Reference rate and penalty interest rates for 1 January – 30 June 2022

Press release 28 December 2021 1:15 PM

In accordance with the Interest Rates Act (633/1982), the reference rate for the period 1 January – 30 June 2022 is 0.0%. The penalty interest rate for the same period is thus 7.0% pa (under section 4 of the Act, the reference rate plus seven percentage points).

The penalty interest rate applicable to commercial contracts is 8.0% pa (under section 4a of the Act, the reference rate plus eight percentage points). The higher penalty interest rate referred to in section 4a of the Act is applied to payments made by enterprises to other enterprises or by authorities to enterprises.

Under the section 12 of Interest Rates Act, the reference rate used in defining the penalty rate is the interest rate that was applied by the European Central Bank to the last main refinancing operation prior to the first calendar day of the half-year in question and rounded up to the nearest one-half percentage point. Such reference rate is effective for the following six-month period.

Bank of Finland sets intermediate targets for its own investment portfolio to achieve net-zero – investments in fossil fuels to be restricted from 2022

Press release 21 December 2021 9:00 AM

The Bank of Finland has decided on intermediate targets for its own investment activities in order to achieve carbon neutrality. In investment activities, the goal is net-zero by 2050 at the latest and shorter-term targets have now been set to ensure that goal will be achieved. *"Work to achieve net-zero must be done now, even though the timetable for the main goal extends further into the future. The intermediate targets will help us reduce transition and tail risks, and we will gain valuable experience from the impact of the intermediate targets,"* says Tuomas Välimäki, Member of the Bank of Finland Board responsible for investment activities.

In the setting of the intermediate targets, their effectiveness from the perspective of climate risks, the special characteristics of each asset class, the availability of information, and the effects on investment objectives were taken into account. A qualitative or quantitative target was set for each asset class. The goal is to set additional quantitative targets as more information becomes available on the results and effects of the first phase.

The intermediate targets will be reviewed and their results reported regularly. The next revision will be made to sector-specific restrictions on direct investments during 2022, for example with regard to Arctic oil drilling and other so-called unconventional forms of fossil fuel production. For the other intermediate targets, revisions will be made during 2025 at the latest. The intermediate targets may be reviewed and amplified much earlier if there are changes in the portfolio structure or the content of the portfolio.

The results will be reported as part of the general reporting of investment activities. This year, as part of the Eurosystem, the Bank of Finland has already agreed with other euro area central banks on a common stance for reporting climate risks, to calculate the carbon footprint of its own investment assets and to publish calculations on them.

By taking responsibility into account, it is possible to better manage, among other things, risks related to climate change and to meet growing expectations in terms of the impact of the central bank's own investment activities. The intermediate targets now decided will support the goals set by the Bank of Finland for its investment activities: security, liquidity, return and responsibility. *"By setting a climate goal and these intermediate targets, we are managing responsibly the central bank's investment activities. By channelling cash flows to low-carbon projects, we are reducing the climate risks to our investment portfolio and at the same time acting as an example – one of many,"* says Välimäki.

TABLE: Asset class-specific intermediate climate targets

Direct investments			Indirect investments		
Governments	Government-related	Corporate loans	Equities	Real estate	Other

First-phase intermediate target	Maintain the public debate on climate change, thus encouraging governments to set adequate national determined contributions in line with the Paris Climate Agreement	Encourage government-related issuers to set climate targets for their own investment activities	Sector-specific restrictions on coal, oil and gas*. (*Thermal coal: max. 2% of turnover Energy use of coal: max. 5% of turnover Oil drilling: max. 10% of turnover Gas production: max. 40% of turnover All restrictions will be taken into use during 2022. Unconventional oil and gas production will be addressed during 2022, when the necessary climate data are available.)	50% emission reduction target Invest in products or products of asset managers that have a sufficiently extensive and ambitious climate target/impact	Invest in products or products of asset managers that have a sufficiently extensive and ambitious climate target/impact	Invest in products or products of asset managers that have a sufficiently extensive and ambitious climate target/impact
Possible intermediate targets for the next phase	Quantitative target, for example, by changing portfolio weightings	Quantitative target based on the targets set in phase 1	New sector-specific restrictions (new sectors, tightening of current restrictions)	Tightening the emission reduction target		
Timetable	Next review point, by 2025 at the latest	Next review point, by 2025 at the latest	Next review point, 2022	Next review point, by 2025 at the latest	Next review point, by 2025 at the latest	Next review point, by 2025 at the latest

For additional information, please contact Anna Hyrske, Principal Responsible Investment Specialist, tel. +358 9 183 2070.

Read more:

Press release 14 September 2021: Bank of Finland sets climate target for its investment portfolio – carbon neutrality to be achieved by 2050 at the latest

Responsible investment at the Bank of Finland

Finnish economy’s robust growth being slowed by COVID-19

Press release 17 December 2021 11:00 AM

The Finnish economy has recovered swiftly from the deep recession caused by the COVID-19 crisis. *‘Consumption by households and a surge in investment by businesses will be the key drivers of growth. But the recovery is still uneven. The new virus variant in particular has quickly brought uncertainty to the economic outlook,’* says Bank of Finland Head of Forecasting Meri Obstbaum.

The Bank of Finland has published its economic forecast for the period 2021–2024. The Finnish economy will grow by 3.5% in 2021 and by 2.6% in 2022. Global disruptions in supply chains and in component availability, combined with high raw material prices, are blunting growth in the economy and driving inflation in Finland, as elsewhere. Growth will slow to 1.3% by 2024, reflecting the muted longer-term growth potential associated with an ageing population.

Inflation has gathered pace during 2021. In Finland and around the world, prices have been pushed up by the strong recovery in demand and the concurrent supply chain bottlenecks. The rise in energy prices has also been widespread and substantial. *‘The high crude oil price has fed through to consumers at the petrol pumps, and the rise in wholesale electricity prices has to a certain extent been passed on to consumer prices.Inflation will nevertheless slow during 2022, as energy prices are expected to start falling and supply bottlenecks to ease,’* says Obstbaum. Even so, the inflation outlook continues to be surrounded by significant uncertainty.

Although the economic situation remains strong, structural aspects of the economy will limit potential growth. The rapid uplift in employment will level off after the most rapid phase of growth in the economy has passed. *‘A shortage of suitable labour, making it hard to fill vacancies, is also holding back employment growth. Unemployment is still higher than before the pandemic, and for many it has become protracted. If the mismatch problems on the labour market become worse, an increase in job vacancies will not lead to a significant fall in unemployment,’* says Obstbaum.

The COVID-19 crisis has given rise to an expanded level of debt in Finland’s public finances. The recovery in the economy will help to remedy the deficit, but the public finances will nevertheless still be in deficit at the end of the forecast period. The ratio of general government debt to GDP in 2024 will be distinctly higher than its pre-pandemic level. The amount of debt will also be swelled by defence procurement expenditure, among other things.

Growth in the economy will be affected by many unforeseeable factors. Growth could therefore be lower than forecast, particularly in the immediate years ahead. The biggest risks relate to a renewed deterioration in the pandemic. Significant new virus variants could emerge in the future, too. In addition, continued supply disruptions will bring further economic uncertainty and could have a considerable impact on the economy.

On the other hand, the economy might perform better than expected. As the caution due to the pandemic subsides, households could begin to spend the savings they have accrued during the pandemic to purchase goods and services. Corporate investment could also increase to a greater extent than anticipated.

- Presentation 17 December 2021, Head of Forecasting Meri Obstbaum
- Euro ja talous publication website

Economy growing in the shadow of COVID-19 – monetary policy support still needed

Press release 17 December 2021 11:00 AM

Finland's economy and the euro area economy are continuing to recover strongly, although the quickest phase of growth is beginning to fade. The monetary policy pursued by central banks has helped businesses and households weather the effects of the COVID-19 crisis and has supported economic growth. Uncertainty has increased, however, particularly on account of the deterioration in the pandemic. *'Bringing the pandemic under control remains central both in terms of people's health and for the economy,'* says Bank of Finland Governor Olli Rehn.

In the early phase of the COVID-19 crisis, euro area inflation slowed substantially. During the course of 2021, inflation has increased, and was 4.9% in November. The surge in inflation is explained by the rise in energy prices, the low level of prices in the comparison period and production bottlenecks.

Even if inflation remains high for longer than anticipated, the forces driving it are to a great extent expected to subside next year. *'There is considerable uncertainty about the path which inflation will take, and I'm well aware that rising inflation feeds through to our everyday lives,'* says Governor Rehn. *'The factors that have been driving inflation this year will not themselves lead to a longer term upsurge in inflation, unless they are accompanied by second-round effects and a wage-price spiral,'* continues Rehn.

At its December 2021 meeting, the European Central Bank's Governing Council determined that the progress on economic recovery and towards its medium-term inflation target permits a step-by-step reduction in the pace of its asset purchases. *'Net asset purchases under the pandemic emergency purchase programme can be discontinued at the end of March 2022, as the economy and inflation are recovering from their low levels during the pandemic. As a whole, monetary policy will remain accommodative to ensure that inflation stabilises at its 2% target over the medium term,'* explains Governor Rehn.

Under stressed conditions, the Governing Council of the ECB stands ready to adjust all of its monetary policy instruments, as appropriate and in a flexible manner. The Governing Council decided that flexibility will remain an element of monetary policy whenever threats to monetary policy transmission jeopardise the attainment of price stability.

