



# BULLETIN

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National Economic Policy and  
Its Credibility

Trends in the Conduct and  
Structure of Banking in Europe

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# NATIONAL ECONOMIC POLICY AND ITS CREDIBILITY<sup>1</sup>

by **Sirkka Hämäläinen**  
Governor  
Bank of Finland

It is widely held that different economic policy goals are inevitably in conflict with each other. A case in point is the trade-off between unemployment and inflation.

Recently, the conflict between international integration and the independence of national economic policy has been much to the fore in many countries, including Finland.

However, this 'conflict' is by no means a novel thing. For centuries, most countries have increasingly sought to engage in international trade and economic cooperation in order to increase economic growth and welfare. The gains in terms of economic growth have been partly offset by loss of independence in economic policy since competitiveness and the confidence of those, both at home and abroad, who decide on international money flows have become key objectives of economic policy.

European integration is a natural continuation of this process and, one hopes, an intermediate stage on the road towards even wider global economic integration and harmonization of economic policies. A combination of high growth and financial market stability (ie exchange rate and interest rate stability) can only be achieved through close international cooperation, in which different countries are prepared to take into account the needs of other countries and of the world economy as a whole.

Neither economic policy nor its independence is an end in it-

self but merely a means to increase citizens' welfare. History has shown indisputably that international cooperation contributes importantly to increasing citizens' welfare. One hardly needs to point out that the concept of welfare here refers to welfare in a wider sense, not just to economic goals.

## INTERNATIONAL DEPENDENCE OF ECONOMIC POLICY

Recent experiences of international dependence have been dramatic all over the world. Capital movements of unprecedented scale have led to sharp swings in exchange and interest rates, giving the impression that economic policy decision-makers can do nothing against the whims of market forces.

But even here it is essentially a question of the same kind of international dependence related to developments in fundamentals as existed previously in the world of regulated and slow-moving capital. The only difference now is that with deregulated financial markets, international reactions to mistakes in economic policy and problems in economic policy coordination are much quicker than before. True, markets have a tendency to overreact and reactions can vary because of differences in the liquidity of markets but basically the issue is one of economic realities.

International dependence seems to restrict the independence and room for manoeuvre of particularly those economies with a poor track record in inflation, budget deficits and foreign debt. Finland's past record of high inflation by international standards, continued growth of

foreign debt over the past 15 years and a rapidly rising budget deficit in recent years are factors that would restrict the independence of economic policy under any circumstances.

Indeed, the rise in long interest rates has been fastest and real interest rates highest in countries like Finland where a past history of devaluations and inflation and large budget deficits have undermined market confidence. At the same time, monetary policy in countries like Switzerland and Germany has had substantially more room for manoeuvre thanks to their past record of economic stability.

Now opponents of the EU in Finland are asking if the revival of exports as a consequence of exchange rate changes and a significant improvement in competitiveness does not show that we have some autonomy in the conduct of economic policy. Does it not prove, they argue, that we should not relinquish this freedom to use the exchange rate when we join the European Union?

However, the real challenges to economic policy and the entire economy still lie ahead of us. We should not be lulled into the delusion that the recent recession was only a downswing in the business cycle, caused by external factors and exacerbated by the postponement of devaluation, which is now past, and that the economy is now returning to its previous good growth path free of any problems.

## FOUR ISSUES

There are four major issues worth discussing as far as future economic development is concerned:

<sup>1</sup> This article is based on a speech delivered by the Governor on 13 October 1994 at a seminar organized by the Centre for Finnish Business and Policy Studies.

CHART 1.

GROSS DOMESTIC PRODUCT:  
FINLAND AND OECD-EUROPE

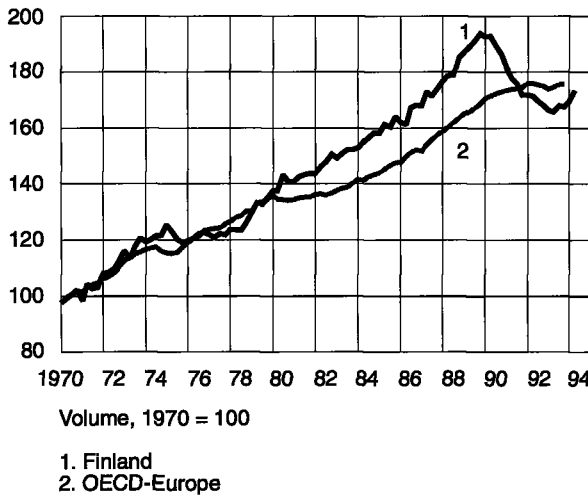
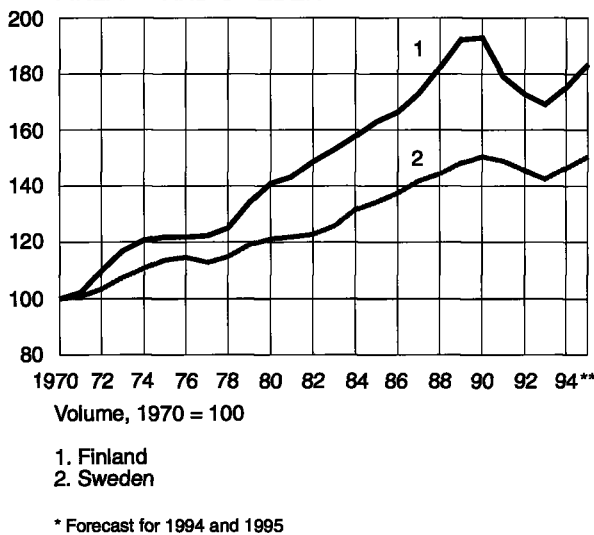


CHART 2.

GROSS DOMESTIC PRODUCT:  
FINLAND AND SWEDEN



1 Finland's economic performance in recent years has not simply been a question of an unusually difficult recession caused by international factors but also of what one might call the 'structural bankruptcy' of the economic policy conducted in Finland not just in the 1980s but throughout the post-war period. What we need therefore is the forbearance to carry through a restructuring of the economy over a period of many years.

2 A low rate of inflation is quite normal at a time of a falling international price level, severe recession and substantial capacity underutilization. The real test of whether Finland's traditional proneness to inflation has really disappeared still lies ahead of us now that the economic recovery is under way.

3 In an environment of deregulated financial markets, inflation no longer provides a way to lower real interest rates and

improve employment. Inflation expectations alone are sufficient to drive up interest rates. The commitment of all segments of economic policy and interest groups in the economy to the low inflation target is the best possible employment policy.

4 Improving employment, preventing a recurrence of banking crises and keeping external indebtedness in check require a reduction in the public sector deficit, disciplined monetary policy, labour market flexibility and an incomes policy which allows companies to maintain good profitability, reduce debt levels and increase their equity capital.

These four issues deserve to be analyzed in greater detail.

**1 'Structural bankruptcy'**

The recent recession, as too the banking crisis, which was an integral part of it, reflected in many ways the structural distortion of the economy and erosion of real competitiveness that resulted from the devaluation-inflation policy, with its emphasis on short-term price competitiveness, which was pursued in the post-war period (Charts 1 and 2).

Although ostensibly this policy favoured exports and the business sector, it inevitably led to excessive and inefficient investments, a disproportionately large domestic market sector, a continuing accumulation of external debt (over the last 34 years the current account has posted a surplus in only three years, in 1968-69 and 1978) and, above all, to business and banking sectors with weak capital structures and poor ability to withstand cyclical fluctuations and shocks.

Despite financial market deregulation in the 1980s, there was no change in the thinking that had characterized behaviour in the era of regulation, ie the assumption that inflation always takes care of one's debts. Rather, many companies and households continued to run up debt with disastrous consequences.

When, as could be expected, though contrary to borrowers' expectations, real interest rates turned out to be positive – in spite of the devaluation and depreciation of the markka, or rather because of it – many businesses that had been built on the expectation of inflation and continuing unrealistic growth of demand went bankrupt.

In the domestic sector there is still excess capacity that it is hard to imagine being brought back into use very quickly. As far as employment is concerned, the recovery of the domestic sector and that of the service sector, in particular, are of crucial importance. However, it cannot take place on a sustainable basis unless conditions conducive to continued growth of exports – and thus to keeping external indebtedness in check – are safeguarded. It is essential to safeguard competitiveness with the help of low labour and raw-material costs and investments which foster exports. This challenge and related proposals have been dealt with in a most commendable fashion by the working group<sup>2</sup> appointed by the President of the Republic and chaired by Mr Matti Pekkanen.

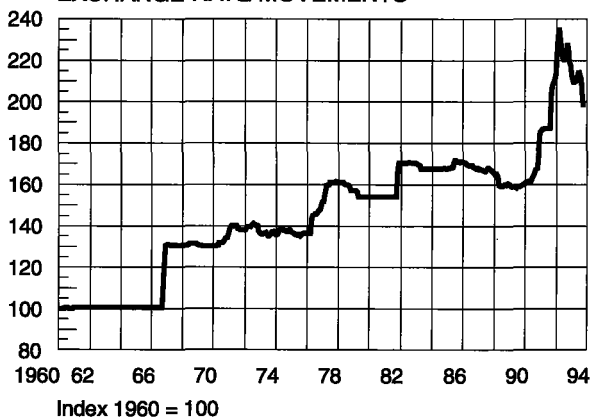
## 2 Inflation test

In spite of a 10 to 15 per cent rise in export prices and 20 per cent rise in import prices from the level prevailing before the 1991 devaluation, domestic price developments have remained very stable. The recession has curbed demands for pay rises, forced companies to improve productivity and cut profit margins. The key question now is whether this discipline was merely a response to hard times; now that economic growth has resumed are different groups in the economy seeking compensation for their 'temporary' losses?

Many factors suggest that inflation expectations, particularly among companies, are still

CHART 3.

### EXCHANGE RATE MOVEMENTS <sup>1</sup>



<sup>1</sup> The markka's exchange rate against the US dollar until 1970, the Bank of Finland currency index from January 1971 to June 1991 and the markka's exchange rate against the ECU as from July 1991.

based on previous experiences. One can ask whether enough time has elapsed for economic agents to have gained an understanding of the workings of the present system and whether there is adequate awareness of the challenges to competitiveness which Finland must meet in order to achieve sustainable growth and an improvement in employment. Are inflation expectations and ideas about the scope for wage and price increases and bigger profit margins still based on the same kind of thinking that prevailed at the time of regulation?

Previously, when interest rates were regulated, corporate taxation was high and exchange rates were fixed (between devaluations), any weakening in the value of the markka was invariably followed by an acceleration of investment activity, growth and inflation. Now that we have low corporate taxation, market-determined interest rates and floating exchange rates, the behavioural framework is entirely different.

The floating exchange rate is important for warding off external price pressures (Chart 3). For example, the effect on domestic prices of the current upward trend in world commodity prices and in foreign-currency prices of export products has

been almost fully absorbed by the appreciation of the markka, ie its partial recovery from its previous, sharply lower, level. With more positive news about the economy, pressures for appreciation of the markka are quite likely to continue.

## 3 Inflation and the real interest rate

The main difference in comparison with past economic recoveries is that, now that interest rates are market-determined, any rise in inflation expectations pushes long-term market rates higher, not only nominally but also in real terms. Long-term interest rates reflect expected developments in lending rates for loans tied to short-term interest rates, and thus high long-term rates curb companies' willingness to invest and thereby the future growth potential of exports.

Thus a strengthening of inflation expectations leads to an 'automatic' tightening of financial markets. Here international analyses have revealed a clear link between the level of interest rates and past inflation (Chart 4). Breaking this 'vicious circle' holds the key to a sustained recovery of the Finnish economy.

The otherwise commendable work of Mr Pekkanen's work- 5

<sup>2</sup> See the item in this issue of the Bulletin.

CHART 4.

THE LONG-TERM REAL INTEREST RATE AND THE AVERAGE RATE OF INFLATION

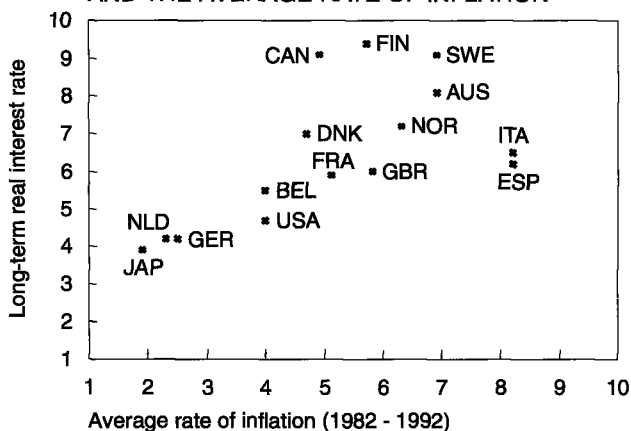
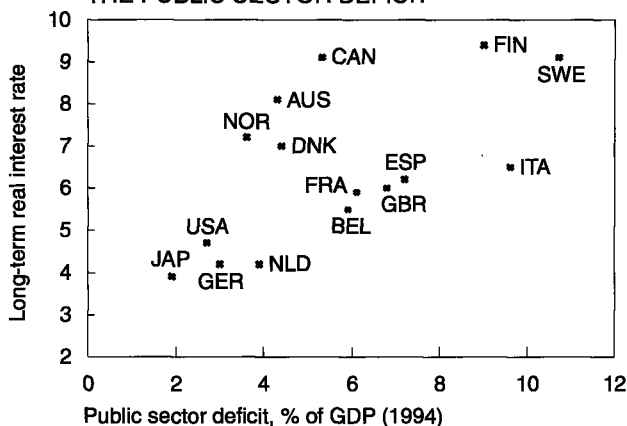


CHART 5.

THE LONG-TERM REAL INTEREST RATE AND THE PUBLIC SECTOR DEFICIT



Long-term real interest rate = yield on government bonds deflated by CPI.  
Public sector deficit = net lending (SNA).

ing group needs to be criticized on this point. It is regrettable that the group's prestigious report, which strongly supports economic policy debate and consensus, completely ignores the importance of curbing inflation expectations and the comprehensive social commitment needed to achieve it as a factor contributing to lower long-term interest rates. It is not simply a question of wage restraint but also of moderation in raw-material prices and business margins. By contrast, the working group has thoroughly addressed the importance of cutting bud-

get deficits as a prerequisite for bringing down interest rates.

**4 Economic policy**

As regards both fiscal and monetary policy, future structural adjustment and the need to keep inflation and inflation expectations at a low level calls for strict discipline and, above all, for longer-term goal-setting and commitment than hitherto.

It is hardly necessary in this connection to dwell any further on the need to consolidate central government finances; it goes without saying that the

cutting of the budget deficit and reversing the trend in public indebtedness are imperative both for bringing down long-term interest rates and for safeguarding the future provision of welfare services. As far as this is concerned, it suffices here to refer to the blunt and perceptive comments of Mr Viinainen, whom *Euromoney* recently nominated 'Finance Minister of the Year', and, in particular, to the recommendations of Mr Pekkanen's working group.

International comparisons reveal at least an equally close relationship between the budget deficit and the long-term real interest rate as between the rate of inflation and the long-term real interest rate (Chart 5).

We face a cost-cutting programme stretching over many years; bearing in mind that a new recession could already be upon us some time in 1996 or 1997 we should not waste any time in going ahead with it. Such cuts would be well-timed as far as counter-cyclical policy is concerned and would support the goals of low inflation and low interest rates.

Monetary policy must be conducted within the same kind of long-term framework and with the same kind of consistency as fiscal policy. So far, the 'tightening' of financial market conditions has been a consequence of the market-driven strengthening of the markka; by contrast, the level of short-term interest rates has been kept virtually unchanged throughout the year (Chart 6). The appreciation of the markka has come about as a result of the current account surplus and positive news on the growth of the economy and is a natural reaction to the earlier fall in the markka, which was widely considered to be excessive, even among exporters.

The fact that short-term interest rates have been fairly stable in spite of the rise in long-term interest rates accords with the Bank of Finland's view that there are no significant inflationary pressures. However, available information on inflation ex-

pectations, wage demands and planned increases in prices of raw materials and intermediate products gives cause for concern. Growth figures for different monetary aggregates also indicate a substantial increase in liquidity in the economy. All these factors put pressure on interest rate policy. The effects of the markka's appreciation and of long-term interest rates on checking inflation expectations, as evident in behaviour, will be important for the formulation of interest rate policy in the near future.

### COMMON ECONOMIC POLICY OBJECTIVES

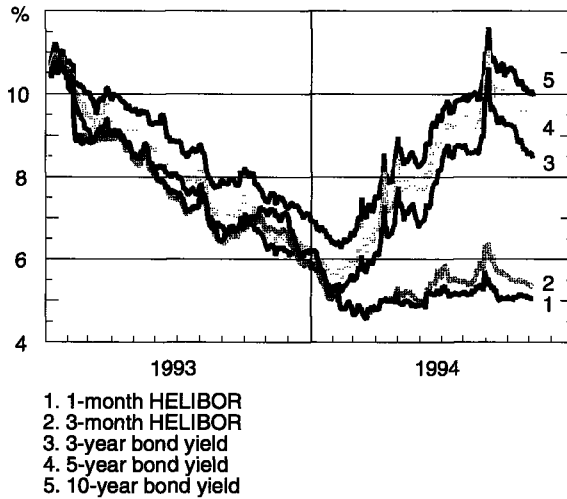
What we urgently need in economic policy and in our approach to income distribution is a long-term perspective and the ability to see beyond the short-term, narrow sectoral thinking of interest groups. If we fail to achieve this now that the recovery is under way, it is something we shall have to return to in any case after a new recession, only then the starting point will be much more difficult than it is now.

A sustainable improvement in employment requires that we strive for steady and stable non-inflationary growth through international coordination and through coordination of the different segments of national economic policy.

Large exchange and interest rate fluctuations can only be stabilized by international cooperation. This is one of the prime objectives of the European Union, and the role of the International Monetary Fund in overseeing such global coordination is being strengthened.

It has been interesting to see how widespread the consensus on economic policy objectives is both within the European Union and globally, including the developing countries. Such

CHART 6.  
MARKET RATES OF INTEREST



consensus is unprecedented but then again very easy to understand: bitter experiences have taught both industrial and developing countries that in a world without regulation markets waste no time in punishing a nation for its mistakes in economic policy and in the way it deals with income distribution.

### LOW INFLATION POLICY AND ITS CREDIBILITY

The debate in Finland and especially the criticism levelled at the Bank of Finland's inflation target demonstrate that it is still not fully perceived in all circles that the policy of low inflation and its credibility are basic requirements for safeguarding growth and employment.

By participating in international trade and accumulating foreign debt, Finland has long ago given up its economic policy autonomy. Since the requirements for restoring equilibrium to the economy are inevitably strict, membership of the European Union is of vital importance for Finland.

Membership will provide additional credibility in so far as concerns remedying the budget deficit and attaining the low inflation target, and thereby lead to lower long-term interest rates and improved investment opportunities. Joining the EU does not imply an immediate switch from a floating exchange rate regime to a fixed exchange rate one. However, joining the European system of fixed rates will be a natural objective as the economy becomes more balanced; it is one way of achieving a permanently lower level of real interest rates in the long term. This view is supported by evidence that long-term real interest rates in EU countries with similar rates of inflation and budget deficits are noticeably lower than those in non-EU countries (Charts 4 and 5).

9 November 1994

# TRENDS IN THE CONDUCT AND STRUCTURE OF BANKING IN EUROPE

by **Jukka Vesala**, M Sc (Econ)  
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Bank of Finland

**M**any observers have argued that the most important result of the extensive domestic and external financial liberalization of the 1980s has been a substantial increase in competition among banks and other financial intermediaries in most OECD countries. This has involved primarily corporate and wholesale banking. Retail banking, on the other hand, has remained less competitive and largely in the hands of domestic banks and other credit institutions.

Advances in communication and information technology and financial innovation have facilitated the process by enabling market participants to exploit opportunities in the liberalized environment. Banks have diversified into new business areas and now provide a much wider range of financial services. This trend, particularly evident up to the late 1980s, has involved substantial growth in banking business and has typically led to uniformity among large banking organizations (groups) both within and between countries. These organizations aim at providing the full range of universal banking services permitted to credit institutions under the EU's Second Banking Coordination Directive, including securities and derivatives trading, portfolio management and advice, and financial leasing. Significant institutional linkages have also developed between commercial and investment banking and between banking and insurance. The aspirations of universal banks to cover most of the markets for different financial services has increased competition and typically reduced margins in different market niches. The situation

has been aggravated by the emergence of non-bank competition in most of the universal banking operations. This combination of developments has led to a significant increase in the risks faced by banks and other financial institutions as compared with the situation prior to liberalization. Most importantly, in seeking to expand, banks typically in the late 1980s became more aggressive in the riskier sectors of the credit market.

The first part of this article examines, at the industry level, how banks' revenue and cost structure and profitability have evolved during the 1980s and early 1990s in the major EU countries (EU-6: Belgium, France, Germany, Italy, the Netherlands and the United Kingdom) and in Scandinavia (Finland, Norway and Sweden) in the course of liberalization and other significant structural changes in the industry. The latter part of the article attempts to find evidence of and evaluate longer-term shifts in banks' competitive strategies brought about by the apparent changes and threats in their operating environment, foremost of which are securitization and increasing competition and pressures stemming from non-banks. Pressures on banks to modify their strategies seem to be quite universal in nature, although there are significant country-specific differences in timing and scope. This motivates the discussion of these issues at a general level.

## PROFITABILITY TRENDS

**(1) Narrowing intermediation margins following liberalization.** Prior to liberalization, regulations on rates and fees inhibited banks from competing

effectively on the basis of price. As a result, they competed by providing free or underpriced services (implicit interest). The costs of producing these services were cross-subsidized out of the margin between lending and deposit rates. The traditionally dominant share of net interest income in banks' total income (Table 1) implies that cross-subsidization between different activities has been extensive. However, since the late 1980s banks in many European countries have been imposing direct service charges widely, for example, for payment and ancillary services.

The liberalization of banking has meant the lifting of most legal restrictions on the (i) structure, (ii) competitive conditions and (iii) international aspects of banking activities.

(i) Banks are no longer explicitly restricted in selecting their investments or business activities, and the legal distinctions between various credit institutions have been largely removed with the aim of providing level competitive conditions.

(ii) Banks' competitive behaviour is no longer directly regulated via interest rate or service charge controls or branching restrictions. None of the major EU countries, nor Scandinavian countries, currently retains interest rate ceilings or other major constraints on lending<sup>1</sup>. The remaining restrictions on interest rate setting, often indirectly through tax rules, generally concern only demand deposits or transaction accounts. In addition, reserve requirements have been significantly reduced in

<sup>1</sup> For country-specific details of the deregulation process, see Bröker (1989), Gual and Neven (1992) and Vesala (1993).



TABLE 1. INCOME STRUCTURE: AVERAGE RATIOS, PER CENT OF ABST

	Net interest income (Intermediation margin)			Net non-interest income			Net banking income (overall gross margin)			Net non-interest income/ net interest income (%)		
	80-84	85-89	90-92	80-84	85-89	90-92	80-84	85-89	90-92	80-84	85-89	90-92
Belgium	2.82	2.66	2.38	0.64	0.82	0.70	3.46	3.48	3.08	22.79	30.93	29.25
France	4.49	4.16	2.84	0.82	0.76	1.00	5.30	4.92	3.84	18.18	18.42	36.09
Germany	2.94	2.85	2.57	0.66	0.76	0.85	3.61	3.61	3.42	22.61	26.81	33.22
Italy	3.43	3.74	3.98	1.29	1.44	1.28	4.71	5.18	5.26	37.66	38.52	32.25
Netherlands	3.16	3.00	2.27	1.03	1.08	0.92	4.20	4.08	3.18	32.68	36.00	40.43
United Kingdom	4.30	3.83	3.41	1.97	2.19	2.32	6.27	6.02	5.72	46.51	57.44	68.13
EU-6	3.52	3.42	2.94	1.00	1.11	1.15	4.52	4.53	4.09	28.39	32.68	39.21
Finland	2.36	1.89	1.66	2.15	2.19	1.82	4.51	4.08	3.48	94.14	115.98	114.52
Norway	3.89	3.36	3.29	0.99	1.13	1.09	4.89	4.49	4.38	25.54	33.58	34.04
Sweden	2.64	3.28	3.01	0.92	1.28	1.15	3.56	4.56	4.16	35.07	38.84	38.33
SCANDINAVIA	2.84	2.83	2.58	1.24	1.54	1.38	4.08	4.37	3.95	43.77	54.31	53.53

TABLE 2. COST STRUCTURE: AVERAGE RATIOS, PER CENT OF ABST

	Staff expenses			Non-staff operating expenses			Total operating expenses			Staff expenses/Total operating expenses (%)		
	80-84	85-89	90-92	80-84	85-89	90-92	80-84	85-89	90-92	80-84	85-89	90-92
Belgium	1.74	1.50	1.38	0.78	0.82	0.75	2.52	2.33	2.13	69.13	64.62	64.92
France	2.40	2.09	1.52	1.20	1.24	1.03	3.59	3.33	2.55	66.63	62.56	59.51
Germany	1.47	1.49	1.41	0.74	0.83	0.81	2.21	2.32	2.22	66.64	64.15	63.48
Italy	2.21	2.39	2.29	0.82	0.95	0.97	3.03	3.34	3.25	72.97	71.52	70.28
Netherlands	1.75	1.64	1.25	0.93	1.06	0.91	2.69	2.70	2.17	65.31	60.83	57.85
United Kingdom	2.81	2.31	2.09	1.59	1.61	1.65	4.40	3.91	3.73	63.71	58.87	55.92
EU-6	2.00	1.90	1.66	0.97	1.06	1.00	2.97	2.96	2.66	67.42	64.12	62.26
Finland*	2.00	1.51	1.15	1.71	1.59	1.70	3.70	3.11	2.85	53.86	48.54	40.52
Norway	1.89	1.50	1.46	1.51	1.59	1.71	3.40	3.09	3.17	55.57	48.39	46.43
Sweden*	1.06	1.17	1.12	0.99	1.35	1.34	2.05	2.52	2.46	51.72	46.50	45.68
SCANDINAVIA	1.48	1.36	1.20	1.28	1.49	1.53	2.76	2.86	2.73	53.51	47.72	43.85

\*For notes see Table 3.

most EU and Scandinavian countries, though Italy (and Portugal) have maintained comparatively high requirements. Instead of direct explicit regulations, banks' freedom in choosing assets is now implicitly restricted by prudential capital adequacy, large exposure (asset concentration) and participation regulations. The aim of these restrictions is to ensure stability of the financial system by inhibiting banks from the excessive risk taking (moral hazard) that is symptomatic of publicly provided deposit insurance and the presence of a lender of last resort.

