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1997

PRICES AND WAGES REVIEW

- A 3.3% rise in earning in 1996
- Producer prices in agriculture falling – costs rising
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Prices and Wages Review 1997

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A 3.3% RISE IN EARNINGS IN 1996

The index of wage and salary earnings indicates that the earnings gained from regular working hours in July-September 1996 increased by an average of 3.3% compared with the same period in 1995. Since consumer prices rose by 0.4%, however, the increase in real terms was 2.9%.

As laid down in the two-year collective bargaining agreement on incomes policy concluded in autumn 1995 for a period extending to 31.1.1998, monthly salaries were increased by FIM 180 and hourly wages by FIM 1.05 at the beginning of November 1995, the minimum rise being 1.8%, after which a general increase implemented at the beginning of October 1996 further increased monthly salaries by FIM 110 and hourly wages by FIM 0.65, the minimum increment being 1.3%. These agreements increased earnings in the third quarter of 1996 by an average of 2.3% over the same period in 1995, while "old agreements", i.e. the increments agreed on in the previous round of negotiations, added another 0.6% on average and wage drift 0.4%. The form and scope of the collective bargaining agreement served to balance out the trends in earnings somewhat between the various income categories over the period covered by the agreement.

Earnings rose by an average of 3.2% in the private sector in the course of the year, and by 3.3% in the public sector. Preliminary data compiled for the index of wage and salary earnings indicate that the rise in earnings slowed down slightly in all the sectors in January-September 1996, accompanied by a balancing of income trends between the sectors. The average gross monthly earnings for normal working hours in July-September were FIM 10,558, being FIM 11,620 for men and FIM 9495 for women. The average monthly earnings for salaried persons were FIM 11,007, and those for wage-earners FIM 9346 per month.

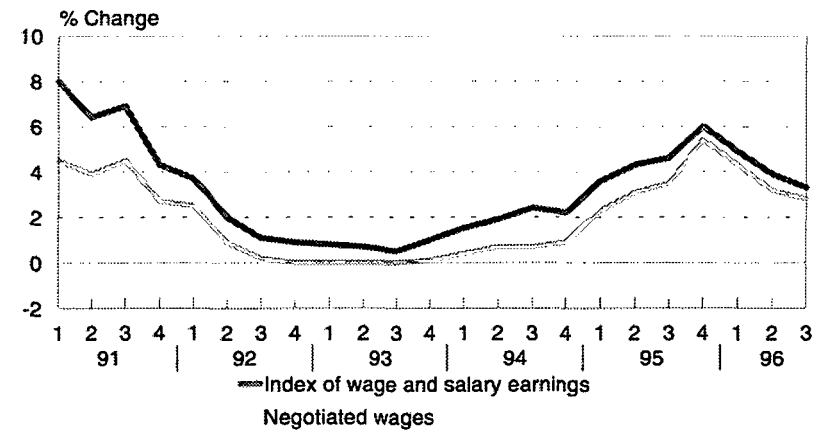
The Statistics Finland index of wage and salary earnings monitors on a quarterly basis the changes taking place in average earnings from normal working hours, i.e. basic wages and supplements paid for normal working time on the basis of age, experience, number of years of employment, competence, duties and location of place of work, and are reported before the deduction of taxes or any other comparable such payments. This means that overtime payments or indirect wages such as holiday pay and bonuses are not taken into account.

The total average nominal earnings of all wage and salary earners increased by 4.7% in 1995 relative to the same period in the previous year, the corresponding figure for 1990 being 9.2%. As the rate of inflation dropped from 6% to 1% during the same period, however, the rise in real earnings was actually greater in 1995 (3.7%) than in 1990 (3.0%). Trends in earnings were less uniform during the worst of the recession. Wages and salaries even decreased on average in real terms in 1992 and 1993, due to the absence of general collective bargaining increments at a time when the rate of inflation was higher than it is today.

Industrial earnings up most in the 1990's

The most rapid wage and salary increases in the 1990's have taken place in industry, finance, energy and water supplies and wholesale and retail trading. According to preliminary data for the third quarter of 1996, the average level of earnings in industry was 26.8% higher than in 1990. The index of wage and salary earnings in the financial sector rose on account of an increase in wages in the banking sector at the beginning of the 1990's, the collective bargaining wage increase of autumn 1993 and

INDEX OF WAGE AND SALARY EARNINGS AND INDEX OF NEGOTIATED WAGES IN 1991–1996



the accompanying adjustments in staffing structure and increase in the number of working hours, since the effects of structural changes in average earnings on the index level cannot be eliminated. Nominal wages have risen least in the building sector, by an average of 9.2% from 1990. Preliminary index data also indicate that average wages in house building rose by only 3.8% over a period of slightly more than 6 years.

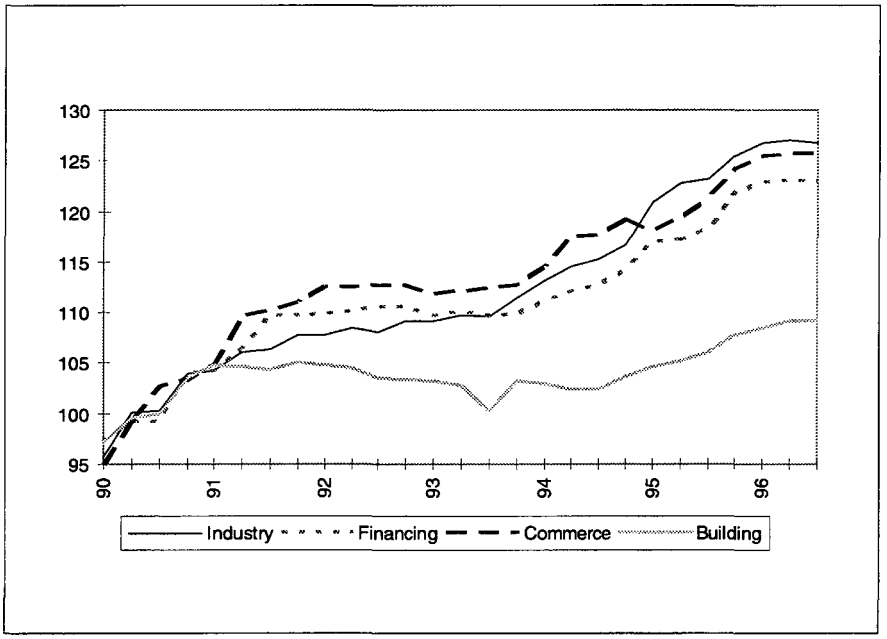
Income trends evening out between the sectors

The annual changes in the level of earnings evened out considerably during 1996, being 3.3% for the local and central government sector and 3.2% for the private sector in the third quarter of 1996.

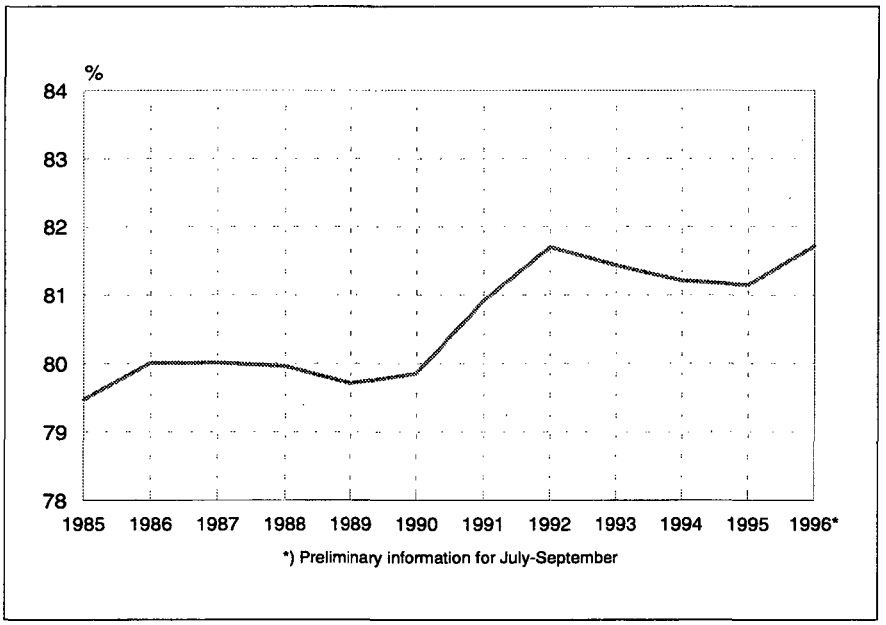
The revival in the national economy from 1993 onwards has led to a rise in private sector wages in particular, so that these were 21.3% higher in the third quarter of 1996 than in 1990, and the average earnings of local government employees have risen almost as rapidly, by 21.1% between 1990 and July-September 1996 according to preliminary data, whereas the slowest rise has been in central government wages by only 14.4% during the same period. Earnings increased by an average of 11.7% in the local government sector, 8.8% in the private sector and 7.1% in the central government sector between 1990 and 1993.

***Source** Index of wage and salary earnings 1996, 3rd quarter*
For further details, please contact: Jari Haapasalmi, tel. +358-9-1734 3445

INDEX OF WAGE AND SALARY EARNINGS IN INDUSTRY, COMMERCE, FINANCING AND BUILDING IN THE 1990'S



WOMEN'S EARNINGS AS A PERCENTAGE OF THOSE OF MEN IN 1985–1996; MEN=100%



HOURLY WAGES OF INDUSTRIAL WORKERS FOR NORMAL WORKING HOURS FIM 57.45

The average hourly wage of an industrial worker for normal working hours in the second quarter of 1996 was FIM 57.45, an increase of 3.8% over the same quarter in the previous year. The average hourly wage for men was FIM 59.96, up by 3.6%, and that for women FIM 49.65, up by 4.1%.