The COVID-19 crisis has led to a substantial rise in Finland's public debt. Alleviating the effects of the pandemic using public funds has been justified during the acute phase of the crisis. Once the economy is on a stronger footing, an expansionary fiscal policy becomes less effective in supporting growth and employment. *'With the economy now standing on firm ground, there is good reason to change direction in order to prepare for the ageing of the population and to strengthen the sustainability of our public finances,'* underlines Governor Rehn.

'To bring the public finances onto a sustainable path, it may be of help to have a comprehensive, regularly prepared review that critically examines each expenditure item.Such a spending review would be most meaningful if it has the support of decision-makers and is commissioned by them,' he adds.

According to the Bank of Finland's new long-term forecast, economic growth in Finland will average 1.2% per annum over the next 20 years.Finland's population will decline, and labour productivity growth will be sluggish. The outlook for productivity is dampened by the likelihood that the average level of education in the population will begin to fall in the decades ahead. *'The growth prospects for the Finnish economy can be boosted by investing in education and improving the possibilities for hiring globally. Strengthening the incentives to search for employment will also be important,'* explains Governor Rehn.

- Presentation 17 December 2021, Governor Olli Rehn
- Euro ja talous publication website

The IMF's concluding statement on the Finnish economy

Press release 19 November 2021 10:00 AM

The International Monetary Fund’s (IMF) delegation currently visiting Finland has submitted its concluding statement on the Finnish economy and the stability of the financial sector to the authorities.

The statement is based on discussions held by IMF representatives with Finnish authorities as well as representatives of social partners, private financial institutions, research institutes and other relevant parties.

The concluding statement can be accessed in full on the IMF’s and Bank of Finland’s websites (www.imf.org) and (www.suomenpankki.fi), respectively.

Concluding Statement (PDF)

Summary (PDF)

Marja Nykänen continues on the Board of the Bank of Finland

Press release 29 October 2021 10:20 AM

The Parliamentary Supervisory Council has today appointed Master of Laws (trained on the bench) Marja Nykänen as a member of the Bank of Finland Board for a new 5-year term beginning on 1 February 2022. At the same time, the Parliamentary Supervisory Council has re-appointed Ms Nykänen to the role of Deputy Governor as from 1 February 2022.

Marja Nykänen has been a member of the Board of the Bank of Finland since 2017 and Deputy Governor since 2018.

For further information, please contact the Chair of the Parliamentary Supervisory Council, Antti Lindtman (tel. +358 40 577 6255).

Governor of the Bank of Finland to attend IMF Annual Meetings

Press release 14 October 2021 9:00 AM

The Governor of the Bank of Finland, Olli Rehn will participate virtually in the Annual Meetings of the International Monetary Fund (IMF) and the World Bank to be held during week 41. Governor Rehn represents Finland on the Fund's Board of Governors.

During the week, the International Monetary and Financial Committee and the Development Committee, a joint forum of the IMF and the World Bank, will convene for meetings.

The Bank of Finland will also be represented virtually by Deputy Governor Marja Nykänen and experts from the Bank.

For further information, please contact Satu Kivinen, Head of Division, tel. +358 9 183 2329.

Bank of Finland Museum’s autumn focus is on climate change and the new monetary policy strategy

Press release 1 October 2021 1:15 PM

The Bank of Finland Museum’s events for the public in autumn 2021 will focus on the European Central Bank’s new monetary policy strategy and climate change.

Through its events for the public, the Bank of Finland hopes to foster financial literacy and awareness of the financial markets. It also hopes to further dialogue with the general public.

The events are open to all and free of charge; they will be held online, unless otherwise stated, and will be broadcast from the premises of the Bank of Finland Museum. All events will begin at 17:00, and after each event a recording will be made available on the Museum’s web pages.

Tues 12.10. **Stress tests for the financial sector: what, how and then what?**

Chief Analyst Sampo Alhonsuo, Financial Supervisory Authority

Tues 26.10. **Investment climate goals at the central bank**

Principal Responsible Investment Specialist Anna Hyrske

Tues 9.11. **The ECB’s new monetary policy strategy**
Bank of Finland Governor Olli Rehn

Tues 16.11. **Talouskirja nyt discussion series: Kaikki kuluttamisesta (‘All you need to know about consumption’), Julia Thurén**

Deputy Governor Marja Nykänen, Editor-in-Chief Antti Oksanen, Director Mari Pantsar from the Finnish Innovation Fund Sitra and the author Julia Thurén discuss Thurén’s book and the topic of responsible consumption.

Tues 30.11. **Financial literacy in a time of change**

Adviser Anu Raijas

Tues 7.12. **Impact of climate change on government bonds as an investment**

Senior Risk Specialist Mikko Sinersalo, Financial Supervisory Authority

Thu 9.12. **Talouskirja nyt discussion series: Väistämättä (‘Inescapably’)**

Governor Olli Rehn, Lauri Lyly (President of the Central Organisation of Finnish Trade Unions (2009–16) and Mayor of the City of Tampere (2017–21)) and Director General Jyri Häkämies of the Confederation of Finnish Industries (EK) discuss the latter’s new book.

For more information, please contact Museum Curator Jaakko Koskentola, tel. +358 9 183 2607 or Communications Specialist Katri Heikkinen, tel. +358 9 183 2655.

Application period for post of Bank of Finland Board member has concluded

Press release 20 September 2021 2:00 PM

By 12:00 on Monday 20 September, 2021 – the end of the application period for the post of Member of the Board at the Bank of Finland– one application had been received. The sole applicant was the current Deputy Governor, Marja Nykänen, Master of Laws (trained on the bench).

For more information, please contact Antti Lindtman, Chairman of the Parliamentary Supervisory Council (tel. +358 40 577 6255).

Monetary policy supporting sustainable economic recovery and a brighter outlook for inflation

Press release 16 September 2021 11:00 AM

The global economy will recover from the COVID-19 pandemic, bolstered by increasing vaccination coverage and support from economic policy. The steep contraction will give way to growth of 6% this year. *'Euro area growth is robust, but it still needs support from economic policy. The outlook is overshadowed by production bottlenecks, the possibility of new virus variants as well as low vaccination rate in the developing world,'* notes Bank of Finland Governor Olli Rehn.

Strong monetary and fiscal policy measures have reduced the longer-term economic scars in many countries. Monetary policy has helped maintain favourable financing conditions, while central bank balance sheets have expanded. Favourable financing conditions and public support measures have facilitated business and household access to credit. Growth in general government debt will thus be more marked than during crises on average.

Inflation was subdued during the early phase of the COVID crisis. In the present year, euro area inflation has been fuelled by the low level of prices in the reference period, the rise in commodity prices and production bottlenecks. These factors are estimated to push up inflation temporarily. In the medium term, euro area inflation will be dampened by economic slack and moderate wage pressures. *'The task of monetary policy is to maintain favourable financing conditions for a sufficiently long period for the economy to continue its recovery and to offset the negative impact of the pandemic on inflation,'* stresses Governor Rehn.

In line with the ECB's new monetary policy strategy, price stability is best maintained by aiming symmetrically for 2% inflation over the medium term. Negative and positive deviations from this target are considered as equally undesirable. *'The new monetary policy strategy contributes to a more solid anchoring of inflation expectations at the target level and helps to ensure that negative deviations from the inflation target do not become entrenched,'* emphasises Governor Rehn.

In line with the new strategy, the monetary policy stance remains strongly accommodative. In its meeting on 9 September 2021, the Governing Council of the ECB confirmed its monetary policy measures. The Governing Council did, however, judge that favourable financing conditions can be maintained with a moderately lower pace of net asset purchases under the pandemic emergency purchase programme (PEPP).

Both fiscal and monetary policy are providing a stimulus to the euro area economy. Strong public measures have been justified to mitigate the effects of the pandemic. At the same time, the high debt ratios in euro area countries weaken the conditions for sustainable economic developments. '*Even though a rise in interest rates is not yet within sight, it will nevertheless one day take place. This should be taken into account in budgetary planning in all the euro area countries,'* notes Governor Olli Rehn.

- *Presentation 16 September 2021, Governor Olli Rehn*
- *Presentation 16 September 2021, The Head of the Monetary Policy and International Economy division Hanna Freystätter*
- *Interim forecast for the Finnish economy (in Finnish)*
- *Euro & talous -publication website*

Bank of Finland sets climate target for its investment portfolio – carbon neutrality to be achieved by 2050 at the latest

Press release 14 September 2021 9:00 AM

The Bank of Finland has decided on a climate target for its own investment activities, which will assist in the management of investment portfolio risks. The goal is carbon neutrality by 2050 at the latest. *"The Bank of Finland is involved in combating climate change. By preparing for the various effects of climate change, we reduce transition and tail risks and thus aim for a better return-to-risk ratio for our investments. In practice, combating climate change requires channelling cash flows to low-carbon investments, which also reduces the portfolio's carbon footprint,"* says Tuomas Välimäki, Member of the Bank of Finland Board responsible for investment activities.