(iii) Domestic liberalization has been accompanied by substantial relaxation of restrictions on investors' and banks' international activities. EU legislation has pushed this to the limit: ie free provision of financial services as a part of the single market in the European Economic Area (EEA).

As a consequence of the liberalization process, effective public protection through administratively set interest margins and entry restrictions has been by and large removed.

The lifting of interest rate controls seems to have significantly squeezed banks' intermediation margins calculated as net interest income per adjusted balance sheet total (ABST), which equals total assets minus interbank assets and assets held at central banks (Table 1).<sup>2</sup> The figures for the early 1990s are, in most countries, significantly smaller than

<sup>2</sup> The most commonly used indicator of the volume of banks' intermediation services, total assets, causes systematic bias in international comparisons, as banks' business mixes differ significantly across countries. ABST corrects for the most important difference by excluding interbank assets, which represents the most significantly varying asset category. Moreover, interbank assets generate little revenue compared with other higher-yielding asset categories and do not represent financial intermediation carried out by banks.

those for the early 1980s. The most substantial reduction has taken place in France. Italy and Sweden are the only exceptions to this trend, which indicates that banks' have indeed generally engaged in active interest rate (price) competition. The persistence of the old margins in the liberalized environment would suggest that banks have been able to replace regulatory protection by private collusive arrangements (explicit or tacit) limiting the degree of price competition or that rate regulations have not in fact been binding.

Changes in asset structure, increases in non-performing loans and credit losses can all affect the intermediation margin defined as net interest income per ABST, as well as the degree of price competition. In spite of these qualifications, we think that the evidence is rather clearly in favour of increased competition in on-balance sheet intermediation.

The composition of banks' income differs significantly across countries (Table 1). While banks' net non-interest income has risen relative to net interest income in most countries, most significantly in France, the rise has not generally been big enough with respect to asset growth to offset the fall in intermediation margins, and a downward trend also characterizes the evolution of banks' overall gross margins.

**(2) Relative share of staff expenses declining.** Technological change and reorganization of the production and delivery of banking services is reflected in the marked decline in the ratio of staff expenses to total operating expenses in all countries (Table 2). In Scandinavia the relative importance of staff expenses has been significantly lower than in the EU-6 countries, indicating greater substitution of new banking technology, eg ATMs, for labour. The instalment of new technology seems to have led to an increase in non-staff operating expenses in most countries in the late 1980s, but a simultaneous reduction in staff expenses has typically led to a fall in total operating expenses per ABST. In the early 1990s, the increase in relative non-staff operating

expenses has more or less come to a halt. This reflects, in many countries, the maturing, even declining, scope of banks' distribution networks and instalment of information and payment technology (see Vesala 1993). The fall in intermediation margins has naturally been one motive for reducing costs and enhancing efficiency by installing new technology. However, the purely competitive motive of attracting customers and enhancing service quality seems to have been quite significant.

**(3) Underlying profitability.** Operating margin, defined as net banking income minus total operating expenses (including depreciation allowances), is used here to measure banks' underlying profitability (Table 3). Provisions for loan losses and other value adjustments are excluded, since 'normal' or 'expected' loan losses should be accounted for by appropriate risk premiums within intermediation margins. In most countries the operating margin has been lower in the early 1990s than in the earlier five-year period. The observations for the early 1990s, however, are depressed by the latest recession, which has affected banking income. Moreover, in the Scandinavian

countries, high market interest rates, especially in 1992, resulted in a significant increase in non-performing loans. Therefore, it would be too early to conclude that banks' underlying profitability has declined secularly since liberalization, although banks' intermediation margins have clearly narrowed. Increases in non-interest income or savings in operating costs (increased efficiency) may well restore banks' operating margins in the long-run. Furthermore, as economic conditions have recently started to improve in Europe, there are already signs of strengthened bank profitability and improved asset quality in many countries.

**(4) Write-offs and risk provisioning.** The recent recession in the early 1990s seems to have resulted in larger aggregate loan losses and value adjustments with respect to loans and securities (net provisions in Table 3) only in the case of the United Kingdom among the EU-6 countries. The United Kingdom has had the most severe recession of these countries. In contrast, banks in the Scandinavian countries experienced a substantial increase in loan losses in the early 1990s, resulting in considerable pre-tax loss-

TABLE 3. PROFITABILITY: AVERAGE RATIOS, PER CENT OF ABST

	Operating margin			Net provisions			Pre-tax profit		
	80-84	85-89	90-92	80-84	85-89	90-92	80-84	85-89	90-92
Belgium	0.94	1.15	0.95	0.42	0.56	0.46	0.52	0.59	0.49
France	1.71	1.59	1.29	1.05	0.99	0.91	0.66	0.60	0.38
Germany	1.39	1.29	1.20	0.57	0.50	0.51	0.82	0.79	0.69
Italy	1.69	1.84	2.00	0.95	0.70	0.64	0.74	1.15	1.36
Netherlands	1.51	1.38	1.02	0.94	0.44	0.37	0.57	0.93	0.65
United Kingdom	1.87	2.11	1.99	0.65	1.08	1.44	1.22	1.03	0.55
EU-6	1.56	1.57	1.43	0.77	0.71	0.73	0.79	0.85	0.70
Finland*	0.81	0.98	0.63	0.49	0.57	1.79	0.32	0.40	-1.16
Norway	1.48	1.41	1.20	0.60	1.15	2.49	0.89	0.25	-1.29
Sweden*	1.51	2.04	1.69	1.17	0.92	2.38	0.34	1.12	-0.69
SCANDINAVIA	1.32	1.51	1.22	0.87	0.86	2.18	0.46	0.65	-0.96

Notes (Tables 1.-3.): ABST = balance sheet total - interbank assets - assets held with central banks.

\* OECD statistics corrected in line with the other countries.

Operating margin = Net interest income + net non-interest income - operating expenses (incl. depreciation).

Pre-tax profit = Operating margin - net provisions (all value adjustments with respect to loans and securities, including transfers to and from reserves for possible losses on such assets).

The figures for EU-6 and SCANDINAVIA are obtained by adding together country-specific base information first converted into ECUs. Broadest possible institutional coverage used.

10 Data sources: OECD Bank Profitability Statistics (see for institutional coverage), Bank of Finland (Finland and Sweden).

es (Table 3). The most dramatic increase in loan losses has taken place in Sweden, where banks' aggregate write-offs amounted to nearly five per cent of total assets in 1992; the figure for Finland was approximately three per cent. The recession hit Sweden and especially Finland much harder than the other European countries, but other factors related to public policies, asset prices and risk taking as well as the competitive behaviour of banks with features that are similar over all three Scandinavian countries have also contributed importantly to the severe banking crises in these countries. In all three Scandinavian countries, governments have been forced to grant banks substantial financial support.<sup>3</sup> Now, the crisis seems to be almost over in Norway and Sweden, while in Finland banks' profitability has remained low in 1994, although forecasts for 1995 point to a significant improvement.

### BANKING INDUSTRY IN DECLINE?

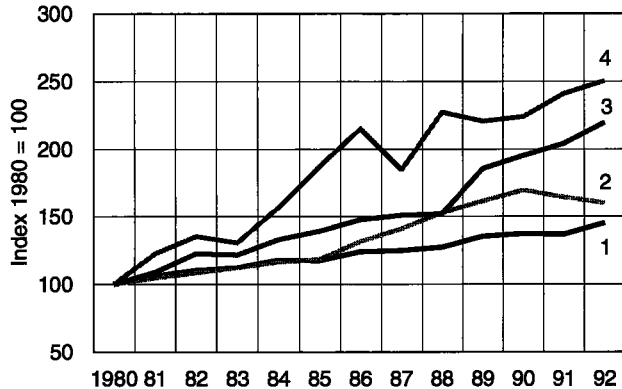
Significant growth in non-bank credit alternatives along with the well-known recent problems of certain large banking organizations would seem to characterize an industry in distress. Moreover, many economists have argued that it is natural for the financial system of any country to proceed through the stage of financial intermediation to securitization and that bank lending has become inherently more expensive than securitization, as technological advances have reduced information and transactions costs in the capital markets. This paints a gloomy outlook for banks and other financial intermediaries.

There is more to this issue, however. First, two different processes underlie the general se-

<sup>3</sup> See Nyberg and Vihriälä (1994) for a thorough discussion of the causes and handling of the Finnish banking crisis and Koskenkylä (1994) for an exposition of the developments in Denmark, Finland, Norway and Sweden.

CHART 1.

### BANK ASSETS AND CCNI/NOMINAL GDP



1. Bank assets, EU-6
2. Bank assets, Scandinavia
3. CCNI, EU-6
4. CCNI, Scandinavia

CCNI = credit equivalent of the capitalized non-interest income

curitization process: disintermediation-type securitization, which reduces the role of financial intermediaries in general in favour of the capital markets, and off-balance sheet securitization, which reduces the amount of on-balance sheet business for banks and other financial intermediaries. Secondly, one must be specific about what is meant by financial intermediation. It consists not only of net interest income-generating on-balance sheet activities but also of certain off-balance sheet items which either have risk or other characteristics similar to on-balance sheet items or are dependent on on-balance sheet items like guarantees and back-up credit lines. In contrast, some other off-balance sheet activities like broking and foreign exchange services have nothing to do with financial intermediation. An important task for analysts is to look for broader measures of financial intermediation which could result in a significantly different view of its economic role.

**(1) Off-balance sheet securitization.** Over the past decade or so banks have changed substantially the way in which they provide services and introduced new products. The ex-

tent to which business is done off the balance sheet has increased significantly: banks have sold off loans in packages, supported lending indirectly by providing back-up credit lines and engaged extensively in the provision of risk-sharing derivative instruments. However, this redefinition of banking business has clearly proceeded at varying speeds in various European countries, as indicated by the generally increasing but differing shares of net non-interest income in total net income (Table 1).

One crude indicator of the importance of off-balance-sheet activities is the credit equivalent of capitalized non-interest income (CCNI).<sup>4</sup> It displays substantial growth relative to nominal GDP in the EU-6 and Scandinavian countries (Chart 1), much faster than that of the on-balance sheet assets. Hence, securitization has clearly involved a reduction in the significance of banks' traditional on-balance sheet intermediation, a

<sup>4</sup> CCNI equals the amount of on-balance sheet assets that would be needed to generate the observed amount of net non-interest income. The underlying assumption in the calculation is that off-balance sheet items earn the same before-tax return as on-balance sheet assets. See Boyd and Gertler (1994). 11

TABLE 4. BANKING SERVICES EXCLUDING SEIGNIORAGE RELATIVE TO GDP, PER CENT

	1981	1985	1991
Belgium	2.41	3.06	2.53
Denmark	1.72	1.76	2.22
France	3.07	3.34	3.47
Germany	3.25	3.97	3.45
Ireland	2.82	3.79	3.26
Italy	2.21	2.76	3.91
Netherlands	2.90	3.45	3.02
Portugal	1.34	1.58	5.45
Spain	2.68	5.10	5.69
United Kingdom	3.07	3.50	4.35
Finland	2.18	2.22	2.93
Norway	2.64	2.27	3.00
Sweden	2.06	2.73	3.76

Data source: OECD National Accounts 1979-1991; IMF, International Financial Statistics (seigniorage calculations).

TABLE 5. FINANCIAL INTERMEDIATION IN SELECTED EUROPEAN COUNTRIES, USA AND JAPAN

	Financial inter- mediation ratio	Bank inter- mediation ratio
	1990	1990
Finland	0.60	0.66
France	0.47	0.74
Germany	0.53	0.77
Italy	0.39	0.58
Spain	0.37	0.71
Sweden	0.55	0.41
United Kingdom	0.37	0.59
United States	0.32	0.37
Japan	0.47	0.38

Financial intermediation ratio = the ratio of the combined assets of all financial institutions to total financial assets (degree of institutionalized intermediation in the financial process).

Bank intermediation ratio = the share of banks, including all deposit taking credit institutions, in the total assets of financial institutions.

Outstanding stocks of financial assets are used in constructing both indicators.

Data source: OECD, Financial Accounts of OECD Countries.

trend which is likely to continue in the future. But this does not mean that the economic significance of the business conducted by banking firms is in similar decline. Chart 1 suggests quite the contrary. Moreover, the industry share measures based on net-interest income (value added) (Table 4) or on-balance sheet assets clearly underestimate banks' present economic importance.

**(2) On-balance sheet intermediation.** The economic significance of on-balance sheet financial intermediation (net interest income generating services) is measured in Table 4 in terms of net value added relative to GDP.<sup>5</sup> Table 4 does not provide support for the declining significance of financial in-

termediation as a general phenomenon, even defined in this narrow sense. Charts 2 and 3 suggest an interesting pattern, however. Namely, that the current GDP share tends to be lower in the more affluent European countries, which is in contrast to the situation in the early 1980s. Hence, traditional on-balance sheet intermediation no longer seems to represent a growing

<sup>5</sup> Our measure of the net value added of financial intermediation services equals the excess interest and property income accruing to banks and other credit institutions over the interest accruing to depositors (the imputed bank service charge). The contribution of central banks is excluded by deducting the amount of seigniorage revenues from the banking sectors' GDP share by using the appropriate opportunity cost or stock measure of seigniorage in GDP.

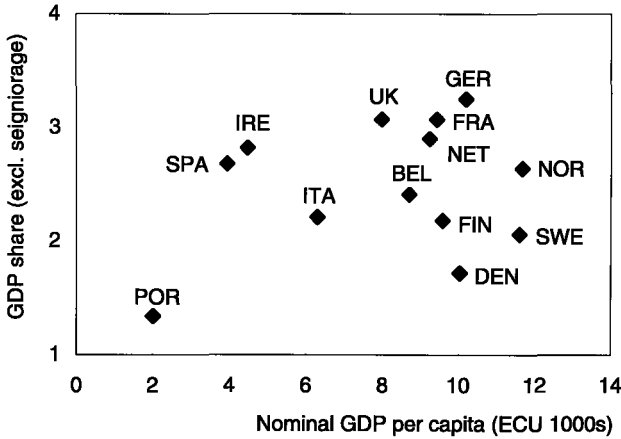
industry relative to the evolution of income in terms of net value added generated by these services. This trend would emphasize the importance of efficient operations and is likely to foster the adaptation of banks' business mix toward activities which, like securities trading, offer better growth prospects.

However GDP share is a poor measure of the social value of on-balance sheet intermediation services. The growing share may be due to extensive services provided to domestic and foreign customers or, on the contrary, to high prices and inefficient supply. The latter explanation is likely with regard to the sharp rise in the GDP share of financial intermediation services in the Mediterranean countries (Table 4), of which a part can be explained by reductions in seigniorage revenue. The fall in GDP share in Belgium, the Netherlands and Germany and the moderate increase in France, while on-balance sheet assets have been rising relative to the GDP (Chart 1), support the idea of increasing price competition and growing efficiency in the production of these services. In the UK and Scandinavia bank assets grew very fast in the late 1980s, which is reflected in the rise in the GDP share.

Nevertheless, in many European countries traditional on-balance sheet intermediation will most likely continue to co-exist with securities markets to an important extent. The share of intermediated (on-balance sheet) assets in total financial assets is still quite substantial in Europe compared to the USA, and even dominant in Germany, Sweden and Finland (Table 5). In addition, the role of banks among financial intermediaries is quite strong in many European countries. Moreover, disintermediation-type securitization has meant that banks have been losing share in the financing of the corporate sector, but this concerns mainly large corporate borrowers that have access to domestic and global capital markets. Small and me-

CHART 2.

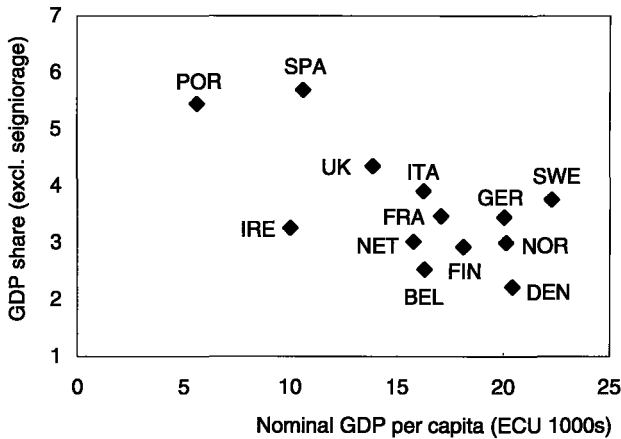
INCOME LEVELS AND GDP SHARE OF FINANCIAL INTERMEDIATION SERVICES, 1981



BEL = Belgium  
 DEN = Denmark  
 FIN = Finland  
 FRA = France  
 GER = Germany  
 IRE = Ireland  
 ITA = Italy  
 NET = Netherlands  
 NOR = Norway  
 POR = Portugal  
 SPA = Spain  
 SWE = Sweden  
 UK = United Kingdom

CHART 3.

INCOME LEVELS AND GDP SHARE OF FINANCIAL INTERMEDIATION SERVICES, 1991



BEL = Belgium  
 DEN = Denmark  
 FIN = Finland  
 FRA = France  
 GER = Germany  
 IRE = Ireland  
 ITA = Italy  
 NET = Netherlands  
 NOR = Norway  
 POR = Portugal  
 SPA = Spain  
 SWE = Sweden  
 UK = United Kingdom

dium-sized firms are likely to continue to be dependent on intermediated finance due to the overwhelming information and contracting costs associated with capital market operations.

**BANKS' COMPETITIVE STRATEGIES CHANGING**

Besides the major choices as to business mix, banks' pricing of services, customer strategies and incentives to cooperate have been significantly affected by changes in the operating environment.

**(1) Pricing of services and cross-subsidization.** Extensive cross-subsidization across different banking services and geographic areas is a symptom of imperfect competition. It would not exist in perfectly competitive markets without significant market distortions, eg through taxation. Therefore, intensifying price competition would have the general effect of reducing the scope for cross-subsidization, and inducing more cost-based pricing eg via direct service charges. In addition, competition exerts pressure on banks to restructure distribution

networks and reduce the costs of providing services to remote and scarcely populated areas. Pressures on networks are aggravated by the fact that extensive, even excessive, network capacity seems to have been built up in the protective environment of many European countries. This raises a potential public concern about the nationwide availability of the basic financial intermediation and payment services, which is likely to become more limited in the future. Banking services provided through public postal organizations or post office banks 13

seems to be the solution for many countries.

**(2) Toward more specialized banking.** In general, intensified price competition has underscored banks' ability to operate cost efficiently, which has become decisive for profitability. In fact, cost consciousness and customer targeting seem to be banking buzz words nowadays. As banks have typically offered the same product innovations and targeted the same market niches, specialized skills and technology have not been developed. Bankers and their consultants have recently started to focus on more specialized production, concentrating on selected consumer groups as a more cost efficient and competitive strategy.

The possibility of competing on price has provided competitive opportunities for non-bank financial institutions (niche banks) and non-financial institutions, eg retailers, to offer specialized services like consumer loans and payment cards, apparently without incurring a significant cost disadvantage vis-à-vis universal banks. Providers of individual financial services should reveal the true costs of producing them and force universal banks to price their services accordingly. Although large universal banks have some apparent competitive advantages over specialized institutions (financial and non-financial), most importantly a large customer base and access to comprehensive customer information, several authors have argued that they must, in the long run, imitate the organizational structures and business strategies of specialized institutions in the corresponding markets in order to survive the competition. Nevertheless, we will probably see the coexistence of both types of institutions in the future owing to the current dominant market position of the leading universal banks in many countries, but more cost-oriented pricing and careful customer targeting are definitely emerging at universal banks.

### **(3) Cooperative conduct.**

Banks now have a clear incentive to soften competition in order to retain intermediation margins and profitability through closer explicit cooperation or tacit collusion. Currently, explicit cooperation among banks ranges from marketing and pooling agreements to network cooperation and formal alliances strengthened by reciprocal cross-participation or unilateral acquisition of minority holdings in partners' share capital. The number of such agreements has recently increased, also between banks from different countries (Vesala 1993). Hence, an active role for competition policy seems to be called for in order to ensure effective competition. In most European countries active banking competition policy seems to have been either non-existent or passive, since other (also temporary) government objectives have interfered with the objective of effective competition. Most importantly, limits on competition have been tolerated on the premise that excessive competition can lead to increased systemic risk. Financially strong banks with wide margins and high profitability are considered better able to absorb negative external shocks, and, perhaps more importantly, excessive risk taking is less attractive for well-off institutions since they have more at stake in the event of an adverse outcome. Hence, the policy objective of limiting excessive risk taking can conflict with effective competition. In the Scandinavian countries, in the aftermath of the banking crisis, the priority will most likely be to safeguard stability.

31 October 1994

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This article is drawn largely from a presentation by the author, 'Banking Industry Performance in Europe: Trends and Issues' at the OECD Financial Experts' Meeting, Paris, 11-12 July, 1994. See this presentation for more comprehensive statistical information and evaluation.

**BANKS' ACCESS TO CURRENT ACCOUNT AND LIQUIDITY CREDIT FACILITIES AT THE BANK OF FINLAND**

At the beginning of November, the Bank of Finland modified the conditions governing access by banks and other credit institutions to current account and liquidity credit facilities at the central bank. As a result of the changes, all credit institutions that are subject to minimum reserve requirements and meet certain other requirements may now gain access to these facilities. In addition, the partial collateralization requirement previously imposed on intra-day overdraft limits has been replaced by the requirement of full collateralization. The changes bring the conditions more into line with international practice.

At its discretion, the Bank of Finland may open a current account for any Finnish credit institution or foreign credit institution operating in Finland which is subject to minimum reserve requirements and public supervision by the Financial Supervision Authority or by some corresponding authority. Furthermore, the credit institution must meet minimum capital adequacy requirements, its own funds must amount to at least FIM 30 million and its operations must be on a sound and stable basis. For other institutions operating in the financial markets, a current account will only be opened for special reasons announced by the central bank.

Intra-day overdraft limits granted to credit institutions must be fully collateralized. Those account holders who up to now have been required to

deposit collateral equivalent to 25 per cent of their overdraft limits are required to deposit collateral for the full amount by the beginning of 1996 at the latest. Collateral requirements for intra-day credit complying with international practice were introduced in Finland in March 1993.

The Bank of Finland may grant access to liquidity credit to Finnish credit institutions and foreign credit institutions operating in Finland which are subject to minimum reserve requirements and have a current account at the Bank of Finland. No changes have been made to the other conditions governing the use of liquidity credit. As before, liquidity credit obtained by a credit institution must be fully collateralized.

**WORKING GROUP'S PROPOSAL FOR REDUCING UNEMPLOYMENT**

In July 1994, President Ahtisaari appointed a working group to draw up recommendations for measures and policies for effectively reducing unemployment. Mr Matti Pekkanen, former managing director of the Finnish Forest Industries Federation and with extensive knowledge and experience of labour market and income agreements, was appointed chairman of the working group. The other members of the working group consisted of economic experts and other influential members of society. The working group completed its report at the end of September.

The working group set the target of reducing the number of unemployed from this year's es-

timated level of 460 000 to 200 000 (ie an unemployment rate of 8 per cent) by the year 2000. To achieve this, the working group proposed a medium-term strategy consisting of various measures and economic policy goals. The main proposals are as follows:

*1 National commitment to goals.* Bringing down unemployment to 200 000, rapid economic growth and reducing Finland's foreign debt and government borrowing should be adopted as national goals, to which both the Government and interest organizations should commit themselves. Balanced economic development would pave the way for lower interest rates, thus providing a further boost to economic growth.

*2 Restricting government expenditure by law.* The enactment of a law specifically restricting government expenditure would serve as a binding expression of the intent to cut government spending and curb government borrowing.

*3 Maintenance of good competitiveness.* Price competitiveness is a key requirement for improving employment and for strengthening external balance. The labour market agreement procedure would constitute an integral part of the policies aimed at reducing unemployment.

*4 Easing of personal taxation.* The room for manoeuvre in the budget created by government spending cuts and stronger economic growth should be used for easing personal taxation, in particular taxation of labour income.

*5 Reduction in long-term unemployment.* The government's labour market policy measures for 1995-1996 should be de-

signed so as to provide employment or training for 5 per cent of the labour force on average.

6 *Reduction in youth unemployment.* Youth unemployment should be sharply reduced in 1995–1996 by increasing education and workplace training and by creating new jobs.

The working group's report also includes several measures supplementing the above proposals. These include measures for restructuring taxation, *improving the operating conditions* of small and medium-sized companies, enhancing the functioning of the labour market, other employment policy measures and measures for strengthening the economy in the long term.

#### **PUBLICATION OF THE BANK OF FINLAND**

The following publication has appeared in series B:49: Tuomas Saarenheimo, *Studies on Market Structure and Technological Innovation*, doctoral

dissertation presented to the Faculty of Social Sciences of the University of Helsinki, Helsinki 1994, 139 pp., ISBN 951-686-416-3, ISSN 0357-4776.

The work comprises an introduction and three theoretical studies, each of which deals with the influence of competitive conditions and market structure (number and size of firms) on the amount and nature of firms' technological investments.