The average total hourly wage, i.e. total earnings for hours worked, including overtime and Sunday rates, was FIM 62.80, up by 3.0% over the previous year.

Average hourly wages for a construction worker rose to FIM 58.56

The average hourly wage of a construction worker in the second quarter of 1996 was FIM 58.56, a rise of 3.8% over the corresponding quarter in the previous year, that for men being FIM 58.84, up by 3.7%, and that for women FIM 45.08, up by 2.5%. The average hourly wage for hours worked in the construction sector as a whole was FIM 60.64 and the increase 4.1%.

Coverage

The wage statistics for industrial workers covers mining and quarrying (TOL C), industry (TOL D) and electricity and energy supplies (TOL E), all restricted to the private sector. According to the labour force survey, there were 263,200 workers engaged in these branches of industry in the 2nd quarter of 1996, of whom the wage statistics cover some 60%.

A total of 19,676 workers were employed in the construction sector in the same quarter, which suggests by comparison with the number of workers stated in the labour force survey to be employed in private sector construction (TOL F) during the same quarter that the coverage is approximately 35%. It should be borne in mind when examining the above figures, however, that the numbers of workers in the labour force survey and wage statistics are not fully comparable.

***Source** Wages of constructional and industrial workers in the 2nd quarter of 1996*
For furher details, please contact Anne Suhtala, tel. +358-9-1734 3489

NUMBERS OF WORKERS EMPLOYED IN INDUSTRY AND CONSTRUCTION IN THE 2ND QUARTER OF 1996 AND THEIR WAGES FOR NORMAL WORKING HOURS

Branch	No.	% women	Hourly wages, FIM			% change	% change
			Men	Women	Total	II/95 – II/96	IV/95 – II/96
Industry, total	**158 365**	**24.9**	**59.96**	**49.65**	**57.45**	**3.8**	**1.4**
Mining and quarrying	432	8.8	66.32	48.46	64.89	4.7	0.4
Peat production	275	9.8	47.21	38.01	46.54	3.0	7.5
Textiles	4 539	66.9	51.06	42.50	45.37	4.9	1.9
Clothing, leather & footwear	4 066	84.3	43.87	39.79	40.45	2.6	1.4
Timber	11 902	22.7	55.20	51.54	54.39	3.7	0.8
Paper	29 114	17.2	64.29	57.15	63.14	4.8	3.1
Graphics	9 120	36.7	59.77	51.89	56.92	3.8	1.6
Furniture	4 819	27.9	49.85	46.21	48.86	2.8	0.5
Chemicals	14 087	27.5	58.20	47.20	55.24	2.7	1.9
Glass, pottery and stone	7 551	19.4	56.12	49.83	54.98	3.4	0.9
Basic metals	8 813	11.3	66.50	59.82	65.81	4.3	0.4
Metal products and vehicles	56 785	22.8	60.33	51.10	58.29	3.5	0.6
Other manufacturing	2 178	38.4	55.87	48.01	52.93	4.9	–0.8
Power generation	4 684	8.2	59.23	48.57	58.53	1.8	–0.4
Construction, total	**19 676**	**2.8**	**58.84**	**45.08**	**58.56**	**3.8**	**1.3**
House building	8 934	3.5	57.40	44.11	57.03	2.1	–0.2
Electrical installations	3 027	0.4	64.89	53.17	64.86	6.1	1.7
Plumbing	1 371	0.2	62.23	.	62.20	4.7	0.1
Painting and decorating	1 642	6.0	57.98	50.28	57.63	1.3	1.0
Metalwork	277	2.2	57.34	.	57.20	1.6	0.7
Industrial insulation	675	2.2	59.37	56.41	59.32	4.4	7.4
Road surfacing	1 076	4.8	56.90	33.87	56.25	3.5	2.7
Waterproofing	488	0.6	64.15	.	64.11	0.9	6.2
Civil and hydraulic engineering	1 999	2.3	52.25	40.12	52.09	3.2	0.5
Glazing and polishing	187	3.7	50.19	.	50.12	3.2	0.1

AVERAGE EARNINGS OF SALARIED STAFF IN INDUSTRY FIM 12,896

The average monthly earnings of salaried staff in industry in December 1995 were FIM 12,896, an increase of 6.2% over the December of the previous year. Since prices rose by 0.3% over the same period, this implies a rise of 5.9% in real earnings.

The average monthly earnings for men were FIM 14,677 and those for women FIM 10,165, those for office staff FIM 9693, technical staff FIM 11,921 and senior salaried staff FIM 16,887. The numbers of salaried staff had increased by 13.9% over the year. A new branch of the economy introduced into the salaried staff statistics is postal and telecommunications services.

Fixed monthly salaries account for 95% of the total earnings derived from normal working hours, this percentage being higher for women (97%) than for men (95%). Fringe benefits and performance-based payments such as commissions, incomes under profit-sharing schemes, or bonuses accounted for an average of 2% of the earnings for normal working hours.

***Source** Earnings of salaried staff in industry 1995*

NUMBERS OF SALARIED STAFF IN THE MAJOR OCCUPATIONAL GROUPS, EARNINGS FROM NORMAL WORKING HOURS IN 1995, AND CHANGES IN EARNINGS BETWEEN DECEMBER 1994 AND DECEMBER 1995

Occupating group	Number	Monthly earnings, FIM	% change
Production management	1 904	20 814	5.5
Demanding product design	3 774	17 857	4.8
Specialised and indirect sales	3 075	17 361	3.5
Operative management	3 147	16 669	6.5
Operative supervision	2 231	14 396	4.5
Indirect work management	2 323	14 393	6.6
Product design	8 709	14 022	6.4
Planning of production technology, demanding servicing work	2 833	13 075	7.7
Sales	5 267	12 972	2.4
Component design	6 615	12 224	7.8
Direct work management	11 431	12 524	8.5
Technical operative planning and servicing	3 218	11 650	8.6
Quality assurance and transport management	3 015	10 287	8.3
Storage and transport management	1 502	9 803	8.7
Design, assistance and drawing	2 613	9 785	9.2
Product demonstration and customer services	6 531	8 796	1.0
Department secretary	3 721	9 374	8.8
Office sales and supportive sales work	2 972	9 476	9.2
Financial and stock accounting	1 885	8 735	9.8
Work in small offices	1 400	8 420	9.1

EARNINGS OF INDUSTRIAL SALARIED STAFF IN DECEMBER 1995, FIM/MONTH

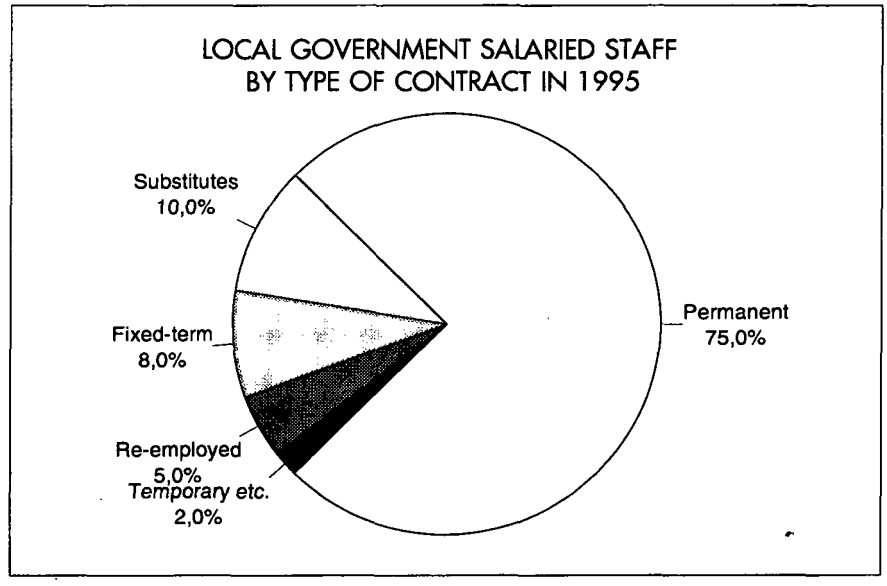
	Fixed monthly earnings	Shift work or Sunday bonuses	Fringe benefits	Profit and performance-based payments	Earnings from normal working hours
Office staff	9 353	36	107	197	9 693
– Men	10 855	73	352	467	11 747
– Women	8 992	27	49	132	9 200
Technical staff	11 231	399	77	214	11 921
– Men	11 658	456	88	231	12 432
– Women	9 349	148	29	143	9 670
Senior staff	16 063	23	450	353	16 887
– Men	16 514	24	490	372	17 400
– Women	14 136	17	277	269	14 699
Total	12 308	139	209	239	12 896
– Men	13 874	204	294	305	14 677
– Women	9 908	40	78	139	10 165

TOTAL EARNINGS OF LOCAL GOVERNMENT SALARIED EMPLOYEES UP BY ALMOST 5%

A total of over 430,000 persons were employed in the local government sector in October 1995, of whom 402,000 drew a monthly salary. The number of salaried employees remained almost unchanged compared with the previous year.

