*													
I	43 191	129 824	240 656	27 577	13 258	2 789	386 527	13 794	90 724	2 624	72 506	179 648	609 366
II	45 801	162 713	254 080	37 534	11 813	1 003	429 609	12 092	97 074	2 870	66 344	178 380	653 791
III	46 350	201 959	258 062	47 920	9 267	2 642	471 930	12 978	102 147	2 737	69 899	187 762	706 042
IV	49 005	172 393	243 679	45 180	14 110	5 567	435 749	13 997	98 221	2 760	64 262	179 241	663 996

Position at end of period	Assets												Total assets (14+19+24)
	Direct investment abroad	Portfolio investment					Total (15+16+17+18)	Other investment					
		Shares	Bonds	Money market instruments	Financial derivatives	Trade credits		Loans	Currency and deposits	Other	Total (20+21+22+23)		
14	15	16	17	18	19	20	21	22	23	24	25		
1993	53 090	1 783	10 709	11 030	447	23 968	26 256	35 981	5 799	91 127	159 162	236 221	
1994	59 451	1 984	5 109	9 115	488	16 696	25 500	24 847	8 257	109 847	168 451	244 598	
1995	65 350	3 216	9 619	2 736	177	15 748	28 358	20 381	7 290	115 543	171 571	252 669	
1996*	82 038	7 460	25 077	3 478	-21	35 993	29 929	25 438	5 895	124 541	185 803	303 834	
1997*	110 216	18 373	42 384	3 155	1 404	65 316	30 027	34 236	7 249	148 954	220 466	395 998	
1995													
III	60 880	2 661	6 870	3 503	200	13 233	27 092	22 978	6 397	108 057	164 524	238 637	
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*													
I	73 551	3 984	14 063	5 670	169	23 886	27 980	23 594	5 435	121 308	178 317	275 754	
II	79 164	4 999	16 834	5 842	93	27 768	28 892	21 499	5 523	118 075	173 989	280 922	
III	81 377	5 835	20 620	3 176	48	29 679	27 902	22 873	6 488	119 331	176 594	287 650	
IV	82 038	7 460	25 077	3 478	-21	35 993	29 929	25 438	5 895	124 541	185 803	303 834	
1997*													
I	85 318	9 898	32 534	7 598	171	50 201	26 391	29 411	6 065	147 489	209 355	344 875	
II	93 589	13 400	38 994	5 080	610	58 083	26 976	31 180	7 027	155 578	220 760	372 433	
III	98 456	16 001	39 793	2 239	813	58 845	28 097	45 991	5 490	165 857	245 435	402 736	
IV	110 216	18 373	42 384	3 155	1 404	65 316	30 027	34 236	7 249	148 954	220 466	395 998	

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

Position at end of period	Corporate sector	Households and nonprofit institutions	Banks	Bank of Finland	Other financial institutions	Central government	Local government	Net (1+2+3+4+5+6+7)	Net interest and dividend expenditure	Net interest and dividend expenditure in relation to current account receipts, %
	1	2	3	4	5	6	7	8	9	10
1993	54 315	-3 436	45 658	-33 279	29 737	164 892	3 062	260 949	21 897	12.7
1994	82 428	-3 503	33 800	-52 606	21 931	179 113	3 093	264 257	20 296	10.3
1995	72 374	-2 293	18 970	-47 708	13 297	174 481	3 085	232 205	17 490	7.6
1996*	107 522	-1 468	-12 904	-35 522	1 785	183 703	2 448	245 563	16 477	6.8
1997*	153 965	-3 218	-11 076	-50 931	-11 561	188 315	2 503	267 998	15 712	5.8
1995										
III	103 812	-3 599	20 558	-47 488	17 173	172 368	3 227	266 051	3 396	6.4
IV	72 374	-2 293	18 970	-47 708	13 297	174 481	3 085	232 205	2 118	3.4
1996*										
I	75 429	-2 502	4 613	-42 679	9 630	188 118	3 169	235 779	4 025	7.1
II	83 595	-2 595	-4 569	-33 647	5 689	185 184	3 118	236 776	6 000	9.5
III	92 415	-1 104	-6 027	-34 482	1 893	182 336	2 535	237 566	3 185	5.7
IV	107 522	-1 468	-12 904	-35 522	1 785	183 703	2 448	245 563	3 268	5.0
1997*										
I	130 938	-1 715	6 325	-59 120	-3 336	189 002	2 396	264 491	4 713	7.8
II	159 963	-1 854	-11 131	-58 737	-8 240	198 960	2 396	281 358	5 158	7.5
III	192 639	-2 930	-20 426	-61 333	-9 756	202 657	2 456	303 306	3 021	4.4
IV	153 965	-3 218	-11 076	-50 931	-11 561	188 315	2 503	267 998	2 821	3.9

7. Foreign trade

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

During period	Exports, fob	Imports, cif	Balance (1-2)
	1	2	3
1993	134 114	103 165	30 949
1994	154 164	120 612	33 552
1995	176 021	128 556	47 465
1996	186 336	141 720	44 616
1997*	211 696	159 190	52 506
1997*			
Jan	15 402	11 514	3 888
Feb	15 042	11 945	3 097
Mar	16 719	13 152	3 567
Apr	18 827	14 314	4 513
May	17 341	12 709	4 632
Jun	17 317	13 324	3 993
Jul	18 231	12 271	5 960
Aug	16 339	12 189	4 150
Sep	19 006	14 690	4 316
Oct	20 747	15 190	5 557
Nov	19 370	13 990	5 380
Dec	17 355	13 902	3 453
1998*			
Jan	17 200	13 000	4 200