For equity and corporate bond investments, it is possible to achieve the carbon neutrality target even before the 2050 target for the entire portfolio[1]. To achieve this goal, the Bank of Finland is preparing a climate roadmap and intermediate targets, which will be published later. In some of the intermediate targets, investments in companies producing fossil fuels, for example, will be restricted and there will be a gradual shift in equity investments towards low-carbon investment products in line with the Paris Climate Agreement. With regard to indirect investments, asset managers or products that have credible climate targets will be selected, and the achievement of these targets will be monitored regularly during the investment lifecycle. Initial thresholds, asset class intermediate targets, and timing of intermediate targets will be specified later.

A significant proportion of the Bank of Finland's investment portfolio consists of foreign exchange reserves in the form of bonds issued by various countries, which are key to perform central bank tasks. Achieving the target set for the entire portfolio will require active measures by states to comply with their Paris Climate Agreement commitments. The Bank of Finland will continue to contribute to public discussion in order to increase the coverage and comparability of the information required to combat climate change and support decision-making.

The calculation of carbon neutrality takes into account the greenhouse gas emissions defined in the Kyoto Protocol. In the initial phase, the calculation includes direct emissions from investments (Scope 1) and emissions from purchased energy (Scope 2). As the calculation methodology develops, it may also take into account indirect emissions (Scope 3).

The aim of the Bank of Finland's investment activities is to meet the liquidity, safety and return requirements set for central bank assets.In addition to these traditional central bank investment objectives, the Bank of Finland has set responsibility as a fourth objective guiding its investment activities.

By taking responsibility into account, it is possible to better manage, among other things, risks related to climate change and to meet growing expectations in terms of the impact of the central bank's own investment activities. *"We have also committed to responsible investment activities by signing the UN-backed Principles for Responsible Investment (PRI) in late 2019. By signing the PRI, we incorporate environmental and social and corporate governance issues into our investment activities,"* says Välimäki.

This year, as part of the Eurosystem, the Bank of Finland has already agreed with other euro area central banks on a common stance for reporting climate risks, to calculate the carbon footprint of its own investment assets and to publish calculations on them. The Eurosystem's joint decisionconcerned euro-denominated portfolios that euro area central banks manage under their own responsibility. The Bank of Finland has decided to report on its investments more extensively than the common stance by including non-

euro denominated assets in the reporting. The Bank of Finland estimates that information on the carbon footprint of investments may be published during 2022.

For additional information, please contact Anna Hyrske, Principal Responsible Investment Specialist, tel. +358 9 183 2070.

Read more about responsible investment

[1] The target applies to the Bank's entire investment portfolio, excluding gold, for which an internationally accepted carbon footprint method does not yet exist.

A vacancy opening on the Board of the Bank of Finland

Press release 1 September 2021 10:00 AM

A position for Member of the Board of the Bank of Finland is due to become vacant on 1 September 2021. At its meeting yesterday, the Parliamentary Supervisory Council decided to initiate an application procedure to fill the vacancy. A member of the Board serves a five-year term, and the vacancy will be filled up as of 1 February 2022.

The eligibility criteria for a Member of the Board are a higher academic degree appropriate for the position, conversance with the monetary economy or financial operations and proven management skills and management experience. In filling the vacancy, special emphasis will be placed on competence in financial markets and banking operations.

Persons interested in applying for the post are requested to submit their application, addressed to the Parliamentary Supervisory Council and with their CV attached, electronically via the website www.suomenpankki.fi/rekry by 12.00 noon on Monday 20 September 2021.

For further information, please contact Antti Lindtman, Chairman of the Parliamentary Supervisory Council, tel. +358 40 577 6255.

Eurosystem launches digital euro project

Press release 14 July 2021 3:00 PM

- Investigation phase of digital euro project to last 24 months
- Design to be based on users' preferences and technical advice by merchants and intermediaries
- No technical obstacles identified during preliminary experimentation phase

The Governing Council of the European Central Bank (ECB) has decided today to launch the investigation phase of a digital euro project. Following the decision, the President of the Eurogroup Paschal Donohoe joined the meeting, congratulated the Governing Council and expressed his full support for the project.

"It has been nine months since we published our report on a digital euro. In that time, we have carried out further analysis, sought input from citizens and professionals, and conducted some experiments, with encouraging results. All of this has led us to decide to move up a gear and start the digital euro project", says ECB President Christine Lagarde. "Our work aims to ensure that in the digital age citizens and firms continue to have access to the safest form of money, central bank money".

The investigation phase will last 24 months and aim to address key issues regarding design and distribution. A digital euro must be able to meet the needs of Europeans while at the same time helping to prevent illicit activities and avoiding any undesirable impact on financial stability and monetary policy. This will not prejudge any future decision on the possible issuance of a digital euro, which will come only later. In any event, a digital euro would complement cash, not replace it.

"We will engage with the European Parliament and other European decision-makers and inform them regularly about our findings. Citizens, merchants and the payments industry will also be involved", says ECB Board Member Fabio Panetta, Chair of the High-Level Task Force on a digital euro.

During the project's investigation phase, the Eurosystem will focus on a possible functional design that is based on users' needs. It will involve focus groups, prototyping and conceptual work. The investigation phase will examine the use cases that a digital euro should provide as a matter of priority to meet its objectives: a riskless, accessible, and efficient form of digital central bank money.

The project will also shed light on the changes to the EU legislative framework which might be needed and that will be discussed with, and decided by, European co-legislators. The ECB will continue to engage with the European Parliament and other European policymakers throughout the project's investigation phase. The technical work on the digital euro with the European Commission will also be intensified.

Finally, the investigation phase will assess the possible impact of a digital euro on the market, identifying the design options to ensure privacy and avoid risks for euro area citizens, intermediaries and the overall economy. It will also define a business model for supervised intermediaries within the digital euro ecosystem. A market advisory group will take account of prospective users' and distributors' views of a digital euro during the investigation phase. Those views will also be discussed by the Euro Retail Payments Board.

The investigation phase will benefit from the experimentation work done by the ECB and the euro area national central banks over the past nine months, which has involved participants from academia and the private sector.

Experiments were conducted in the four following areas: the digital euro ledger; privacy and anti-money laundering; limits on digital euro in circulation; end-user access while not connected to the internet and facilitating inclusiveness with appropriate devices. No major technical obstacles were identified to any of the assessed design options.

Both the Eurosystem TARGET Instant Payment Settlement (TIPS) and alternatives such as blockchain were proven capable of processing more than 40,000 transactions per second. The experiments also suggested that architectures combining centralised and decentralised elements are possible.

According to these experiments, a digital euro core infrastructure would be environmentally friendly: for the architectures that were tested, the power used to run tens of thousands of transactions per second is negligible compared with the energy consumption of crypto-assets such as bitcoin.

These practical findings will provide useful input for the investigation phase.

For media queries, please contact Alexandrine Bouilhet, tel.: +49 172 174 93 66.

Notes:

- ECB Blog post by Fabio Panetta
- Digital euro report
- Digital euro hub page

A total of 298 counterfeit euro banknotes found in Finland in the first half of 2021

Press release 9 July 2021 2:00 PM

In the first half of 2021, a total of 298 counterfeit euro banknotes were detected among banknotes in circulation in Finland. This represents a drop to around a third of the number of counterfeits in the corresponding period of 2020, when 908 counterfeits were found in circulation.

'There are very few counterfeit banknotes in circulation in Finland, and it is unlikely that you will get one in your hand,' says Olli Vehmas, Banknote Specialist at the Bank of Finland. *'It is, however, good to remember you should always check the security features when handling banknotes,'* Vehmas continues.

Among the banknotes in circulation in Finland in the first half of 2021, the EUR 20 was the most frequently discovered counterfeit note (118 counterfeits), followed by the EUR 10 (89 counterfeits) and EUR 50 (80 counterfeits).

Period (the first or second half of the year)	**1/2019**	**2/2019**	**1/2020**	**2/2020**	**1/2021**
Number of counterfeits	**426**	**554**	**908**	**588**	**298**

The new series of euro banknotes will help prevent counterfeiting. The banknote security features involve the latest technology, as a result of which banknote counterfeiting is even more difficult than before. The new EUR 100 and EUR 200 banknotes were issued in 2019. The other denominations were issued earlier.

A number of security features have been incorporated into euro banknotes for authentication purposes. Banknote authenticity can be checked using simple tests, i.e. by feeling the raised print, looking at the banknote against the light and tilting it. When in doubt, a suspect banknote should be compared directly with one that is known to be genuine. Instructions and guides for checking banknote authenticity can be found on the Bank of Finland website Money and payments (suomenpankki.fi).

For further information, please contact:

Olli Vehmas, Banknote Specialist, Bank of Finland, tel. +358 9 183 3410

Kristian Meismaa, Detective Sergeant, National Bureau of Investigation, tel. +358 295 486 837

European Central Bank renews its monetary policy strategy

Press release 9 July 2021 10:00 AM

On 7 July 2021, the Governing Council of the European Central Bank (ECB) completed the monetary policy strategy review. The strategy describes how the ECB will maintain price stability in the euro area and what objectives it sets for its monetary policy. *'A stable and predictable outlook for prices and hence public confidence in the preservation of purchasing power are key prerequisites for sustainable economic growth and full employment.To a large extent, balanced economic growth, full employment and price stability are mutually consistent objectives,'* says Bank of Finland Governor Olli Rehn.