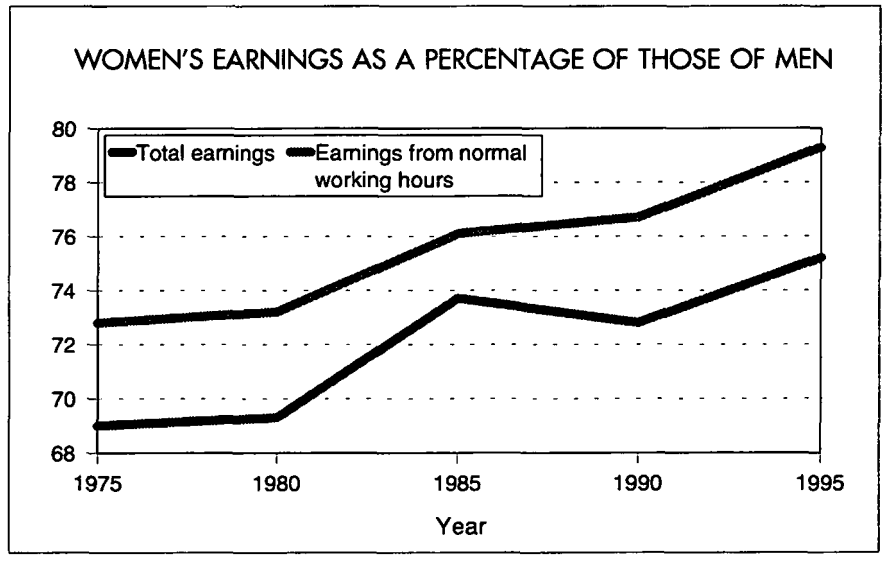
At the same time as the local councils have cut down on full-time salaried employees, they are taking on an increasing number of temporary and fixed-term employees and persons engaged under local government re-employment schemes. All in all, atypical employment relations made up a quarter of total local government employment. The number of permanent staff declined by over 2% from the previous year, although with approximately 75%, this was still the largest category of local government staff. In addition, some 37,000 local government salaried employees were on leave of absence.

Average total monthly earnings in the local government sector in 1995 were lower than those in the private and central government sector, the mean figure being FIM 10,315, or FIM 12,802 for men and FIM 9627 for women. Correspondingly, the average monthly earnings gained from normal working hours, excluding overtime or standby bonuses, were FIM 9874, FIM 11,782 for men and FIM 9346 for women. Of the major administrative branches, total earnings increased most in health care, by 6.1%, while the rise was approximately 4.5% in social welfare and education. The rise in total earnings among local government employees was higher than that observed in the private or central government sector, which is attributable to the rises targeted at female employees and those on low incomes in the local government sector, which exceeded those received in other sectors. In addition, it is necessary when interpreting the



Changes in numbers of salaried staff, October 1994/95.

	Number		Change %
	October 1994	October 1995	
Local government sector	**404 000**	**402 200**	**–0.4**
Local councils	303 500	301 900	–0.5
Joint bodies	100 500	100 300	–0.2
Permanent	310 700	302 900	–2.5
Substitutes	38 200	40 500	+6.0
Fixed-term	30 700	33 600	+9.4
Termporary	2 100	2 600	+23.8
Re-employed	20 300	20 400	+0.5
Others	2 000	1 900	–5.0



trends in earnings to take into consideration changes in staffing structure, including the increased age of the employees, which increases the numbers of long service bonuses, and thereby the actual salaries paid.

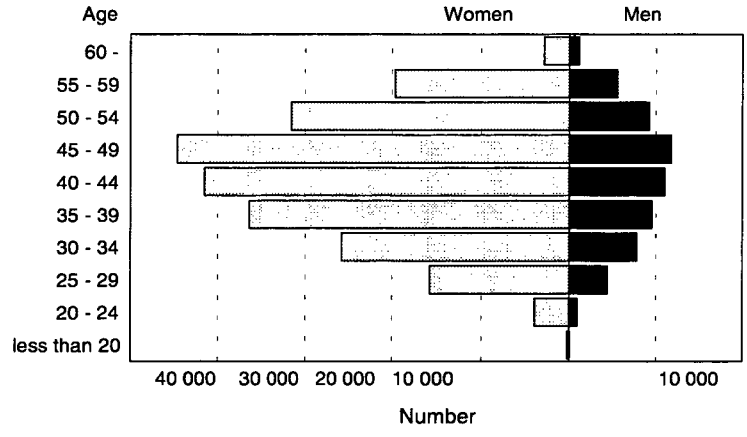
Wage differential between the sexes narrowing

The average total earnings of women were higher than those of men only in the age category under 25 years, after which they increased steadily with age to reach a peak of around FIM 10,100 at the age of 55-60 years. For men, average earnings rose more steeply, so that a male local government employee aged 60 years earned an average of FIM 14,500 a month in 1995, which is some 51% more than a woman of the same age.

The differences in levels of earnings may seem at first glance to be large, but a more detailed examination by occupation and education indicates that the actual differences are less marked. The total earnings of female nursing employees, for example, were equivalent to 97% of the wages paid to male employees in the same sector, those for teachers 86% and those for social workers 80%. The local government sector is thus characterised by occupational differentiation by sex rather than differentiation in salaries, i.e. the men usually hold higher-paid positions.

The total earnings of female employees in urban districts and other individual local government districts were some 77% of those of men, whereas the figure was only slightly over 68% for women employed by joint local government bodies. Over the local government sector as a whole their earnings were some 75% of those of men, i.e. 3% less than in the central government sector, for example. Slightly smaller differences were obtained between the sexes as regards earnings gained from normal working hours, the figure being approximately 79%.

LOCAL GOVERNMENT SALARIED STAFF BY AGE IN 1995



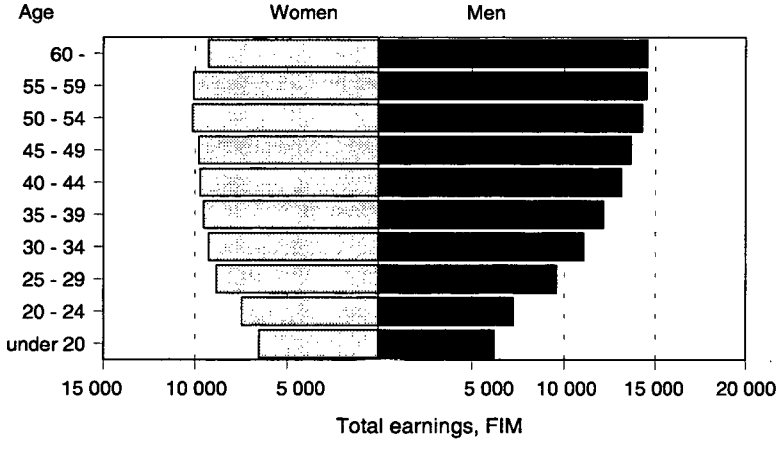
Local government employees becoming older

The average age of local government employees in October 1995 was 42.6 years, indicating a rise of six months relative to the previous year. Their average age has in fact increased by an average of 4.5 years over the last 15 years, 5 years among women and approximately 3 years among men. One contributing factor is the substantial decline in the number of young employees, so that where the sector had some 21,000 full-time salaried employees aged under 25 years in 1985, for example, i.e. almost 8% of the total, and slightly over 19,200, i.e. some 6.2%, even in 1991, the number has declined drastically since 1992, reaching a mere 1.8%, i.e. 5128 persons, in 1995.

***Source** Local government salaries 1995.*

For further details, please contact Mikko Leinonen, tel. +358-9-1734 3460

TOTAL EARNINGS OF LOCAL GOVERNMENT SALARIED STAFF BY AGE



110,500 FULL-TIME CENTRAL GOVERNMENT EMPLOYEES

There were 110,465 full-time central government employees in November 1995, their number having decreased by about 18,300. This was mainly due to the privatization of government agencies: the Finnish Post and Telecommunications and the Map Centre in 1994, the State Railways and State Grain Stores in 1995. Some 4% of the central government employees in 1995 were working for government-owned enterprises, e.g. the Vehicle Registration Centre. All in all, the number of salaried staff in government employment had decreased by more than 15% relative to 1994.

Full-time employees whose salaries were paid out of the national budget numbered 106,405. More than half of the women in this category were occupying administrative or clerical positions as department or office secretaries or in the tax offices, while almost a third of the men were in technical, scientific or academic occupations, working as engineers or technicians or in education.

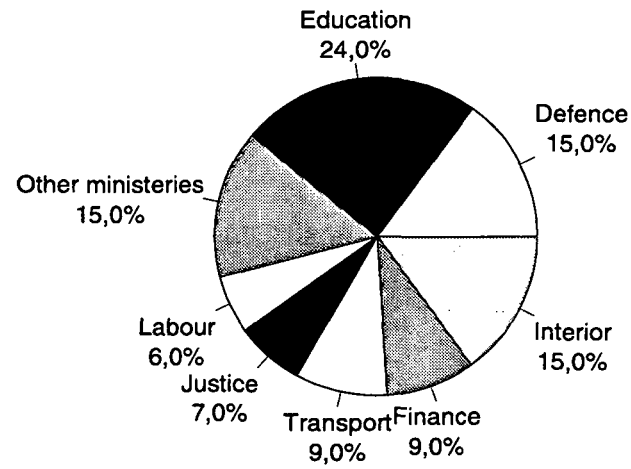
One of the largest sectors of the administration was the Ministry of Education, which employed 24% of the total central government workforce, the Ministry of Defence and the Ministry of the Interior accounting for 15% each.

The average earnings of salaried central government staff for normal working hours in November 1995 were FIM 11,317, with men earning FIM 12,395 and women FIM 9926, the corresponding average total monthly earnings being FIM 11,625, FIM 12,871 for men and FIM 10,017 for women. The increase in earnings compared with the previous year was 4.1% (calculated for the same groups using a fixed weighting structure), 4.1% for men and 4.2% for women.