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

Period	Volume (seasonally adjusted)		Prices		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	
1993	120.6	83.6	109.7	119.6	91.7
1994	136.5	98.0	111.4	119.3	93.3
1995	145.7	104.6	119.2	119.2	100.0
1996	153.1	113.5	120.2	121.1	99.3
1997*	177.4	126.1	117.7	122.4	96.2
1997*					
Jan	164.6	117.7	116.6	121.6	95.9
Feb	160.5	118.8	115.9	121.3	95.5
Mar	168.8	121.6	115.5	121.1	95.4
Apr	185.8	131.7	116.2	120.8	96.2
May	173.2	119.5	116.2	122.3	95.0
Jun	175.1	128.9	116.3	121.9	95.4
Jul	189.8	125.7	117.2	123.6	94.8
Aug	175.8	121.6	118.5	123.5	96.0
Sep	188.0	137.4	118.7	123.3	96.3
Oct	193.4	134.5	120.7	123.8	97.5
Nov	179.6	127.6	120.1	123.2	97.5
Dec	173.8	128.4	120.7	122.5	98.5
1998*					
Jan	177.8	132.1	120.2	121.4	99.0

7.3 Foreign trade by main groups, mill. FIM

During period	Exports by industries, fob					Imports by use of goods, cif				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	Investment goods	Consumer goods	8
1993	10 910	37 430	14 205	48 158	23 411	54 792	10 904	15 396	21 066	1 007
1994	14 198	41 249	15 725	55 895	27 097	66 156	11 687	17 227	24 684	858
1995	13 451	48 754	15 877	69 336	28 603	71 397	9 685	19 660	25 514	2 300
1996	12 688	44 602	18 482	78 969	31 595	72 970	12 944	22 004	30 897	2 905
1997*	15 423	49 674	20 743	91 757	34 099	84 129	12 886	23 904	34 899	3 372
1996										
Dec	977	3 445	1 403	6 599	2 320	6 063	1 413	2 325	2 564	603
1997*										
Jan	1 120	3 809	1 559	6 208	2 706	5 732	1 306	1 725	2 590	161
Feb	1 133	3 611	1 725	5 955	2 618	6 238	1 044	1 608	2 840	215
Mar	1 258	3 851	1 576	7 341	2 693	6 977	805	2 002	3 000	368
Apr	1 352	4 222	1 936	8 272	3 045	7 628	941	2 086	3 125	534
May	1 440	4 160	1 804	6 969	2 968	6 944	1 067	1 779	2 700	219
Jun	1 294	3 695	1 702	7 752	2 874	7 374	1 065	1 957	2 645	283
Jul	1 195	4 303	1 667	8 595	2 471	6 396	1 151	1 724	2 811	189
Aug	933	4 282	1 741	6 656	2 727	6 869	767	1 697	2 654	202
Sep	1 453	4 408	1 697	8 273	3 175	7 622	1 061	2 255	3 178	574
Oct	1 649	4 845	2 009	8 950	3 294	7 803	1 350	2 438	3 395	204
Nov	1 373	4 255	1 882	8 931	2 929	7 483	1 137	2 257	2 909	204
Dec	1 223	4 233	1 445	7 855	2 599	7 063	1 192	2 376	3 052	219

7.4 Foreign trade by regions and countries

Region and country	Exports, fob				Imports, cif			
	1996*		Jan 1997 - Dec 1997		1996*		Jan 1997 - Dec 1997	
	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 Union¹	101 490	54.5	112 277	10.6	85 511	60.3	93 841	9.7
Austria	1 614	0.9	2 003	24.1	1 560	1.1	1 702	9.1
Belgium and Luxembourg	4 692	2.5	4 890	4.2	4 146	2.9	4 048	-2.4
Denmark	5 652	3.0	6 494	14.9	4 964	3.5	5 459	10.0
France	7 863	4.2	8 862	12.7	6 366	4.5	7 734	21.5
Germany	22 516	12.1	23 226	3.2	21 344	15.1	23 147	8.4
Greece	963	0.5	1 243	29.0	367	0.3	401	9.1
Ireland	1 096	0.6	1 682	53.5	1 157	0.8	1 242	7.3
Italy	4 772	2.6	6 290	31.8	5 762	4.1	6 461	12.1
Netherlands	7 377	4.0	8 675	17.6	5 074	3.6	6 437	26.9
Portugal	914	0.5	1 192	30.5	1 035	0.7	1 167	12.7
Spain	3 979	2.1	4 594	15.5	1 963	1.4	2 275	15.9
Sweden	19 937	10.7	20 830	4.5	16 911	11.9	19 088	12.9
United Kingdom	19 010	10.2	21 108	11.0	12 540	8.8	12 164	-3.0
Rest of Europe	33 415	17.9	42 815	25.6	23 702	16.7	27 652	16.7
Of which:								
Estonia	5 097	2.7	6 719	31.8	1 672	1.2	2 188	30.8
Norway	5 322	2.9	6 345	19.2	5 783	4.1	5 899	2.0
Poland	2 713	1.5	3 756	38.4	1 305	0.9	1 794	37.5
Russia	11 373	6.1	15 463	36.0	10 280	7.3	12 522	21.8
Switzerland	2 099	1.1	2 080	-0.9	2 434	1.7	2 669	9.6
Non-European industrialized countries²	23 030	12.4	23 857	3.6	19 826	14.0	22 441	13.2
Of which:								
Australia	2 045	1.1	2 666	30.3	1 239	0.9	1 020	-17.6
Japan	4 844	2.6	4 025	-16.9	7 311	5.2	8 586	17.4
U.S.A.	14 761	7.9	14 733	-0.2	10 380	7.3	11 719	12.9
Dynamic Asian economies³	13 833	7.4	16 726	20.9	6 514	4.6	7 249	11.3
Of which:								
China	2 707	1.5	3 814	40.9	2 088	1.5	2 844	36.2
Hong Kong	3 037	1.6	3 944	29.9	693	0.5	633	-8.6
South Korea	2 723	1.5	2 456	-9.8	792	0.6	701	-11.4
Other countries	14 568	7.8	16 022	3.1	6 166	4.4	8 007	29.9
TOTAL	186 336	100.0	211 696	13.6	141 720	100.0	159 190	12.3
Of which:								
Africa	2 554	1.4	3 330	30.4	937	0.7	1 381	47.4
Asia	27 484	14.7	29 849	8.6	16 139	11.4	18 807	16.5
Central and South America	3 075	1.7	3 554	13.6	2 750	1.9	3 515	57.2
North America	15 825	8.5	16 783	6.1	11 222	7.9	12 754	13.6
Europe	134 906	72.4	155 091	15.0	109 214	77.1	121 493	11.2
Oceania	2 491	1.3	3 087	23.9	1 457	1.0	1 242	-14.8

¹ Including exports / imports to EU unspecified by country.