According to the new strategy, price stability is best maintained by aiming for a 2% inflation target over the medium term. This target is symmetric, meaning the Governing Council considers negative and positive deviations of inflation from the target as equally undesirable. The 2% inflation target provides a clear anchor for inflation expectations, which is essential for maintaining price stability. *'The new inflation target is clearly symmetric and unambiguous,'* stresses Governor Rehn.

The economic environment has undergone profound structural changes since the ECB's previous strategy review in 2003. Long-term structural trends, in particular slower productivity growth and the ageing of the population, have slowed the pace of growth in the economy and driven down equilibrium real interest rates. Due to the proximity of the zero lower bound, this has reduced the scope for the ECB and other central banks to achieve their objectives by exclusively relying on traditional instruments, primarily changes in policy interest rates. Forward guidance, asset purchases and longer-term refinancing operations have helped to partially overcome the constraints induced by the lower bound and will continue to be used as appropriate.

To maintain the symmetry of its inflation target, the Governing Council recognises the importance of taking into account the implications of the effective lower bound. *'When the economy is close to the lower bound, this requires especially forceful or persistent monetary policy measures to avoid negative deviations from the inflation target becoming entrenched. This may also imply a transitory period in which inflation is moderately above target,'*explains Governor Rehn.

Without prejudice to the price stability objective, the Governing Council will in the medium term take into account factors relating to e.g. full employment and financial stability. *'The setting of a medium-term inflation target will also allow other important objectives, such as full employment, to be emphasised in decision-making, naturally without prejudice price stability,'* says Governor Rehn.

Climate change will impact structural and cyclical developments in the economy and the financial system. *'The Governing Council stresses that it is committed to systematically take factors relating to environmental sustainability into account in its monetary policy,'* states Governor Rehn.

The new strategy is based on extensive expertise and research as well as on dialogue with the peoples of Europe. The Bank of Finland's research has played a key role in assessing the success of the current inflation target. The ECB and the national central banks have listened to their citizens' views on inflation, employment and sustainable economic growth. *'The dialogue does not end here. We must be able to understandably communicate our decisions, which will have an impact on almost all financial decisions people will make,'* says Governor Rehn.

The update of the monetary policy strategy was launched at the beginning of 2020. The previous strategy was introduced in 1998 and further defined in 2003. In future, the Governing Council will assess its strategy regularly. The next assessment is scheduled for 2025.

For more information, please contact Jenni Hellström, tel. +358 (0)9 183 2632.

Links: The ECB’s new monetary policy strategy

The ECB’s monetary policy strategy statement

Press release 8 July 2021 2:30 PM

The Governing Council of the European Central Bank (ECB) has today published its new monetary policy strategy, which it has set out in a monetary policy strategy statement.

ECB presents action plan to include climate change considerations in its monetary policy strategy

Press release 8 July 2021 2:25 PM

The ECB's Governing Council is strongly committed:

- to further incorporating climate change considerations into its monetary policy framework;
- to expanding its analytical capacity in macroeconomic modelling, statistics and monetary policy with regard to climate change;
- to including climate change considerations in monetary policy operations in the areas of disclosure, risk assessment, collateral framework and corporate sector asset purchases;
- to implementing the action plan in line with progress on the EU policies and initiatives in the field of environmental sustainability disclosure and reporting.

The Governing Council of the European Central Bank (ECB) has decided on a comprehensive action plan, with an ambitious roadmap (see annex) to further incorporate climate change considerations into its policy framework. With this decision, the Governing Council underlines its commitment to more systematically reflect environmental sustainability considerations in its monetary policy. The decision follows the conclusion of the strategy review of 2020-21, in which the reflections on climate change and environmental sustainability were of central importance.

Addressing climate change is a global challenge and a policy priority for the European Union. While governments and parliaments have the primary responsibility to act on climate change, within its mandate, the ECB recognises the need to further incorporate climate considerations into its policy framework. Climate change and the transition towards a more sustainable economy affect the outlook for price stability through their impact on macroeconomic indicators such as inflation, output, employment, interest rates, investment and productivity; financial stability; and the transmission of monetary policy. Moreover, climate change and the carbon transition affect the value and the risk profile of the assets held on the Eurosystem's balance sheet, potentially leading to an undesirable accumulation of climate-related financial risks.

With this action plan, the ECB will increase its contribution to addressing climate change, in line with its obligations under the EU Treaties. The action plan comprises measures that strengthen and broaden ongoing initiatives by the Eurosystem to better account for climate change considerations with the aim of preparing the ground for changes to the monetary policy implementation framework. The design of these measures will be consistent with the price stability objective and should take into account the implications of climate change for an efficient allocation of resources. The recently established ECB climate change centre will coordinate the relevant activities within the ECB, in close cooperation with the Eurosystem. These activities will focus on the following areas:

Macroeconomic modelling and assessment of implications for monetary policy transmission. The ECB will accelerate the development of new models and will conduct theoretical and empirical analyses to monitor the implications of climate change and related policies for the economy, the financial system and the transmission of monetary policy through financial markets and the banking system to households and firms.

Statistical data for climate change risk analyses. The ECB will develop new experimental indicators, covering relevant green financial instruments and the carbon footprint of financial institutions, as well as their exposures to climate-related physical risks. This will be followed by step-by-step enhancements of such indicators, starting in 2022, also in line with progress on the EU policies and initiatives in the field of

environmental sustainability disclosure and reporting.

Disclosures as a requirement for eligibility as collateral and asset purchases. The ECB will introduce disclosure requirements for private sector assets as a new eligibility criterion or as a basis for a differentiated treatment for collateral and asset purchases. Such requirements will take into account EU policies and initiatives in the field of environmental sustainability disclosure and reporting and will promote more consistent disclosure practices in the market, while maintaining proportionality through adjusted requirements for small and medium-sized enterprises. The ECB will announce a detailed plan in 2022.

Enhancement of risk assessment capabilities. The ECB will start conducting climate stress tests of the Eurosystem balance sheet in 2022 to assess the Eurosystem's risk exposure to climate change, leveraging on the methodology of the ECB's economy-wide climate stress test. Furthermore, the ECB will assess whether the credit rating agencies accepted by the Eurosystem Credit Assessment Framework have disclosed the necessary information to understand how they incorporate climate change risks into their credit ratings. In addition, the ECB will consider developing minimum standards for the incorporation of climate change risks into its internal ratings.

Collateral framework. The ECB will consider relevant climate change risks when reviewing the valuation and risk control frameworks for assets mobilised as collateral by counterparties for Eurosystem credit operations. This will ensure that they reflect all relevant risks, including those arising from climate change. In addition, the ECB will continue to monitor structural market developments in sustainability products and stands ready to support innovation in the area of sustainable finance within the scope of its mandate, as exemplified by its decision to accept sustainability-linked bonds as collateral (see press release of 22 September 2020).

Corporate sector asset purchases. The ECB has already started to take relevant climate change risks into account in its due diligence procedures for its corporate sector asset purchases in its monetary policy portfolios. Looking ahead, the ECB will adjust the framework guiding the allocation of corporate bond purchases to incorporate climate change criteria, in line with its mandate. These will include the alignment of issuers with, at a minimum, EU legislation implementing the Paris agreement through climate change-related metrics or commitments of the issuers to such goals. Furthermore, the ECB will start disclosing climate-related information of the corporate sector purchase programme (CSPP) by the first quarter of 2023 (complementing the disclosures on the non-monetary policy portfolios; see press release of 4 February 2021).

The implementation of the action plan will be in line with progress on the EU policies and initiatives in the field of environmental sustainability disclosure and reporting, including the Corporate Sustainability Reporting Directive, the Taxonomy Regulation and the Regulation on sustainability-related disclosures in the financial services sector.

For media queries, please contact Eva Taylor, tel.: +49 69 1344 7162.

ECB’s Governing Council approves its new monetary policy strategy

Press release 8 July 2021 2:15 PM

- New strategy adopts symmetric 2% inflation target over medium term
- Governing Council confirms that HICP remains appropriate price measure and recommends inclusion of owner-occupied housing over time
- New monetary policy strategy is result of thorough review launched in January 2020
- Governing Council approves ambitious climate change action plan

The Governing Council of the European Central Bank (ECB) has today published its new monetary policy strategy, which it has set out in a monetary policy strategy statement**.**

The Governing Council considers that price stability is best maintained by aiming for a 2% inflation target over the medium term. This target is symmetric, meaning negative and positive deviations of inflation from the target are equally undesirable. When the economy is operating close to the lower bound on nominal interest rates, it requires especially forceful or persistent monetary policy action to avoid negative deviations from the inflation target becoming entrenched. This may also imply a transitory period in which inflation is moderately above target.

The Governing Council also confirmed that the set of ECB interest rates remains the primary monetary policy instrument. Other instruments, such as forward guidance, asset purchases and longer-term refinancing operations, that over the past decade have helped mitigate the limitations generated by the lower bound on nominal interest rates will remain an integral part of the ECB’s toolkit, to be used as appropriate.

“I am happy to announce that the Governing Council yesterday approved the ECB’s new monetary policy strategy. While taking the ECB’s primary mandate of price stability as a given, the review has allowed us to challenge our thinking, engage with numerous stakeholders, reflect, discuss and reach common ground on how to adapt our strategy. The new strategy is a strong foundation that will guide us in the conduct of monetary policy in the years to come,” said Christine Lagarde, President of the ECB.