CENTRAL GOVERNMENT SALARIED STAFF IN 1990 – 1995

	Numbers					
Employment category	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**
In Finland						
Total	**194 602**	**194 195**	**189 874**	**179 484**	**146 445**	**124 170**
– Full-time, full salary	169 444	172 235	169 546	152 714	128 773	110 465
– Part-time, full salary	9 588	7 807	8 250	11 820	10 679	8 245
– Part salary	15 570	14 153	12 078	14 950	6 993	5 460
Overseas, full time	1 192	1 183	987	963	956	952

NUMBER OF FULL-TIME SALARIED STAFF BY BRANCH OF THE ADMINISTRATION IN 1995



EARNINGS FOR NORMAL WORKING TIME IN 1994–1995
Full-time staff in government-owned enterprises and agencies financed from the national budget

	Numbers		Monthly earnings	
	1994	1995	1994	1995
National budget	110 612	106 405	10 685	11 295
Govt. enterprises	18 161	4 060	10 535	11 899
Total	**128 773**	**110 465**	**10 664**	**11 317**

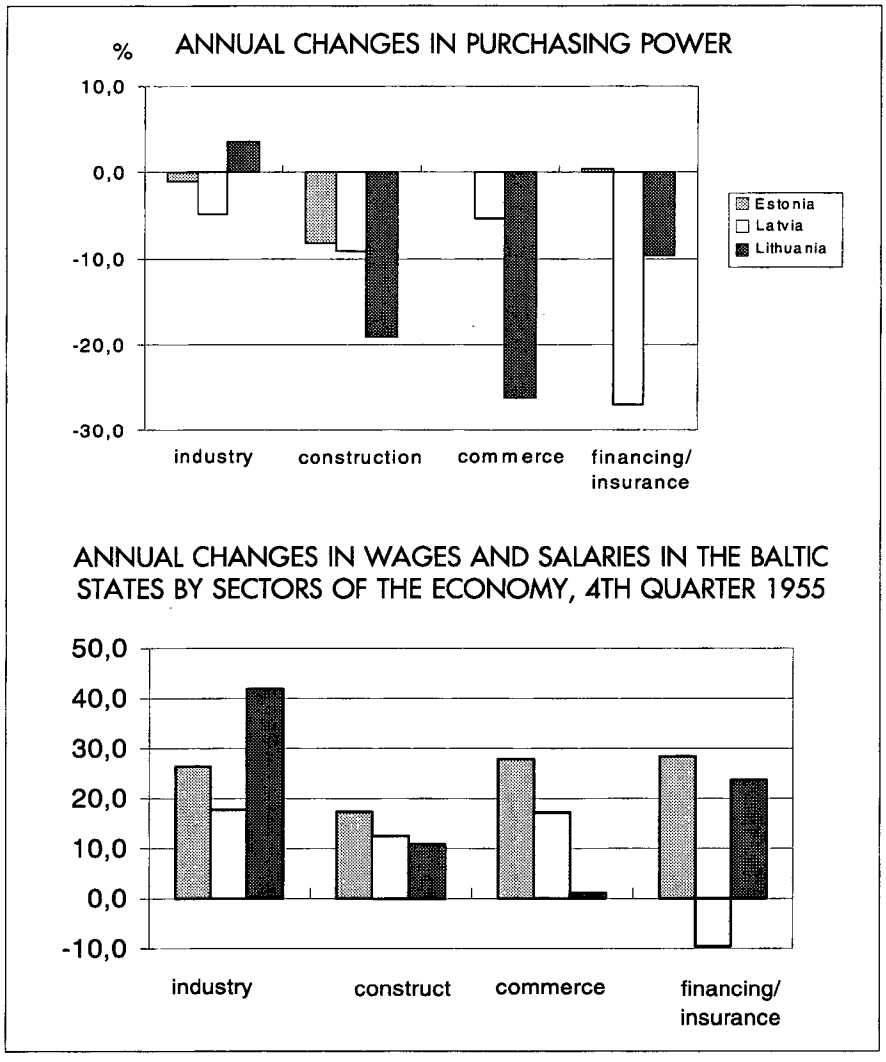
WAGES IN THE BALTIC STATES UP, PURCHASING POWER UNCHANGED

Wages and salaries in the Baltic States are compared here using a table in which the average gross salaries in Estonia, Latvia and Lithuania are reported by sectors of the economy. Salaries are first given in the relevant currency and then in Finnish marks converted using exchange rates and finally in Finnish marks converted using purchasing power parities. The salary data are from the last quarters of 1994 and 1995 and the exchange rates from the middle of November in each year. The purchasing power parities are derived from relative price levels in the GNP's of these countries and are obtained by adjusting the 1993 relative price levels by reference to changes in inflation and exchange rates.

Any comparison of wage levels in the Baltic States should be approached with caution, however, for the problem with such comparisons, as observed in the case of other countries as well, is that the structures of the sectors of the economy and the notions of earnings and wages tend to vary from one country to another. In addition, it should be noted when comparing the results obtained for 1995 in particular that the relative price levels given for the Baltic countries are adjusted figures for 1993 and thus do not include the effect of structural GNP changes on actual price levels. Comparability between the results recorded at different points in time is also hampered by the rapid changes in social and economic structure taking place in the Baltic States even within short periods.

Generally speaking, nominal wages in the Baltic States can be said to have increased in all sectors between 1994 and 1995, with the exception of financing and insurance, in which nominal wages fell by almost 10% in Latvia. One reason for this may be that a number of banks went bankrupt and that the country also suffered a banking crisis. The greatest rise in wages and salaries occurred in industry in Lithuania, where the nominal rise was as much as 41.8%. It should be noted, however, that wages in commerce only rose by some 1%. With these sectors excluded, the rise in wages in the Baltic States varied from 17% to 28%.

Actual purchasing power, however, expressed here in Finnish marks, actually declined in almost all sectors of the economy in the Baltic States between 1994 and 1995, as the rate of inflation has been so high that it has offset and even exceeded the rise in nominal wages. Measured in terms of the consumer price index, prices rose by 28% in Estonia, 24% in Latvia and 37% in Lithuania between 1994 and 1995. Purchasing power declined most notably in financing and insurance in Latvia, by as much as 27%, and in commerce in Lithuania, by 26%. The only evident rise in purchasing power took place in industry in Lithuania, which was attributable to the pronounced rise in nominal wages. Purchasing power



in Estonia also increased slightly in commerce (0.1%) and in financing and insurance (0.5%).

A comparison of individual sectors of the economy based on wages and salaries adjusted by means of purchasing power parities indicates that incomes in Estonia and Lithuania in 1994 and 1995 were smallest in the commercial sector, while those in Latvia were lowest in the construction sector in both years. The highest level was attained in financing and insurance in all three countries, exceeding the next highest wage level by over 50%.

Direct comparison of purchasing power in the Baltic States on the basis of the wages and salaries paid in the various sectors of the economy indicates that incomes in industry, commerce and financing and insurance, converted here by means of purchasing power parities, were higher in Latvia than in Lithuania and Estonia in 1994, and those in all branches except for construction were lowest in Lithuania. In 1995, purchasing power was highest in three sectors in Estonia, being below that in Latvia only in the commercial sector. Lithuania still had the lowest wage levels in 1995, recording the lowest figures of the three Baltic States in the industrial, commercial and constructional sectors.

Official minimum wages in the Baltic States were set at a very modest level in 1994 and 1995, and actual wage levels exceeded these by a wide margin in all sectors of the economies of all three countries. The minimum wage in Estonia in 1994 and 1995 was EEK 450 and that in Latvia LVL 28, while that in Lithuania was LTL 65 in 1994 but was increased to LTL 180 in 1995. Conversion of these minimum wages into Finnish marks on the basis of the purchasing power parities for the above years yields the following figures for 1994: Estonia FIM 454, Latvia FIM 645 and Lithuania FIM 234, the figures for 1995 being FIM 355, FIM 521 and FIM 474, respectively.

Measured in terms of both exchange rates and purchasing power parities, wages in the Baltic countries were still at a low level in 1994 and 1995 as compared with those in Finland. Purchasing power in all sectors was less than a half of that in Finland, the closest to parity being the situation in financing and insurance, where purchasing power in 1994 was close to 40% of the Finnish level. In the other branches it remained considerably below 30%, with the lowest percentages of all recorded for the commercial sector in Estonia and Lithuania. Purchasing power in the Baltic countries continued to decline relative to that in Finland in 1995, to the extent that it was now less than 30% in financing and insurance in Lithuania and Latvia, and varied on either side of 20% in industry and construction. It should be noted, however, that the above comparison between the Baltic countries does not take into consideration the effect of taxes on wage levels.

The major factor leading to the decline in purchasing power was the high rate of inflation in the Baltic States in the above years, during which the rate of inflation in Finland was quite low.

***Sources** Eesti Statistikaamet: Palk eesti Vabariigis – Eesti Statistiska*

Salaries in the Baltic States in the 4th quarters of 1994 and 1995

	1994			1995		
	In local currency	In Finnish marks		In local currency	In Finnish marks	
		Converted with exchange rates	Converted with purchasing power parities		Converted with exchange rates	Converted with purchasing power parities
Industry						
Estonia	2 109	809	2 126	2 665	997	2 103
Latvia[1]	94	818	2 166	111	879	2 060
Lithuania	447	530	1 613	634	675	1 672
Construction						
Estonia	2 430	932	2 449	2 850	1 066	2 249
Latvia[1]	90	780	2 066	101	800	1 877
Lithuania	590	699	2 128	653	695	1 722
Commerce						
Estonia	1 789	686	1 803	2 287	856	1 804
Latvia[1]	96	831	2 202	112	889	2 085
Lithuania	409	484	1 474	413	440	1 089
Financing and insurance						
Estonia	4 316	1 656	4 350	5 539	2 072	4 370
Latvia[1]	209	1 822	4 826	189	1 502	3 522
Lithuania	1 101	1 304	3 971	1 361	1 449	3 587

1) The information on wages concerns the public sector and public enterprises and institutions

A NEW TOOL FOR EU INFLATION COMPARISONS

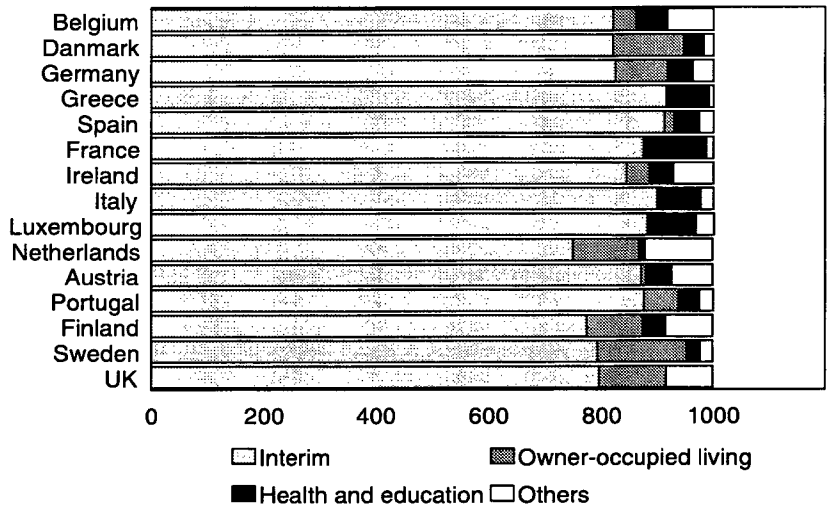
Standardisation of inflation figures between the EU countries has proceeded to an important stage, as the member countries have started from the beginning of this year to produce a uniform index developed specifically for the comparison of worldwide trends in consumer price inflation.