² Australia, Canada, Japan, New Zealand, United States.

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

8.2 Volume of industrial production,^{o)} 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	84.9	90.2	83.7	89.2	72.6	92.5	96.0
1994	94.2	102.0	93.4	99.5	85.1	98.4	101.6
1995	100.1	99.3	100.1	100.0	100.2	100.0	100.0
1996*	103.4	100.4	102.9	97.3	106.8	102.5	109.6
1997*	112.6	123.4	112.8	111.0	119.5	106.2	109.5
1997*							
Feb	108.1	116.4	107.9	105.9	111.0	104.9	108.0
Mar	109.3	129.8	109.2	105.8	113.8	106.0	108.8
Apr	111.7	112.2	111.9	106.6	119.4	104.5	110.1
May	109.8	109.6	109.9	110.7	113.7	103.5	107.4
Jun	112.3	139.6	112.6	109.2	119.4	105.0	105.6
Jul	117.3	128.7	116.9	111.4	126.6	108.6	109.7
Aug	113.9	95.0	114.5	112.4	121.2	106.0	110.3
Sep	114.8	145.3	115.3	110.4	119.4	104.5	105.6
Oct	119.6	139.0	120.6	113.9	123.0	106.9	109.3
Nov	117.2	138.3	117.6	119.3	123.6	108.7	111.5
Dec	120.8	133.8	122.0	121.0	131.1	111.0	112.1
1998*							
Jan	117.6	124.6	118.5	115.2	127.4	109.3	106.9
Feb	118.2	126.6	118.7	116.4	127.4	109.1	111.1

^{o)} Revised; see Notes and explanations.

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

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:		Imports of investment goods	Monthly GDP indicator
				Residential buildings	Industrial buildings		
	1	2	3	4	5	6	7
1993	68.5	78.1	46.9	47.2	35.6	72.9	89.8
1994	73.0	79.7	42.2	45.1	35.2	84.4	93.7
1995	76.2	82.6	42.0	41.1	49.9	88.5	97.8
1996	77.8	86.0	43.5	38.8	52.0	106.2	100.7
1997*	82.7	89.2	53.4	53.4	63.0	118.8	106.6
1997*							
Jan	88.6	80.5	48.7	50.5	58.9	110.5	104.4
Feb	87.0	78.5	49.6	53.3	60.5	114.6	103.4
Mar	86.0	77.0	50.1	54.8	61.4	112.9	104.2
Apr	89.8	84.9	52.1	58.3	62.3	121.0	106.0
May	88.7	79.8	52.2	56.7	63.7	112.8	105.0
Jun	89.5	83.4	52.9	56.0	62.5	117.3	106.3
Jul	90.3	84.8	54.3	54.1	64.0	120.4	107.5
Aug	89.5	81.7	55.4	51.7	64.9	109.6	106.9
Sep	91.7	86.9	56.9	50.6	64.7	127.5	108.0
Oct	92.0	86.5	57.1	50.7	64.8	132.4	108.6
Nov	87.4	82.9	56.4	50.9	64.5	117.2	109.1
Dec	90.2	85.9	55.6	53.7	63.5	128.8	110.2
1998*							
Jan	..	..	52.3	55.1	61.4	..	108.7

8.4 Wages and prices, 1990=100

Period	Index of wage and salary earnings	By sectors			Consumer price index	Indicator of underlying inflation	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private	Of which: Manufacturing (SIC 3)	Public				Domes- tic goods	Import- ed goods		Export- ed goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1993	109.2	108.8	110.0	110.1	109.7	109.9	104.8	100.8	119.3	105.5	109.2	103.9	100.7
1994	111.4	111.6	115.0	111.1	110.9	111.4	106.2	102.8	118.7	107.1	110.2	105.8	102.2
1995	116.6	117.4	123.1	114.7	112.0	111.3	106.9	103.8	118.5	110.8	118.0	107.7	103.5
1996 ¹	121.2	122.0	127.8	119.3	112.6	111.4	105.9	102.0	120.1	110.9	118.5	107.6	102.7
1997 ¹	123.7	124.4	130.8	122.0	114.0	112.3	107.6	104.0	120.9	111.4	116.8	109.1	105.2
1996 ¹ 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													
Feb	..	..	..	..	112.8	111.3	106.7	103.2	119.8	110.2	115.0	108.1	103.7
Mar	..	..	..	..	113.2	111.7	106.7	103.2	119.6	110.2	114.5	108.3	104.1
Apr	..	..	..	..	113.8	112.0	106.6	103.2	119.3	110.4	115.2	108.4	104.4
May	..	..	..	..	114.0	112.3	107.3	103.6	120.8	110.7	115.2	108.7	104.8
Jun	..	..	..	..	114.2	112.5	107.4	103.9	120.5	111.0	115.4	109.1	105.2
Jul	..	..	..	..	114.2	112.3	107.9	104.1	122.1	111.4	116.3	109.3	105.5
Aug	..	..	..	..	114.4	112.5	108.2	104.5	122.0	112.2	117.6	109.9	106.0
Sep	..	..	..	..	114.6	112.8	108.4	104.8	121.8	112.3	117.8	110.0	106.1
Oct	..	..	..	..	114.9	113.1	108.7	105.0	122.3	113.0	119.8	110.0	106.3
Nov	..	..	..	..	114.8	112.9	108.5	104.9	121.7	112.8	119.2	110.0	106.2
Dec	..	..	..	..	114.8	113.0	108.2	104.8	121.0	112.8	119.9	109.7	106.3
1997 ¹													
I	123.5	124.3	130.8	121.7	112.9	111.4	106.6	103.0	119.8	110.2	114.9	108.0	103.8
II	123.5	124.2	130.7	121.8	114.0	112.2	107.1	103.6	120.2	110.7	115.3	108.7	104.8
III	123.6	124.3	130.6	122.1	114.4	112.5	108.2	104.5	122.0	112.0	117.2	109.7	105.9
IV	124.0	124.7	131.2	122.3	114.9	113.0	108.5	104.9	121.7	112.9	119.6	109.9	106.3
1998													
Jan	..	..	..	..	115.0	112.7	107.5	104.2	119.9	112.0	119.4	108.9	106.6
Feb	..	..	..	..	114.9	..	107.1	103.9	119.3	112.0	119.5	108.5	106.6