The first study examines the *impact of competition* on a firm's risk-taking in the context of technological investment. Contrary to earlier results, the study shows that if risk is defined in such a way that it can be analyzed separately from the cost of an investment, an unregulated market results in firms taking too little risk from a social point of view. In the light of this result, the technological policy of most countries, which aims at decreasing the risk involved in technological investments, is on the right course.

The starting point of the second study is the finding according to which large firms produce

less innovations – measured as the amount of patents – than small firms, relative to their R&D inputs. This has been interpreted as an indication that small firms are more innovative than large firms. The study shows that this result may be a consequence of a tendency for large firms to use their innovations internally instead of patenting them. Small firms are less able to take advantage of innovation internally, and therefore they tend to patent their innovations and license them to other firms.

The last study examines the impacts of R&D joint ventures on investments. The results show that R&D joint ventures produce the fastest technological development in situations where the products of the joint venture firms are not easily substitutable for each other. If the products are close substitutes, competition leads to more rapid technological development.



# MEASURES CONCERNING MONETARY AND FOREIGN EXCHANGE POLICY AND THE FINANCIAL MARKETS

1993

## NOVEMBER

### **Establishment of the asset management company Arsenal Ltd.**

On 18 November, the Government establishes an asset management company called Arsenal Ltd to own and administer the non-performing assets of the Savings Bank of Finland (SBF). These assets were not included in those parts of the SBF sold to four banking groups in October.

### **Support to the security fund of the cooperative banks.**

On 18 November, the Government gives a guarantee for a maximum amount of FIM 900 million in respect of interest payments on loans raised by the security fund of the cooperative banks. If, on the basis of this guarantee, the Government has to pay interest on loans raised by the fund, the latter will start repaying interest in 1997.

## DECEMBER

**Base rate.** The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 6.0 per cent to 5.5 per cent with effect from 1 December.

**Collateral requirements for banks' intra-day and liquidity credit.** The Bank of Finland specifies the collateral requirements for banks' liquidity credit and intra-day credit with effect from 1 December. The intra-day overdraft limits introduced on banks' current accounts on 1 March 1993 become permanent and liquidity credit must always be fully collateralized. Banks which fulfil the criteria for access to

central bank liquidity credit are required to deposit collateral equivalent to 25 per cent of their overdraft limits whereas other banks are required to deposit collateral for the full amount of their limits.

**Support to Skopbank.** On 22 December, the Government grants capital support to Skopbank by purchasing preferred capital certificates issued by Skopbank to the total value of FIM 350 million.

1994

## JANUARY

### **Commencement of trade in bond forwards.**

In accordance with an agreement concluded between the Bank of Finland and the primary dealers, the latter begin trading in markka-denominated bond forward contracts on 24 January.

## FEBRUARY

**Base rate.** The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 5.5 per cent to 5.25 per cent with effect from 1 February.

## SEPTEMBER

### **Increase in the capital of the asset management company Arsenal Ltd.**

On 8 September, the Government decides to raise the share capital of the asset management company Arsenal Ltd by FIM 6 billion. The capital injection is necessary to cover losses incurred during the year.

## NOVEMBER

### **Banks' access to the Bank of Finland's current account and liquidity credit facilities.**

At the beginning of November, the Bank of Finland modifies the conditions governing access by banks and other credit institutions to current account and liquidity credit facilities at the central bank. In addition, the partial collateralization requirement previously imposed on intra-day overdraft limits is replaced by the requirement of full collateralization. (See the item in this issue of the Bulletin.)

## 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 69 % and inland waters for 10 %. Located between latitudes 60° and 70° north, Finland has warm summers and cold winters. Helsinki on the south coast has an average maximum temperature of 22° C (72° F) in July and -4° C (25° F) in February.

Finland has a population of 5 080 100 (31 December 1993) and an average population density of 16.6 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 509 500 inhabitants, Espoo (Esbo) 182 500, Tampere (Tammerfors) 176 600, Vantaa (Vanda) 161 400 and Turku (Åbo) 160 500.

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

### FORM OF GOVERNMENT

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

The legislative power of the country is exercised by Parliament and the President of the Republic. The supreme executive power is vested in the President, who is elected for a period of six years. The President for the current term, 1 March 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 1991, the seats of the various parties in Parliament are distributed as follows:

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

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

Of the 16 ministerial posts in the present Government appointed in April 1991, 8 are held by the Centre Party, 6 by the National Coalition Party and 2 by the Swedish People's Party. The Prime Minister is Mr Esko Aho of the Centre Party.

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

### INTERNATIONAL RELATIONS

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

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 Community was signed in spring 1992 and came into effect at the beginning of 1994. In spring 1992, Finland submitted her application for membership of the European Community, and the negotiations were concluded in spring 1994. The agreement on membership, due to become effective at the beginning of 1995, is still subject to ratification by Parliament. 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 418 billion in basic values in 1993, 3 % was generated in agriculture and fishing, 2 % in forestry, 26.5 % in industry, 4.5 % in construction, 11 % in trade,

restaurants and hotels, 8.5 % in transport and communications, 4 % in finance and insurance, 20.5 % in other private services and 20 % by producers of government services. Of total employment of 2.0 million persons in 1993, 8 % were engaged in primary production, 27 % in industry and construction and 65 % in services.

In 1993, expenditure on the gross domestic product in purchasers' values amounted to FIM 479 billion and was distributed as follows: net exports 5.5 % (exports 33.3 %, imports -27.8 %), gross fixed capital formation 15 %, private consumption 56.5 % and government consumption 23.5 %. Finland's tax ratio (gross taxes including compulsory employment pension contributions relative to GDP) was 47 per cent, which is somewhat below the average for the Nordic countries.

Average annual (compounded) growth of real GDP was 4.7 % in the period 1950-59, 5.0 % in 1960-69, 3.7 % in 1970-79, 3.7 % in 1980-89 and 3.6 % in 1990-93. Finland's GDP per capita in 1993 was USD 16 500.

**Foreign trade.** OECD countries absorb the bulk of Finnish merchandise exports. In 1989-93, their share was, on average, 78.5 per cent, of which the share of EC countries was 48.4 percentage points and that of EFTA countries 19.5 percentage points. Over the same period, Finland's exports to East European countries (including the Soviet Union) accounted for 12.6 per cent and the rest of the world for 10.7 per cent. The regional distribution of Finland's merchandise imports has been quite similar to that of exports.

In 1993, the share of forest industry products in total merchandise exports was 36 %, the share of metal and engineering products 45 % and the share of other goods 19 %. Raw materials and intermediate goods (incl. crude oil) accounted for 59 % of merchandise imports, fuels for 5 %, investment goods for 15 % and consumption goods for 20 %.

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

The annual growth increment totals 79 million cubic metres and the total drain calculated on the basis of commercial fellings was 38 million cubic metres in 1993.

**Energy.** In 1993, gross consumption of primary energy amounted to 30 Mtoe, of which industry accounted for 45 %, heating for 22 %, transportation for 13 % and other purposes for 20 %.

The sources of primary energy in 1993 were as follows: oil 28 %, coal 11 %, nuclear power 15 %, hydro-electric power, peat and other indigenous sources 32 %, others 14 %. Compared internationally (1992), Finland's consumption of 5.6 toe (OECD definition) per capita was 1.7 times higher than the average in European OECD countries. The self-sufficiency rate (including nuclear power) in Finland was 42 %, as compared with 61 % in western Europe on average.

## FINANCE AND BANKING

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

1992, the Government, on the basis of the amended Currency Act, authorized the Bank of Finland to float the markka for an indefinite period.

**The Central Bank.** The Bank of Finland (Suomen Pankki – Finlands Bank), founded in 1811, operates under the supervision of the Parliamentary Supervisory Board, the nine members of which are entrusted with overall supervision of the Bank and certain specific decisions such as fixing the Bank's base rate and the limits for other rates. The Governor and a maximum of five other Members of the Board are appointed by the President of the Republic. The Board manages all affairs not expressly entrusted to the Parliamentary Supervisory Board, including the terms of banks' central bank finance 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 1993).** Finland has three major groups of deposit banks with a total of about 2 640 offices. There are three big commercial banks with national branch networks and ten smaller ones, one of which is foreign-owned. The commercial banks have a total of 32 foreign branches, subsidiaries and associate banks and 31 representative offices abroad. There are 40 savings banks and 304 cooperative banks with their own extensive branch networks. In addition, foreign banks

have three branches and eight representative offices in Finland.

**Financial market.** Of the total stock of FIM 716 billion in outstanding domestic credit at the end of 1993, 54 % was provided by deposit banks 21 % by insurance companies, 5 % by other private credit institutions, 8 % by public financial institutions and 11 % by the state, local authorities and social security funds. There are no quantitative restrictions or interest rate limitations on lending. Regulation of bank lending rates was progressively relaxed earlier in the 1980s and finally abolished in 1986.

In the money market, 80 % of the instruments, which totalled approximately FIM 189 billion at end-1993, were negotiable instruments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds raised through bank trust departments and non-negotiable bank debt instruments make up the bulk of non-negotiable instruments. In its open market operations, the Bank of Finland deals in bank certificates of deposit and also issues its own certificates of deposit.

There are 58 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 136 billion (at end-1993). Domestic bonds and debentures in circulation at end-1993 totalled FIM 190 billion; government bonds made up 39 % of the total. Turnover on the Stock Exchange in 1993 amounted to FIM 106 billion; the share of shares and subscription rights in the total was approximately 44 %.



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**NOTES AND EXPLANATIONS  
TO THE STATISTICAL SECTION**

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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

	1993		1994		
	31 Dec.	7 Oct.	14 Oct.	21 Oct.	31 Oct.
<b>ASSETS</b>					
<b>Gold and foreign currency claims</b>	33 472	51 654	53 332	52 079	53 377
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	664	602	599	592	1 249
IMF reserve tranche	1 747	1 370	1 363	1 348	1 338
Convertible currencies	28 882	47 502	49 190	47 959	48 610
<b>Other foreign claims</b>	5 058	5 114	5 114	5 114	5 114
Markka subscription to Finland's IMF quota	5 058	5 114	5 114	5 114	5 114
Term credit	-	-	-	-	-
<b>Claims on financial institutions</b>	8 677	4 403	4 282	2 899	2 940
Liquidity credits	1	-	-	-	-
Certificates of deposit	1 844	3 087	3 087	1 758	1 766
Securities with repurchase commitments	5 493	164	68	31	63
Term credits	-	-	-	-	-
Bonds	1 101	913	888	873	873
Other claims on financial institutions	238	238	238	238	238
<b>Claims on the public sector</b>	1 788	1 847	1 847	1 859	1 864
Treasury bills	-	-	-	-	-
Loans to the Government Guarantee Fund	-	-	-	-	-
Total coinage	1 788	1 847	1 847	1 859	1 864
<b>Claims on corporations</b>	3 303	3 188	3 184	3 178	3 173
Financing of domestic deliveries (KTR)	496	359	356	349	345
Other claims on corporations	2 807	2 829	2 829	2 829	2 829
<b>Other assets</b>	6 826	4 688	4 688	4 701	4 704
Loans for stabilizing the money market	5 752	4 532	4 532	4 532	4 532
Accrued items	907	-	-	-	-
Other assets	166	156	156	169	172
<b>Valuation account</b>	-	-	-	483	122
<b>Capitalized expenditures and losses due to safeguarding the stability of the money market</b>	1 400	1 400	1 400	1 400	1 400
<b>Total</b>	60 524	72 294	73 847	71 713	72 694
<b>LIABILITIES</b>					
<b>Foreign currency liabilities</b>	193	135	150	147	166
Convertible currencies	193	135	150	147	166
<b>Other foreign liabilities</b>	6 189	6 110	6 105	6 094	6 087
IMF markka accounts	5 058	5 114	5 114	5 114	5 114
Allocations of special drawing rights	1 131	997	991	980	973
Other foreign liabilities	-	-	-	-	-
<b>Notes and coin in circulation</b>	14 994	13 921	13 826	13 798	13 900
Notes	13 442	12 329	12 239	12 210	12 308
Coin	1 552	1 592	1 588	1 588	1 592
<b>Certificates of deposit</b>	14 837	36 856	37 764	35 856	36 948
<b>Liabilities to financial institutions</b>	8 201	7 531	8 049	8 215	7 974
Call money deposits	1 803	981	1 499	1 664	945
Term deposits	-	-	-	-	-
Minimum reserve deposits	6 398	6 550	6 550	6 550	7 029
Other liabilities to financial institutions	-	0	0	-	-
<b>Liabilities to the public sector</b>	784	61	53	88	115
Cheque accounts	8	1	0	0	0
Deposits of the Government Guarantee Fund	776	60	53	87	114
Other liabilities to the public sector	-	-	-	-	-
<b>Liabilities to corporations</b>	2 087	1 689	1 682	1 657	1 643
Deposits for investment and ship purchase	2 087	1 689	1 682	1 657	1 643
<b>Other liabilities</b>	627	102	95	95	97
Accrued items	536	-	-	-	-
Other liabilities	92	102	95	95	97
<b>Valuation account and reserves</b>	6 847	123	358	-	-
<b>Capital accounts</b>	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Profit/loss for the accounting year	-	-	-	-	-
<b>Total</b>	60 524	72 294	73 847	71 713	72 694

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

MILL. FIM

End of period	Foreign sector							Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies	Foreign exchange reserves (1+2+3+4)	Other claims, net	Net claims (5+6)	Claims	Liabilities	Net claims (8-9)
	1	2	3	4	5	6	7	8	9	10
<b>1989</b>	2 179	966	950	18 822	22 917	- 166	22 752	1 137	5 325	- 4 188
<b>1990</b>	2 180	791	783	33 478	37 232	- 1 273	35 960	1 314	1 321	- 7
<b>1991</b>	2 180	932	1 136	29 381	33 629	- 424	33 204	1 375	3	1 372
<b>1992</b>	2 180	564	1 732	25 041	29 517	- 2 998	26 519	2 446	90	2 356
<b>1993</b>	2 180	664	1 747	28 882	33 473	- 1 324	32 148	1 788	784	1 004
<b>1993</b>										
<b>Oct.</b>	2 180	668	1 850	24 766	29 464	- 907	28 558	1 652	149	1 503
<b>Nov.</b>	2 180	678	1 854	26 375	31 087	- 905	30 182	1 801	649	1 152
<b>Dec.</b>	2 180	664	1 747	28 882	33 473	- 1 324	32 148	1 788	784	1 004
<b>1994</b>										
<b>Jan.</b>	2 180	645	1 697	36 652	41 174	- 1 347	39 827	1 739	904	835
<b>Feb.</b>	2 180	657	1 676	42 067	46 580	- 1 298	45 282	1 768	300	1 468
<b>March</b>	2 180	661	1 688	38 117	42 646	- 1 257	41 389	1 793	251	1 542
<b>April</b>	2 180	650	1 597	37 197	41 623	- 1 229	40 394	1 828	39	1 789
<b>May</b>	2 180	654	1 591	43 303	47 728	- 1 207	46 521	1 827	61	1 766
<b>June</b>	2 180	650	1 514	48 364	52 708	- 1 176	51 532	1 819	526	1 293
<b>July</b>	2 180	645	1 480	51 329	55 634	- 1 261	54 373	1 823	84	1 739
<b>Aug.</b>	2 180	636	1 447	48 794	53 058	- 1 249	51 809	1 817	71	1 746
<b>Sept.</b>	2 180	618	1 407	48 947	53 153	- 1 178	51 975	1 847	60	1 787
<b>Oct.</b>	2 180	1 249	1 338	48 610	53 377	- 1 139	52 238	1 864	115	1 749

End of period	Domestic financial sector					Corporate sector			Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	Term claims on deposit banks, net	Liquidity position of deposit banks <sup>1</sup>	Minimum reserve deposits of deposit banks <sup>2</sup>	Other claims on financial institutions, net	Net claims (11+12+13+14)	Claims in the form of special financing	Special deposits and other items, net	Net claims (16+17)		
	11	12	13	14	15	16	17	18	19	20
<b>1989</b>	33 230	- 531	- 25 506	5 558	12 751	2 000	- 10 604	- 8 604	13 129	-
<b>1990</b>	9 411	- 418	- 17 401	5 744	- 2 665	1 477	- 9 724	- 8 247	14 555	-
<b>1991</b>	11 882	- 2 206	- 10 361	5 531	4 846	1 086	- 6 854	- 5 768	14 528	8 880
<b>1992</b>	3 738	- 550	- 13 165	4 572	- 5 405	747	- 2 651	- 1 904	14 508	4 880
<b>1993</b>	7 337	- 1 802	- 6 398	1 339	476	496	720	1 216	14 994	14 837
<b>1993</b>										
<b>Oct.</b>	6 759	- 386	- 6 320	1 429	1 481	535	614	1 149	13 653	14 480
<b>Nov.</b>	6 951	- 1 373	- 6 476	1 405	507	517	642	1 159	15 836	12 259
<b>Dec.</b>	7 337	- 1 802	- 6 398	1 339	476	496	720	1 216	14 994	14 837
<b>1994</b>										
<b>Jan.</b>	4 198	- 889	- 6 393	1 283	- 1 801	482	860	1 342	14 084	22 440
<b>Feb.</b>	1 802	- 426	- 6 346	1 250	- 3 720	466	950	1 416	13 855	26 290
<b>March</b>	3 842	- 1 083	- 6 276	1 241	- 2 276	449	1 003	1 452	14 194	23 435
<b>April</b>	2 093	- 483	- 6 411	1 220	- 3 581	431	1 014	1 445	13 927	21 695
<b>May</b>	3 208	- 485	- 6 360	1 197	- 2 441	413	1 034	1 447	14 164	28 412
<b>June</b>	2 684	- 536	- 6 446	1 162	- 3 137	397	1 066	1 463	14 355	32 108
<b>July</b>	2 488	- 796	- 6 467	1 126	- 3 649	386	1 081	1 467	14 176	35 985
<b>Aug.</b>	4 557	- 2 252	- 6 602	1 120	- 3 177	374	1 104	1 478	13 922	35 040
<b>Sept.</b>	3 485	- 1 421	- 6 550	1 173	- 3 313	360	1 124	1 484	13 906	36 856
<b>Oct.</b>	1 829	- 945	- 7 029	1 111	- 5 034	345	1 186	1 531	13 900	36 948

<sup>1</sup> Call money claims on deposit banks, net, until 2 July 1992.

<sup>2</sup> Cash reserve deposits prior to 1 July 1993.

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

### 2.1 BANKS' LIQUIDITY POSITION AT THE BANK OF FINLAND,

MILL. FIM

Average of daily observations	Call money deposits	Liquidity credits <sup>1</sup>	Liquidity position, net <sup>1</sup> (1-2)
	1	2	3
<b>1989</b>	416	369	47
<b>1990</b>	806	132	674
<b>1991</b>	881	985	- 103
<b>1992</b>	2 103	437	1 666
<b>1993</b>	831	425	407
<b>1993</b>			
<b>Oct.</b>	605	759	- 154
<b>Nov.</b>	714	336	378
<b>Dec.</b>	955	103	852
<b>1994</b>			
<b>Jan.</b>	933	105	828
<b>Feb.</b>	767	0	767
<b>March</b>	715	0	715
<b>April</b>	1 275	0	1 275
<b>May</b>	891	16	875
<b>June</b>	1 821	0	1 821
<b>July</b>	1 014	0	1 014
<b>Aug.</b>	2 575	0	2 575
<b>Sept.</b>	2 089	0	2 089
<b>Oct.</b>	1 442	0	1 442

<sup>1</sup> Call money credits and call money position until 2 July 1992.

### 2.2 THE BANK OF FINLAND'S MINIMUM RESERVE SYSTEM<sup>2</sup>

End of period	Reserve requirement			Cash reserve requirement, %	Deposits, mill. FIM Total
	On liquid deposits, %	On other deposits, %	On domestic debt capital, %		
	1	2	3	4	5
<b>1989</b>	.	.	.	9.1	25 506
<b>1990</b>	.	.	.	7.0	17 401
<b>1991</b>	.	.	.	4.0	10 361
<b>1992</b>	.	.	.	5.0	13 165
<b>1993</b>	2.0	1.5	1.0	.	6 398
<b>1993</b>					
<b>Oct.</b>	2.0	1.5	1.0	.	6 320
<b>Nov.</b>	2.0	1.5	1.0	.	6 476
<b>Dec.</b>	2.0	1.5	1.0	.	6 398
<b>1994</b>					
<b>Jan.</b>	2.0	1.5	1.0	.	6 393
<b>Feb.</b>	2.0	1.5	1.0	.	6 346
<b>March</b>	2.0	1.5	1.0	.	6 276
<b>April</b>	2.0	1.5	1.0	.	6 411
<b>May</b>	2.0	1.5	1.0	.	6 360
<b>June</b>	2.0	1.5	1.0	.	6 446
<b>July</b>	2.0	1.5	1.0	.	6 467
<b>Aug.</b>	2.0	1.5	1.0	.	6 602
<b>Sept.</b>	2.0	1.5	1.0	.	6 550
<b>Oct.</b>	2.0	1.5	1.0	.	7 029

<sup>2</sup> Cash reserve system prior to 1 July 1993

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1-2-3)
	1	2	3	4
<b>1989</b>	131 110	3 855	99 245	28 010
<b>1990</b>	163 326	26 379	160 797	- 23 850
<b>1991</b>	109 568	30 380	81 969	- 2 781
<b>1992</b>	76 230	137 940	- 60 417	- 1 293
<b>1993</b>	86 521	146 899	- 50 486	- 9 892
<b>1993</b>				
<b>Oct.</b>	10 110	11 970	1 180	- 3 040
<b>Nov.</b>	8 310	9 200	- 2 090	1 200
<b>Dec.</b>	9 250	9 690	1 250	- 1 690
<b>1994</b>				
<b>Jan.</b>	5 720	17 000	- 3 130	- 8 150
<b>Feb.</b>	3 940	19 430	- 10 230	- 5 260
<b>March</b>	5 770	22 180	- 21 540	5 130
<b>April</b>	4 080	17 730	- 13 435	- 215
<b>May</b>	2 000	27 940	- 20 790	- 5 150
<b>June</b>	2 870	32 690	- 24 980	- 4 840
<b>July</b>	2 000	34 770	- 29 180	- 3 590
<b>Aug.</b>	5 140	35 040	- 32 970	3 070
<b>Sept.</b>	590	36 860	- 33 510	- 2 760
<b>Oct.</b>	330	38 290	- 36 210	- 1 750



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

During period	Intervention in the foreign exchange market			Spot transactions related to forward contracts, net	Central government's foreign exchange transactions, net
	Spot purchases	Spot sales	Forward exchange intervention = change in forward exchange position		
	1	2	3	4	5
<b>1991</b>	35 120	- 69 940	- 14 820	12 820	12 260
<b>1992</b>	20 050	- 70 640	- 1 650	390	45 060
<b>1993</b>	25 120	- 45 080	7 460	- 6 910	33 240
<b>1993</b>					
<b>Sept.</b>	-	- 1 170	2 050	- 1 950	- 1 770
<b>Oct.</b>	2 790	- 100	1 540	- 1 510	2 980
<b>Nov.</b>	2 270	- 70	- 40	-	- 1 170
<b>Dec.</b>	3 720	-	370	- 340	1 430
<b>1994</b>					
<b>Jan.</b>	12 550	-	2 720	- 2 680	- 1 490
<b>Feb.</b>	1 310	- 750	- 270	280	4 670
<b>March</b>	-	- 2 200	-	-	- 1 800
<b>April</b>	-	-	330	- 330	- 700
<b>May</b>	-	- 920	110	- 110	6 810
<b>June</b>	-	- 1 350	-	-	6 360
<b>July</b>	-	- 930	-	-	4 610
<b>Aug.</b>	-	- 4 270	- 2 960	2 990	- 530
<b>Sept.</b>	-	- 1 440	2 420	- 2 340	5 350

## 2.5 FORWARD EXCHANGE CONTRACTS, MILL. FIM

Stock at end of period	Finnish banks' forward contracts							Non-residents' forward contracts with Finnish customers (excl. Finnish banks)			
	With Finnish customers (excl. Finnish banks)			With foreign customers			With the Bank of Finland	Total			
	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net	Currency purchases from foreign customers	Currency sales to foreign customers	Net	Net forward purchases from the Bank of Finland	Net	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net
1	2	3	4	5	6	7	8	9	10	11	
<b>1989</b>	10 531	3 563	6 967	44 885	36 854	8 031	205	15 204	..	..	..
<b>1990</b>	11 609	4 979	6 631	21 179	11 079	10 100	- 6 098	10 633	237	55	183
<b>1991</b>	33 004	36 352	- 3 348	40 056	37 505	2 550	8 953	8 155	1 404	645	759
<b>1992</b>	39 195	32 939	6 256	21 142	32 339	- 11 197	7 133	2 192	1 614	1 929	- 315
<b>1993</b>	38 373	23 721	14 652	14 346	21 895	- 7 548	1 939	9 043	11 632	2 173	9 459
<b>1993</b>											
<b>Sept.</b>	34 391	29 105	5 287	14 931	25 519	- 10 588	4 221	- 1 080	7 072	1 625	5 447
<b>Oct.</b>	36 251	31 071	5 179	14 928	25 313	- 10 384	2 293	- 2 912	9 942	2 313	7 629
<b>Nov.</b>	36 988	26 544	10 444	14 010	26 027	- 12 018	2 527	953	8 755	1 840	6 915
<b>Dec.</b>	38 373	23 721	14 652	14 346	21 895	- 7 548	1 939	9 043	11 632	2 173	9 459
<b>1994</b>											
<b>Jan.</b>	43 162	19 298	23 864	13 803	23 618	- 9 815	439	14 488	13 494	2 622	10 872
<b>Feb.</b>	41 288	16 030	25 258	17 043	23 240	- 6 197	489	19 550	14 542	2 903	11 639
<b>March</b>	42 814	16 519	26 295	18 003	24 476	- 6 473	489	20 311	14 280	2 599	11 682
<b>April</b>	40 494	15 128	25 366	15 807	22 872	- 7 065	135	18 436	16 236	4 104	12 133
<b>May</b>	40 529	13 887	26 643	17 151	25 046	- 7 894	0	18 749	15 321	3 859	11 462
<b>June</b>	41 191	15 124	26 067	18 939	25 421	- 6 481	0	19 586	15 155	4 417	10 739
<b>July</b>	40 536	16 619	23 917	17 436	27 166	- 9 730	0	14 187	14 746	4 000	10 746
<b>Aug.</b>	39 846	19 930	19 916	19 572	32 036	- 12 464	3 002	10 454	14 542	3 735	10 807
<b>Sept.</b>	40 197	20 368	19 829	18 637	29 261	- 10 624	671	9 876	14 177	3 389	10 788

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### 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 <sup>1</sup>	Call money deposit rate	Base rate
	1	2	3	4	5	6	7	8
<b>1989</b>	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67
<b>1990</b>	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50
<b>1991</b>	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50
<b>1992</b>	13.32	13.49	13.27	13.08	12.96	14.90	7.41	9.17
<b>1993</b>	7.71	7.85	7.73	7.59	7.47	8.95	4.95	6.85
<b>1993</b>								
<b>Oct.</b>	6.97	7.13	6.87	6.60	6.29	8.08	4.08	6.00
<b>Nov.</b>	6.76	6.95	6.58	6.23	5.93	7.97	3.97	6.00
<b>Dec.</b>	6.22	6.16	5.90	5.68	5.52	8.21	4.21	5.50
<b>1994</b>								
<b>Jan.</b>	5.63	5.38	5.19	5.05	5.01	7.44	3.44	5.50
<b>Feb.</b>	4.52	4.82	4.82	4.88	5.05	6.84	2.84	5.25
<b>March</b>	4.39	4.82	4.80	4.88	5.12	6.76	2.76	5.25
<b>April</b>	4.31	5.01	5.13	5.43	5.75	6.99	2.99	5.25
<b>May</b>	4.29	4.97	5.14	5.46	5.78	6.97	2.97	5.25
<b>June</b>	3.93	5.20	5.61	6.24	6.86	7.18	3.18	5.25
<b>July</b>	4.61	5.17	5.46	6.13	6.91	7.17	3.17	5.25
<b>Aug.</b>	3.91	5.35	5.96	6.77	7.54	7.32	3.32	5.25
<b>Sept.</b>	4.07	5.07	5.57	6.36	7.25	7.13	3.13	5.25
<b>Oct.</b>	4.10	5.07	5.39	5.82	6.69	7.08	3.08	5.25

<sup>1</sup> Call money credit rate until 2 July 1992.