The Maastricht Agreement contains four convergence conditions for membership of the European Economic and Monetary Union. These concern the relation between public sector deficit and national debt, GNP, inflation and long-term interest rates.

The EU Commission and the European Monetary Institute (EMI) will use the new index in their EMU reports, thereby monitoring the extent to which the condition of stable price levels is fulfilled in the member countries.

The Commission and the national statistical offices have together proposed that the above standardization should be carried out in stages, a Council regulation to this effect having been approved in autumn 1995. The member countries are committed to producing a interim standardized consumer price index (ISCPI) for a period of one year from the beginning of the current year. The index is formed from the national consumer price indices by removing all those consumption items with indices that are not susceptible to comparison, including living in an owner-occupied dwelling, health care and nursing, education, financial services, insurance and package tours. This drops an average of one fifth of the value of household consumption in the EU countries out of the ISCPI. Some countries have had to add consumption items to their index, however, tobacco products in the case of Italy and Luxembourg and alcoholic drinks in Luxembourg.

INTERIM STANDARDIZED CONSUMER PRICE INDICES FOR THE EU COUNTRIES AND CONSUMPTION ITEMS OMITTED FROM THE NATIONAL INDICES (0/00)



The member countries began to publish standardized consumer price indices at the beginning of 1997, including estimates of price changes relative to 1996. The standardized index requires further development, however, and the problem of assessing the costs of living in an owner-occupied dwelling, for example, will only be solved at the beginning of next year.

Eleven EU countries would have fulfilled the inflation requirement in January

Assuming that the inflation condition entailed deviation of a maximum of 1.5 percentage points from the average of the three lowest inflation rates, a total of eleven countries would have complied with this condition in January 1996, the exceptions being Great Britain, Italy, Greece and Spain. Finland had the lowest rate of inflation of all the EU countries in January, 0.8%, with Luxembourg and the Netherlands in second and third places. Among the larger EU countries, Germany had a rate of 1.4% and France 2%.

National consumer price indices to be continued

The new indices will not replace the current national consumer price indices, as they have not been designed for national purposes such as the adjustment of payments or benefits to prevailing price levels or the provision of a basis for wage and salary negotiations.

The differences between the national indices and the interim standardized consumer price indices vary from one country to another. The average annual trend in consumer prices in Finland be-

CHANGES IN INTERIM STANDARDISED CONSUMER PRICE INDICES

Year/month	Country															
	EU	B	DK	D	GR	E	F	IRL	I	L	NL	A	P	SF	S	UK
1995																
I	2.8	2.0	2.3	1.8	10.9	4.3	1.6	2.7	3.8	2.4	1.7	2.6	4.1	2.0	2.0	2.7
II	2.9	1.8	2.4	1.7	10.2	4.8	1.6	2.7	4.4	2.4	1.5	2.4	4.1	2.0	3.0	2.8
III	3.1	1.8	2.7	1.6	10.1	5.2	1.7	2.7	5.2	2.4	1.5	2.4	4.4	1.7	2.9	3.0
IV	3.0	1.7	2.6	1.6	9.7	5.2	1.5	2.6	5.4	2.3	1.5	2.1	4.3	1.4	3.1	2.7
V	3.0	1.5	2.5	1.6	9.6	5.1	1.5	2.6	5.3	2.3	1.2	2.3	4.0	1.5	3.0	3.0
VI	3.1	1.2	2.3	1.7	9.3	5.1	1.5	2.6	5.8	2.3	1.4	2.6	3.6	0.9	3.0	2.9
VII	2.8	1.0	2.0	1.4	8.6	4.6	1.4	2.0	5.6	1.9	0.9	1.9	3.4	0.8	2.7	3.0
VIII	2.9	1.1	1.7	1.4	8.4	4.3	1.9	2.0	6.0	1.7	0.7	1.7	3.6	0.4	2.6	3.1
IX	3.0	1.0	2.3	1.4	8.2	4.4	2.0	2.0	5.8	1.5	0.6	1.7	3.7	0.3	2.7	3.5
X	2.9	1.0	2.2	1.3	8.2	4.4	1.9	2.3	5.6	1.5	0.5	1.6	3.7	0.3	3.0	3.3
XI	2.9	1.3	2.2	1.4	7.9	4.3	2.0	2.3	5.9	1.3	0.8	1.6	3.6	0.3	3.0	3.2
XII	3.0	1.4	2.2	1.5	7.9	4.3	2.1	2.3	5.9	1.3	0.8	1.5	3.3	0.3	2.9	3.5
1996																
I	2.8*	1.6	1.8	1.4	8.1	3.9	2.0	..	5.7*	1.1	1.3	1.7	2.3	0.8	1.6	3.2

Source: Eurostat news release No15/96. "New Way of Comparing EU Inflation"

tween 1994 and 1995 corresponded to that in the ISCPI, but the difference in index changes has been as much as 2 percentage points at some times since 1990, mostly as a result of depreciation and interest on owner-occupied dwellings, which are contained in the national index but not in the ISCPI. Both the indices currently point to fairly similar trends in prices.

The national consumer price index will continue to be published on a monthly basis, but now accompanied by a ISCPI score and data on changes relative to the previous year and month.

Indicator of the basic rate of inflation

It has been the aim of the Bank of Finland from 1995 onwards to stabilize the basic rate of inflation at 2%. The indicator of this basic rate of inflation is a change in a consumer price index from which indirect taxation, subsidies and capital living costs, i.e. the effects of housing prices and interests on housing loans, are excluded. It is thus a variant of the net price index in which the consumption basket excludes housing prices and interests on housing loans. The net price index can be taken as a measure of trends in the incomes gained by producers and retailers.

The inflation target was achieved easily in 1995, to the extent that the indicator of the basic rate of inflation was negative from July onwards and averaged -0.1 for the year as a whole. The inflation target was similarly not threatened at any stage in 1996.

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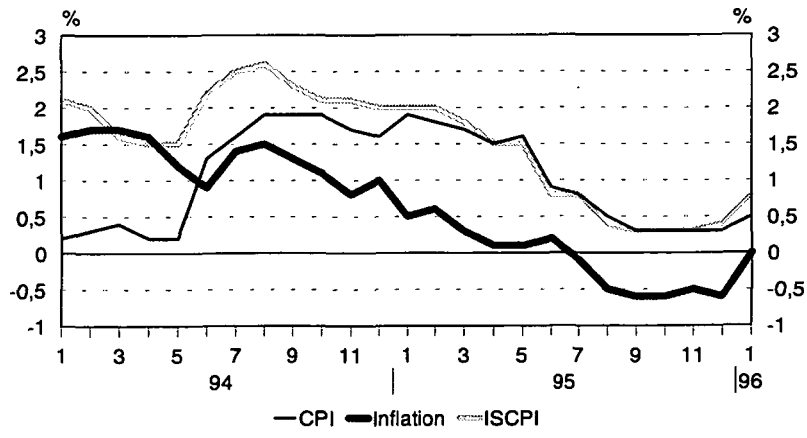
ANNUAL CHANGES IN CONSUMER PRICE INDEX, INTERIM STANDARDISED CONSUMER PRICE INDEX AND BASIC RATE OF INFLATION



PUBLIC EXPENDITURE PRICE INDEX 1995=100

The public expenditure price index (PEPI) is used to measure trends in central and local government expenditure. Weightings for the index were derived earlier from the basic annual budget in the case of the central government and from local authority accounting statistics for the local government sector, but now the revised indices are both weighted by reference to accounting data. They are calculated on a quarterly basis and are available approximately two months after the end of each quarter. The indices should be regarded as preliminary for a period of about one year, until the final wage and salary indices are published.

The first PEPI indices were calculated in 1980, taking 1977 as their reference year, and comparable series of indices have been produced since 1975. The weighting structure was renewed in 1983 to correspond to the structure of central government expenditure in 1982 and that of local government expenditure in 1981, but the reference year continued to be 1977.

The index weights for the central government sector were again revised in the light of the 1988 budget, and those for local government finance in accordance with the 1987 accounts. At this point 1985 was adopted as the reference year.

PEPI 1995=100

Statistics Finland has now revised its public expenditure price index, taking the year 1995 as its reference point. The weightings for the central government sector are derived from the 1994 accounts and those for the local government sector from the corresponding data for local councils in 1995.