The Governing Council confirmed that the Harmonised Index of Consumer Prices (HICP) remains the appropriate measure for assessing price stability. However, it recognises that the inclusion of the costs related to owner-occupied housing in the HICP would better represent the inflation relevant for households and that the inclusion of owner-occupied housing in the HICP is a multi-year project. So in the meantime, the Governing Council in its monetary policy assessments will take into account inflation measures that include initial estimates of the cost of owner-occupied housing to supplement its set of broader inflation measures.

The Governing Council acknowledged that climate change has profound implications for price stability and, accordingly, it has committed to an ambitious climate-related action plan. A dedicated press releasehas been published today**.**

The first regular monetary policy meeting of the Governing Council applying the new strategy will be held on 22 July 2021. The Governing Council intends to assess periodically the appropriateness of its monetary policy strategy, with the next assessment expected in 2025.

For media queries, please contact Peter Ehrlich, tel.: +49 69 1344 8320.

Notes

- The Governing Council conducted a previous **strategy review in 2003**.
- The new strategy that is being announced today follows a thorough review, which was **launched on 23 January 2020.** Over the last 18 months, the Governing Council has held numerous seminars, presentations, discussions and meetings dedicated to all elements of the review, under the overarching idea of leaving no stone unturned.
- The current review has drawn on an immense collective effort by staff at the ECB and the national central banks of the euro area, organised in **13 separate work streams**.
- In the framework of the review, the ECB and the national central banks also hosted numerous **listening activities** with the general public, civil society organisations and academia. Ideas and perspectives shared at these events have fed into the Governing Council's deliberations.

Reference rate and penalty interest rates for 1 July – 31 December 2021

Press release 29 June 2021 12:42 PM

In accordance with the Interest Rates Act (633/1982), the reference rate for the period 1 July – 30 December 2021 is 0.0%. The penalty interest rate for the same period is thus 7.0% pa (under section 4 of the Act, the reference rate plus seven percentage points).

The penalty interest rate applicable to commercial contracts is 8.0% pa (under section 4a of the Act, the reference rate plus eight percentage points). The higher penalty interest rate referred to in section 4a of the Act is applied to payments made by enterprises to other enterprises or by authorities to enterprises.

Under the section 12 of Interest Rates Act, the reference rate used in defining the penalty rate is the interest rate that was applied by the European Central Bank to the last main refinancing operation prior to the first calendar day of the half-year in question and rounded up to the nearest one-half percentage point. Such reference rate is effective for the following six-month period.

Finnish economy takes off – but rapid growth just temporary

Press release 15 June 2021 11:00 AM

The Finnish economy will enter a period of brisk growth as the COVID-19 pandemic begins to ease. '*The economy will grow in the coming years, led particularly by household consumption. Consumers have strong confidence in the economy. Once the COVID situation improves and they can consume more freely, this will give a shot in the arm to the Finnish economy. However, we cannot expect a prolonged period of rapid growth,'* says the Bank of Finland's Head of Forecasting, Meri Obstbaum.

The Bank of Finland has published its forecast for the Finnish economy for the years 2021–2023. The economy will grow 2.9% in 2021 and 3.0% in 2022. However, in 2023, GDP growth will already slow to 1.3%, reflecting the longer-term challenges of an ageing population and weak productivity growth.

The pandemic is expected to ease as the vaccination programme progresses. The reduction in uncertainty and recovery in the economy with the help of monetary and fiscal policy will boost the global economy. '*The recovery in the global economy, and particularly in the euro area, will also boost demand for Finland's export goods and services,'* avers Obstbaum. Finnish exports will recover rapidly, reaching pre-pandemic levels already in 2021.

The positive tone is further bolstered by the fact that most Finnish companies have come through the pandemic relatively unscathed. It has been most difficult for services companies such as restaurants. As the pandemic recedes, companies will again begin to invest. On the labour market, too, the picture is relatively bright. Strong economic growth will pave the way for employment growth and, as services recover, we can expect the growth to generate lots of jobs.

The COVID crisis has placed a strain on central and local government, whose expenditures have grown substantially during the crisis. At the same time tax revenues have declined. The swollen public deficit has been funded by borrowing. General government debt will continue to grow through the years 2021–2023. In 2023 it will stand at 73% relative to GDP.

Inflation is forecast to accelerate in Finland this year to 1.7% amid rising commodity prices and growing consumer demand. The acceleration in consumer price inflation will, however, be temporary.

Actual economic developments could be better or worse than forecast, and the possibility of positive or negative surprises in the immediate years ahead are approximately commensurate. '*The greatest risks relate to the unpredictability of the COVID pandemic. It will not be over until it has been defeated everywhere in the world,'* stresses Obstbaum. On the other hand, the economy could actually grow faster than forecast if in the years ahead households begin to spend the savings they have accumulated during the COVID crisis.

For additional information, please contact Head of Forecasting Meri Obstbaum, tel. +358 (0)9 183 2363.

- Presentation 15.6.2021, Head of Forecasting Meri Obstbaum (in finnish)
- Euro ja talous publication website

Population ageing and rising public debt are setting a high bar for economic policymaking

Press release 15 June 2021 11:00 AM

The Finnish economy is making a swift recovery from the pandemic. The powerful monetary and fiscal policy measures have helped to prevent a significant and long-lasting shortfall in aggregate output. It has been averted in spite of the sharp decline in output experienced at the beginning of the pandemic and the repercussions still being felt by many businesses and households.

The long-term prospects for the Finnish economy are being weighed down by weak productivity growth compared with past decades, a low employment rate by Nordic standards, and an ageing population. These are factors that constrain the output of the economy and hence the debt-servicing capacity of the public sector.

The productivity slowdown is related to low levels of investment. *'Finland's weak productivity growth suggests that we need to foster stronger incentives for innovation. One effective solution would be a wide and permanent tax relief for R&D. As for skills, the worrying decline in the average level of educational attainment of young adults is a trend that needs to be reversed,'* noted Bank of Finland Governor Olli Rehn.

The Finnish economy has fallen well behind its Nordic peers during the past fifteen years. *'Finland can close the gap to the other Nordic countries by enacting economic reforms, and it is crucial that we improve our economy's ability to adapt to changes in the environment. There is still work to be done to shore up Finland's employment rate to a good Nordic level,'* summarised Governor Rehn.

The level of general government debt has grown rapidly during the pandemic, and it is to be expected that public debt will continue to grow even after the acute phase of the crisis. *'As better cyclical conditions and economic growth are forecast for next year, fiscal policy ought to be steered in a direction that promotes the sustainability of the public finances. A return to central government spending limits without undue delay is key both for the sustainability of the public finances and for the credibility of the spending limits framework'*, stated Governor Rehn.

Economic activity in the euro area is recovering as the pandemic recedes. Business and consumer confidence have improved markedly. Inflation has increased due to one-off and temporary factors and higher energy prices, but there are currently no signs of a rise in broader price pressures in the euro area. The COVID-19 situation continues to loom over the euro area outlook, and economic slack remains high.

The ECB Governing Council decided at its June 2021 meeting that it would continue to conduct net asset purchases under the pandemic emergency purchase programme at least until the end of March 2022 and, in any case, until it judges that the pandemic crisis phase is over. *'Pandemic emergency purchases will be conducted in a flexible manner to help counteract the disinflationary effects of the pandemic and support growth. Accommodative financing conditions are a key element in supporting the recovery of the euro area economy,'* clarified Governor Rehn.

- Presentation 15.6.2021, Governor Olli Rehn (in finnish)
- Euro ja talous publication website

Bank of Finland invests in Bank for International Settlements’ green bond fund

Press release 4 June 2021 10:00 AM

The Bank of Finland has invested USD 300 million in the green bond fund of the Bank for International Settlements (BIS). This mutual central bank fund (USD BISIP) invests in e.g. renewable energy and projects relating to improvements in energy efficiency, and its activity supports the EU’s climate goals. The European Central Bank has previously invested in a similar euro-denominated fund.

In addition to investing in the fund, the Bank of Finland has also invested directly in green, sustainable development and socially sustainable bonds. Thematic investments, of which the current fund is an example, are one of the Bank of Finland’s chosen approaches to responsible investment.

The aim of the Bank of Finland’s investment activities is to generally meet the liquidity, safety and yield requirements set for central bank assets. The Bank’s responsibility perspectives in managing its assets are based on one hand on the objective of sustainable investment and on the other hand on the better management of the various investment risks.

The changes brought by a warming climate generate risks that could alter the value of investments. On the other hand, combating climate change could open opportunities and new types of investment objects for investors. Companies investing in renewable energy sources and companies preparing better for tightening legislation and the coming climate challenges offer investors good opportunities.

By preparing in advance for the effects of climate change, we reduce the risks related to investment activities and target a better return-on-investment ratio for our investments. In practice, combating climate change will require the channelling of investment funds into low-carbon investments, whereby the carbon footprint of the portfolio will also be reduced. The Bank of Finland’s own climate goals will be published during the course of 2021.

Additional information: Principal Responsible Investment Specialist Anna Hyrske, tel. +358 9 183 2070.