¹ Preliminary figures for columns 1-4.

8.5 Labour, employment and unemployment (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8)	By industrial status			By industry			Unemployed	Unemployment rate
				Self-employed	Wage and salary earners	Agriculture, forestry and fishing	Mining, manufacturing and energy supply	Other industries			
									1000 persons		
%										%	
	1	2	3	4	5	6	7	8	9	10	
1993	65.3	2 484	2 041	312	1 729	173	424	1 444	444	17.9	
1994	64.8	2 480	2 024	312	1 712	167	426	1 430	456	18.4	
1995	65.1	2 497	2 068	304	1 764	158	456	1 454	430	17.2	
1996	65.0	2 503	2 096	302	1 794	148	459	1 489	408	16.3	
1997*	65.7	2 537	2 170	325	1 845	153	463	1 554	367	14.5	
1997*											
Feb	65.8	2 538	2 153	299	1 854	160	468	1 525	389	15.3	
Mar	65.9	2 540	2 154	298	1 857	150	457	1 547	389	15.3	
Apr	65.7	2 541	2 158	298	1 860	160	461	1 536	389	15.4	
May	66.4	2 541	2 170	305	1 865	152	462	1 555	382	15.1	
Jun	66.1	2 539	2 178	309	1 870	157	455	1 566	371	14.6	
Jul	65.0	2 537	2 168	296	1 871	155	463	1 550	356	13.9	
Aug	65.4	2 536	2 178	301	1 876	149	477	1 552	357	14.1	
Sep	65.6	2 535	2 177	296	1 881	144	461	1 572	358	14.1	
Oct	65.3	2 533	2 174	289	1 884	155	458	1 561	347	13.7	
Nov	65.6	2 533	2 190	300	1 890	147	464	1 580	340	13.4	
Dec	65.8	2 532	2 209	312	1 898	150	473	1 586	335	13.1	
1998*											
Jan	65.3	2531	2202	298	1 904	145	464	1593	326	12.7	
Feb	65.4	2530	2211	303	1 908	148	474	1589	321	12.6	

8.6 Central government finances: revenue, expenditure and financial balance,

mill FIM, cash flow basis

During period	Revenue						Expenditure				
	Direct taxes	Indirect taxes	Other taxes and similar revenue	Other revenue	Revenue before financial transactions (1+2+3+4)	Redemptions of loans granted by the state	Revenue before borrowing (5+6)	Consumption	Transfers and subsidies	Of which:	
										Local government	Other domestic sectors
	1	2	3	4	5	6	7	8	9	10	11
1992	34 312	69 541	1 512	21 251	126 616	5 054	131 669	49 291	105 184	42 990	59 180
1993	31 667	67 291	1 443	28 823	129 224	7 366	136 593	46 880	108 608	42 720	63 535
1994	34 588	68 124	1 792	24 095	128 599	7 308	135 900	48 750	108 155	40 388	65 519
1995	40 092	66 902	1 720	35 837	144 550	7 923	152 473	51 446	113 644	39 481	67 514
1996	48 357	73 943	1 947	39 778	164 024	9 893	173 918	53 696	110 039	33 199	69 533
1996											
Nov	4 260	6 049	91	3 216	13 616	1 113	14 729	4 068	7 922	2 301	5 158
Dec	6 515	5 228	69	4 324	16 136	-1 050	15 087	6 133	11 691	2 698	8 599
1997											
Jan	3 070	6 448	121	3 151	12 790	48	12 839	3 875	11 713	3 518	6 429
Feb	3 984	5 292	63	3 363	12 702	37	12 739	3 649	8 393	3 467	4 437
Mar	6 173	8 768	353	2 692	17 986	213	18 199	4 753	8 779	3 719	4 702
Apr	3 808	5 040	219	3 072	12 139	3 262	15 401	4 102	10 571	4 062	5 786
May	5 929	6 399	179	4 036	16 543	1 030	17 573	4 199	8 482	3 687	4 223
Jun	3 928	6 110	260	2 619	12 917	551	13 468	5 440	9 483	3 447	5 304
Jul	4 133	6 519	273	1 522	12 447	1 270	13 717	4 888	1 531	-2 955	3 794
Aug	4 034	6 841	181	1 590	12 646	339	12 985	3 975	6 801	1 363	4 855
Sep	3 869	6 859	178	3 857	14 763	251	15 014	4 611	7 596	2 413	4 575
Oct	3 744	6 392	1 407	1 839	13 382	506	13 888	4 037	9 934	2 409	6 971
Nov	5 733	6 835	201	5 057	17 826	878	18 704	4 616	7 271	2 501	4 507