Table 1. Public expenditure prices index 1995=100, administrative branches

State finance	**Weight %**
Administrative branches	
1. General administration	1.7
2. Ministry of Foreign Affairs	1.8
3. Ministry of the Interior	6.2
3.1 Central administration	0.1
3.2 Provincial administration	0.3
3.3 Police and border guard establishment	2.1
3.4 Others	3.7
4. Ministry of Defence	5.6
5. Ministry of Finance	13.5
6. Ministry of Education	16.9
6.1 Central administration	0.2
6.2 Universities and higher education	3.4
6.3 Others	13.3
7. Ministry of Agriculture and Forestry	4.7
8. Ministry of Transport	5.9
9. Ministry of Trade and Industry	3.6
10. Ministry of Social Affairs and Health	32.2
11. Ministry of Labour	5.4
12. Ministry of the Environment	2.6
Administrative branches, total	**100.0**

Local government finance	**Weight %**
Field of responsibility	
1. General administration	9.1
2. Social affairs and Health	47.2
2.1 Social affairs	24.2
2.2 Health	23.0
3. Education and culture	29.0
3.1 Education	24.2
3.2 Cultural affairs	4.8
4. Community services	7.3
5. Other services	0.7
6. Business transactions	6.7
Fields of responsibility, total	**100.0**

Efforts were made to adjust the central government weightings to conform to the situation prevailing now that Finland has entered the EU. This was done by excluding the support paid to the banks and ex-

Table 2. Public expenditure prices index 1995=100, categories of expenditure

Central government expenditure **Category**	**Weight %**
1. Consumption	20.9
1.1 Wage and salary costs, other personnel costs	12.9
1.1.1 Wages and salaries	9.5
1.1.2 Social insurance costs	2.8
1.1.2.1 Pension costs	2.1
1.1.2.2 Other social insurance costs	0.7
1.1.3 Other personnel costs	0.6
1.2 Goods and services	8.0
2. Transfer costs	58.6
2.1 Local government	21.9
2.2 Companies	8.6
2.3 Households	5.2
2.4 Other transfer costs	18.8
2.5 Payments to the EU	2.9
2.6 Payments abroad	1.2
3. Property investments	2.4
4. Financial investments	0.6
5. Repayment of loans	11.3
6. Pensions	6.1
7. Other expenditure	0.2
State finance, total	**100.0**

Local government finance **Category**	**Weight %**
1. Operating costs	87.1
1.1 Wage and salary costs	37.5
1.1.1 Wages and salaries	29.0
1.1.2 Social insurance costs	8.5
1.2 Pensions	0.5
1.3 Purchase of goods and services	35.9
1.4 Other expenditure	13.2
2. Investment costs	8.4
2.1 Building investments	5.6
2.2 Other investments	2.8
3. Financing	4.6
3.1 Interests	2.3
3.2 VAT refunds	2.3
Local government finance, total	**100.0**

Groupings of local authorities:
1. Helsinki region
2. Major centres
3. Major commuting districts
4. Other commuting districts
5. Major manufacturing and service districts
6. Other manufacturing and service districts
7. Primary production districts
8. Other medium-sized districts
9. Other small districts

penditure on VAT from the 1994 accounting data, including only the national support paid to agriculture support and adding Finland's payments to the European Union.

In addition to the average trends in central government expenditure, indices are produced for individual branches of the administration and categories of expenditure. There are a total of 12 main administrative branches, of which the Ministry of the Interior and the Ministry of Education are subdivided. The central government administrative branches and their weightings in the overall administrative index are shown in Table 1.

The index of central government expenditure contains seven categories of expenditure of which consumption and transfers are divided into sub-categories, and the general index for this sector is obtained as the weighted mean of the various categories. The figure for the administrative branches as a whole is not the same as that for the central government sector as a whole, however, as it does not include the costs of repaying government loans. The categories of central government expenditure and their weightings relative to the overall central government index are given in Table 2.

The weightings for the local government sector are based on local authority accounts for 1995, excluding interests and allowances for depreciation in capital assets, national pension supplements and the provision of holiday substitutes form farmers.

In addition to the average index of local government expenditure, indices are also produced for individual fields of responsibility and categories of expenditure. There are a total of six fields of responsibility, of which health and social welfare and education and culture are subdivided. It should be noted, however, that the combined index for the fields of responsibility is not the same as the overall local government index, as the former does not include financing costs. The fields of responsibility in local government and their weightings in the index of expenditure are shown in Table 1.

The index of local government expenditure contains three categories of expenditure, all of which are divided into subcategories. These categories and their weightings are given in Table 2. The combined index for all the categories of expenditure is identical to that for local government expenditure as a whole.

Indices under the new system are also calculated for groups of local councils arranged according to size. Details of the grouping are given in Table 2.

Indices for monitoring purposes

Statistics Finland has set out to define an index for each category of central and local government expenditure which provides an optimum account of the actual structure of the category and trends in wages, prices and costs within it, or some combination of these factors. In addition, separate indices are calculated for certain categories of expenditure such as social insurance and pensions, unemployment benefits, employment pensions and interest payments.

The most commonly used indices are the central and local government series contained in the level of earnings index 1990=100, the consumer price index 1990=100 as a whole or one of its sub-series, the domestic market basic price index 1990=100 and its subseries, and the index of building costs 1990=100.

Trends in new and old indices in 1990-1996

Public expenditure price indices 1985=100 and 1995=100 were produced simultaneously from the beginning of 1990 to the second quarter of 1996, allowing the effect of the change in weighting structure and assessment methods on trends in the index to be examined.

The weighting structure of the public expenditure index 1985=100 is based on the structure of central and local government expenditure in 1988 and 1987, and that of the new PEPI 1995=100 on the structure in 1994 and 1995, which accounts for some of the differences in the trends. Perhaps the most significant change as regards structure and assessment is the inclusion of interests in the new index. Changes in official interest rates had no impact whatsoever on the old public expenditure index, but then central and local government borrowing was by no means at the same level in the late 1980's as it is today.

Another major change is the more accurate assessment of social insurance payments and the greater weighting assigned to them in the new index. These costs were not included at all in the central government expenditure index 1985=100.

Chaining of old indices

Statistics Finland still produce overall indices of central and local government expenditure relative to the basic reference years 1977=100 and 1985=100, and will continue to construct more accurate series of the latter index (1985=100) in the future. The old indices will be developed from the second quarter of 1996 onwards in the same way as the PEPI 1995=100 indices.

Use of the indices

The price of public expenditure is mainly used to deflate trends in central and local government expenditure in real or volume terms. The index is much better for this purpose than the commonly used consumer, wholesale or building cost indices The index can be used to compare trends in expenditure by one local authority with trends in the whole local government sector or a defined group of local authorities.

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PRODUCER PRICES IN AGRICULTURE FALLING – COSTS RISING

Statistics Finland monitors trends in agricultural prices by calculating separate indices for agricultural producer prices and agricultural input prices on the same criteria as used in all the other EU countries, although with allowances for the types of production characteristic of each country. Comparisons between the indices for the member countries and at the EUR 15 level are drawn up and published by Eurostat on a quarterly basis. The deflated indices used by Eurostat also enable trends in prices to be monitored in real terms.

Statistical change

A major change took place in the compilation of producer price statistics at the beginning of 1997, in that the price support paid for pork, beef, mutton, poultry and eggs came to be based on the number of livestock units, in accordance with EU instructions. The levels of EU and national price support for agriculture decrease each year and must, under EU instructions, be included in the producer price index. Since actual price comparisons are hampered by the decline in the levels of support and the above change in the statistics, an agricultural producer price index from which all forms of price support have been removed has been compiled retrospectively to 1990 in order to provide a better account of the changes in the prices of agricultural products. This index employs the same product weightings as the support index does, and involves alterations only in the price series and basic prices. The removal of price support from meat and eggs is reflected in an overall mean drop of 9.2% in the producer price index between December 1995 and January 1996. Unsupported prices fell by an average of 0.2% during the same period.

Signs of a stabilization of agricultural producer prices can be observed following the unclear market situation which arose during Finland's first year in the EU. Producer prices have typically been lower in the second and third quarter of the year, periodic fluctuations being most pronounced in the case of milk, vegetables and grain. Fluctuations of this kind are also affected by administrative factors connected with the EU. The opening of Finland's intervention stores and the related price gradation affected grain prices in particular.

A drop in producer prices

Agricultural producer prices dropped by an average of 12.7% and unsupported prices by 2.4% between the third quarter of 1995 and that of 1996, the corresponding changes between the second and third quarters of 1996 being 3.3% and 4.2%, partly as a result of the decline in price support in the third quarter, which partly accounts for the fact that unsupported prices rose more in relative terms.

A rise in costs

Agricultural producer prices plummeted by an average of 20.9% in January 1995, most notably that of grain, which fell by some 55%, and continued to decline by an average of 9.2% from January to December during that first year of EU membership, while input costs fell by an average of 1.8% during the same period. The lifting of purchase tax reduced the prices of machinery, equipment and servicing by 18% in January 1995, but since this was not reflected in full in the prices themselves, those costs of servicing, for

QUARTELY TRENDS IN THE AGRICULTURAL PRODUCER PRICE INDEX (1990=100)

	Index					% change	
	3/95	4/95	1/96	2/96	3/96	3/95–3/96	2/96–3/96
Total	**69.9**	**69.3**	**61.9**	**59.1**	**61**	**–12.7**	**3.3**
Horticultural products	60.8	54.7	55.7	57.5	56.5	–6.9	–1.7
Grain	39.2	39.5	40.7	41.5	40.1	2.2	–3.4
Livestock products	73.8	75.6	64.5	59.7	62.9	–14.7	5.4
Meat	62.2	59.8	43.1	43.1	43.5	–30.2	0.9
Milk	87.7	93.2	87.5	77.7	83.8	–4.3	7.9
Eggs	44.5	49.5	35.6	36.3	37.1	–16.7	2.1
Unsupported agricultural producer price index							
Total	**57.6**	**58**	**57.1**	**54**	**56.3**	**–2.4**	**4.2**
Horticultural products	58.3	51.4	52.4	54.1	53.3	–8.6	–1.5
Grain	35.6	35.8	37	37.9	36.6	2.9	–3.3
Livestock products	57.4	60.8	59.1	53.9	57.6	0.3	6.7
Meat	48.7	47.3	46.5	46.4	46.7	–4.1	0.7
Milk	68.4	76.2	72.1	61.6	68.6	0.4	11.3
Eggs	28.7	35.1	45.6	46.5	47.5	65.3	2.1