The Bank of Finland’s principles of responsible investment: Responsible investment principles (suomenpankki.fi)

The Bank of Finland’s annual investment report: Management of financial assets – Bank of Finland's Annual Report 2020

Diverse services and operational reliability are key in the future of payments

Press release 19 May 2021 9:00 AM

The Bank of Finland has published a selection of articles on payments from its forthcoming ‘Bank of Finland Bulletin’ publication in connection with the Payments Forum held on 19 May 2021. The publication and the presentations given at the Payments Forum explore the impacts of the COVID-19 pandemic on payments, the development of payment services in Europe, the ramifications and opportunities of a digital euro, and the role of preparedness in the financial sector. At the same time, the first instalment of payment statistics for 2020 will be published.

Several long-brewing trends in retail payments have been accelerated during the pandemic. Mobile and contactless payments have gained popularity, while the use of cash has waned. ‘*In December 2020, almost 60% of card payments were contactless, and many consumers reported having given up cash payments entirely,*’ stated Dr Tuomas Välimäki, Member of the Board of the Bank of Finland. ‘*However, cash is still the primary method of payment for about 350,000 Finns, and it is still needed as a fall-back in situations where other payment systems are disrupted, for example.*’

Two important trends in payments are instant payments and internationalisation. Responding to these trends is one of the goals of the European Central Bank and the European Commission for the coming years. Having a broad range of payment methods equally available everywhere in the euro area would be a boon for consumers. ‘*The development of payment services is necessary, in particular to avoid too concentrated market. There needs to be a sufficient number of alternatives on offer to sustain a competitive equilibrium on the market. New payment solutions based on instant payments could promote competition and operational reliability,*’ averred Dr Välimäki.

As the role of cash has waned, many countries have begun looking into the possibility of granting consumers access to digital central bank money. Authorities in the euro area are currently surveying the possibilities and potential effects of a digital euro. ‘*Central banks are not looking to replace the private market for payment service providers and developers. Instead, a digital euro would best serve as a push for innovation and impediment to excessive pricing,*’ noted Dr Välimäki. ‘*Regardless of the future form of money, central bank money will always guarantee its users a high degree of privacy and serve as a payment instrument without credit risk in the euro area,*’ Dr Välimäki stressed.

Bank of Finland Governor Olli Rehn notes that payments have become more susceptible to crises in recent years. Part of the Bank of Finland's mission is contributing to the reliability of payment systems. ‘*We are concerned about disruptions and other eventualities that Finland needs to be prepared for in order to ensure that payments and transactions are not jeopardised under any circumstances. We cannot afford to underestimate the risks. The financial sector needs comprehensive back-up systems that can be maintained and activated using domestic resources. I am confident that the sector shares our serious concerns over national preparedness and the need to take action.*’

Read the latest and past issues of the Bank of Finland Bulletin.

Watch the recording of the Bank of Finland Payments Forum (in Finnish)

Risks relating to housing loans have grown during the COVID-19 pandemic

Press release 4 May 2021 11:00 AM

The Finnish economy has come through the COVID-19 pandemic with less damage than expected. The pandemic hasn't shaken the functioning of Finland's financial system. The strong monetary and fiscal policy stimulus, the flexibility granted by the banks in the servicing of loans, direct business subsidies and the relaxation of macroprudential requirements and other banking regulations have all helped households and businesses.

The persistent indebtedness of Finnish households does, however, threaten to weaken Finland's ability to cope with future economic crises. Housing mortgage lending has picked up since summer 2020 and the household debt burden has continued to accumulate.

Housing loans of long maturity are being taken out more than ever, and a greater proportion of new housing loans have been granted to people with a high level of debt relative to their income. The average size of new housing loans has also grown. *'From the perspective of financial stability, Finns' increased indebtedness and, particularly, the increasing provision of long housing loans give cause for concern,'* says Bank of Finland Deputy Governor Marja Nykänen.

The risks attendant on the high level of household debt should be reduced by a debt-to-income (DTI) cap and restricting the maximum maturity of new housing loans. *'The continuing growth in household indebtedness and slackening of the terms on new housing loans increase the need for new macroprudential tools. A DTI-cap and limits on the maturity of housing loans should be introduced without further delay in order to halt the loosening of loan terms,'* stresses Deputy Governor Nykänen. *'The new macroprudential tools should be directed at credit granted both by the banks and by other lenders.'*

The share of household debt accounted for by housing company loans has continued to grow. *'Housing company loans can blur house purchasers' grasp of their overall housing costs and lure them into buying dwellings that are expensive relative to their ability to cover their debt and the maintenance costs of the property,'* clarifies Deputy Governor Nykänen. Limits on the maximum share and maturity of housing company loans would reduce the granting of the largest of such loans. Housing company loans intended for the purchase of housing should be regulated in a manner similar to housing loans.

Despite the pandemic, the profitability of Finnish banks improved in 2020. The reforms of banking regulation carried out in recent years have significantly boosted banks' capital adequacy worldwide. *'Finnish banks have adequate capital and have been able to lend to businesses and households during the pandemic,'* says Deputy Governor Nykänen.

Banks operating in Finland are exposed to the risks of the Nordic housing markets. The pandemic calmed the Nordic housing markets only momentarily. Rising house prices are magnifying housing market imbalances particularly in Sweden and Norway.

Losses from corporate loans have so far increased less than expected. We should, however, be prepared for growth in loan losses, as much of these tend to come with a lag after the worst phase of a crisis is over. *'We have not yet seen all the effects of the COVID-19 pandemic on banks and non-financial corporations,'* says Deputy Governor Nykänen.

- Presentation 4.5.2021, Debuty Governor Marja Nykänen
- Euro & talous publication website

Ålands lyceum won the Generation €uro Students' Award monetary policy competition

Press release 14 April 2021 2:15 PM

A team from Ålands lyceum has won the Finnish final of the Generation €uro Students' Award.The other finalists came from Etelä-Tapiola lukio and Kuopion klassillinen lukio. The final was held as a remote event on 14 April 2021.The award-winning team was selected by a jury composed of Bank of Finland experts, chaired by Head of Research Esa Jokivuolle.

The winning team Victor Byman, Alva Kahnberg, Aaron Nordberg and Noel Rönnberg and the teacher Anders Casén who tutored the team will have the opportunity to meet European Central Bank management in a virtual event in May.The two other teams that qualified for the finals were awarded book gift vouchers.

"Along with the elderly, young people have been among the biggest victims of the coronavirus pandemic.Your participation shows that you have not become prisoners of circumstances, rather you have raised the bar above what is normally required of anyone.Your active attitude is not only to be appreciated but is also a key to social influence in the coming years," said Bank of Finland Governor Olli Rehn in his opening remarks addressing the situation of students during the time of the coronavirus pandemic.

The Generation €uro Students' Award tests students' knowledge of monetary policy.The task of the teams is to prepare and present a proposal for an interest rate decision of the Governing Council of the ECB and other possible monetary policy actions.The competition is organised each year in the euro area, and is open to students aged 16–19.

The first round of the competition consisted of a web quiz.In the second round, the teams performed an analysis task, which was scored by the competition jury.The top three teams qualified for the final.

For further information, please contact: Richard Brander, Senior Communications Specialist, tel. +358 9 183 2206.

Watch the recording of the Generation €uro final 2021.

Bank of Finland Governor to attend IMF virtual Spring Meetings

Press release 7 April 2021 9:00 AM

The Governor of the Bank of Finland, Olli Rehn will participate in the Spring Meetings of the International Monetary Fund (IMF) and the World Bank, to be held in virtual format during week 14. Governor Rehn represents Finland on the Fund's Board of Governors.

During the week of the Spring Meetings, the International Monetary and Financial Committee as well as the Development Committee, a joint forum of the IMF and the World Bank, will convene for meetings.

The Bank of Finland will also be represented by Deputy Governor Marja Nykänen and experts from the Bank.

Governor Rehn will participate in a webinar 'The economic consequences of the Pandemic: Global Macroeconomics in a New Era', to be held in connection with the Spring Meetings. The theme of the panel discussion included in the seminar is 'The pandemic and a new era in central banking'. In addition to Governor Rehn, participants include Robert S. Kaplan, President of the Federal Reserve Bank of Dallas. The event will take place on Wednesday 7 April, at 18–19.05 Finnish time. Media representatives can register for the event via the Bank of Finland's Communications (info@bof.fi).

For further information, please contact Satu Kivinen, Head of Division, tel. +358 9 183 2329.

Bank of Finland to transfer EUR 100 million to the State

Press release 26 March 2021 10:00 AM

The Parliamentary Supervisory Council has today confirmed the Bank of Finland’s financial statements and has, upon proposal by the Bank’s Board, decided that EUR 100 million will be transferred to the State.

The Bank of Finland’s audited profit for the financial year 2020 totals EUR 142 million. According to the Act on the Bank of Finland, half of the Bank's profit is to be transferred to the reserve fund and the remaining profit made available for use by the State. However, the Act allows for an exceptional profit distribution if justified by the Bank’s financial condition or the size of the reserve fund.

In its profit distribution proposal, the Bank of Finland Board assessed that the Bank’s capital adequacy is sufficient to cover the risks related to the undertaking of its tasks. On the basis of these considerations, and as in previous years, a share of the profit exceeding the statutory 50% will be made available to the State.