#### 3.2 THE BANK OF FINLAND'S LIQUIDITY FACILITY

	The Bank of Finland's tender rate, %	Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	Call money deposits: interest rate margin, %-points
	1	2	3	4
<b>1992<sup>1</sup></b>	13.85	+1.00	7	-3.00
<b>1993</b>	7.87	+2.00	7	-2.00
<b>1993</b>				
<b>Oct.</b>	7.08	+1.00	7	-3.00
<b>Nov.</b>	6.97	+1.00	7	-3.00
<b>Dec.</b>	6.21	+2.00	7	-2.00
<b>1994</b>				
<b>Jan.</b>	5.44	+2.00	7	-2.00
<b>Feb.</b>	4.84	+2.00	7	-2.00
<b>March</b>	4.76	+2.00	7	-2.00
<b>April</b>	4.99	+2.00	7	-2.00
<b>May</b>	4.97	+2.00	7	-2.00
<b>June</b>	5.18	+2.00	7	-2.00
<b>July</b>	5.17	+2.00	7	-2.00
<b>Aug.</b>	5.32	+2.00	7	-2.00
<b>Sept.</b>	5.13	+2.00	7	-2.00
<b>Oct.</b>	5.08	+2.00	7	-2.00
03.10.1994	5.12			
06.10.1994	5.11			
11.10.1994	5.08			
13.10.1994	5.07			
27.10.1994	5.05			

#### 3.3 WEIGHTED EUORATES AND COMMERCIAL ECU INTEREST RATE, PER CENT

Average of daily observations	ECU	3 currencies	Commercial ECU
	3 months		
	1	2	3
<b>1989</b>	9.3	8.4	9.3
<b>1990</b>	10.5	9.1	10.4
<b>1991</b>	10.1	8.5	9.9
<b>1992</b>	10.4	7.8	10.6
<b>1993</b>	8.0	6.0	8.1
<b>1993</b>			
<b>Oct.</b>	7.2	5.6	7.5
<b>Nov.</b>	6.8	5.4	7.0
<b>Dec.</b>	6.5	5.2	6.5
<b>1994</b>			
<b>Jan.</b>	6.3	5.1	6.4
<b>Feb.</b>	6.3	5.1	6.4
<b>March</b>	6.2	5.2	6.3
<b>April</b>	6.0	5.1	6.2
<b>May</b>	5.7	5.0	5.9
<b>June</b>	5.6	4.9	6.0
<b>July</b>	5.6	5.0	6.0
<b>Aug.</b>	5.7	5.0	6.0
<b>Sept.</b>	5.8	5.2	5.9
<b>Oct.</b>	5.8	5.4	6.0

### 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 <sup>1</sup>	36-month tax-exempt deposits <sup>1</sup>	Other tax-exempt deposits, max. rate of interest <sup>1</sup>	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
<b>1989</b>	12.97	13.47	11.58	12.07	10.56	10.40	7.50	.	4.50	5.67	11.92	7.37
<b>1990</b>	13.24	15.62	13.33	13.85	11.84	11.61	7.50	.	4.50	6.43	13.55	8.41
<b>1991</b>	13.63	15.88	13.40	13.84	12.08	11.80	7.50	.	4.50	7.10	13.22	8.97
<b>1992</b>	14.04	15.86	13.32	13.75	12.46	12.13	7.50	8.50	4.50	7.41	12.84	9.14
<b>1993</b>	9.69	13.55	9.40	9.75	10.20	9.92	3.50	4.50	2.00	4.78	8.86	6.15
<b>1993</b>												
<b>Sept.</b>	7.66	12.97	8.39	8.68	9.38	9.09	4.00	5.00	2.50	3.96	7.88	5.31
<b>Oct.</b>	9.92	12.39	8.66	9.04	9.28	8.97	4.00	5.00	2.50	3.89	7.77	5.24
<b>Nov.</b>	9.51	12.77	8.29	8.64	9.21	8.90	4.00	5.00	2.00	3.71	7.44	5.04
<b>Dec.</b>	8.83	11.55	7.32	7.62	8.85	8.48	3.50	4.50	2.00	3.33	6.94	4.55
<b>1994</b>												
<b>Jan.</b>	8.09	11.25	7.35	7.62	8.58	8.22	3.50	4.50	2.00	3.11	6.41	4.19
<b>Feb.</b>	8.25	11.92	7.14	7.46	8.34	7.97	3.25	4.25	2.00	2.93	5.95	3.92
<b>March</b>	4.99	11.73	6.73	6.78	8.17	7.79	3.25	4.25	2.00	2.88	5.77	3.85
<b>April</b>	7.29	11.68	6.87	7.10	8.12	7.91	3.25	4.25	2.00	2.88	5.79	3.85
<b>May</b>	7.63	11.66	7.18	7.43	8.08	7.87	3.25	4.25	2.00	2.88	5.67	3.86
<b>June</b>	7.19	11.70	7.25	7.44	8.09	7.88	3.25	4.25	2.00	2.89	5.77	3.92
<b>July</b>	8.25	11.76	7.58	7.86	8.14	7.90	3.25	4.25	2.00	3.01	5.85	4.03
<b>Aug.</b>	8.37	11.80	7.81	8.04	8.20	7.97	3.25	4.25	2.00	3.05	5.98	4.11
<b>Sept.</b>	7.61	11.75	7.66	7.86	8.19	7.96	3.25	4.25	2.00	3.04	5.99	4.11

<sup>1</sup> 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		Taxable public issues	Taxfree public issues	Share yield
	3 years	5 years	5 years	10 years			
	1	2	3	4	5	6	7
<b>1989</b>	12.2	12.0	12.1	.	11.9	8.1	2.7
<b>1990</b>	13.7	13.5	13.2	.	13.3	9.2	4.0
<b>1991</b>	12.3	12.2	11.7	.	12.6	10.0	3.9
<b>1992</b>	13.1	13.0	12.0	11.5 <sup>1</sup>	13.8	9.9	3.1
<b>1993</b>	8.5	8.9	8.2	8.8	10.3	6.6	1.8
<b>1993</b>							
<b>Sept.</b>	7.2	7.8	7.3	8.0	8.3	5.8	1.6
<b>Oct.</b>	7.1	7.6	6.9	7.7	9.8	5.5	1.5
<b>Nov.</b>	6.8	7.2	6.5	7.4	9.0	5.3	1.5
<b>Dec.</b>	6.5	7.0	6.2	7.0	9.2	4.9	1.4
<b>1994</b>							
<b>Jan.</b>	6.1	6.6	5.8	6.5	7.8	4.7	1.1
<b>Feb.</b>	6.1	6.6	5.9	6.6	7.8	4.8	1.1
<b>March</b>	6.6	7.5	6.7	7.5	7.7	4.8	1.2
<b>April</b>	7.7	8.6	7.6	8.3	7.2	4.8	1.4
<b>May</b>	7.9	8.9	7.9	8.5	7.4	4.8	1.4
<b>June</b>	9.1	10.0	9.0	9.5	8.6	4.6	1.5
<b>July</b>	9.7	10.4	9.3	9.9	10.4	6.1	1.5
<b>Aug.</b>	10.3	11.0	10.0	10.6	8.8	5.2	1.4
<b>Sept.</b>	10.2	11.0	9.9	10.5	10.3	5.3	1.4

<sup>1</sup> November and December only.

## 4. RATES OF EXCHANGE

### 4.1 MIDDLE RATES, FIM

Average of daily quotations	New York 1 USD	Montreal 1 CAD	London 1 GBP	Dublin 1 IEP	Stockholm 1 SEK	Oso 1 NOK	Copen- hagen 1 DKK	Frankfurt aM 1 DEM	Amster- dam 1 NLG	Brussels 1 BEF	Zurich 1 CHF	Paris 1 FRF
	1	2	3	4	5	6	7	8	9	10	11	12
<b>1989</b>	4.2897	3.624	7.032	6.082	0.6654	0.6213	0.5869	2.2818	2.0226	0.1089	2.6243	0.6725
<b>1990</b>	3.8233	3.277	6.808	6.325	0.6459	0.6110	0.6181	2.3664	2.1002	0.1145	2.7576	0.7024
<b>1991</b>	4.0457	3.533	7.131	6.511	0.6684	0.6236	0.6322	2.4380	2.1634	0.1184	2.8208	0.7169
<b>1992</b>	4.4835	3.706	7.875	7.636	0.7714	0.7222	0.7444	2.8769	2.5552	0.1397	3.2000	0.8486
<b>1993</b>	5.7189	4.434	8.582	8.371	0.7350	0.8059	0.8822	3.4584	3.0787	0.1655	3.8706	1.0096
<b>1993</b>												
<b>Oct.</b>	5.7495	4.335	8.647	8.250	0.7172	0.8030	0.8682	3.5126	3.1255	0.1614	3.9946	1.0012
<b>Nov.</b>	5.8053	4.411	8.598	8.147	0.7026	0.7856	0.8578	3.4148	3.0428	0.1602	3.8777	0.9825
<b>Dec.</b>	5.7548	4.320	8.578	8.159	0.6887	0.7753	0.8585	3.3645	3.0038	0.1611	3.9282	0.9840
<b>1994</b>												
<b>Jan.</b>	5.6920	4.324	8.496	8.138	0.7001	0.7580	0.8407	3.2662	2.9173	0.1571	3.8683	0.9612
<b>Feb.</b>	5.5838	4.165	8.257	7.930	0.6992	0.7451	0.8245	3.2147	2.8669	0.1560	3.8297	0.9462
<b>March</b>	5.5326	4.057	8.248	7.932	0.6992	0.7530	0.8343	3.2688	2.9089	0.1586	3.8681	0.9591
<b>April</b>	5.4911	3.974	8.139	7.885	0.6965	0.7455	0.8246	3.2336	2.8795	0.1571	3.8174	0.9438
<b>May</b>	5.4072	3.918	8.134	7.956	0.7008	0.7529	0.8335	3.2629	2.9075	0.1585	3.8275	0.9531
<b>June</b>	5.4276	3.925	8.267	8.102	0.6945	0.7660	0.8486	3.3262	2.9676	0.1615	3.9399	0.9737
<b>July</b>	5.2014	3.762	8.036	7.939	0.6695	0.7573	0.8430	3.3120	2.9526	0.1607	3.9249	0.9666
<b>Aug.</b>	5.1384	3.728	7.927	7.826	0.6640	0.7490	0.8310	3.2852	2.9259	0.1594	3.8980	0.9589
<b>Sept.</b>	4.9691	3.669	7.767	7.667	0.6591	0.7303	0.8128	3.2038	2.8578	0.1557	3.8447	0.9367
<b>Oct.</b>	4.6761	3.464	7.506	7.416	0.6440	0.7061	0.7855	3.0745	2.7443	0.1494	3.6959	0.8983

Average of daily quotations	Rome 1 ITL	Vienna 1 ATS	Lisbon 1 PTE	Reykjavik 1 ISK	Madrid 1 ESP	Athens 1 GRD	Tullian 1 EEK	Tokyo 1 JPY	Mel- bourne 1 AUD	ECU Commer- cial 1 XEU	SDR 1 XDR
	13	14	15	16	17	18	19	20	21	22	23
<b>1989</b>	0.00313	0.3242	0.0273	0.0758	0.0362	..	..	0.03116	3.398	4.719	5.49536
<b>1990</b>	0.00319	0.3363	0.0268	0.0656	0.0375	..	..	0.02647	2.988	4.864	5.18322
<b>1991</b>	0.00326	0.3464	0.0280	0.0684	0.0389	0.022	..	0.03008	3.152	5.003	5.52771
<b>1992</b>	0.00364	0.4088	0.0332	0.0778	0.0438	0.024	0.4060	0.03546	3.289	5.798	6.31546
<b>1993</b>	0.00364	0.4916	0.0356	0.0846	0.0451	0.025	0.4323	0.05168	3.885	6.685	7.98728
<b>1993</b>											
<b>Oct.</b>	0.00359	0.4994	0.0340	0.0823	0.0435	0.024	0.4391	0.05378	3.797	6.671	8.09230
<b>Nov.</b>	0.00348	0.4856	0.0334	0.0811	0.0423	0.024	0.4268	0.05383	3.861	6.550	8.06368
<b>Dec.</b>	0.00341	0.4785	0.0330	0.0800	0.0410	0.023	0.4206	0.05237	3.874	6.494	7.95965
<b>1994</b>											
<b>Jan.</b>	0.00335	0.4647	0.0323	0.0779	0.0398	0.023	0.4083	0.05109	3.962	6.339	7.81835
<b>Feb.</b>	0.00331	0.4573	0.0318	0.0764	0.0395	0.022	0.4018	0.05251	4.000	6.236	7.74733
<b>March</b>	0.00332	0.4647	0.0318	0.0767	0.0398	0.022	0.4086	0.05264	3.937	6.309	7.75651
<b>April</b>	0.00338	0.4597	0.0317	0.0761	0.0398	0.022	0.4042	0.05310	3.934	6.251	7.71250
<b>May</b>	0.00339	0.4639	0.0316	0.0762	0.0396	0.022	0.4079	0.05215	3.916	6.288	7.65245
<b>June</b>	0.00340	0.4729	0.0321	0.0772	0.0404	0.0221	0.4158	0.05281	3.981	6.398	7.74158
<b>July</b>	0.00332	0.4708	0.0322	0.0759	0.0401	0.0219	0.4140	0.05276	3.821	6.329	7.57829
<b>Aug.</b>	0.00325	0.4669	0.0322	0.0749	0.0396	0.0217	0.4107	0.05147	3.805	6.261	7.47292
<b>Sept.</b>	0.00317	0.4552	0.0314	0.0731	0.0386	0.0211	0.4005	0.05029	3.684	6.113	7.27337
<b>Oct.</b>	0.00302	0.4369	0.0301	0.0697	0.0370	0.0201	0.3843	0.04747	3.452	5.865	6.90651

## 4.2 MARKKA VALUE OF THE ECU AND CURRENCY INDICES

Average of daily observations	Markka value of the ECU FIM/ECU	Currency indices, 1982 = 100		
		Trade-weighted currency index	Payments currency index	MERM Index
	1	2	3	4
<b>1989</b>	4.73670	98.4	99.1	102.8
<b>1990</b>	4.85697	97.3	96.8	97.3
<b>1991</b>	5.00580	101.4	101.4	102.8
<b>1992</b>	5.80140	116.4	115.7	117.3
<b>1993</b>	6.69420	132.4	136.1	141.8
<b>1993</b>				
<b>Oct.</b>	6.69596	132.6	136.8	142.8
<b>Nov.</b>	6.55386	130.4	135.3	141.7
<b>Dec.</b>	6.49606	128.9	133.9	139.8
<b>1994</b>				
<b>Jan.</b>	6.34072	126.9	131.8	137.7
<b>Feb.</b>	6.23914	125.6	129.8	136.4
<b>March</b>	6.31275	126.5	130.2	136.6
<b>April</b>	6.25477	125.5	129.2	135.8
<b>May</b>	6.29981	125.9	129.0	135.3
<b>June</b>	6.41394	127.4	130.3	136.6
<b>July</b>	6.35263	125.2	127.2	133.6
<b>Aug.</b>	6.28705	123.8	125.8	131.9
<b>Sept.</b>	6.13918	121.3	122.7	128.7
<b>Oct.</b>	5.89314	116.5	117.2	122.6

## 5. OTHER DOMESTIC FINANCING

### 5.1 BANK FUNDING FROM THE PUBLIC, MILL. FIM

End of period	Cheque and giro deposits	Transaction deposits	Time deposits	Other deposits	Markka deposits, total (1+2+3+4)	Foreign currency deposits	Total deposits (5+6)	Other funding	Total funding (7+8)
	1	2	3	4	5	6	7	8	9
<b>1989</b>	28 942	85 396	125 748		240 085	7 358	247 444	35 298	282 742
<b>1990</b>	30 953	96 176	124 930		252 058	6 818	258 876	38 835	297 711
<b>1991</b>	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
<b>1992</b>	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
<b>1993</b>	36 379	92 357	112 413	21 766	262 915	14 883	277 798	63 173	340 971
<b>1993</b>									
<b>Aug.</b>	36 548	88 515	105 708	23 870	254 640	14 861	269 502	65 157	334 659
<b>Sept.</b>	35 312	88 067	105 958	23 259	252 596	16 642	269 239	66 050	335 289
<b>Oct.</b>	35 746	89 439	109 350	22 387	256 922	16 192	273 114	67 314	340 428
<b>Nov.</b>	36 098	87 692	109 769	21 451	255 010	15 799	270 809	64 128	334 937
<b>Dec.</b>	36 379	92 357	112 413	21 766	262 915	14 883	277 798	63 173	340 971
<b>1994</b>									
<b>Jan.</b>	38 657	94 042	108 694	22 740	264 133	14 050	278 183	70 115	348 298
<b>Feb.</b>	37 462	96 507	106 185	22 548	262 702	12 324	275 027	68 874	343 901
<b>March</b>	38 058	97 847	105 867	22 734	264 506	13 201	277 708	72 348	350 056
<b>April</b>	38 242	98 146	106 551	22 748	265 687	13 574	279 261	75 636	354 897
<b>May</b>	41 132	97 145	106 163	22 337	266 778	14 281	281 059	75 753	356 811
<b>June</b>	42 094	98 377	105 973	21 679	268 123	14 353	282 476	72 209	354 685
<b>July</b>	43 391	98 775	106 511	21 391	270 067	16 517	286 584	70 634	357 218
<b>Aug.</b>	44 503	97 970	107 529	20 969	270 970	14 957	285 927	64 382	350 309

### 5.2 BANK LENDING TO THE PUBLIC, MILL. FIM

End of period	Cheque account and postal giro credits	Bills of exchange	Loans	Markka lending, total (1+2+3)	Foreign currency credits	Total lending (4+5)
	1	2	3	4	5	6
<b>1989</b>	15 270	5 650	257 768	278 688	73 176	351 864
<b>1990</b>	19 152	5 777	260 790	285 720	103 134	388 853
<b>1991</b>	18 037	4 712	262 859	285 609	107 714	393 323
<b>1992</b>	16 045	3 335	252 163	271 544	95 168	366 712
<b>1993</b>	14 217	2 223	248 406	264 846	66 931	331 777
<b>1993</b>						
<b>Aug.</b>	15 427	2 670	251 295	269 392	81 558	350 950
<b>Sept.</b>	15 425	2 656	251 667	269 748	79 676	349 424
<b>Oct.</b>	15 094	2 780	251 342	269 216	75 184	344 401
<b>Nov.</b>	14 872	2 664	250 554	268 090	73 810	341 899
<b>Dec.</b>	14 217	2 223	248 406	264 846	66 931	331 777
<b>1994</b>						
<b>Jan.</b>	14 081	2 248	247 259	263 587	64 220	327 807
<b>Feb.</b>	14 120	2 008	247 884	264 012	63 158	327 170
<b>March</b>	14 125	1 942	247 795	263 862	61 114	324 976
<b>April</b>	13 971	1 759	247 095	262 825	59 077	321 902
<b>May</b>	14 079	1 736	246 531	262 345	58 233	320 578
<b>June</b>	14 139	1 763	245 939	261 841	57 756	319 597
<b>July</b>	14 061	1 733	245 591	261 386	56 128	317 513
<b>Aug.</b>	13 859	1 680	244 474	260 013	53 977	313 990

### 5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL.FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M <sub>1</sub>	M <sub>2</sub> (1+4+5)	M <sub>3</sub>
		Claims on the central government	Claims on the public	Total (2+3)				
	1	2	3	4	5	6	7	8
<b>1989</b>	- 59 049	- 18 691	408 344	389 653	- 79 084	124 295	251 519	272 603
<b>1990</b>	- 82 881	- 19 072	453 720	434 648	- 85 385	141 524	266 383	291 045
<b>1991</b>	- 86 555	- 6 516	470 852	464 336	- 102 540	130 644	275 241	310 924
<b>1992</b>	- 68 099	81	439 937	440 018	- 97 909	134 829	274 011	310 733
<b>1993*</b>	- 25 989	1 848	403 742	405 589	- 100 006	141 759	279 595	322 408
<b>1993*</b>								
<b>Sept.</b>	- 29 387	4 183	424 966	429 149	- 132 462	134 600	267 299	312 044
<b>Oct.</b>	- 20 713	3 530	419 951	423 482	- 130 352	136 989	272 417	319 050
<b>Nov.</b>	- 23 710	3 430	417 372	420 803	- 125 479	137 095	271 614	312 034
<b>Dec.</b>	- 25 989	1 848	403 742	405 589	- 100 006	141 759	279 595	322 408
<b>1994*</b>								
<b>Jan.</b>	- 23 257	57	399 953	400 011	- 96 519	145 301	280 234	328 482
<b>Feb.</b>	- 18 440	475	397 966	398 440	- 101 379	146 600	278 621	327 591
<b>March</b>	- 19 743	1 101	397 404	398 505	- 97 766	148 907	280 996	333 304
<b>April</b>	- 23 247	3 534	392 075	395 609	- 90 780	148 783	281 582	335 879
<b>May</b>	- 14 545	5 988	390 173	396 160	- 98 989	150 750	282 626	338 847
<b>June</b>	- 6 902	2 034	390 056	392 090	- 100 708	153 365	284 480	338 345
<b>July</b>	- 7 521	- 1 109	387 040	385 931	- 92 150	155 001	286 260	340 445
<b>Aug.</b>	4 260	426	383 805	384 230	- 101 687	154 836	286 804	336 027
<b>Sept.</b>	..	..	..	..	..	151 174	282 749	333 570

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

End of period	Foreign currency-denominated debt			Markka-denominated debt				Total central government debt (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				Total (4+5+6+7)
	1	2	3	4	5	6	7	8	9	10	11
<b>1989</b>	18 505	4 281	22 786	24 126	5 750	250	.	30 126	52 912	43 499	21 248
<b>1990</b>	20 917	3 876	24 793	23 982	8 263	-	.	32 245	57 038	48 121	23 114
<b>1991</b>	38 703	4 943	43 646	31 018	12 208	5 180	.	48 406	92 052	55 165	15 956
<b>1992</b>	100 244	6 143	106 387	40 578	13 555	14 762	.	68 895	175 282	61 671	19 781
<b>1993</b>	142 824	12 753	155 577	71 082	16 060	22 824	.	109 966	265 543	64 233	36 487
<b>1993</b>											
<b>Sept.</b>	145 375	13 759	159 134	64 904	15 354	24 615	.	104 873	264 007	65 879	42 793
<b>Oct.</b>	143 854	13 139	156 993	69 251	15 354	23 754	.	108 359	265 352	66 435	42 816
<b>Nov.</b>	144 122	13 020	157 142	71 833	15 313	22 647	.	109 793	266 935	64 381	47 493
<b>Dec.</b>	142 824	12 753	155 577	71 082	16 060	22 824	.	109 966	265 543	64 233	36 487
<b>1994</b>											
<b>Jan.</b>	140 312	10 565	150 877	72 215	18 260	19 629	.	110 104	260 981	64 706	24 095
<b>Feb.</b>	148 138	9 990	158 128	74 481	18 260	19 391	- 5 524	106 608	264 736	65 008	31 679
<b>March</b>	147 889	9 894	157 783	75 083	18 230	19 182	- 5 409	107 086	264 869	65 687	20 834
<b>April</b>	146 940	10 891	157 831	76 001	17 541	18 625	- 5 384	106 943	264 774	65 808	18 547
<b>May</b>	156 684	11 106	167 790	76 282	17 442	19 704	- 5 379	108 049	275 839	66 001	22 405
<b>June</b>	163 930	11 658	175 588	77 129	16 901	24 915	- 5 410	113 535	289 123	65 007	30 119
<b>July</b>	169 523	11 952	181 475	78 286	16 891	30 159	- 5 440	119 896	301 371	64 437	41 465
<b>Aug.</b>	165 170	11 698	176 868	79 587	16 870	28 551	- 5 485	119 523	296 391	64 698	37 525
<b>Sept.</b>	167 196	12 111	179 307	82 349	16 865	31 514	- 5 455	125 273	304 580	..	41 848