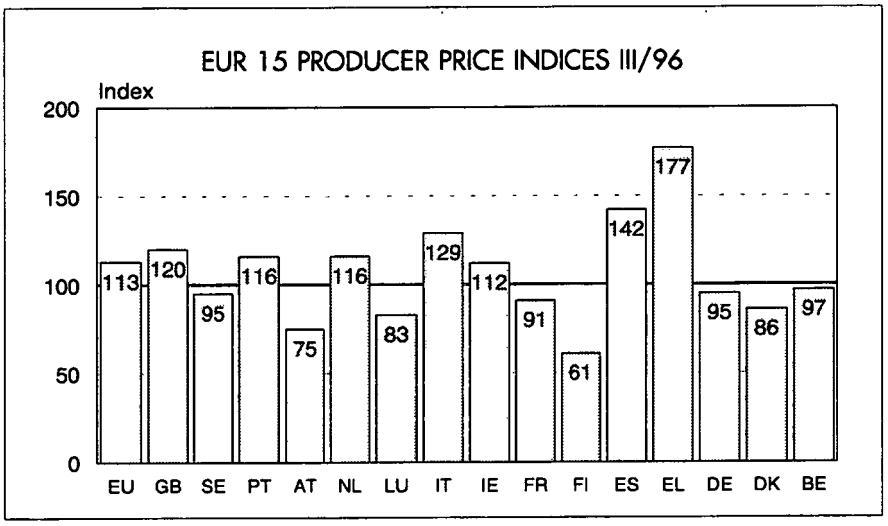
QUARTERLY TRENDS IN THE AGRICULTURAL INPUT PRICE INDEX (1990=100)

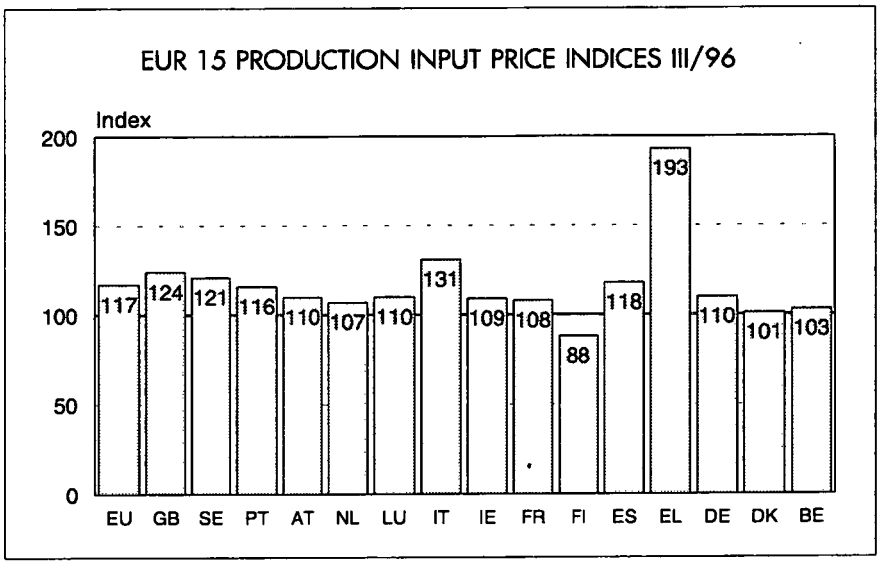
	1995				1996				
	1/95	2/95	3/95	4/95	1/96	2/96	3/96	3/95–3/96	2/96–3/96
	87.3	87.2	86.2	85.7	87.3	88.3	87.6	1.7	–0.8
SUPPLIES AND SERVICES	***84.5***	***84.5***	***83.1***	***82.3***	***84.5***	***85.8***	***85.1***	***2.3***	***–0.8***
Seed	61.8	64.9	66.5	52.6	57.3	61.1	62.1	–6.5	1.8
Breeding animals	64.8	68.3	67.6	61.5	61.7	55.1	55.3	–18.2	0.4
Energy	92.4	90.4	89.3	89.7	98.8	99.2	100.0	12.0	0.8
Fertilizers	97.5	99.0	94.5	95.0	98.0	100.2	91.7	–2.9	–8.5
Plant protection	92.5	92.5	92.5	92.5	91.6	92.2	92.5	–0.1	0.3
Feed	70.9	70.0	68.9	67.7	69.5	71.2	72.9	5.8	2.3
Tools and accessories	94.0	95.8	96.6	97.7	97.5	99.0	98.6	2.1	–0.4
Machine servicing and repairs	95.0	95.1	95.4	95.5	94.4	94.6	94.9	–0.5	0.3
Building repairs and maintenance	93.7	94.1	94.1	93.9	93.1	93.4	94.8	0.8	1.5
Veterinary services	107.9	107.9	107.9	107.9	107.9	110.2	110.2	2.2	0.0
General costs	90.5	91.2	89.8	89.2	89.4	89.2	89.0	–0.9	–0.2
INVESTMENTS	***93.1***	***92.9***	***92.8***	***93.0***	***93.5***	***93.6***	***93.1***	***0.3***	***–0.6***
Machinery and fittings	93.7	93.6	93.6	94.0	95.1	95.1	94.1	0.5	–1.1
Buildings	91.7	91.2	90.7	90.5	89.6	89.9	90.6	–0.1	0.9

example, actually rose by 0.2% in 1995, building repairs by 0.5%, tools and accessories by 4.8% and machinery and equipment by 0.5%.

Prices of the various input factors rose by an average of 1.7% between the third quarter of 1995 and that of 1996, most notably on account of a 12% increase in the price of energy and a 5.8% increase in animal feeds. The prices of breeding stock fell by 18.2%.

Input prices fell by 0.8% between the second and third quarters of 1996, mainly on account of seasonal price fluctuations. Price gradation is typically least marked at the beginning of the new harvest period in the autumn. The greatest falls have occurred in the prices of fertilizers, 8.5%, whereas animal feeds have increased in price by 2.3%.





***Source** Agricultural producer price index, agricultural input price index, Eurostat*

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FOOD PRICES FELL LEAST IN NORTHERN FINLAND AND THE HELSINKI REGION

Consumer price statistics for the period September 1994-December 1995 indicate that food prices fell in Finland by an average of 11.0%, the drop being most marked in regional terms in the middle part of the country (-11.5%) and least so in Northern Finland (-10.2%). Food prices were 10.6% lower in December 1995 than in September 1994.

The greatest fall took place in the prices of eggs, fats and oils, meat, fruit, berries, vegetables, and potatoes and potato products. The only category in which the prices actually rose during that period was that comprising coffee, tea and cocoa. The price of coffee, a commodity of great importance to the Finns, rose dramatically by 13.2% at the end of 1994, although it then fell by 1% during 1995, other than in the Helsinki region, where it rose by 0.4%. Coffee prices are lowest in the central part of the country and highest in and around the capital.

Bread and grain product prices fell most in the central region and least in Southern Finland, the greatest drop of all in this category over the country as a whole being that affecting baking flours and coarsely ground porridge grains. The price of fine wheat flour fell most in the central parts of the country and least in the Helsinki region. Porridge rice is the only commodity in this category which went up in price in all parts of the country during the 15-month follow-up period, i.e. 3.3% in the country as a whole and 8.0% in the Helsinki region.

The prices of all meats and meat products fell during the above period, the greatest fall in the country as a whole occurring in the prices of loin of pork and pork chops, with substantial drops in fresh beef and chicken prices as well. Meat prices fell most in the central parts of the country and least in the Helsinki region.

The prices of fish in Finland, which has always been cheap by European standards, fell sharply by about one tenth over the country as a whole. Prices dropped most in Northern Finland and least in the Helsinki region. The price of rainbow trout per kilogramme declined by 36.4% throughout the country, thanks to extensive stocking of the rivers, the greatest drop occurring in Southern Finland, except for the Helsinki region, where it was in fact the smallest. The most marked rise in prices in this category throughout the country affected prawns, most notably in the Helsinki region. It should be borne in mind, however, that fresh fish is a typical seasonal product and is inevitably more expensive in winter than at other times of the year.

In the category of milk, cheese and eggs, it was quite obviously the price of eggs that dropped most practically throughout the country, this effect being most rapid in the central region and slowest in the Helsinki region. Cheeses were also markedly cheaper in December 1995 than they had been in September 1994. The price of cheeses of the Tilsit type, for example, dropped by 13% throughout the country, 14% in the Helsinki region and 11% in Northern Finland. The greatest price increase in the category of dairy products concerned fat-free sour milk, which rose by 16.8%.

Fats and oils also dropped in price by about one fifth during this period, the commodities affected most markedly being vegetable oils and baking margarine, the former most notably in the Helsinki region and least elsewhere in Southern Finland. The most radical drop in margarine prices occurred in the central parts of the country and the smallest in the north. The price of butter dropped by 23.1% throughout the country, least in the Helsinki region and most in the central area.

The prices of fruit, berries and vegetables reacted in a high variable manner. Capsicum peppers, apples and raisins dropped in price most in all parts of the country, peppers by 44% in the Helsinki region and 40% in Northern Finland. Apple prices fell least in the Helsinki region and most elsewhere in Southern Finland. A fear had been expressed before Finland joined the EU that banana prices in particular would rise, these being imported from outside the EU area, but the consumer price statistics indicate that their price actually fell by 7.4% in the country as a whole, 0.4% in the Helsinki region and 12.7% in the central areas. The commodity with the greatest price increase in this category in all parts of the country was mixed fruit juice concentrate, the effect being least pronounced in the Helsinki region and most pronounced elsewhere in Southern Finland. Mushroom prices rose most in the Helsinki region, while there were major areal differences in the trends in cucumber prices, which fell by 9% in the Helsinki region and 2% elsewhere in Southern Finland, but increased by as much as 16% in other parts of the country.

