Heading for stable monetary conditions

1865
MARKKA joins silver standard

1999
EURO taken into use
Two roles of the Bank of Finland

• Finland’s monetary authority
• Member of the Eurosystem
Bank of Finland

♦ Fourth oldest central bank in the world
  – Established in Turku in 1811, moved to Helsinki in 1819

♦ The Bank of Finland employs about 450 staff; the Financial Supervisory Authority about 210

♦ Regional offices in Tampere, Kuopio, Oulu and Vantaa
Bank of Finland’s four core functions

Monetary policy and research

Financial system oversight

Banking operations

Cash supply
Monetary policy

♦ Monetary policy objective: price stability

♦ The Bank of Finland participates in the preparation, decision-making and implementation of Eurosystem monetary policy

♦ The Governor of the Bank of Finland, as a member of the ECB’s Governing Council, is one of those deciding on euro area monetary policy
Monetary policy

♦ In addition to monetary policy decision-making, the Bank of Finland takes part in domestic debate on economic policy

♦ Underlying the Bank of Finland’s expert role is internationally-recognised high-level research

♦ Priorities of research:
   1) Monetary policy modelling
   2) The outlook for the financial services sector
   3) Russian and Chinese economies

The Bank’s macroeconomic forecast is published twice a year
Financial supervision

- The Bank of Finland monitors the financial system as a whole
- The objective is to maintain stable, reliable and effective financial and payment systems in Finland
- The Financial Supervisory Authority (FIN-FSA), operating in connection with the Bank of Finland, supervises individual banks and insurance companies
- The financial crisis has prompted development of common euro area and EU supervisory frameworks
The Bank of Finland is the bank of banks
With responsibility for
- Implementing Eurosystem monetary policy in Finland
- Securing the banking system’s liquidity
- Transmitting large-value payments between banks
Cash supply

♦ Exclusive right to issue cash in Finland

♦ Responsibility for ensuring the fitness and authenticity of cash in circulation
From 1 Jan 2011 the euro area will cover 17 countries

Austria  Italy
Belgium  Luxembourg
Cyprus  Malta
Estonia  Netherlands
Finland  Portugal
France  Slovakia
Germany  Slovenia
Greece  Spain
Ireland
Decision-making

GOVERNING COUNCIL

EXECUTIVE BOARD

GENERAL COUNCIL
ECB Governing Council

Nout Wellink
Jens Weidmann
Jürgen Stark
Georgios Provopoulos
Peter Praet
Athanassios Orphanides
Christian Noyer
Ewald Nowotny
Yves Mersch
Jozef Makuch
Andres Lipstok
Erkki Liikanen
Lorenzo Bini Smaghi
Michael C. Bonello
Luc Coene
Carlos Costa
Mario Draghi
Miguel Fernández Ordóñez
José Manuel González-Páramo
Patrick Honohan
Marko Kranjčec
Eurosysteem objectives and principles

♦ Price stability is the primary objective of the monetary policy
  – The aim is to keep annual euro area inflation at rates of below, but close to, 2% over the medium term

♦ Support for general economic policy
  – Support is lent to stable and sustainable growth and employment, without prejudice to the objective of price stability

♦ The principles of the Eurosysteem are independence, accountability and transparency
Both business and consumer confidence at fairly high levels

Consumer confidence indicator

- Industrial confidence indicator
- Construction confidence indicator

Balance, s.a.

Source: European Commission

Consumer confidence indicator

- Consumer confidence indicator
- Consumer perceptions of own finances
- Consumer perceptions of the Finnish economy

Balance

Sources:
- 1997-2011: Statistics Finland
- 2005-2011: European Commission
Robust GDP growth in 2010

Volume index, 2000 = 100

Sources: Statistics Finland and Bank of Finland.
Growth moderating in domestic markets

Index, 2005 = 100

Retail trade
Private consumption

Source: Statistics Finland.

Source: Statistics Finland.
World demand supports exports

Volume index of industrial output

- Forest industry
- Metal industry excl. electrical and electronics industry
- Electrical and electronics industry
- Chemical industry

Index, 2005 = 100

Sources: Statistics Finland and National Board of Customs.

Figures are seasonally adjusted.

Source: Statistics Finland.
Finnish economy recovers strongly

Sources: Statistics Finland and Bank of Finland.
Domestic demand supporting growth

The chart is merely indicative. The GDP growth contribution of each demand item has been calculated on the basis of its volume growth and its value share in the previous year. The figures for 2011–2013 are forecasts.

Sources: Statistics Finland and Bank of Finland.
## Supply and demand

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
<th>2011f</th>
<th>2012f</th>
<th>2013f</th>
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<tbody>
<tr>
<td><strong>At current prices EUR billion</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Volume, % change on previous year</strong></td>
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<tr>
<td><strong>Gross domestic product</strong></td>
<td>180.3</td>
<td>-8.2</td>
<td>3.1</td>
<td>3.9</td>
<td>2.7</td>
<td>2.5</td>
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<tr>
<td>Imports</td>
<td>65.2</td>
<td>-17.6</td>
<td>2.6</td>
<td>4.2</td>
<td>6.1</td>
<td>7.0</td>
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<tr>
<td>Exports</td>
<td>70.2</td>
<td>-20.1</td>
<td>5.1</td>
<td>7.4</td>
<td>5.9</td>
<td>6.5</td>
</tr>
<tr>
<td>Private consumption</td>
<td>97.3</td>
<td>-2.1</td>
<td>2.6</td>
<td>2.9</td>
<td>2.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Public consumption</td>
<td>44.2</td>
<td>1.0</td>
<td>0.4</td>
<td>1.2</td>
<td>0.5</td>
<td>0.8</td>
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<tr>
<td>Private fixed investment</td>
<td>28.5</td>
<td>-17.4</td>
<td>0.9</td>
<td>7.1</td>
<td>7.4</td>
<td>7.3</td>
</tr>
<tr>
<td>Public investment</td>
<td>4.9</td>
<td>6.2</td>
<td>0.1</td>
<td>1.0</td>
<td>0.7</td>
<td>-0.2</td>
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</tbody>
</table>
Unemployment falling, but slowly

Bank of Finland's seasonally adjusted figures
Sources: Statistic Finland and Bank of Finland
Energy and food prices driving inflation

HICP = Harmonised index of consumer prices
Source: Statistic Finland and Bank of Finland.
Public finances remain in deficit

General government balance

% of GDP vs. Year

Sources: Statistics Finland and Bank of Finland.
Thank you!