During period	Expenditure					Financial balance			
	Fixed investment	Other expenditure	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)
1992	5 042	8 499	168 016	35 501	203 516	-41 400	-71 847	70 691	-1 155
1993	4 306	18 076	177 870	19 753	197 623	-48 646	-61 030	84 036	23 009
1994	3 737	22 281	182 923	17 886	200 760	-54 324	-64 860	73 193	8 336
1995	3 208	26 336	194 635	16 765	211 399	-50 085	-58 926	54 071	-4 854
1996	3 325	29 911	196 972	13 756	210 747	-32 947	-36 828	33 845	-2 983
1996									
Nov	260	963	13 213	479	13 693	403	1 036	-191	846
Dec	560	1 637	20 021	3 388	23 426	-3 885	-8 339	3 375	-4 965
1997									
Jan	131	5 180	20 899	538	21 437	-8 109	-8 598	9 507	909
Feb	221	663	12 926	421	13 347	-224	-608	7 344	6 736
Mar	164	4 660	18 356	425	18 780	-370	-581	1 203	622
Apr	193	3 094	17 960	4 670	22 630	-5 821	-7 229	-2 609	-9 837
May	377	752	13 810	739	14 549	2 733	3 024	3 167	6 191
Jun	203	2 121	17 247	708	17 954	-4 330	-4 486	-3 959	-8 445
Jul	328	1 750	8 497	921	9 417	3 950	4 300	209	4 509
Aug	253	286	11 315	494	11 809	1 331	1 176	-987	189
Sep	326	2 860	15 393	641	16 034	-630	-1 020	8 777	7 757
Oct	297	1 957	16 225	682	16 906	-2 843	-3 018	-3 021	-6 039
Nov	234	734	12 855	589	13 444	4 971	5 260	-3 608	1 651

Notes and explanations to the statistical section

General

Source

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

Symbols used

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

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

Notes and explanations to tables

1 The balance sheet of the Bank of Finland

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

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

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

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

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

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

Table 2.4 The markka value of forward contracts is given.

3 Rates of interest

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

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

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

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

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

loan amounts. As from January 1989, the loans of Postipankki Ltd have been included in the commercial banks' outstanding stock of loans. Deposits, 24-month and 36-month tax-exempt deposits (Columns 7 and 8): from May (September) 1992, 24-month (36-month) deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less two percentage points (one percentage point). In the period from January 1989 to April 1992, 24-month deposits (Column 7) were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less one percentage point. Other tax-exempt deposits (Column 9): in the 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 five-year and ten-year government bonds (Columns 3 and 4) are calculated by the Bank of Finland as averages of the bid rates quoted daily by the primary dealers. 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). M_1 (Column 6) = currency in circulation - banks' till money + markka cheque and postal giro account deposits and transactions account deposits held by the public. M_2 (Column 7) = M_1 + quasi-money (markka time deposits held by the public, excl. deposits with the Bank of Finland). M_3 (Column 8) = M_2 + bank CDs held by the public.

Table 5.4 Source: State Treasury Office. Other foreign currency-denominated debt (Column 2) consists of other bonds and debentures and long-term promissory notes. Other bonds and debentures are so-called private placements; 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 5.5 Sources: Table A: Financial Supervision from the beginning of 1994. Table B: Statistics Finland. Table C: Finnish Central Securities Depository from 1 August 1997. Tables A and B include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland. As from 15 January 1997 the following act as primary dealers: Alfred Berg 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 liabilities and assets

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

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

Table 6.2 The capital account (Columns 1 and 14) reflects unrequited capital transfers such as forgiven debts and aid from EU funds. Financial derivatives include payments arising from currency and interest rate swaps related to loans, ie outstanding loans are recorded according to the original loan contract. Medium-term notes (MTNs) are included under bonds (Columns 4 and 17). The category other investment (Columns 9-12 and 21-24) covers transactions related to trade credits, loans, currency and deposits and other assets and liabilities. Transactions in

assets and liabilities related to short- and long-term supplier credits and advance payments related to imports and exports are recorded under trade credits (Columns 9 and 21). The item 'Other capital' (Columns 11 and 23) includes transactions in currency and deposits and short- and long-term assets and liabilities of different sectors not covered by any of the items above. In addition, this category includes changes in the central government's subscriptions to and quotas in international organizations as well as transactions in the Bank of Finland's short- and long-term assets and liabilities (excl. reserve items). The most important sub-item under the item 'other capital' comprises banks' other short-term assets and liabilities (in practice interbank deposits). The central bank's reserve assets (Column 26) comprise gold, special drawing rights (SDRs), the reserve position in the IMF, ECU-claim on the EMI 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 (liabilities less assets) classified by sector.

7 Foreign trade

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

Table 7.2 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.