## 5.5 MARKKA BOND MARKET

### A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
<b>1989</b>	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
<b>1990</b>	4 640	17 891	4 420	490	1 007	17 234	607	10 607	28 447
<b>1991</b>	7 277	25 737	11 073	1 320	-	30 160	-	15 247	45 407
<b>1992</b>	6 984	15 043	12 965	2 674	4	23 858	-	13 812	37 671
<b>1993*</b>	11 691	12 134	36 512	2 235	63	51 179	-	11 456	62 634
<b>1993*</b>									
<b>Sept.</b>	50	497	2 023	10	-	2 480	-	100	2 580
<b>Oct.</b>	410	697	4 859	222	-	5 956	-	232	6 188
<b>Nov.</b>	989	4 160	2 793	18	50	7 828	-	182	8 010
<b>Dec.</b>	477	1 753	600	205	-	2 769	-	266	3 034
<b>1994*</b>									
<b>Jan.</b>	-	2 000	2 216	45	-	4 261	-	-	4 261
<b>Feb.</b>	560	7	2 359	280	-	3 206	-	-	3 206
<b>March</b>	2 311	713	2 555	190	-	5 769	-	-	5 811
<b>April</b>	100	1 480	942	-	-	2 522	-	-	2 522
<b>May</b>	373	2 226	1 348	30	-	3 977	-	-	3 977
<b>June</b>	500	160	2 673	62	-	3 394	-	-	3 394
<b>July</b>	-	-	1 171	-	-	1 171	-	-	1 171
<b>Aug.</b>	-	2 130	2 410	-	-	4 540	-	-	4 540
<b>Sept.</b>	-	310	4 173	-	-	4 483	-	-	4 483

### 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
<b>1989</b>	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
<b>1990</b>	23 522	59 756	28 812	1 756	1 298	52 273	22 970	39 902	115 145
<b>1991</b>	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
<b>1992</b>	26 617	82 319	44 005	5 237	3 358	89 534	13 917	58 085	161 536
<b>1993*</b>	32 996	74 372	73 682	6 894	2 009	120 571	10 391	58 991	189 953
<b>1993*</b>									
<b>III</b>	33 334	77 791	67 504	6 517	2 018	113 846	10 727	62 591	187 164
<b>IV</b>	32 996	74 372	73 682	6 894	2 009	120 571	10 391	58 991	189 953
<b>1994*</b>									
<b>I</b>	34 235	72 084	77 676	7 255	1 007	126 390	8 898	56 969	192 258
<b>II</b>	33 236	71 920	78 990	7 297	964	130 760	8 584	53 063	192 407
<b>III</b>	31 117	70 899	84 211	7 134	963	135 008	7 848	51 468	194 324



## C) TURNOVER, MILL. FIM

During period	Interbank	Between banks and customers	Primary dealers' transactions in benchmark government bonds		
			Purchases from other primary dealers	Purchases from others	Sales to others
	1	2	3	4	5
<b>1989</b>	6 500	9 660	.	.	.
<b>1990</b>	5 401	6 058	.	.	.
<b>1991</b>	3 343	29 134	.	.	.
<b>1992</b>	18 221	58 594	10 744	12 156	13 354
<b>1993</b>	45 966	241 273	42 945	95 647	117 489
<b>1993</b>					
<b>Oct.</b>	4 958	33 749	4 717	13 465	15 832
<b>Nov.</b>	4 454	28 725	4 069	12 703	12 069
<b>Dec.</b>	6 012	26 948	5 414	10 765	12 500
<b>1994</b>					
<b>Jan.</b>	8 899	41 502	8 437	17 411	19 133
<b>Feb.</b>	14 265	40 081	12 427	16 883	18 485
<b>March</b>	34 926	56 958	32 256	28 635	28 693
<b>April</b>	24 666	37 825	23 300	17 241	17 960
<b>May</b>	10 588	20 896	9 731	8 753	10 958
<b>June</b>	14 560	20 091	14 132	8 225	11 496
<b>July</b>	5 171	12 950	5 081	4 961	7 745
<b>Aug.</b>	22 933	21 706	22 791	10 728	10 987
<b>Sept.</b>	12 357	23 278	12 307	9 424	13 922
<b>Oct.</b>	13 493	26 807	13 361	12 045	14 624

## 5.6 HELSINKI STOCK EXCHANGE

Average of daily observations	Share prices									Turnover <sup>1</sup> , mill. FIM			
	HEX Index (28 Dec., 1990=1000)										Shares and subscription rights	Bonds and debentures	Total
	All-share index	By ownership		By industry						Of which:			
		Re-restricted	Non-restricted	Banks and finance	Insurance and investment	Manufacturing	Forest industries	Metal and engineering	Conglomerates				
	1	2	3	4	5	6	7	8	9	10	11	12	
<b>1989</b>	1 827	1 850	1 689	1 958	1 528	1 818	1 728	1 748	2 061	33 160	7 375	40 536	
<b>1990</b>	1 332	1 324	1 393	1 263	1 185	1 376	1 436	1 282	1 474	15 521	4 550	20 071	
<b>1991</b>	962	949	1 062	901	898	1 003	1 075	1 076	1 021	6 339	1 315	7 655	
<b>1992</b>	772	759	868	425	467	942	1 123	1 206	890	10 277	15 377	25 654	
<b>1993</b>	1 240	.	.	608	644	1 601	1 695	1 749	1 751	46 337	59 977	106 314	
<b>1993</b>													
<b>Oct.</b>	1 502	.	.	820	781	1 943	1 959	2 098	2 212	6 638	6 936	13 574	
<b>Nov.</b>	1 542	.	.	810	771	2 003	2 092	2 155	2 253	4 842	7 153	11 995	
<b>Dec.</b>	1 549	.	.	773	801	2 003	2 114	2 240	2 209	4 810	6 375	11 185	
<b>1994</b>													
<b>Jan.</b>	1 797	.	.	870	952	2 315	2 357	2 733	2 537	8 781	276	9 057	
<b>Feb.</b>	1 917	.	.	942	1 011	2 462	2 410	2 982	2 704	6 395	558	6 953	
<b>March</b>	1 861	.	.	824	948	2 422	2 250	2 841	2 792	7 060	334	7 394	
<b>April</b>	1 815	.	.	771	914	2 377	2 189	2 689	2 818	4 849	107	4 956	
<b>May</b>	1 839	.	.	749	862	2 427	2 207	2 723	2 891	4 035	71	4 105	
<b>June</b>	1 709	.	.	676	726	2 271	2 113	2 526	2 732	3 719	49	3 768	
<b>July</b>	1 776	.	.	688	727	2 377	2 253	2 503	2 987	3 891	99	3 990	
<b>Aug.</b>	1 877	.	.	647	759	2 536	2 405	2 742	3 185	6 594	134	6 728	
<b>Sept.</b>	1 908	.	.	652	697	2 601	2 513	2 738	3 336	4 856	132	4 988	
<b>Oct.</b>	1 917	.	.	645	714	2 612	2 351	2 657	3 512	7 761	216	7 977	

<sup>1</sup> During period.

## 6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

### 6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, feb	Trans- port receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Invest- ment income	Trans- fers and other income	Current account receipts (6+7+8)	Imports of goods, dif	Trans- port ex- pend- iture	Travel ex- pend- iture	Other services ex- pend- iture
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>1989</b>	98 265	7 662	4 497	6 277	18 436	116 701	10 212	3 652	130 565	104 400	3 869	8 969	8 759
<b>1990</b>	99 750	8 347	4 650	6 081	19 077	118 827	12 739	4 461	136 027	101 967	4 363	10 766	9 503
<b>1991</b>	91 100	7 508	5 044	5 636	18 189	109 289	10 003	5 336	124 628	86 348	3 974	11 089	11 011
<b>1992</b>	105 809	8 643	6 089	7 730	22 462	128 272	6 423	5 920	140 614	93 187	4 360	10 962	13 369
<b>1993*</b>	132 550	10 430	7 079	9 379	26 888	159 438	7 624	6 506	173 567	101 559	5 537	9 237	17 008
<b>1992</b>													
<b>I</b>	24 783	2 002	1 159	1 702	4 863	29 645	2 301	1 367	33 313	22 698	1 001	2 725	3 422
<b>II</b>	26 452	2 152	1 493	1 681	5 326	31 778	1 269	1 374	34 421	24 180	1 064	2 813	3 039
<b>III</b>	24 820	2 323	1 958	1 923	6 203	31 023	1 204	1 480	33 707	20 677	1 119	2 853	3 242
<b>IV</b>	29 754	2 167	1 480	2 424	6 071	35 825	1 649	1 699	39 173	25 632	1 176	2 572	3 666
<b>1993*</b>													
<b>I</b>	31 016	2 366	1 351	2 778	6 495	37 511	2 233	1 470	41 215	25 715	1 279	2 401	4 445
<b>II</b>	32 625	2 646	1 763	2 281	6 690	39 315	2 125	1 756	43 196	24 818	1 325	2 276	4 015
<b>III</b>	32 116	2 832	2 203	2 102	7 138	39 253	1 622	1 584	42 460	23 992	1 444	2 242	4 206
<b>IV</b>	36 793	2 586	1 761	2 218	6 565	43 358	1 643	1 695	46 696	27 034	1 489	2 319	4 341
<b>1994*</b>													
<b>I</b>	34 536	2 602	1 425	2 444	6 471	41 006	1 974	1 597	44 577	24 852	1 314	1 899	4 233
<b>II</b>	38 519	2 923	1 740	2 172	6 835	45 354	3 673	1 496	50 523	29 488	1 483	2 036	3 974
<b>III</b>	37 405	3 127	2 063	2 523	7 713	45 118	2 618	1 498	49 234	28 866	1 425	2 097	3 836

During period	Services ex- pend- iture, total (11+12 +13)	Imports of goods and services (10+14)	Invest- ment ex- pend- iture (15+16 +17)	Trans- fers and other ex- pend- iture (18)	Current account ex- pend- iture (15+16 +17)	Trade account (1-10)	Trans- port (2-11)	Travel (3-12)	Other services (4-13)	Services account and serv- ice account (20+21 +22)	Goods account (19+23)	Invest- ment income, not (7-16)	Trans- fers and others, net (8-17)	Current account (24+25 +26)= (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
<b>1989</b>	21 596	125 996	21 882	7 561	155 439	- 6 134	3 793	- 4 471	- 2 482	- 3 160	- 9 294	- 11 670	- 3 910	- 24 874
<b>1990</b>	24 632	126 599	26 973	8 967	162 540	- 2 218	3 984	- 6 117	- 3 422	- 5 555	- 7 772	- 14 234	- 4 506	- 26 513
<b>1991</b>	26 074	112 421	28 674	10 229	151 325	4 752	3 534	- 6 044	- 5 374	- 7 885	- 3 132	- 18 671	- 4 893	- 26 696
<b>1992</b>	28 690	121 878	30 424	10 347	162 649	12 622	4 283	- 4 873	- 5 639	- 6 228	6 394	- 24 001	- 4 428	- 22 035
<b>1993*</b>	31 782	133 341	34 580	10 390	178 311	30 991	4 893	- 2 159	- 7 629	- 4 894	26 097	- 26 956	- 3 885	- 4 744
<b>1992</b>														
<b>I</b>	7 148	29 845	8 435	3 124	41 405	2 085	1 001	- 1 566	- 1 720	- 2 285	- 200	- 6 134	- 1 758	- 8 092
<b>II</b>	6 916	31 096	7 400	2 381	40 877	2 272	1 087	- 1 320	- 1 358	- 1 590	682	- 6 131	- 1 007	- 6 456
<b>III</b>	7 214	27 891	6 765	2 402	37 058	4 143	1 204	- 895	- 1 319	- 1 011	3 132	- 5 561	- 922	- 3 351
<b>IV</b>	7 413	33 045	7 824	2 440	43 309	4 122	991	- 1 092	- 1 241	- 1 342	2 780	- 6 174	- 741	- 4 136
<b>1993*</b>														
<b>I</b>	8 125	33 840	10 137	2 808	46 785	5 301	1 087	- 1 049	- 1 667	- 1 630	3 672	- 7 904	- 1 338	- 5 570
<b>II</b>	7 616	32 434	10 493	2 393	45 321	7 806	1 322	- 512	- 1 735	- 926	6 881	- 8 368	- 637	- 2 124
<b>III</b>	7 892	31 884	6 805	2 640	41 330	8 124	1 388	- 39	- 2 104	- 755	7 369	- 5 183	- 1 055	1 131
<b>IV</b>	8 149	35 183	7 145	2 549	44 876	9 760	1 097	- 558	- 2 123	- 1 584	8 175	- 5 502	- 854	1 820
<b>1994*</b>														
<b>I</b>	7 446	32 298	9 181	2 948	44 427	9 684	1 288	- 474	- 1 789	- 976	8 708	- 7 207	- 1 351	150
<b>II</b>	7 494	36 982	8 523	2 223	47 728	9 031	1 439	- 296	- 1 802	- 659	8 372	- 4 850	- 727	2 795
<b>III</b>	7 359	36 225	6 173	2 247	44 646	8 539	1 702	- 34	- 1 314	354	8 893	- 3 555	- 750	4 588

## 6.2 CAPITAL AND FINANCIAL ACCOUNT, MILL.FIM

During period	Imports of capital												Total (1+7+12)	
	Direct investment in Finland	Portfolio investment					Total (2+3+5+6)	Other investment						Total (8+9+10+11)
		Shares	Bonds	Of which: market-denominated bonds	Money market instruments	Financial derivatives		Trade credits	Loans	Currency and deposits	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13		
<b>1991</b>	-997	47	38 751	11 786	-4 511	..	34 287	846	7 496	131	-9 737	-1 265	32 024	
<b>1992*</b>	1 822	397	39 309	-5 312	-1 791	..	37 915	3 931	2	1 690	-17 415	-11 792	27 945	
<b>1993*</b>	4 945	12 748	30 353	3 616	-4 382	..	38 719	4 467	5 357	-5 347	-24 454	-19 977	23 687	
<b>1991</b>														
<b>IV</b>	-777	-516	4 541	-580	-3 899	..	127	1 343	225	-1 230	-515	-177	-828	
<b>1992*</b>														
<b>I</b>	563	199	4 102	-1 545	1 244	..	5 545	390	111	-1 050	952	402	6 510	
<b>II</b>	74	145	13 023	114	-3 179	..	9 990	-559	-395	801	-5 471	-5 624	4 439	
<b>III</b>	340	6	5 474	-2 712	-485	..	4 995	2 460	16	828	648	3 953	9 288	
<b>IV</b>	845	47	16 710	-1 169	629	..	17 386	1 641	270	1 110	-13 544	-10 523	7 707	
<b>1993*</b>														
<b>I</b>	439	1 405	15 542	320	-2 314	..	14 632	1 900	7 326	901	-8 593	1 533	16 604	
<b>II</b>	927	1 515	16 269	3 420	-1 348	..	16 435	-196	815	-1 268	-6 612	-7 261	10 101	
<b>III</b>	631	6 529	2 267	2 523	-2 755	..	6 041	-836	-1 495	1 671	-8 143	-8 803	-2 131	
<b>IV</b>	2 948	3 300	-3 725	-2 646	2 036	..	1 611	3 599	-1 289	-6 650	-1 106	-5 446	-887	
<b>1994*</b>														
<b>I</b>	3 664	4 389	3 196	-944	-2 101	31	5 515	-879	-3 980	772	6 665	2 578	11 757	
<b>II</b>	3 010	2 292	6 906	-2 244	3 074	272	12 544	-852	1 258	-1 748	-3 077	-4 420	11 134	
<b>III</b>	2 242	5 181	16 297	552	-2 036	-499	18 943	364	-1 257	964	-5 536	-5 465	15 720	

During period	Exports of capital												Errors and omissions	Change in central bank's reserve assets (In-croase-)	
	Direct investment abroad	Portfolio investment					Trade credits	Other investment							Total (14+19+24)
		Shares	Bonds	Money market instruments	Financial derivatives	Total (15+16+17+18)		Loans	Currency and deposits	Other	Total (20+21+22+23)				
14	15	16	17	18	19	20	21	22	23	24	25	26	27		
<b>1991</b>	-501	-369	-3	1 499	..	1 128	520	2 341	1 054	6 587	10 503	11 129	-1 575	7 375	
<b>1992*</b>	-3 372	46	321	2 748	..	3 115	3 696	3 409	3 745	3 132	13 983	13 725	-1 365	9 180	
<b>1993*</b>	9 537	873	767	1 932	..	3 571	1 923	-839	-6 063	14 698	9 720	22 828	5 104	-1 219	
<b>1991</b>															
<b>IV</b>	-599	-175	-182	-1 962	..	-2 319	707	1 214	-3 487	-13 043	-14 609	-17 527	-4 908	-5 860	
<b>1992*</b>															
<b>I</b>	-581	27	155	91	..	273	819	1 229	2 528	-4 078	499	190	149	1 623	
<b>II</b>	-1 544	-19	1 161	-1 490	..	-348	-296	-807	522	-559	-1 140	-3 033	-2 030	1 015	
<b>III</b>	-552	13	-895	786	..	-96	1 260	553	2 619	3 493	7 925	7 277	-4 710	6 051	
<b>IV</b>	-695	25	-100	3 361	..	3 286	1 912	2 435	-1 924	4 276	6 699	9 290	5 227	492	
<b>1993*</b>															
<b>I</b>	985	158	2 823	-577	..	2 404	1 623	-726	-1 516	15 515	14 896	18 285	1 665	5 586	
<b>II</b>	1 081	2	-1 095	-972	..	-2 065	518	-185	247	-3 766	-3 186	-4 171	-1 464	-10 684	
<b>III</b>	-473	77	-841	3 975	..	3 211	-190	-1 008	1 514	9 514	9 829	12 567	2 549	11 019	
<b>IV</b>	7 944	636	-120	-494	..	21	-28	1 081	-6 308	-6 564	-11 819	-3 854	2 354	-7 141	
<b>1994*</b>															
<b>I</b>	5 333	43	-662	211	-201	-609	-1 329	-1 279	2 612	-5 779	-5 774	-1 051	-2 679	-10 279	
<b>II</b>	4 788	-68	-3 273	-4 446	-27	-7 814	1 737	-1 349	-460	6 181	6 110	3 084	-672	-10 172	
<b>III</b>	4 385	-18	-1 231	420	-52	-881	-437	-110	-268	9 875	9 060	12 563	-3 824	-3 921	

### 6.3 FINLAND'S INTERNATIONAL INVESTMENT POSITION, MILL.FIM

Position at end of period	Liabilities												
	Direct investment in Finland	Portfolio investment					Total (2+3+5+6)	Other investment				Total (8+9+10+11)	Total liabilities (1+7+12)
		Shares	Bonds	Of which: market denominated bonds	Money market instruments	Financial derivatives		Trade credits	Loans	Currency and deposits	Other		
1	2	3	4	5	6	7	8	9	10	11	12	13	
<b>1991</b>	17 443	4 149	141 055	19 036	20 834	..	166 038	8 559	68 892	8 555	85 281	171 287	354 769
<b>1992*</b>	19 348	5 138	211 361	14 366	19 391	..	235 889	11 943	78 330	11 880	78 804	180 958	436 195
<b>1993*</b>	24 391	30 375	265 571	27 149	15 034	-6 103	304 877	18 206	91 380	4 025	55 478	169 089	498 356
<b>1991</b>													
<b>IV</b>	17 443	4 149	141 055	19 036	20 834	..	166 038	8 559	68 892	8 555	85 281	171 287	354 769
<b>1992*</b>													
<b>I</b>	18 027	4 279	150 644	17 366	15 612	..	170 535	8 900	69 353	7 607	96 351	182 210	370 772
<b>II</b>	18 122	4 083	160 415	17 851	18 160	..	182 658	8 369	66 741	8 275	81 099	164 483	365 263
<b>III</b>	18 483	3 367	184 851	15 547	18 023	..	206 242	10 875	72 530	9 942	89 639	182 986	407 711
<b>IV</b>	19 348	5 138	211 361	14 366	19 391	..	235 889	11 943	78 330	11 880	78 804	180 958	436 195
<b>1993*</b>													
<b>I</b>	19 812	8 121	253 159	16 281	17 007	..	278 287	15 193	97 042	13 135	76 093	201 462	499 561
<b>II</b>	20 763	11 901	254 886	21 118	15 573	..	282 360	14 897	93 680	11 461	67 494	187 532	490 654
<b>III</b>	21 418	22 725	265 540	23 460	13 090	..	301 355	14 091	95 614	13 276	61 106	184 087	506 860
<b>IV</b>	24 391	30 375	265 571	27 149	15 034	-6 103	304 877	18 206	91 380	4 025	55 478	169 089	498 356
<b>1994*</b>													
<b>I</b>	27 562	39 079	266 694	28 087	12 244	-8 855	309 162	17 145	85 626	4 724	60 047	167 543	504 267
<b>II</b>	30 584	42 719	272 980	24 622	15 286	-7 931	323 054	16 275	86 792	2 964	56 729	162 759	516 398
<b>III</b>	32 731	56 036	272 703	26 697	11 851	-6 893	333 697	16 532	80 213	3 752	48 448	148 946	515 373

Position at end of period	Assets												
	Direct investment abroad	Portfolio investment					Total (15+16+17+18)	Other investment				Total (20+21+22+23)	Total assets (14+19+24)
		Shares	Bonds	Money market instruments	Financial derivatives	Trade credits		Loans	Currency and deposits	Other			
14	15	16	17	18	19	20	21	22	23	24	25		
<b>1991</b>	44 823	426	7 004	4 154	..	11 584	16 163	28 504	7 647	72 498	124 812	181 218	
<b>1992*</b>	44 921	469	8 697	7 917	..	17 083	21 063	35 251	12 665	76 520	145 499	207 502	
<b>1993*</b>	54 577	1 285	10 706	11 028	446	23 465	26 350	34 018	5 701	89 301	155 370	233 412	
<b>1991</b>													
<b>IV</b>	44 823	426	7 004	4 154	..	11 584	16 163	28 504	7 647	72 498	124 812	181 218	
<b>1992*</b>													
<b>I</b>	43 876	428	7 472	4 550	..	12 450	17 160	30 223	10 193	68 559	126 135	182 461	
<b>II</b>	41 966	408	8 681	2 881	..	11 970	16 811	28 128	10 558	65 317	120 814	174 750	
<b>III</b>	45 982	442	8 176	4 032	..	12 650	18 622	30 676	14 188	68 195	131 682	190 314	
<b>IV</b>	44 921	469	8 697	7 917	..	17 083	21 063	35 251	12 665	76 520	145 499	207 502	
<b>1993*</b>													
<b>I</b>	51 946	676	11 952	7 766	..	20 394	23 664	36 976	12 275	92 392	165 307	237 648	
<b>II</b>	48 465	671	10 801	6 627	..	18 099	23 888	34 148	12 159	97 321	167 516	234 080	
<b>III</b>	49 447	759	10 074	10 689	..	21 522	23 857	34 208	13 929	98 044	170 039	241 008	
<b>IV</b>	54 577	1 285	10 706	11 028	446	23 465	26 350	34 018	5 701	89 301	155 370	233 412	
<b>1994*</b>													
<b>I</b>	59 366	1 296	9 576	10 910	622	22 403	24 479	31 396	8 107	91 319	155 301	237 070	
<b>II</b>	64 301	1 211	5 953	6 338	550	14 052	26 155	29 866	7 449	106 714	170 183	248 536	
<b>III</b>	65 883	1 116	4 175	6 087	561	11 939	24 480	28 376	6 957	113 282	173 095	250 917	

## 6.4 FINLAND'S NET INTERNATIONAL INVESTMENT POSITION (LIABILITIES LESS ASSETS), BY SECTOR, MILL. FIM

Position at end of period	Corporate sector	Banks	Bank of Finland	Other financial institutions	Central government	Local government	Net (1+2+3+4+5+6)	Net interest and dividend expenditure	Net interest and dividend expenditure in relation to current receipts, %
	1	2	3	4	5	6	7	8	9
<b>1991</b>	27 735	107 434	- 34 046	18 960	52 748	719	173 550	15 671	12.7
<b>1992*</b>	29 464	82 343	- 27 546	28 283	113 801	2 347	228 693	19 011	13.6
<b>1993*</b>	49 897	48 189	- 33 279	29 737	167 444	2 956	264 944	21 897	12.7
<b>1991</b>									
<b>IV</b>	27 735	107 434	- 34 046	18 960	52 748	719	173 550	3 713	11.1
<b>1992*</b>									
<b>I</b>	27 883	110 668	- 33 471	20 750	60 859	1 623	188 311	4 887	14.7
<b>II</b>	28 111	94 368	- 31 437	21 931	75 837	1 703	190 513	4 883	14.2
<b>III</b>	29 872	83 775	- 16 715	24 364	94 143	1 958	217 397	4 314	12.8
<b>IV</b>	29 464	82 343	- 27 546	28 283	113 801	2 347	228 693	4 926	12.6
<b>1993*</b>									
<b>I</b>	35 085	65 514	- 27 782	29 660	156 500	2 937	261 914	6 640	16.1
<b>II</b>	37 112	61 511	- 37 288	27 269	165 160	2 810	256 574	7 103	16.4
<b>III</b>	45 024	44 622	- 27 318	27 224	173 332	2 967	265 852	3 918	9.2
<b>IV</b>	49 897	48 189	- 33 279	29 737	167 444	2 956	264 944	4 237	9.1
<b>1994*</b>									
<b>I</b>	58 950	53 526	- 42 504	27 717	166 274	3 233	267 196	6 607	14.8
<b>II</b>	58 214	52 727	- 52 617	25 280	181 009	3 248	267 861	4 250	8.4
<b>III</b>	70 192	34 296	- 52 998	24 270	185 627	3 069	264 456	2 955	6.0