The Bank of Finland’s income consists primarily of interest income on banknotes and the Eurosystem’s monetary policy items, investment income on foreign reserves and other financial assets of the Bank as well as the Bank’s share in the ECB’s profit that is distributed to the euro area national central banks. In 2020, the Bank of Finland’s net interest income amounted to EUR 731 million (2019: EUR 755 million). The reduction in net interest income mainly resulted from costs from targeted monetary policy operations (TLTRO III) conducted to preserve favourable financing conditions during the COVID-19 pandemic. The interest rate on TLTROs is lower than the ECB’s deposit facility rate. Due to interest paid to banks in TLTROs, the Bank of Finland’s share in the Eurosystem’s monetary income fell to EUR 79 million (2019: EUR 206 million). This weakened the Bank’s financial result for 2020.

The Bank of Finland increased its general provision by EUR 100 million to prepare for risks arising from the conduct of central banking activities. *‘Monetary policy operations conducted during the COVID-19 pandemic have further enlarged the Bank of Finland’s balance sheet. The persistent low level of interest rates and, in particular, targeted refinancing operations with negative interest have lowered the Bank’s financial result. The profit outlook for 2021, too, is weak,’* stated Marja Nykänen, Deputy Governor of the Bank of Finland.

The Bank of Finland’s income covers its operating expenses and provisions. Operating expenses net of banknote production services and the pension fund contribution amounted to EUR 99 million in 2020 (2019: EUR 99 million).

The Bank of Finland’s financial statements, which also include the income and expenses of the Financial Supervisory Authority, have been published today, 26 March 2021 on the Bank’s website.

For further information, please contact: Marja Nykänen, Deputy Governor of the Bank of Finland, tel. +358 9 183 2007.

Interim forecast for the Finnish economy: growth will strengthen as the pandemic recedes

Press release 19 March 2021 9:00 AM

The recovery of the Finnish economy from the COVID-19 crisis has been boosted by stronger-than-expected developments in the second half of 2020. Economic growth in 2021 is expected to be higher than projected in the December 2020 forecast, despite the worsening of the pandemic in the early months of the year. The Finnish economy will grow by 2.6% in 2021.

The forecast is based on the assumption that as vaccination coverage increases, society can be opened, and economic growth will gather pace. The economy will continue to recover in 2022, with GDP growth reaching 2.7%. The pace will slow to 1.2% in 2023, as growth will be constrained by the decline in the working-age population and weak productivity growth.

The global pandemic already showed signs of easing in the first weeks of 2021, despite the setbacks in some regions. The gradual lifting of containment measures, albeit more slowly than previously expected, as well as the progress in vaccinations and the strong economic policy support have increased expectations for a more rapid pace of recovery. As a result, the growth projections for Finland's export markets have been revised upwards.

Private consumption will be the engine for growth in 2021. The worsening of the pandemic will constrain possibilities for spending in the first half of the year, despite the introduction of new and safer practices suited to the pandemic conditions. The increase in vaccination coverage raises confidence in the prospect of an end to the pandemic, and growth in private consumption will pick up during the course of the year. Growth in consumption will remain strong in 2022.

The employment rate decreased by just under one percentage point, to 71.6% in 2020, but will return to pre-pandemic levels in 2022. During the COVID-19 crisis, jobs have been lost particularly in services. Despite the uncertainty surrounding the impact of the third wave of the pandemic on business activity and employment, growth in service sector employment can be expected to continue after the crisis. Towards the end of the forecast period, improvements in employment will be impeded by slow economic growth and a further contraction in the working-age population.

Consumer price inflation slowed in 2020, due to the steep decline in energy prices, particularly the price of crude oil. Inflation as measured by the harmonised index of consumer prices (HICP inflation) will pick up, to 1.3% in 2021, reflecting higher energy prices and other temporary factors. In 2022–2023, inflation will be sustained by a rise in services prices.

The Bank of Finland publishes an interim forecast for the Finnish economy twice a year. These forecasts are published in the spring and autumn and provide a revised outlook for economic growth, employment and inflation developments in Finland. The Bank’s more detailed forecasts for the Finnish economy are published in June and December.

For further information, please contact Meri Obstbaum, Head of Forecasting, tel. +358 9 183 2363.

Bank of Finland Museum programme for spring 2021: housing finance, digital age payments and economic forecast

Press release 5 February 2021 8:15 AM

The Bank of Finland Museum's programme of public events for spring 2021 highlights the challenges of payments in the digital age as well as housing finance and the long-term development of the Finnish economy.

Through public events, the Bank of Finland seeks to promote citizens' financial literacy and knowledge of the financial markets.The goal is also to increase dialogue with the public.

The events will take place online and will be held in Finnish unless otherwise mentioned.They will be broadcast from the Bank of Finland Museum.The events start at 5 pm, and recordings of them will be available for viewing afterwards on the Bank of Finland Museum's website.

Tuesday 9 February
Talouskirja NYT discussion series:Erkki Liikanen's Komissaari *(Commissioner)*
Olli Rehn, Governor of the Bank of Finland, discusses with his predecessor Erkki Liikanen the latter's new book, which covers Liikanen's years as EU Commissioner 1995–2004

Tuesday 2 March
Housing finance trends in Finland in the 21st century
Hanna Putkuri, Adviser, Bank of Finland

Tuesday 16 March
Don't be scammed! - Digital age payment instrument and investment scams and how to recognise them
Hanna Heiskanen, Senior Digitalisation Specialist, and Harri Hirvi, Legal Adviser, Financial Supervisory Authority

Tuesday 6 April
Long-term forecast for the Finnish economy
Meri Obstbaum, Head of Forecasting, Bank of Finland, and Arto Kokkinen, Senior Economist, National Audit Office of Finland

Tuesday 11 May
Trading from a market manipulation perspective – Where can a small investor encounter difficulties?
Juha Manu, Market Supervisor, Financial Supervisory Authority

Tuesday 25 May
The impact of coronavirus on payments in Finland
Meri Sintonen, Economist, Bank of Finland

For further information, please contact Jaakko Koskentola, Curator of the Bank of Finland Museum, tel. +358 9 183 2607, and Richard Brander, Senior Communications Specialist, tel. +358 9 183 2206.

Bank of Finland Museum programme for spring 2021: housing finance, digital age payments and economic forecast(2)

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Hanna Putkuri, Adviser, Bank of Finland

Tuesday 16 March
Don't be scammed! - Digital age payment instrument and investment scams and how to recognise them
Hanna Heiskanen, Senior Digitalisation Specialist, and Harri Hirvi, Legal Adviser, Financial Supervisory Authority

Tuesday 6 April
Long-term forecast for the Finnish economy
Meri Obstbaum, Head of Forecasting, Bank of Finland, and Arto Kokkinen, Senior Economist, National Audit Office of Finland

Tuesday 11 May
Trading from a market manipulation perspective – Where can a small investor encounter difficulties?
Juha Manu, Market Supervisor, Financial Supervisory Authority

Tuesday 25 May
The impact of coronavirus on payments in Finland
Meri Sintonen, Economist, Bank of Finland

For further information, please contact Jaakko Koskentola, Curator of the Bank of Finland Museum, tel. +358 9 183 2607, and Richard Brander, Senior Communications Specialist, tel. +358 9 183 2206.

An exceptionally high amount of housing loans drawn down in late 2020(2)

Press release 1 February 2021 10:00 AM

In December 2020, households drew down new housing loans worth EUR 1.9 bn, up EUR 460 million on the same period in 2019. Drawdowns of housing loans have never been this high in December. The average interest rate on new drawdowns hit a new record low, standing at 0.69% in December 2020. The exceptional situation on the housing loan market in late 2020 pushed up drawdown figures for the year as a whole. In September–December 2020, new housing loan drawdowns grew by 13.2% on the same period a year earlier. For the year as a whole, the rise was 4.5% and the total amount taken out was EUR 20.4 bn.

A normal amount of housing loans was renegotiated in December 2020, following a peak in the spring. Renegotiated housing loans totalled EUR 980 million, less than one fifth of the amount renegotiated in April. The normal amount has varied around EUR 1 bn for several years.

Housing loan maturities have lengthened further. In December 2020, the average repayment period of new housing loans was 21 years 6 months. The share of loans with longer repayment periods (over 29 years) has increased rapidly; in December 2020 they accounted for 12.1% of new housing loans, compared with 6.7% in December 2019.

The high level of drawdowns, interest-only periods granted in the spring and longer loan maturities contributed to boosting growth in the stock of housing loans. In December 2020, the annual growth rate of the stock (EUR 106.3 bn) was 3.3%.

Loans

At the end of December 2020, household credit comprised EUR 16.8 bn in consumer credit and EUR 18.2 bn in other loans. Drawdowns of new loans to non-financial corporations (excl. overdrafts and credit card credit) totalled EUR 2.5 bn. The average interest rate on these declined from November, to 1.93%. At the end of December, the stock of euro-denominated corporate loans totalled EUR 96.9 bn, of which loans to housing corporations accounted for EUR 37.3 bn.

Deposits

The stock of Finnish households' deposits at end-December 2020 totalled EUR 103.2 bn and the average interest rate on the deposits was 0.05%. Overnight deposits accounted for EUR 90.7 bn and deposits with an agreed maturity for EUR 3.8 bn of the deposit stock. In December, households concluded EUR 0.1 bn of new agreements on deposits with an agreed maturity, at an average interest rate of 0.25%.

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The next news release will be published at 10 am on 1 March 2021.

Related statistical data and graphs are also available on the Bank of Finland website: https://www.suomenpankki.fi/en/Statistics/mfi-balance-sheet/.