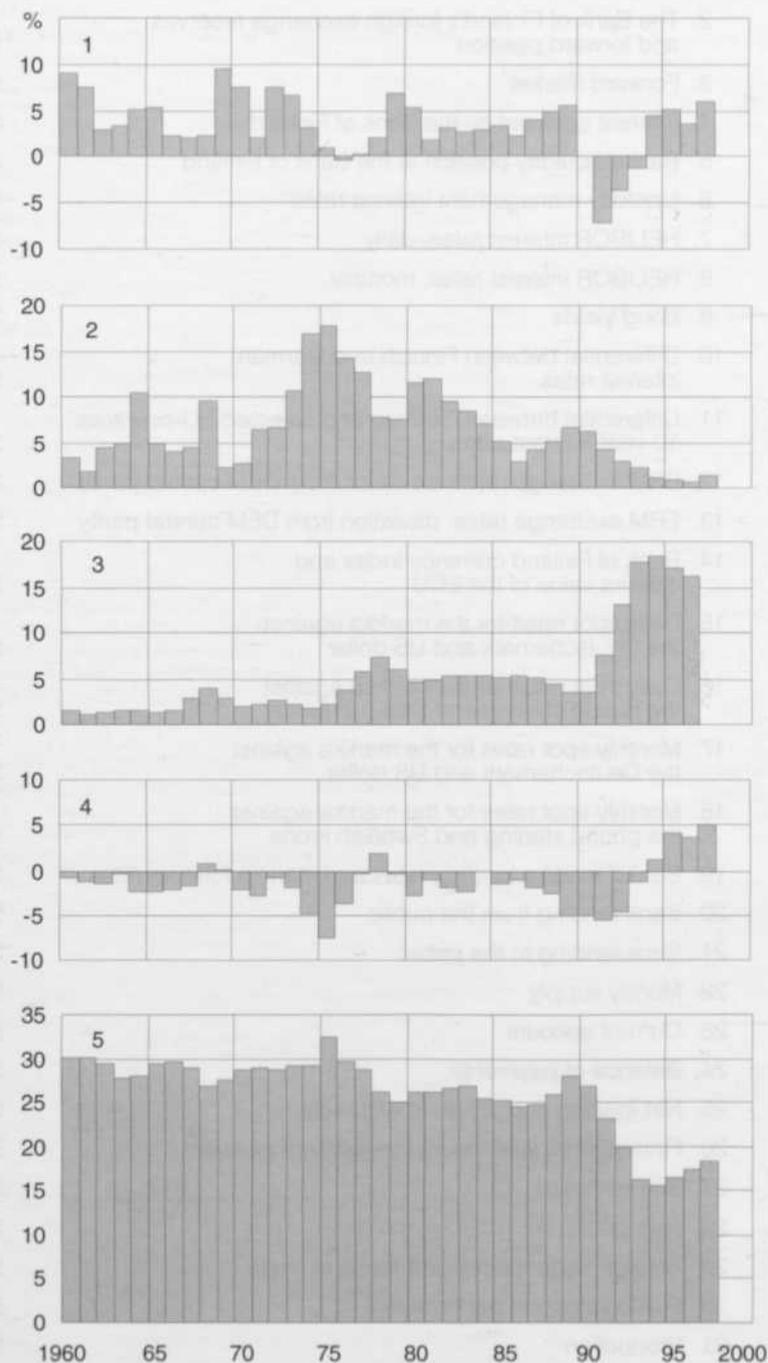
Table 8.3 The indices of wholesale and retail trade (Columns 1 and 2) are seasonally adjusted by Statistics Finland. The monthly GDP indicator (Column 7) is a weighted index of 11 readily available output indicators for various industries.

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.

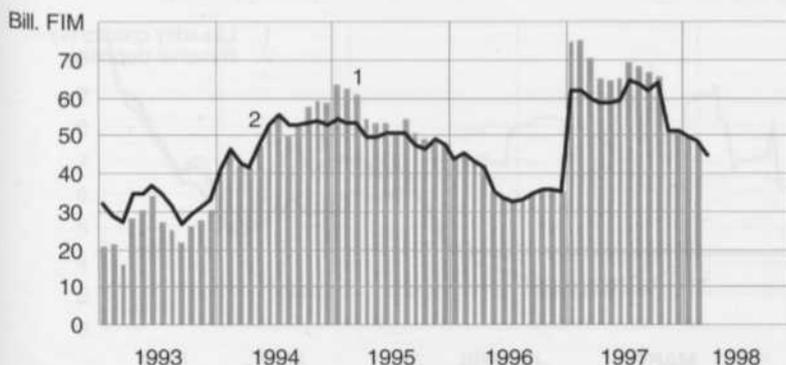
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1. Long-term indicators



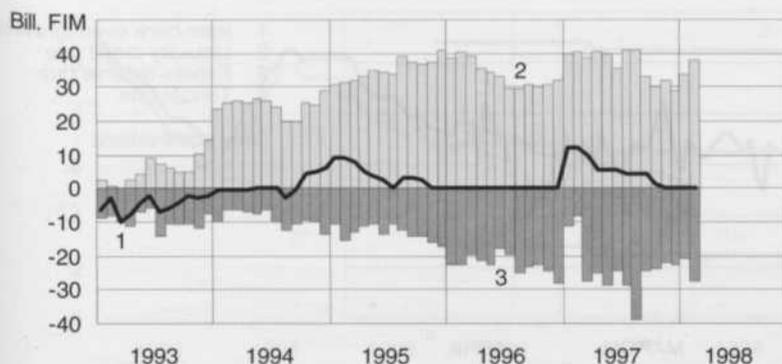
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



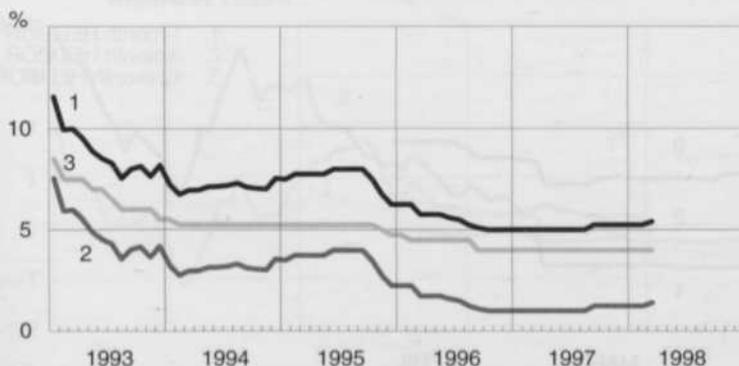
1. Foreign exchange reserves plus forward position
2. Foreign exchange reserves