## 7. FOREIGN TRADE

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

During period	Exports, feb	Imports, cif	Balance (1-2)
	1	2	3
<b>1989</b>	99 784	105 516	- 5 732
<b>1990</b>	101 327	103 027	- 1 700
<b>1991</b>	92 842	87 744	5 098
<b>1992</b>	107 463	94 947	12 516
<b>1993*</b>	133 927	103 078	30 849
<b>1993*</b>			
<b>Sept.</b>	11 468	8 021	3 447
<b>Oct.</b>	13 906	8 405	5 501
<b>Nov.</b>	12 369	9 620	2 749
<b>Dec.</b>	10 812	9 443	1 369
<b>1994*</b>			
<b>Jan.</b>	11 880	8 318	3 562
<b>Feb.</b>	10 909	7 412	3 497
<b>March</b>	12 126	9 510	2 616
<b>April</b>	12 366	9 407	2 959
<b>May</b>	13 367	10 928	2 439
<b>June</b>	13 309	9 594	3 715
<b>July</b>	13 134	9 158	3 976
<b>Aug.</b>	11 529	9 882	1 647
<b>Sept.</b>	13 113	10 121	2 992

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

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
<b>1989</b>	121	144	156	126	123
<b>1990</b>	125	138	154	128	120
<b>1991</b>	114	115	154	131	118
<b>1992</b>	124	112	164	145	113
<b>1993</b>	147	109	172	163	106
<b>1992</b>					
<b>I</b>	118	112	162	142	114
<b>II</b>	125	118	162	143	113
<b>III</b>	117	102	163	142	115
<b>IV</b>	133	116	171	154	111
<b>1993</b>					
<b>I</b>	135	108	176	165	106
<b>II</b>	143	105	174	165	105
<b>III</b>	141	101	174	165	105
<b>IV</b>	165	116	170	161	105
<b>1994*</b>					
<b>I</b>	155	107	170	161	106
<b>II</b>	168	129	175	158	111

### 7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, feb					Imports by use of goods, cif				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
	1	2	3	4	5	6	7	8	9	10
<b>1989</b>	7 416	32 513	8 844	32 682	18 329	51 786	8 310	20 606	24 055	759
<b>1990</b>	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
<b>1991</b>	6 984	29 695	10 539	29 188	16 436	42 505	9 399	13 973	21 195	672
<b>1992</b>	7 892	32 587	12 172	35 741	19 071	49 514	9 745	13 348	20 826	1 514
<b>1993*</b>	10 889	37 410	14 192	48 099	23 337	54 778	10 911	15 337	21 045	1 007
<b>1993*</b>										
<b>Sept.</b>	988	3 255	1 328	3 767	2 130	4 360	951	873	1 713	124
<b>Oct.</b>	1 133	3 508	1 258	5 869	2 138	4 718	863	978	1 835	11
<b>Nov.</b>	1 061	3 294	1 354	4 479	2 181	4 969	1 377	1 282	1 946	46
<b>Dec.</b>	964	2 954	1 069	3 766	2 059	4 999	1 107	1 349	1 892	96
<b>1994*</b>										
<b>Jan.</b>	978	3 009	1 282	4 272	2 339	4 511	691	1 153	1 807	156
<b>Feb.</b>	1 018	3 060	1 060	3 741	2 030	4 215	603	934	1 620	40
<b>March</b>	1 026	3 623	1 248	4 061	2 168	5 141	755	1 309	2 193	112
<b>April</b>	1 165	3 487	1 156	4 338	2 220	4 811	976	1 657	1 911	52
<b>May</b>	1 431	3 506	1 511	4 538	2 381	6 033	1 293	1 302	2 227	73
<b>June</b>	1 318	3 358	1 289	4 882	2 462	5 488	866	1 189	1 947	104
<b>July</b>	1 015	3 287	1 315	5 802	1 715	4 824	955	1 233	2 115	31
<b>Aug.</b>	935	3 437	1 258	3 816	2 083	5 433	1 029	1 387	2 027	6
<b>Sept.</b>	1 313	3 586	1 354	4 320	2 540	5 652	1 039	1 384	2 027	19

## 7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, fob				Imports, cif			
	1993*		1994* January - September		1993*		1994* January - September	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
<b>All OECD countries</b>	102 135	76.3	84 132	13.7	81 607	79.2	65 083	8.7
<b>OECD Europe</b>	86 513	64.6	71 015	11.5	66 956	65.0	52 244	6.6
Of which:								
Austria	1 427	1.1	1 168	10.2	1 179	1.1	931	10.5
Belgium and Luxembourg	2 955	2.2	2 512	14.5	3 008	2.9	2 304	10.2
Denmark	4 479	3.3	3 891	19.3	3 231	3.1	2 615	9.0
France	7 114	5.3	5 648	5.3	4 716	4.6	3 523	0.6
Germany	17 628	13.2	15 061	17.2	16 901	16.4	12 391	-3.0
Italy	4 350	3.2	3 236	-1.1	3 811	3.7	3 388	21.4
Netherlands	6 729	5.0	5 872	19.1	3 847	3.7	3 064	7.7
Norway	4 277	3.2	3 550	14.9	5 010	4.9	4 024	10.2
Spain	3 263	2.4	2 576	0.2	1 245	1.2	1 108	31.9
Sweden	14 855	11.1	11 901	10.4	10 531	10.2	8 789	15.1
Switzerland	2 111	1.6	1 685	9.0	2 044	2.0	1 495	-1.5
United Kingdom	14 020	10.5	11 622	12.7	9 160	8.9	6 778	5.7
<b>Other OECD</b>	15 622	11.7	13 117	27.1	14 651	14.2	12 839	18.2
Of which:								
Canada	1 075	0.8	772	-6.1	724	0.7	584	5.7
Japan	2 187	1.6	2 257	47.1	5 958	5.8	5 307	21.0
United States	10 506	7.8	8 591	30.7	7 498	7.3	6 459	15.7
<b>Non-OECD European countries</b>	12 679	9.5	13 168	54.4	11 207	10.9	10 627	29.2
Of which:								
Russia	6 051	4.5	5 846	47.5	7 813	7.6	7 629	30.5
<b>Other countries</b>	19 113	14.3	14 435	1.1	10 264	10.0	8 623	15.1
Of which:								
<b>OPEC countries</b>	3 266	2.4	1 900	-17.5	542	0.5	440	13.0
<b>TOTAL</b>	133 927	100.0	111 735	15.4	103 078	100.0	84 333	11.5
Of which:								
<b>EC countries</b>	62 850	46.9	52 179	12.2	47 974	46.5	36 811	4.5
<b>EFTA countries</b>	22 799	17.0	18 397	11.0	18 831	18.3	15 306	11.8

## 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					
<b>1989</b>	269 879	104 526	129 905	15 149	5 975	525 434	117 241	127 311	515 364
<b>1990</b>	269 754	108 535	121 858	17 286	5 769	523 202	118 828	126 600	515 430
<b>1991</b>	260 031	111 256	93 722	17 243	-2 451	479 801	110 965	111 755	479 011
<b>1992</b>	247 363	108 799	75 338	16 899	4 075	452 474	122 059	112 989	461 544
<b>1993*</b>	237 559	102 932	60 332	14 369	8 264	423 456	142 292	113 352	452 396
<b>1992</b>									
<b>I</b>	63 180	27 422	20 408	4 312	113	115 435	29 534	28 504	116 466
<b>II</b>	61 769	27 272	19 802	4 464	1 208	114 515	30 435	28 927	116 022
<b>III</b>	61 404	27 090	18 370	4 015	1 271	112 149	30 425	27 516	115 059
<b>IV</b>	61 010	27 015	16 758	4 108	1 483	110 374	31 665	28 042	113 997
<b>1993*</b>									
<b>I</b>	60 136	25 989	15 757	3 670	1 973	107 524	34 461	29 303	112 682
<b>II</b>	59 021	25 834	14 730	3 722	1 574	104 881	34 410	27 021	112 270
<b>III</b>	58 918	25 617	14 976	3 674	3 224	106 408	36 035	28 566	113 877
<b>IV</b>	59 484	25 492	14 869	3 304	1 494	104 643	37 386	28 462	113 567
<b>1994*</b>									
<b>I</b>	61 086	24 949	15 664	3 227	427	105 353	37 415	27 888	114 880
<b>II</b>	59 891	24 766	16 360	3 065	4 435	108 517	39 927	30 979	117 465

### 8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1990=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manu- facturing	Wood and paper industries	Metal and engineering industries	Other manu- facturing	Energy and water supply
	(100.0)	(1.3)	(89.6)	(16.8)	(31.3)	(41.5)	(9.1)
	1	2	3	4	5	6	7
<b>1989</b>	100.3	101.9	100.5	102.3	99.6	100.8	97.9
<b>1990</b>	100.2	99.8	100.2	100.1	100.4	100.1	100.0
<b>1991</b>	91.2	91.3	89.9	91.5	85.6	92.6	103.6
<b>1992</b>	92.4	88.4	91.4	94.6	91.1	90.2	103.0
<b>1993*</b>	97.1	85.8	96.2	104.3	99.4	90.4	107.9
<b>1993*</b>							
<b>Aug.</b>	96.3	86.8	95.7	104.5	96.9	90.6	106.1
<b>Sept.</b>	99.5	77.3	98.8	107.6	102.6	92.4	110.1
<b>Oct.</b>	100.7	83.8	100.1	110.3	105.0	92.2	110.6
<b>Nov.</b>	101.2	83.4	100.3	109.3	104.9	93.7	109.7
<b>Dec.</b>	101.8	84.9	100.6	109.4	106.9	93.1	113.1
<b>1994*</b>							
<b>Jan.</b>	102.4	99.4	101.2	111.6	103.9	93.7	113.0
<b>Feb.</b>	103.4	90.5	101.7	109.9	109.7	93.0	119.2
<b>March</b>	103.6	97.9	102.5	111.3	113.3	88.8	116.2
<b>April</b>	105.6	103.2	105.0	112.1	113.0	96.2	114.5
<b>May</b>	108.3	84.7	106.6	113.9	116.9	97.7	116.1
<b>June</b>	108.2	101.1	107.9	114.4	117.4	98.0	117.4
<b>July</b>	108.6	219.9	106.2	120.5	111.1	96.8	113.1
<b>Aug.</b>	107.6	174.6	105.3	113.3	114.0	94.9	125.8



## 8.3 INDICATORS OF DOMESTIC SUPPLY AND DEMAND, 1985=100

(seasonally adjusted figures)

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
<b>1989</b>	124.2	117.0	130.3	132.9	137.6	125.2	161.4	116.7
<b>1990</b>	119.9	111.6	127.3	124.8	161.7	122.1	144.6	117.5
<b>1991</b>	99.4	103.5	103.9	94.4	127.7	109.9	102.1	110.3
<b>1992</b>	87.2	92.9	79.5	73.8	76.2	87.5	84.5	106.9
<b>1993*</b>	82.5	87.6	59.5	60.5	52.9	59.8	82.9	105.2
<b>1993*</b>								
<b>July</b>	83.6	85.7	..	..	..	..	..	104.9
<b>Aug.</b>	83.6	85.7	..	..	..	..	..	104.5
<b>Sept.</b>	81.7	85.5	..	..	..	..	..	105.3
<b>Oct.</b>	80.6	85.9	..	..	..	..	..	105.7
<b>Nov.</b>	83.2	86.9	..	..	..	..	..	106.7
<b>Dec.</b>	84.0	88.9	..	..	..	..	..	107.2
<b>1993*</b>								
<b>II</b>	82.3	87.8	60.5	62.5	52.1	63.6	73.3	104.0
<b>III</b>	83.0	85.6	59.3	60.4	47.9	59.3	60.4	104.9
<b>IV</b>	82.6	87.3	56.7	57.1	61.5	51.4	78.7	106.5
<b>1994*</b>								
<b>Jan.</b>	82.5	88.6	..	..	..	..	..	106.8
<b>Feb.</b>	83.6	89.1	..	..	..	..	..	107.1
<b>March</b>	83.9	92.5	..	..	..	..	..	108.6
<b>April</b>	82.2	87.6	..	..	..	..	..	109.3
<b>May</b>	89.4	90.9	..	..	..	..	..	110.3
<b>June</b>	88.2	89.6	..	..	..	..	..	109.5
<b>July</b>	85.7	85.0	..	..	..	..	..	109.5
<b>1994*</b>								
<b>I</b>	83.4	90.1	53.7	59.5	40.3	50.2	72.7	107.5
<b>II</b>	86.6	89.4	49.1	56.4	50.2	42.0	97.3	109.7

## 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
<b>1989</b>	91.5	91.7	91.1	91.2	94.2	94.9	96.6	96.9	99.1	98.1	100.5	96.9	94.1
<b>1990</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>1991</b>	106.4	106.4	106.1	106.4	104.3	104.1	100.0	99.8	100.8	99.4	98.5	99.8	102.2
<b>1992</b>	108.4	108.1	108.3	109.0	107.4	107.1	101.4	99.5	108.5	101.6	102.7	101.1	100.4
<b>1993<sup>1</sup></b>	109.1	108.6	110.0	110.6	109.7	109.9	104.8	100.8	119.3	105.5	109.2	103.9	100.7
<b>1993</b>													
<b>Sept.</b>	..	..	..	..	109.7	110.6	105.1	101.2	119.2	106.1	110.0	104.4	100.9
<b>Oct.</b>	..	..	..	..	109.9	110.8	104.9	101.1	119.1	106.1	110.3	104.3	101.0
<b>Nov.</b>	..	..	..	..	109.7	110.8	104.7	101.0	118.3	105.6	109.4	104.0	101.0
<b>Dec.</b>	..	..	..	..	109.7	110.6	104.5	100.8	118.2	105.2	109.2	103.5	100.8
<b>1993<sup>1</sup></b>													
<b>II</b>	109.0	108.5	109.8	110.3	110.0	110.0	105.2	101.0	120.7	106.0	110.1	104.3	100.7
<b>III</b>	108.8	108.0	109.6	110.8	109.6	110.2	105.0	100.9	119.9	105.7	109.4	104.1	100.8
<b>IV</b>	109.8	109.4	111.5	111.3	109.8	110.7	104.7	101.0	118.5	105.6	109.6	103.9	100.9
<b>1994</b>													
<b>Jan.</b>	..	..	..	..	109.4	110.3	104.8	101.2	117.8	105.5	109.4	103.9	101.6
<b>Feb.</b>	..	..	..	..	109.8	110.8	105.1	101.7	117.4	105.5	108.4	104.3	101.6
<b>March</b>	..	..	..	..	110.0	111.0	105.4	101.9	118.1	105.7	108.0	104.7	101.7
<b>April</b>	..	..	..	..	110.2	111.3	105.8	102.1	119.2	105.8	108.0	104.8	101.7
<b>May</b>	..	..	..	..	110.3	111.3	105.8	102.2	119.1	106.4	109.0	105.2	101.9
<b>June</b>	..	..	..	..	111.3	111.3	106.1	102.5	119.5	107.0	110.3	105.6	102.2
<b>July</b>	..	..	..	..	111.4	111.5	106.6	103.1	119.3	107.7	110.9	106.3	102.1
<b>Aug.</b>	..	..	..	..	111.6	111.7	106.8	103.3	119.5	108.2	112.0	106.5	102.4
<b>Sept.</b>	..	..	..	..	111.8	..	107.0	103.7	119.3	108.4	112.0	106.8	102.5
<b>1994<sup>1</sup></b>													
<b>I</b>	110.3	110.3	113.1	111.4	109.7	110.7	105.1	101.6	117.8	105.6	108.6	104.3	101.6
<b>II</b>	110.8	110.9	114.7	111.7	110.6	111.3	105.9	102.3	119.3	106.4	109.1	105.2	101.9

<sup>1</sup> 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+9)	By industrial status		By industry			Unemployed	Unemployment rate		
				Self-employed	Wage and salary earners	Agriculture and forestry	Industry	Construction			Service industries	
		1000 persons										
		%									%	
		1	2	3	4	5	6	7	8	9	10	11
<b>1989</b>	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5	
<b>1990</b>	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4	
<b>1991</b>	67.4	2 533	2 340	340	2 000	197	502	179	1 461	193	7.6	
<b>1992</b>	66.1	2 502	2 174	325	1 849	188	454	150	1 382	328	13.1	
<b>1993</b>	65.3	2 484	2 041	312	1 729	173	423	124	1 319	444	17.9	
<b>1993</b>												
<b>Sept.</b>	65.3	2 484	2 014	313	1 701	169	421	115	1 308	471	18.9	
<b>Oct.</b>	65.1	2 480	2 014	314	1 700	172	416	123	1 304	466	18.8	
<b>Nov.</b>	65.3	2 486	2 023	293	1 730	172	413	121	1 317	463	18.6	
<b>Dec.</b>	65.2	2 485	2 013	320	1 694	172	419	113	1 309	472	19.0	
<b>1994</b>												
<b>Jan.</b>	64.7	2 468	1 993	355	1 638	170	409	115	1 298	475	19.2	
<b>Feb.</b>	65.4	2 494	2 028	298	1 730	170	420	112	1 327	466	18.7	
<b>March</b>	65.2	2 488	2 014	312	1 702	167	422	107	1 317	474	19.1	
<b>April</b>	64.7	2 470	2 003	313	1 690	166	420	112	1 305	468	18.9	
<b>May</b>	64.9	2 483	2 017	309	1 708	168	420	115	1 314	466	18.8	
<b>June</b>	64.9	2 484	2 026	315	1 711	172	422	103	1 329	458	18.4	
<b>July</b>	64.6	2 472	2 010	303	1 707	165	423	119	1 303	462	18.7	
<b>Aug.</b>	64.6	2 472	2 025	306	1 719	169	431	113	1 312	447	18.1	
<b>Sept.</b>	65.0	2 490	2 039	310	1 728	171	442	111	1 314	452	18.1	

## 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:	
	1	2	3	4	5	6	7	8	9	10	11
<b>1989</b>	39 397	76 458	471	15 990	132 316	3 926	136 241	35 082	72 008	33 244	35 715
<b>1990</b>	42 611	77 364	953	18 423	139 351	4 260	143 611	41 535	81 190	37 646	40 313
<b>1991</b>	41 054	73 251	1 136	19 182	134 624	4 442	139 069	45 085	101 220	42 297	55 160
<b>1992</b>	34 312	69 541	1 512	21 251	126 616	5 054	131 669	49 291	105 184	42 990	59 180
<b>1993</b>	31 667	67 291	1 443	28 823	129 224	7 366	136 593	46 880	108 608	42 720	63 535
<b>1993</b>											
<b>Aug.</b>	3 011	5 884	102	2 166	11 163	154	11 318	3 424	7 820	3 395	4 102
<b>Sept.</b>	2 792	5 185	129	2 247	10 353	108	10 461	3 658	9 482	3 371	5 987
<b>Oct.</b>	2 774	5 548	118	1 072	9 512	64	9 576	3 381	9 774	3 375	6 235
<b>Nov.</b>	2 736	5 757	147	2 672	11 312	2 638	13 952	3 708	9 371	3 437	5 820
<b>Dec.</b>	2 078	6 543	115	5 142	13 878	759	14 637	4 256	10 357	3 609	6 318
<b>1994</b>											
<b>Jan.</b>	2 827	6 024	67	1 857	10 775	27	10 802	3 699	9 936	3 118	6 609
<b>Feb.</b>	2 757	5 500	115	1 770	10 142	496	10 637	3 090	8 334	3 084	4 939
<b>March</b>	3 774	4 727	100	2 283	10 884	2 386	13 270	4 097	9 474	3 521	5 820
<b>April</b>	2 374	5 134	100	1 945	9 553	224	9 777	3 320	9 049	3 849	5 068
<b>May</b>	2 567	5 970	98	2 717	11 352	241	11 592	3 633	8 999	3 684	5 166
<b>June</b>	2 786	5 511	524	1 977	10 798	1 503	12 300	4 654	9 930	3 725	6 028
<b>July</b>	3 059	5 980	237	1 756	11 032	898	11 929	4 200	8 475	3 195	5 083
<b>Aug.</b>	2 915	6 837	138	1 336	11 226	198	11 424	3 046	8 170	3 115	4 806

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)
	12	13	14	15	16	17	18	19	20
<b>1989</b>	8 393	5 343	120 826	7 566	128 390	11 490	7 851	- 4 009	3 842
<b>1990</b>	5 962	4 927	133 614	9 319	142 934	5 737	678	1 201	1 879
<b>1991</b>	5 370	6 368	158 044	13 328	171 372	- 23 420	- 32 304	25 659	- 6 645
<b>1992</b>	5 042	8 499	168 016	35 501	203 516	- 41 400	- 71 847	70 691	- 1 155
<b>1993</b>	4 306	18 076	177 870	19 753	197 623	- 48 646	- 61 030	84 036	23 009
<b>1993</b>									
<b>Aug.</b>	416	874	12 534	723	13 258	- 1 371	- 1 940	5 079	3 139
<b>Sept.</b>	417	1 135	14 692	1 756	16 448	- 4 339	- 5 987	3 529	- 2 457
<b>Oct.</b>	369	2 497	16 021	740	16 761	- 6 509	- 7 185	6 076	- 1 109
<b>Nov.</b>	349	771	14 199	767	14 966	- 2 887	- 1 014	1 230	216
<b>Dec.</b>	477	1 744	16 834	2 491	19 325	- 2 956	- 4 688	91	- 4 596
<b>1994</b>									
<b>Jan.</b>	187	3 336	17 158	545	17 703	- 6 383	- 6 901	519	- 6 383
<b>Feb.</b>	224	1 202	12 850	1 044	13 895	- 2 708	- 3 258	7 659	4 402
<b>March</b>	245	3 120	16 936	3 116	20 052	- 6 052	- 6 782	- 41	- 6 823
<b>April</b>	227	2 081	14 677	1 450	16 129	- 5 124	- 6 352	789	- 5 563
<b>May</b>	257	1 438	14 327	717	15 045	- 2 975	- 3 453	9 209	5 756
<b>June</b>	342	2 424	17 350	663	18 013	- 6 552	- 5 713	13 429	7 716
<b>July</b>	353	1 181	14 209	365	14 575	- 3 177	- 2 646	14 635	11 990
<b>Aug.</b>	298	1 216	12 730	633	13 363	- 1 504	- 1 939	- 1 348	- 3 287

# 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 1) = bank certificates of deposit held by the Bank of Finland + securities with repurchase commitments + term credits - term deposits. Liquidity position of deposit banks (Column 12): see explanation to Table 2.1. Other claims on financial institutions, net (Column 14) = till-money credits to deposit banks (until May 1993) + bonds + other claims on financial institutions - 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** Banks with access to central bank financing can make call money deposits with the Bank of Finland without limit. They can also obtain liquidity credit with a maturity of 1 day, 7 days, 14 days, 21 days or 28 days. The maturity is determined by the Bank of Finland.

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

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

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

**Table 2.5** 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. HELIBOR (Helsinki Interbank Offered Rate) (Columns 2-5): The HELIBOR rate for each maturity is calculated by the Bank of Finland as the average of the offered rates for certificates of deposit quoted daily at 1 p.m. by the five largest banks.

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

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

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

**Table 3.4** Lending. New credits (Columns 1-4): rates of interest on new credits drawn during the month are

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

**Table 3.5** Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered rates for taxable, fixed-rate bonds quoted daily by the five largest banks. Yields on taxable government bonds (Columns 3 and 4) are calculated by the Bank of Finland in a similar fashion. Until January 1992, the yield on 5-year taxable government bonds (Column 3) was calculated on a bullet bond due on 15 March 1994 with a coupon rate of 13 per cent. From February 1992 onwards the yield is calculated on a bullet bond due on 15 January 1999 with a coupon rate of 11 per cent. Until June 1993, the yield on 10-year taxable government bonds (Column 4) is calculated on a housing bond (bullet) due on 15 March 2002 with a coupon rate of 10.75 per cent. From July 1993 onwards the yield is calculated on a bullet bond due on 15 March 2004 with a coupon rate of 9.50 per cent. The yield on taxable public issues (Column 5) is calculated as the arithmetic mean of yields on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued by all S25

issuers except the central government with a remaining maturity of between 3 and 6 years. The yield on tax-free public issues (Column 6) is calculated as the arithmetic mean of yields on fixed-rate public bonds with a remaining maturity of between 4 and 5 years. The Bank of Finland calculates the yields for columns 5 and 6 once a week on the basis of the trading quotations of the Helsinki Stock Exchange. Monthly observations are the averages of weekly observations and annual observations the averages of monthly observations. The share yield (Column 7) 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, for which daily quotations at noon Finnish time are used. Since 8 September 1992 the markka has been floating. Trade-weighted currency index (Column 2): The weights are moving averages of the shares of (currently) 14 countries in Finland's foreign merchandise trade (only convertible currencies are included). The payments currency index (Column 3): The weights are moving averages of shares of payments currencies (14 convertible currencies) in Finland's foreign trade. The MERM index (Column 4): The weights are fixed 1977 weights computed on the basis of the IMF's world trade model; 14 currencies are included in this index.