New Bank of Finland strategy is centred on economic stability and sustainable growth

Press release 29 January 2021 10:00 AM

In the course of 2020, the Bank of Finland renewed its strategy. The Bank's operations are designed to build a sustainable economy and stability. The Bank's functions are based on the Act on the Bank of Finland and on its position as a national central bank and a member of the Eurosystem. Under the new strategy, the aim of the Bank of Finland is to maintain price and financial stability under all circumstances in order to secure the wellbeing of the public.

As a basis for the renewal of the Bank's strategy we drew up a number of scenarios that anticipated changes in our operating environment in the 2020s. The factors that emerged were the long-term economic impacts of the Covid-19 pandemic, the intense accumulation of debt and the rapid digitalisation of payments and financial services. From this we deduced the areas of focus in the Bank of Finland's activities in the immediate years ahead would be assessing and finding solutions to the effects of the Covid-19 crisis, renewal of the ECB's monetary policy strategy and participation in the Eurosystem's preparations for a digital central bank currency.

The ongoing pandemic has demonstrated the importance of ensuring economic stability in sudden crises. '*The Bank of Finland is dedicated to building a sustainable economy and stability. Keeping this in mind, we have renewed our strategy to correspond to the major structural trends of digitalisation, the economic impacts of an ageing population and climate change,'* says Governor Olli Rehn. Maintaining price and financial stability under all circumstances requires the central bank to also provide efficient central banking services for the surrounding society, prepare for the unexpected, and engage actively in social discourse and continuous renewal.

The Bank of Finland also aims to increase public understanding of the economy. As part of this, the Bank published on 28 January its proposal for Finland's first national Financial Literacy Strategy.

In its operations, the Bank of Finland observes the principles of sustainable development and seeks to recognise the risks attendant on climate change and to improve the opportunities for sustainable finance. By investing responsibly, the Bank contributes to combating climate change. We have today published our principles for responsible investment, which bring together ESG integration, an analysis based on international norms and exclusion as well as thematic investments. (Link to website)

Bank of Finland strategy

Eurosystem agrees on common stance for climate change-related sustainable investments in non-monetary policy portfolios

Press release 29 January 2021 10:00 AM

- Eurosystem agrees on common stance for climate change-related sustainable and responsible investment principles for euro-denominated non-monetary policy portfolios
- Common stance promotes disclosures and understanding of climate-related risks
- Eurosystem aims to start climate-related disclosures for these types of portfolios within two years

The Eurosystem central banks – the 19 national central banks of the euro area countries and the European Central Bank (ECB) – have defined a common stance for applying sustainable and responsible investment principles in the euro-denominated non-monetary policy portfolios that they each manage under their own responsibility. The common agreement follows extensive preparatory work within the Eurosystem and has also benefited from the analysis of the Network for Greening the Financial System (NGFS) and is aligned with its recommendations. Several Eurosystem members – including the ECB – already apply sustainable and responsible investment practices in the management of their non-monetary policy portfolios.

The common stance will help all Eurosystem members to contribute to the transition to a low-carbon economy and to EU climate goals. It will increase the awareness and understanding of climate risks while promoting climate-related disclosures.

The common stance prepares the ground for the measurement of greenhouse gas emissions and other sustainable and responsible investment-related metrics of these portfolios. The Eurosystem aims to start making annual climate-related disclosures for these types of portfolios within the next two years, using the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as the initial framework and reporting, as a minimum, in the category of metrics and targets. Several Eurosystem central banks already make climate-related disclosures for some of their non-monetary policy portfolios.

The Eurosystem members are solely responsible for their non-monetary policy portfolios. They have agreed to continue to work jointly on the common stance and its implementation to harmonise approaches.

For media queries, please contact Eva Taylor, tel.: +49 69 1344 7162.

Notes

- Euro-denominated non-monetary policy portfolios contain the assets held by Eurosystem central banks that are not related to monetary policy operations. They include euro-denominated investment portfolios and staff pension funds.
- The Network for Greening the Financial System is the international network of central banks, supervisors and international organisations promoting environmental responsibility in the financial sector.

Vision: Finns will have the world’s best financial literacy by 2030

Press release 28 January 2021 10:30 AM

The goal of the financial literacy strategy proposal issued by the Bank of Finland is that Finns will have the world’s best financial literacy by 2030. The aim is that as many people as possible would understand the importance of financial literacy in their lives and are capable of making good financial decisions. **Olli Rehn**, Governor of the Bank of Finland, today issued a national strategy proposal for promoting Finland’s financial literacy to **Anna-Maja Henriksson**, Minister of Justice.

According to the strategy proposal, reaching the target state calls for a change in operating methods. From the point of view of individuals, their ability to understand and anticipate their financial situation better is of key importance. Easily accessible low-threshold guidance and information services must be available which everybody can use. The proposal emphasises that citizens’ better financial literacy produces well-being not only for themselves but also for the entire national economy.

The strategy proposal prepared by the Bank of Finland is the first of its kind in Finland. The Bank of Finland and the Ministry of Justice agreed a year ago that the Bank of Finland would be responsible for drawing up a national strategy on managing personal finances.

”*The financial literacy of Finns is on the average good, though there are differences between population groups. With systematic, well-resourced financial literacy work, it is possible to broadly improve citizens’ knowledge and skills and thereby prevent over-indebtedness and other financial problems*,” says Governor Olli Rehn.

”*This is an important objective, which I strongly want to advocate. Questions related to over-indebtedness are especially topical these days, and strengthening citizens’ financial literacy is a key goal. I am glad that the proposal focuses on the ‘positive aspects’ of financial literacy, i.e. good financial management, saving and investment*,” Minister Henriksson says.

Closer cooperation in promoting financial literacy to improve effectiveness

Financial literacy is being promoted by state authorities as well as many companies and third-sector actors. The strategy proposal emphasises the need to facilitate their cooperation and access to sources of up-to-date information. In addition, the activities should be coordinated better. All this will improve the effectiveness of the activities and the use of resources. It has been proposed that a function in the administrative branch of the Ministry of Justice to support and coordinate field work be established.

The intention is to prepare a practical action plan for the strategy. Concrete operational goals must be defined in the plan in order to ensure the right direction, and the implementation of the goals must be measured regularly. Seamless cooperation with inter-disciplinary research is important in order to have an overview of the situation.

”*I support the proposal to set up a new function in the administrative branch of the Ministry of Justice to coordinate the strategic work for economic literacy. This is important in order to put the proposed development targets quickly into practice*,” Minister Henriksson says.

The strategy proposal was prepared under the supervision of the Bank of Finland together with key actors and researchers in the field. The work took account of the initial level and the promotion of Finns’ financial

literacy, the conditions prevailing in the market as well as the social situation. In addition, use was made of the guidelines of the OECD's international network of financial education, and a number of international examples of corresponding arrangements were investigated.

strategy proposal (pdf)

Additional information:

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A total of 1,496 counterfeit euro banknotes found in Finland in 2020

Press release 22 January 2021 12:23 PM

In 2020, a total of 1,496 counterfeit euro banknotes were detected among banknotes in circulation in Finland. The number of counterfeits was higher than in 2019 but is still low compared with other euro area countries.

'The number of counterfeit euro banknotes found in circulation has increased from the previous year, but remains moderate,' says Olli Vehmas, Banknote Specialist at the Bank of Finland.

Of the different banknotes in circulation in 2020, the EUR 20 was the most frequently discovered counterfeit note (629 counterfeits) in Finland, followed by the EUR 10 (410 counterfeits) and the EUR 50 (358 counterfeits).

'*It is easy and quick to detect counterfeits by learning the banknote security features and always checking them when handling banknotes,'* says Vehmas.

Period	**2016**	**2017**	**2018**	**2019**	**2020**
Number of counterfeits	**2,171**	**766**	**833**	**980**	**1,496**

The new series of euro banknotes, of which the last denominations, the EUR 100 and EUR 200 banknotes, were issued in 2019, help prevent counterfeiting. The other denominations were issued earlier. The banknote security features involve the latest technology, as a result of which banknote counterfeiting is even more difficult than before.

A number of security features have been incorporated into euro banknotes for authentication purposes. Banknote authenticity can be checked by using simple tests, i.e. by feeling the raised print, looking at the banknote against the light and tilting it. When in doubt, a suspect banknote should be compared directly with one that is known to be genuine. Instructions and guides for checking banknote authenticity can be found on the Bank of Finland website (www.bof.fi > Money and payments).

In a press release issued today, the European Central Bank provides an overview of the situation regarding counterfeit euro banknotes.

For further information on the situation in Finland, please contact:

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Kristian Meismaa, Detective Sergeant, National Bureau of Investigation, tel. +358 295 48 6837

A total of 1,496 counterfeit euro banknotes found in Finland in 2020(2)

Press release 22 January 2021 11:00 AM

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Governor of the Bank of Finland to attend IMF virtual Annual Meetings

Press release 14 October 2020 11:00 AM

The Governor of the Bank of Finland, Olli Rehn will participate in the Annual Meetings of the International Monetary Fund (IMF) and the World Bank, to be held in virtual format during week 42. Governor Rehn represents Finland on the Fund's Board of Governors.

During the week, the International Monetary and Financial Committee as well as the Development Committee, a joint forum of the IMF and the World Bank, will convene for meetings.

The Bank of Finland will also be represented by Deputy Governor Marja Nykänen and experts from the Bank.

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