3. Forward market



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

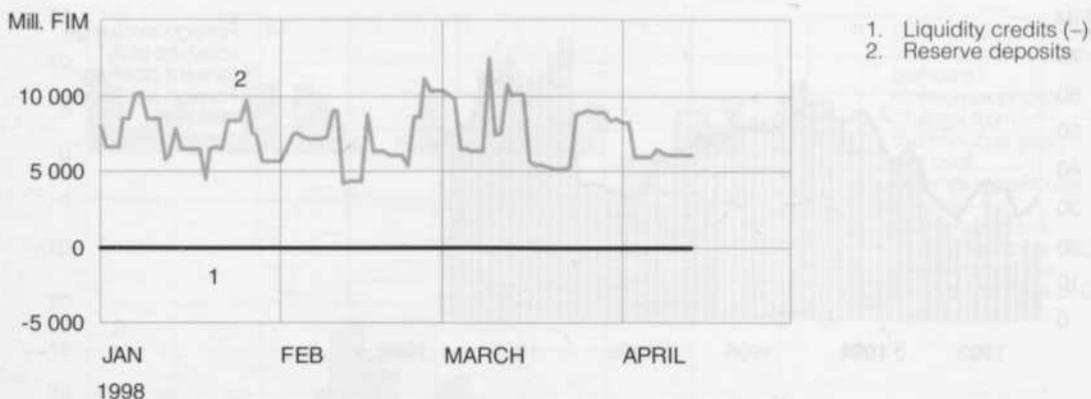
4. Rates of interest set by the Bank of Finland



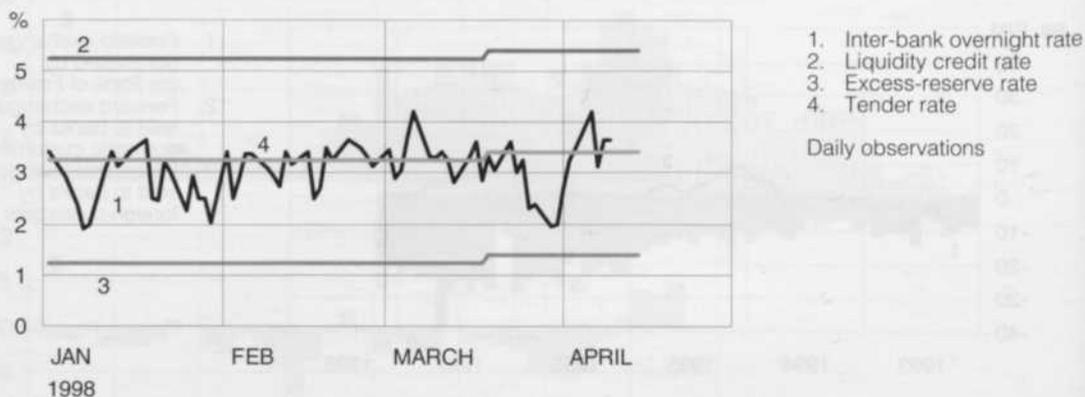
1. Liquidity credit rate (up to 2 July 1992 call money credit rate)
2. Excess-reserve rate (call money deposit rate until 2 October 1995)
3. Base rate

End-of-month observations

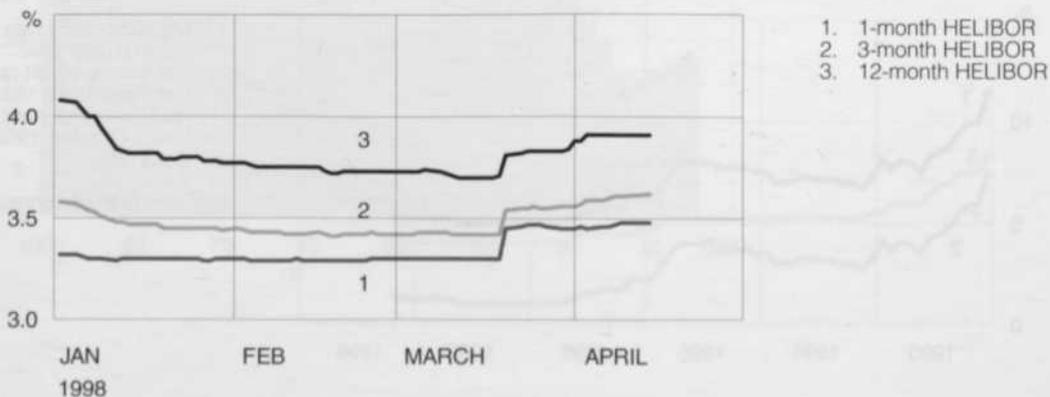
5. Banks' liquidity position at the Bank of Finland