#### 5 OTHER DOMESTIC FINANCING

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

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

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

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

**Table 5.4 Source:** State Treasury Office. Other foreign currency-denominated debt (Column 2) consists of other bonds and debentures and long-term promissory notes. Other bonds and debentures are so-called private placings; long-term promissory notes are bank loans. Miscellaneous items (Column 7) include, inter alia, the liability for coinage (total coinage), promissory notes given to international financial organizations and, as a minus item, the liability to the State Pension Fund. Outstanding lending (Column 10) comprises the stock of loans granted from the central government budget and from extra-budgetary funds. Cash funds (Column 11) comprise the cash funds held in central government accounting offices, funds held in cheque and postal giro accounts, as well as placements of central government cash funds. The main part of the latter is reserved for covering transferable allocations budgeted in previous years (for details, see the article "State Borrowing and Cash Management" by Pekka Laajanen and Pekka Saarinen in the August 1987 issue of the Bulletin). Transferable allocations amounted to FIM 8.1 billion at the end of 1988.

**Table 5.5 Source:** Table B: Statistics Finland from the beginning of 1991. Tables A and B include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland. Table C includes transactions in markka-denominated bonds outside the Helsinki Stock Exchange. Inter-bank transactions (Column 1) and transactions (purchases and sales) between banks and customers (Column 2) are transactions by the banks

entitled to central bank financing. As from 10 October 1994 the following act as primary dealers: Alfred Berg Pankkiiriliike, Evli Fixed Income Securities, Goldman Sachs International, Handelsbanken Finland, Kansallis-Osake-Pankki, Okobank, Postipankki, Skopbank, Union Bank of Finland and Unibors Securities. The primary dealers' quotes are published daily (page JVVD on Reuters). Purchases from and sales to others (Columns 4 and 5) consist of transactions in benchmark government bonds between primary dealers and other parties. Other parties refer to all parties that are not primary dealers.

**Table 5.6 Source:** The Helsinki Stock Exchange.

#### 6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

**Table 6.1** The figures for the trade and goods and services accounts are compiled in accordance with the System of National Accounts. The figures for investment income and expenditure (Columns 7 and 16) include reinvested earnings on direct investment. Preliminary data on reinvested earnings in the previous year have been included in the current account figures. (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). As a result of the new classification, the contents of many of the items in the capital and financial account have been revised to some extent. In the same context, a number of other revisions and clarifications have been made. The main changes are listed below.

**Table 6.2** Short-term foreign exchange transfers related to cash management flows between direct investors and their direct investment enterprises are classified as direct investment (Columns 1 and 14). Loans received by resident direct investors from group 'in-house' finance companies located abroad (intra-group loans) are also classified as direct investment (Column 14). Money market instruments are classified as portfolio investment (Columns 5 and 17). Premiums and margin payments arising from transactions in financial derivatives are included as a new item under portfolio investment (Columns 6 and 18). Financial derivatives also 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 3 and 16). The category other investment (Columns 8-12 and 20-24) 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 8 and 20). The item

'Other' (Columns 11 and 23) includes transactions in 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' comprises banks' other short-term assets and liabilities (in practice inter-bank deposits). The central bank's reserve assets (Column 27) comprise gold, special drawings rights (SDRs), the reserve position in the IMF and convertible currency claims. 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. All tables refer to foreign trade in goods.

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

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

## 8 DOMESTIC ECONOMIC DEVELOPMENTS

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

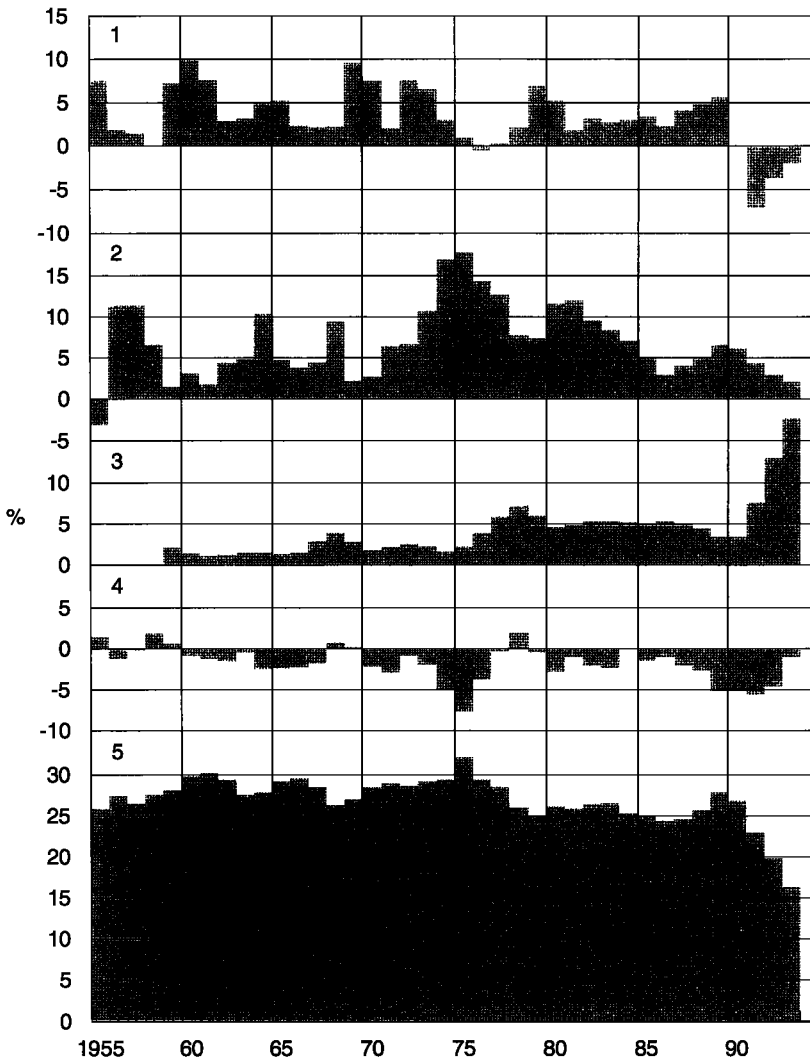
**Table 8.3** The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

**Table 8.4** The 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.

1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Rates of interest set by the Bank of Finland	S29
5. Banks' liquidity position with the Bank of Finland	S30
6. Liquidity management interest rates	S30
7. HELIBOR rates of interest, daily	S30
8. HELIBOR rates of interest, monthly	S31
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12. Daily spot rates for the markka against the Deutschmark and the US dollar	S32
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14. Monthly spot rates for the markka against the Deutschmark and the US dollar	S33
15. Monthly spot rates for the markka against the pound sterling and the Swedish krona	S33
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21. Net interest and dividend expenditure	S35
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27. Production	S38
28. Fixed investment	S38
29. Employment and the unemployment rate	S39
30. Prices and wages	S39
31. Central government finances	S40
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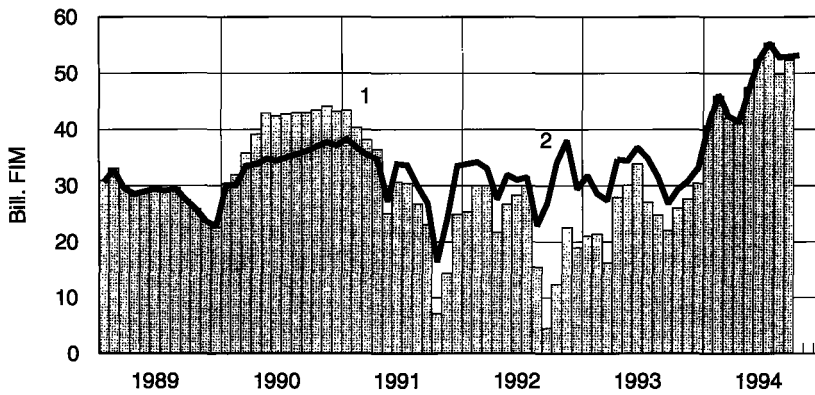
# 1. LONG-TERM INDICATORS



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

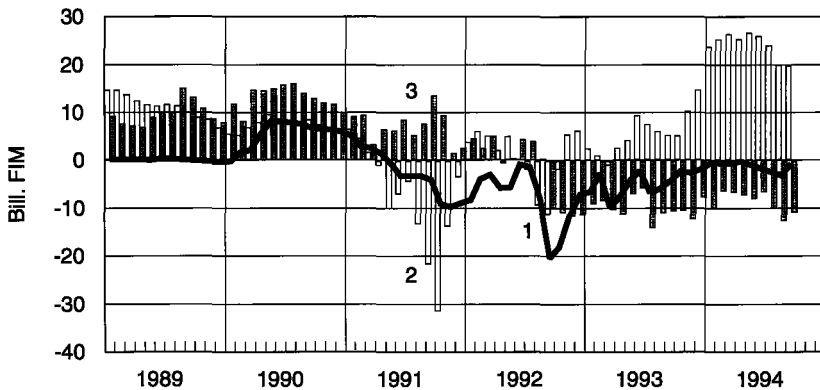


## 2. THE BANK OF FINLAND'S FOREIGN EXCHANGE RESERVES AND FORWARD POSITION



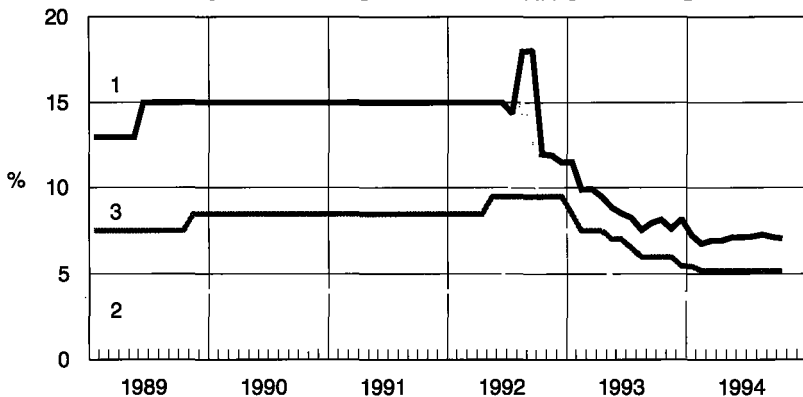
1. Foreign exchange reserves plus forward position
2. Foreign exchange reserves

## 3. FORWARD MARKET



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

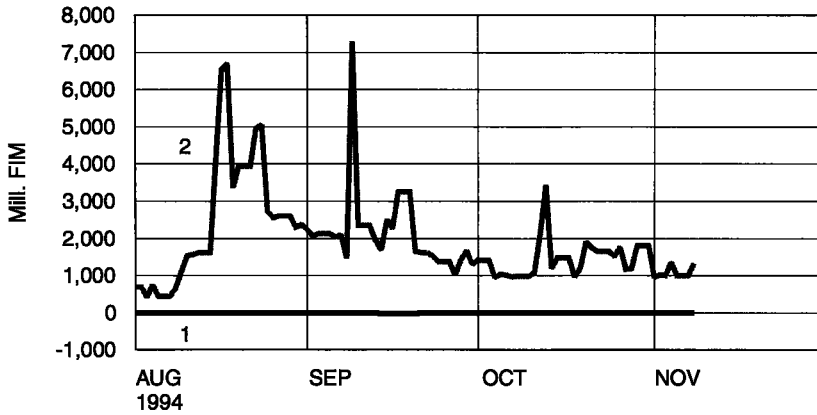
## 4. RATES OF INTEREST SET BY THE BANK OF FINLAND



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

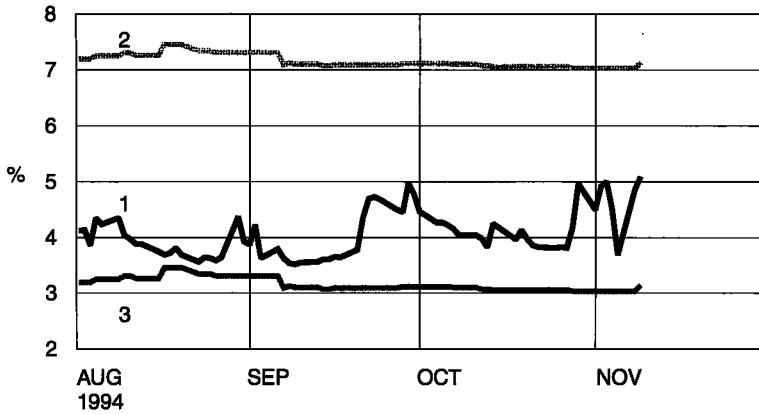
End-of-month observations

5. BANKS' LIQUIDITY POSITION WITH THE BANK OF FINLAND



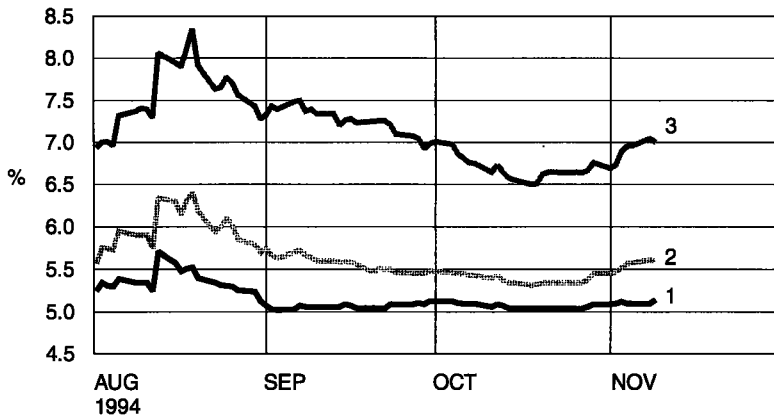
- 1. Liquidity credits (-)
- 2. Call money deposits

6. LIQUIDITY MANAGEMENT INTEREST RATES



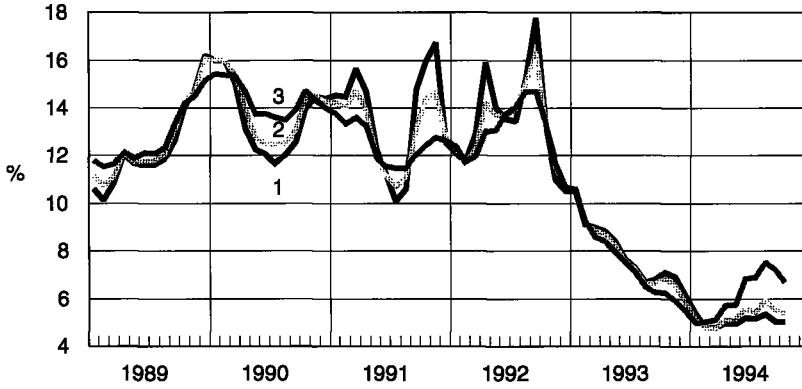
- 1. Inter-bank overnight rate
  - 2. Liquidity credit rate
  - 3. Call money deposit rate
- Daily observations

7. HELIBOR RATES OF INTEREST, DAILY



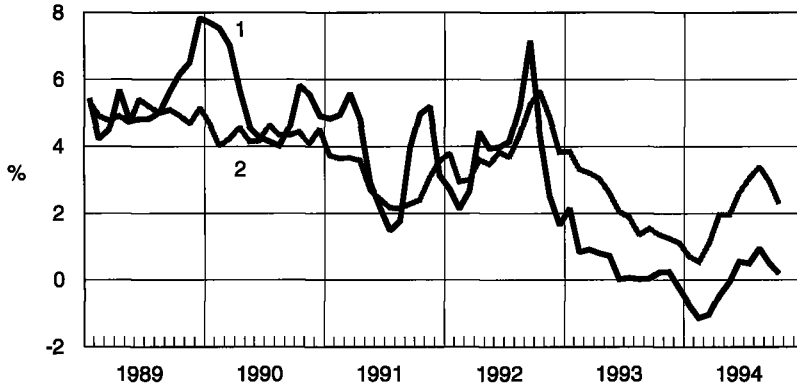
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

8. HELIBOR RATES OF INTEREST, MONTHLY



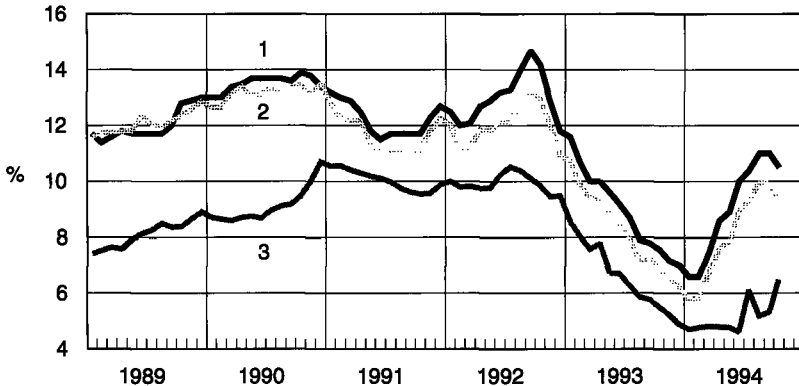
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

9. DIFFERENTIAL BETWEEN FINNISH AND GERMAN INTEREST RATES



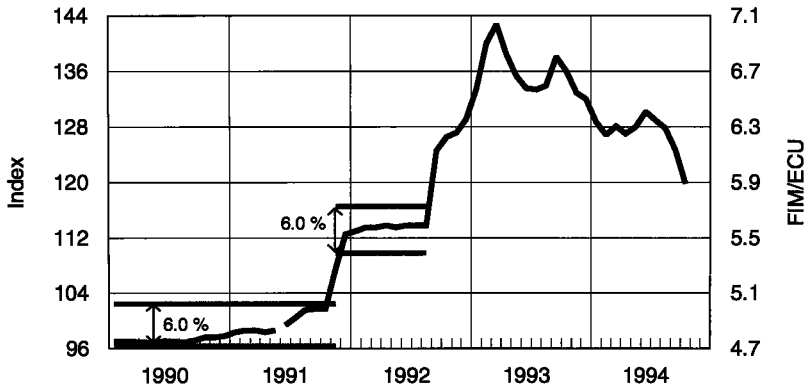
- 1. 3-month HELIBOR *minus* 3-month DEM eurorate
- 2. 5-year Finnish government bond yield *minus* 5-year German government bond yield

10. YIELDS ON BONDS



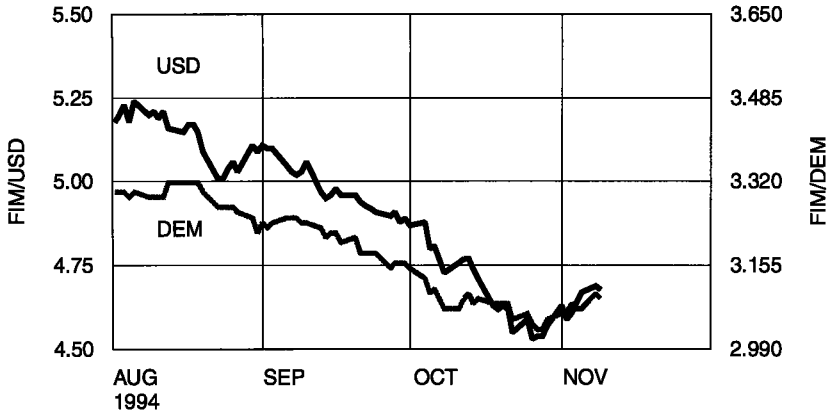
- 1. Bank of Finland's 5-year reference rate
- 2. Yield on (4-5 year) taxable government bonds
- 3. Yield on (4-5 year) taxfree government bonds

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



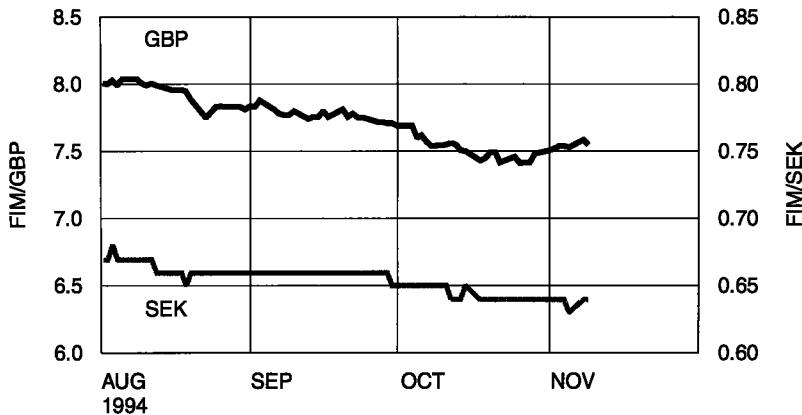
Until 7 June 1991, the Bank of Finland currency index. From 7 June 1991, the markka's exchange rate against the ECU, the fluctuation limits of which were 4.72953–5.02207 in the period 7 June – 14 November 1991, and 5.39166–5.72516 in the period 15 November 1991 – 7 September 1992. Since 8 September 1992,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

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



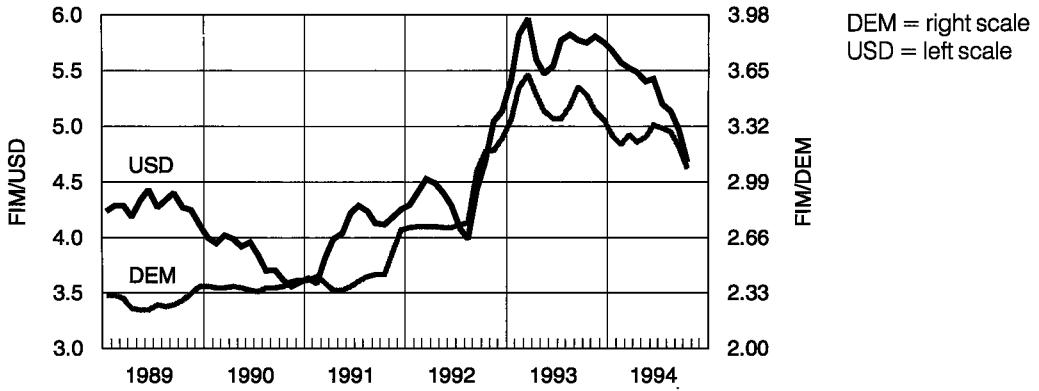
Middle rates  
DEM = right scale  
USD = left scale

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

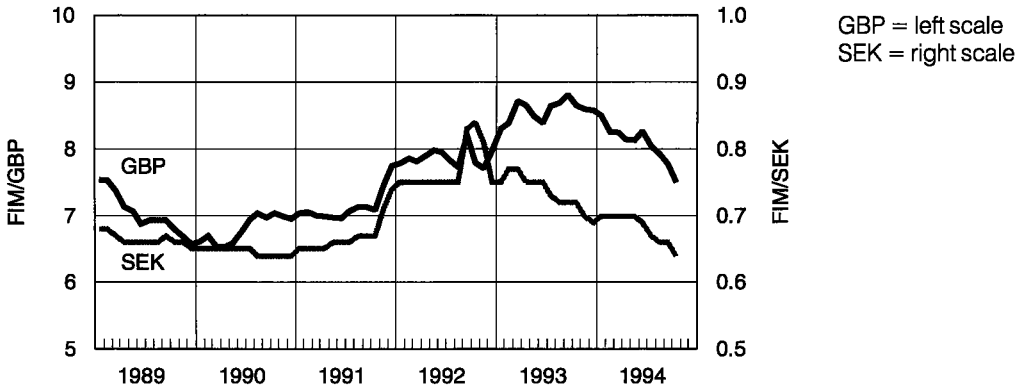


Middle rates  
GBP = left scale  
SEK = right scale

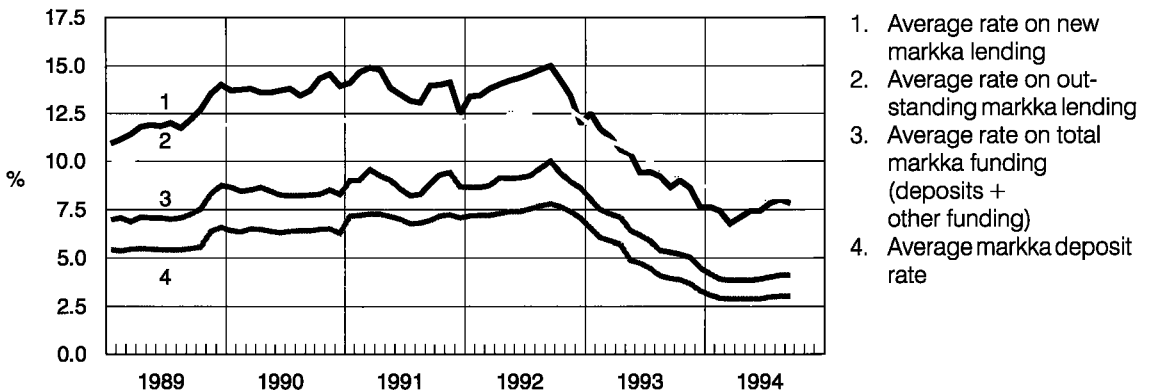
14. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE DEUTSCHMARK AND THE US DOLLAR



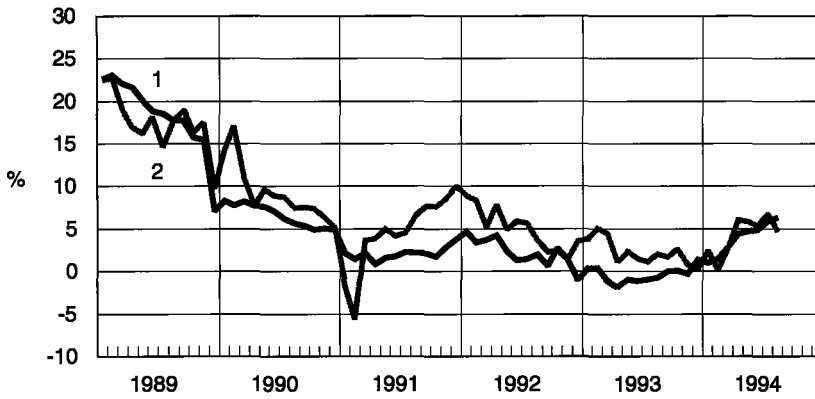
15. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE POUND STERLING AND THE SWEDISH KRONA



16. BANKS' MARKKA LENDING RATES AND MARKKA FUNDING RATES



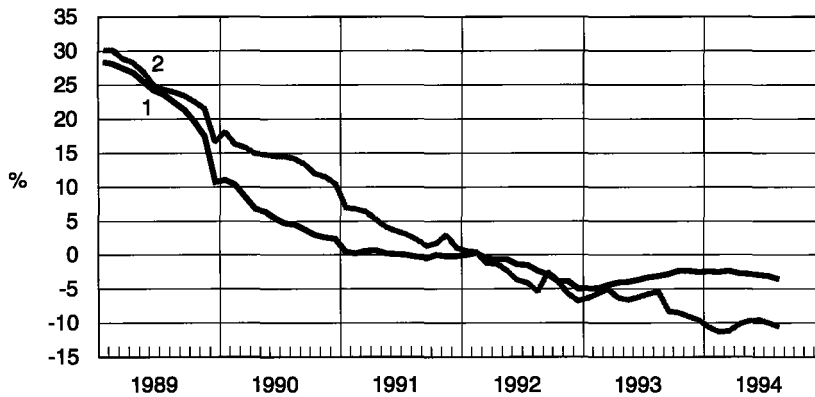
17. BANK FUNDING FROM THE PUBLIC



- 1. Markka deposits
- 2. Total funding

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

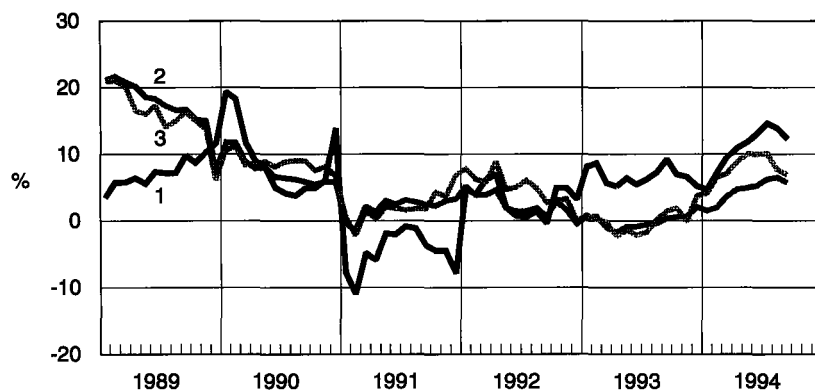
18. BANK LENDING TO THE PUBLIC



- 1. Markka lending
- 2. Total lending

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

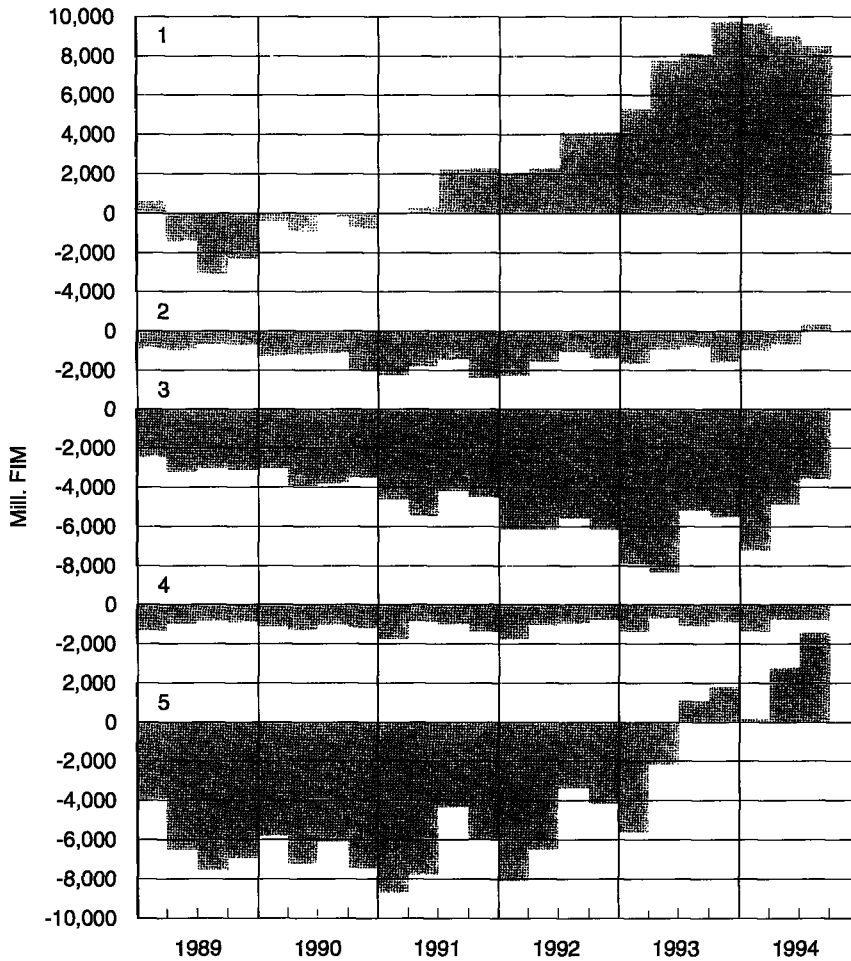
19. MONEY SUPPLY



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

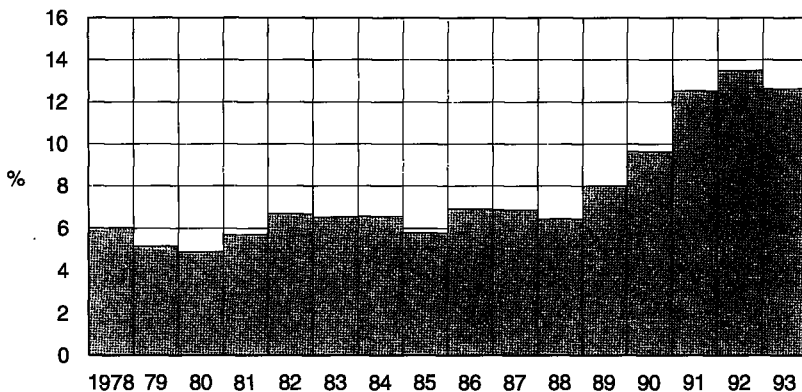
Change from the corresponding month of the previous year, per cent

20. CURRENT ACCOUNT



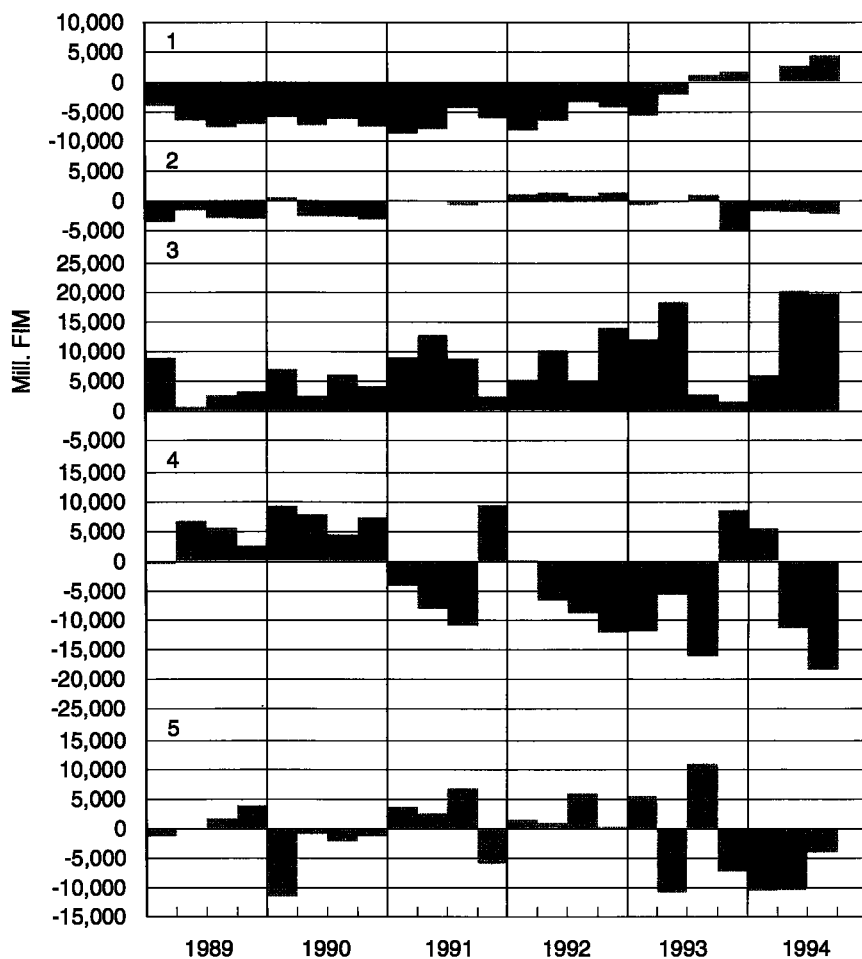
- 1. Trade account
- 2. Services account
- 3. Investment income account
- 4. Unrequited transfers account and other items, net
- 5. Current account

21. NET INTEREST AND DIVIDEND EXPENDITURE



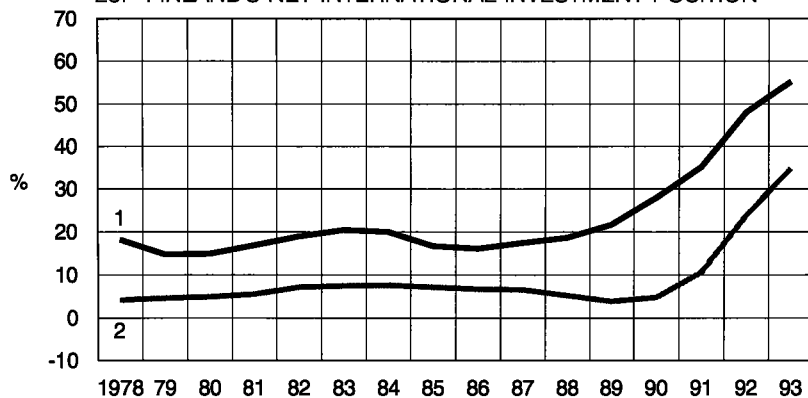
As a percentage of current account receipts

## 22. BALANCE OF PAYMENTS



1. Current account
2. Direct investment
3. Portfolio investment
4. Other investment
5. Change in central bank's reserve assets  
(increase = -)

## 23. FINLAND'S NET INTERNATIONAL INVESTMENT POSITION

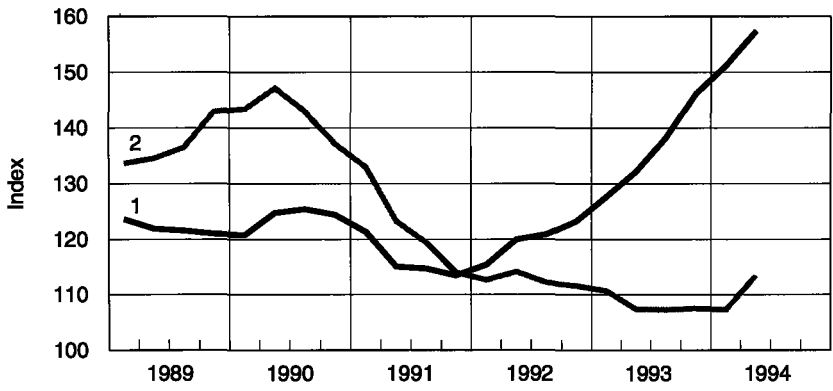


1. Total
2. Of which:  
central government

The stock of external liabilities minus the stock of external assets, as a percentage of GDP



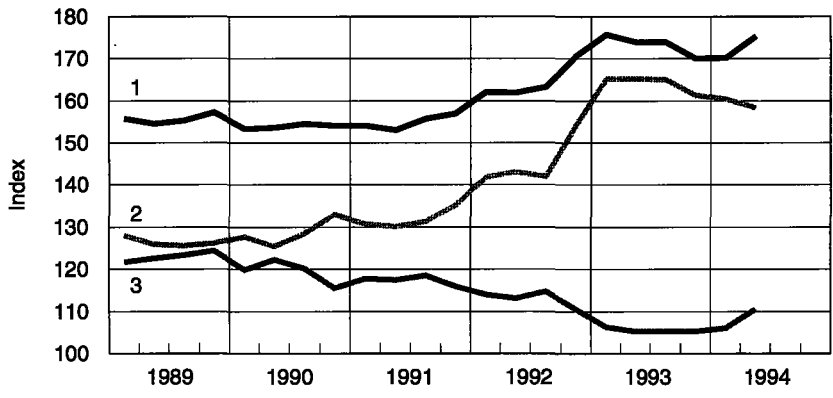
24. FOREIGN TRADE



1. Total exports
2. Total imports

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

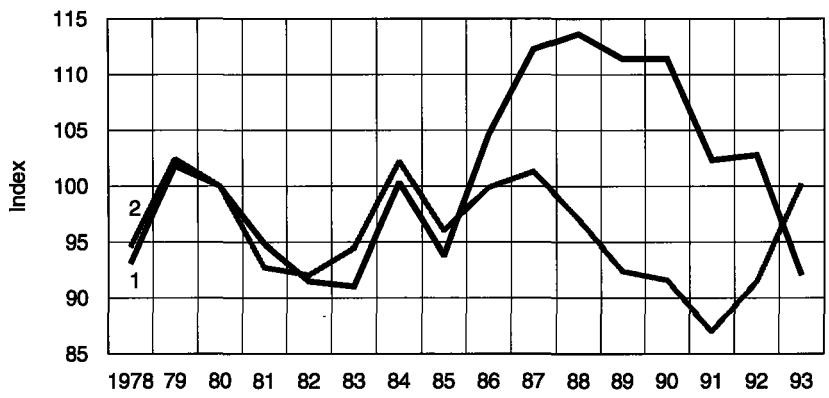
25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



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

1980 = 100

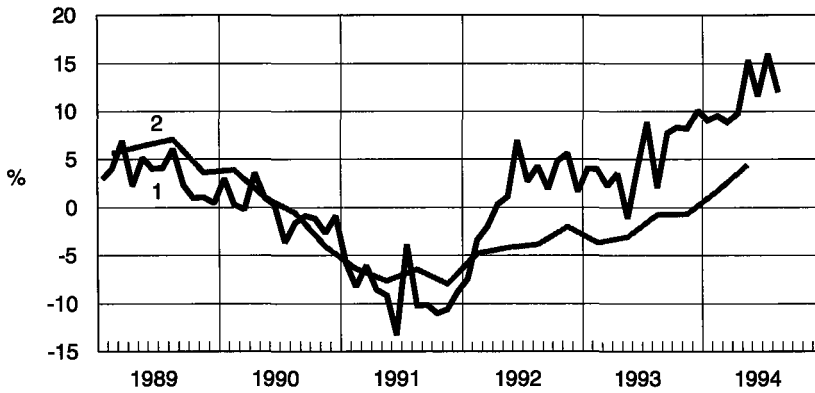
26. FINLAND'S EXPORT PERFORMANCE



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

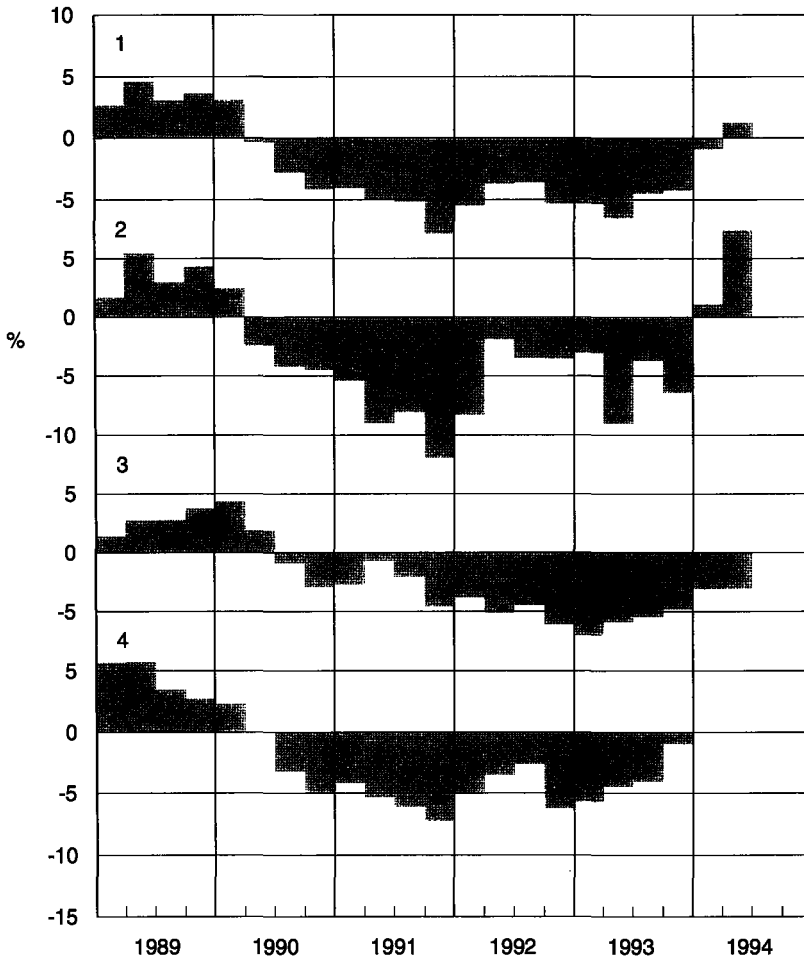
1980 = 100

## 27. PRODUCTION



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

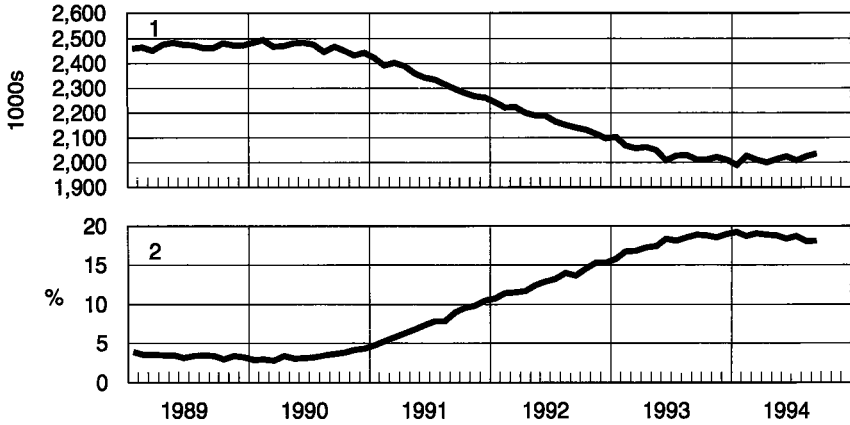
## 28. FIXED INVESTMENT



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

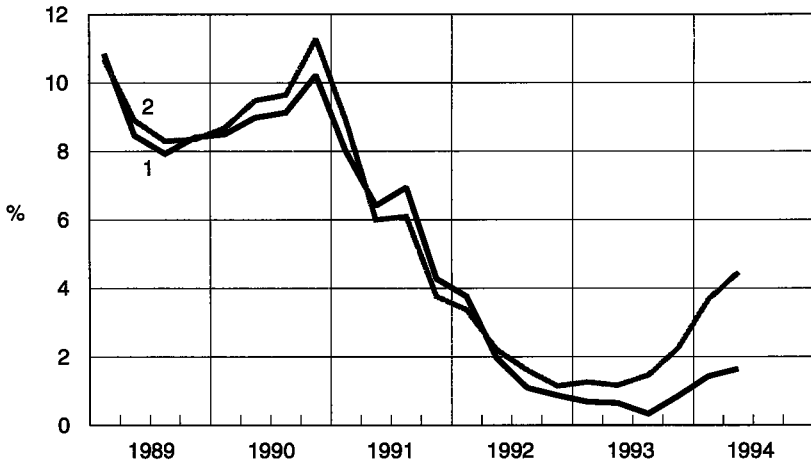
Volume changes calculated from four-quarter moving totals and plotted at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE



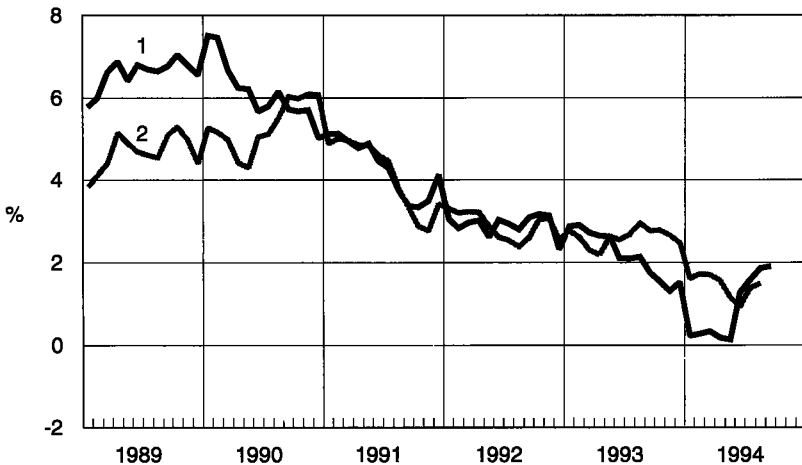
- 1. Employment, 1000 persons
- 2. Unemployment rate, per cent

30. PRICES AND WAGES



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

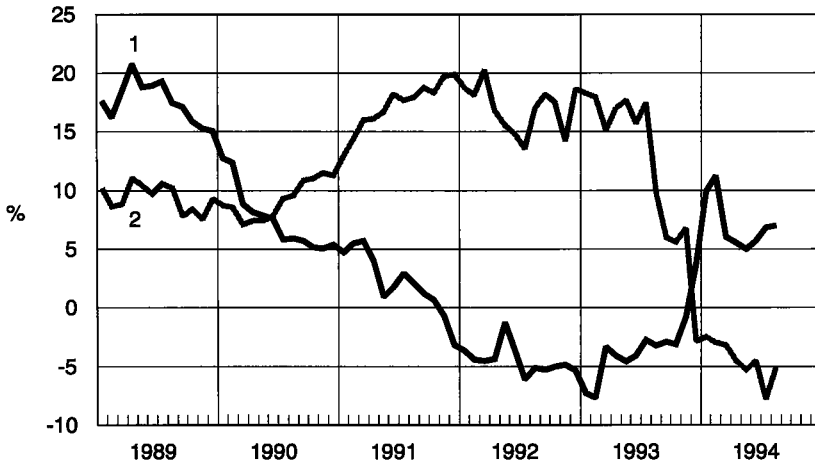
Change from the corresponding quarter of the previous year, per cent



- 1. Consumer price index
- 2. Indicator of underlying inflation

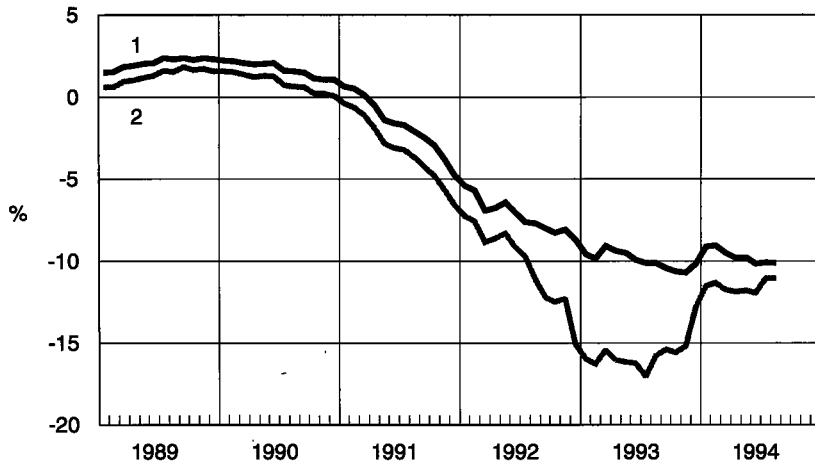
Change from the corresponding month of the previous year, per cent

31. CENTRAL GOVERNMENT FINANCES



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

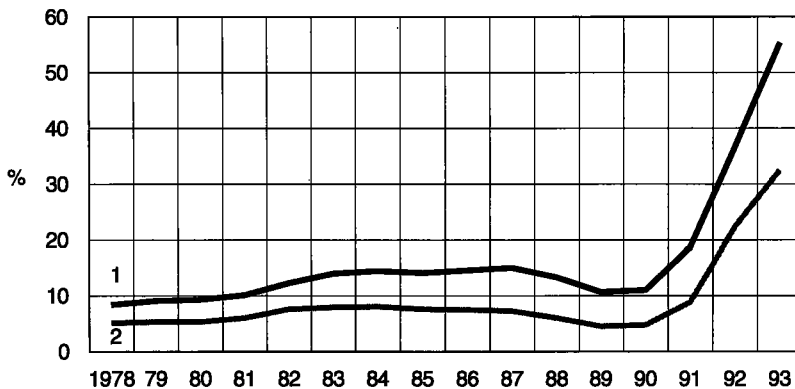
12-month changes calculated from 12-month moving totals and plotted at the last month, per cent



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

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

32. CENTRAL GOVERNMENT DEBT



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

As a percentage of GDP

# BANK OF FINLAND

30 June 1994

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TELLERVO RENKO

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Administration URPO LEVO

Data Processing PERTTI SIMOLA

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Financial Markets KAARLO JÄNNÄRI,  
Advisers to the Board: HEIKKI KOSKENKYLÄ,  
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Secretary to the Parliamentary Supervisory Board  
and the Board of Management

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Kuopio, Oulu, Tampere, Turku

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**SETEC OY** (Security Printing House fully owned by the Bank of Finland)

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VELI TARVAINEN, Managing Director

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