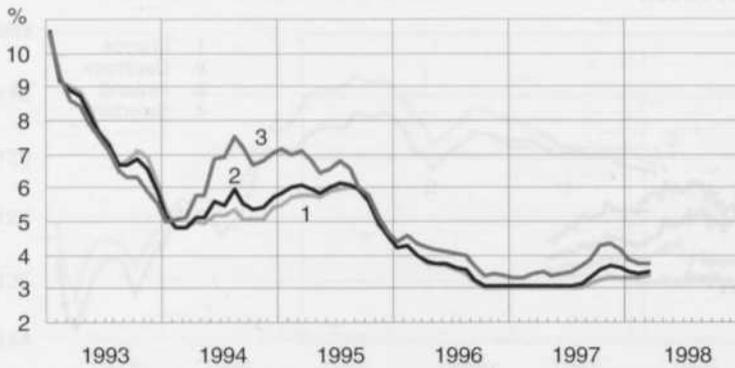
6. Liquidity management interest rates



7. HELIBOR rates of interest, daily

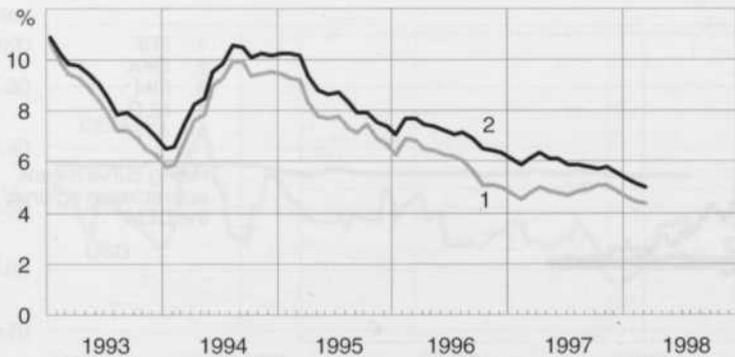


8. HELIBOR interest rates, monthly



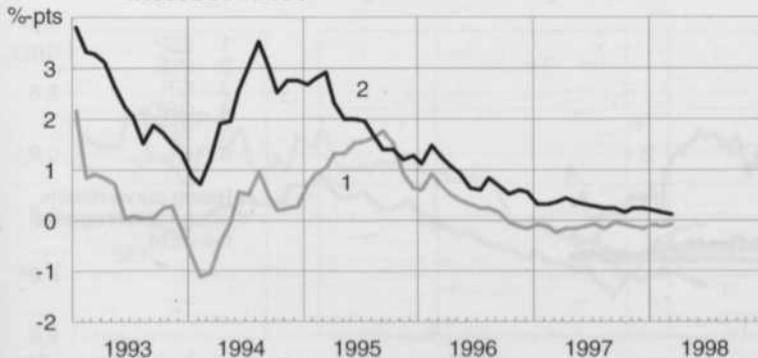
1. 1-month HELIBOR
2. 3-month HELIBOR
3. 12-month HELIBOR

9. Bond yields



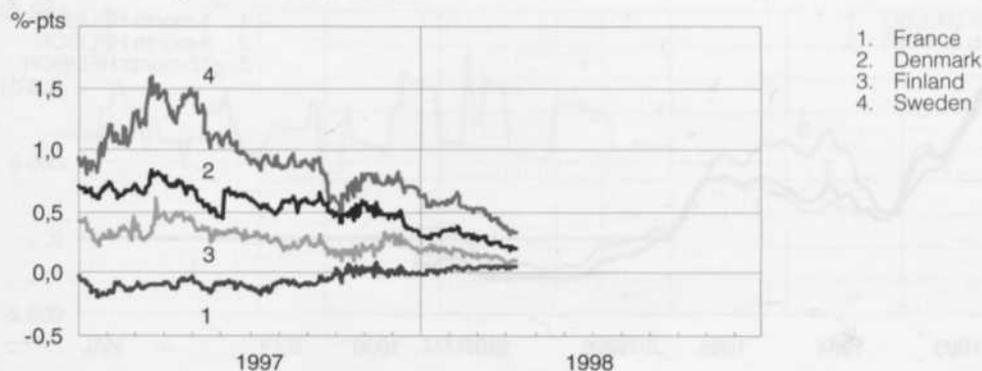
1. Yield on 5-year government bonds
2. Yield on 10-year government bonds

10. Differential between Finnish and German interest rates

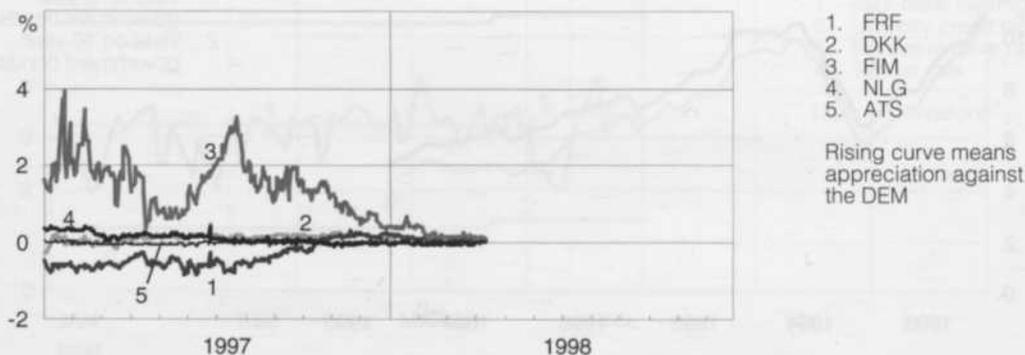


1. 3-month HELIBOR minus 3-month DEM eurorate
2. 10-year Finnish government bond yield minus 10-year German government bond yield

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



12. ERM exchange rates: deviation from DEM central parity



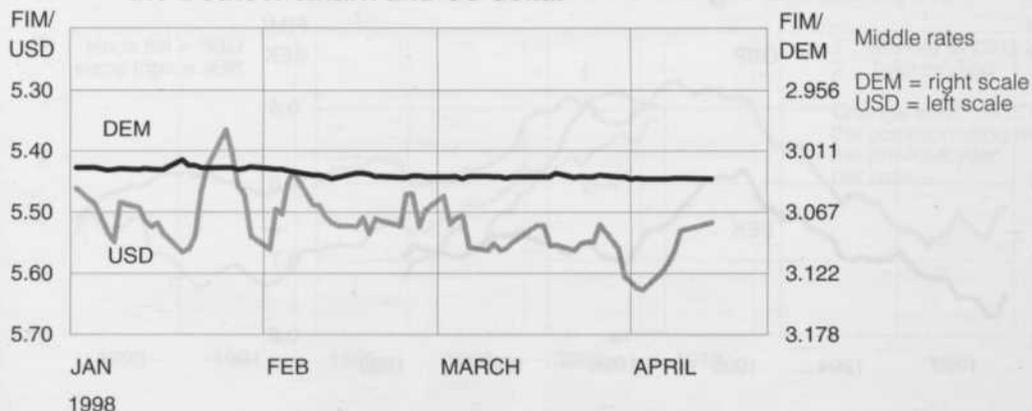
13. ERM exchange rates: deviation from DEM central parity



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



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



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