Fruit, berries and vegetables are typical seasonal products, the prices of which vary considerably in the course of the year, which makes direct price comparison difficult. This category also includes a large number of imported commodities, the prices of which naturally fluctuate in accordance with changes in exchange rates. The drop in fruit, berry and vegetable prices is thus not attributable to Finland's membership of the EU alone.

Potato prices dropped by slightly less than one third throughout the country, least so in Northern Finland and most in Southern Finland except for the Helsinki region. Prices are currently lowest in the central region (FIM 2.77/kg) and highest in Helsinki (FIM 3.00/kg). The price of French fries has increased in all parts of the country, however, by some 2% overall, most notably in Northern Finland and least in the Helsinki region.

Trends in potato prices are of course dictated by annual harvest yields, in which respect 1994 was an exceptionally poor year. This was reflected in a rise in prices, whereas the record yields of 1995, as a result of favourable weather conditions, reduced the prices substantially throughout the country.

The price of granulated sugar fell by 11% over the country as a whole, most notably in the central parts and least in Northern Finland, while honey prices fell by some 5% in all parts of the country except the Helsinki region, where the drop was larger, 7.4%.

In the category comprising coffee, tea and cocoa, it was tea and cocoa that dropped in price, tea most notably in Southern Finland, except for the Helsinki region, and least in the central area, while cocoa prices fell most in the Helsinki region and least in the central area. The price of coffee rose most in Helsinki (14.3%) and least in the central parts of the country (8.5%).

Of the other foodstuffs, the price of full cream icecream fell most dramatically in all parts of the country, especially in Northern Finland, while the greatest drop in price in Southern Finland, except for the Helsinki region, was recorded for chocolate bars, the prices of which fell by one tenth, as compared with 9% in the central parts of the country. The greatest rise in prices in this category over the country as a whole between August 1994 and December 1995 concerned allspice, by 1.0%, whereas in the Helsinki region the commodity concerned was yeast, which fell in price by slightly over 1% elsewhere in the country. No commodity in this category became more expensive in Northern Finland during this period.

Food prices have fallen relatively steadily since Finland joined the EU, most notably in areas where increasingly fierce competition created by the appearance of imported products on the market has forced domestic producers to reduce their prices. Food prices in Northern Finland are increased by the high transportation costs, although even there the overall drop in prices is only 0.8 percentage points less than in the country at large. The fall was not reflected in the profits made by the largest chain of food shops, Kesko, in 1995, which were the highest in the company's history, the lower prices being compensated for by an approximately 5% rise in demand. It is the meat and egg producers that have suffered most from the drop in prices.

In addition to membership of the EU, the drop in prices may be attributed to some extent to a change in VAT, which was 22% from June 1994 until the beginning of 1995, at which point it was reduced to 17%. EU membership has nevertheless clearly contributed to the reductions in the prices of bread and grains, meat, milk, cheese and eggs, and fats and oils in particular.

The overall drop in food prices was 1.5% greater than the figure of 9.5% forecast by the Centre for Consumer Research before Finland joined the EU. The fall in bread and grain prices was less than the predicted 15%, whereas meat products fell more in price than the expected 16% and dairy products slightly more (-4%). The drastic drop in egg prices had not been anticipated at all, however, the prediction being -4%. The reductions in the prices of vegetable fats were in line with the prediction, i.e. 24%. Sugar prices were expected to go down by 14%, so that the actual fall (-2.8%) is somewhat less than expected, and other food prices were expected to fall by one tenth, whereas the actual fall was only -3.4%. The forecast did not cover fruit, vegetables or coffee.

EU membership has reduced food prices in Finland much more than it has in Sweden, another new EU country, where prices only fell slightly during the period examined here. Unlike the situation in Finland, coffee, tea and cocoa prices declined notably there, whereas bread, grain products, fruit, berries, vegetables, meat and fats and oils became only slightly cheaper. Milk, cheese, egg and fish prices even increased slightly. This difference may be attributable to the fact that the Swedish economy is not as centralised in structure as that of Finland. Agricultural producers, for instance, had already begun to adjust their prices to European levels during the 1980's. The fact that food prices have dropped very little is one reason for the growing criticism of EU membership in Sweden.

The earlier 21% VAT levied on foodstuffs in Sweden was reduced to 11% in January 1996, which lowered food prices considerably, by an average of 5.5%, and also reduced the consumer price index by 0.8 percentage points.

A summary of trends in food prices during the 15-month period discussed here is provided in the enclosed table. The regional unit described as "other parts of Southern Finland" comprises the provinces of Uusimaa, excluding the Helsinki region, Häme, Turku and Pori, Kymi and Åland, while the central region covers the provinces of Mikkeli, Kuopio, Central Finland and Northern Karelia, and Northern Finland the provinces of Oulu and Lapland.

***Sources** Consumer price statistics 1994:3-1995:4, Swedish consumer price index 1994:10, 1996:1 and 1996:2 SCB.*

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PRICE DEVELOPMENT IN FINLAND AND SWEDEN SEPTEMBER 1994 – DECEMBER 1995

9/94 – 12/95 %-change

	Helsinki region	Other parts of Southern Finland	Central Finland	Northern Finland	Whole country	Sweden
Bread and grain products	–9,9	–9,9	–10,9	–10,6	–10,2	–1,75
flour and groats	–23,8	–26,1	–29,0	–26,5	–26,6	
baked goods plain	–9,4	–8,7	–8,7	–8,4	–8,8	
other baked goods	–8,1	–6,9	–6,9	–6,8	–7,1	
other bread and grain products	–8,5	–8,1	–7,5	–8,2	–8,0	
Meat	–17,0	–18,0	–18,2	–17,5	–17,8	–5,69
fresh beef	–21,3	–24,0	–26,7	–29,2	–24,2	
fresh pork	–24,1	–25,3	–27,6	–28,2	–26,1	
broiler	–22,0	–21,5	–20,6	–21,8	–21,4	
processed meats	–14,5	–15,9	–14,2	–13,1	–14,9	
sausages	15,0	–14,3	–13,2	–13,3	–14,0	
ready to meat preparations and preserved meat preparations	–11,0	–10,6	–9,4	–10,4	–10,5	
Milk, cheese, eggs	–5,9	–5,3	–7,8	–3,6	–5,9	3,35
hen's eggs	–35,0	–43,7	–44,2	–39,1	–41,9	
Fats and edible oils	–20,1	–21,1	–22,7	–21,2	–21,4	–1,18
butter and butter mixtures	–16,8	–19,1	–21,0	–18,9	–19,5	
margarine and edible oils	–22,4	–23,3	–26,1	–24,4	–23,9	
Fish	–10,4	–11,8	–14,4	–17,1	–12,6	2,17
Fruits, berries and vegetables	–13,1	–14,0	–10,6	–12,8	–12,9	–6,90
Potatoes and potato preparations	–15,2	–16,5	–14,2	–7,8	–14,8	
Processed sugar	–9,3	–9,3	–12,3	–8,4	–10,.2	
Coffee, tea and cocoa	11,2	11,4	7,2	10,3	10,0	–8,49
Food total	**–10,6**	**–11,1**	**–11,5**	**–10,2**	**–11,0**	**–1,82**

PRICES OF IMPORTS UP BY 1.5% IN 1996

The Statistics Finland import price index shows import prices rose by 1.5% on average from 1995 to 1996, largely on account of increases in the prices of crude oil, transport equipment, machinery and equipment and petroleum products, following a drop of 0.1% the previous year.

The prices of imported petroleum products rose by 18% between 1995 and 1996, and those of machinery and equipment and of transport equipment by slightly more than 3%.

Export prices rose by 0.8% over the same period, having shown a rise of 7% the year before. The reduction may be attributed to decreases in the prices of pulp, paper and paperboard and of basic metals.

Following a 46% rise in 1995, pulp export prices as a whole fell by an average of 33% in 1996, the sharpest fall in 20 years. Paper and paperboard prices rose by slightly over 6%, where the rise in the previous year had been as much as 18%, and the rise of 10% in the prices of basic metals in 1995 was followed by a fall of 6% in 1996.

Export prices for pulp fell by 40% between December 1995 and December 1996, those for basic metals by almost 16% and those for paper and paperboard by 8%. All in all, export prices fell by 5% over the year.

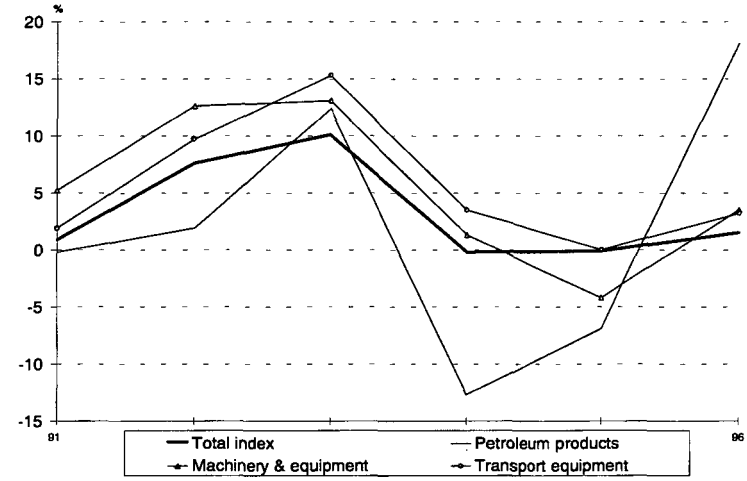
The 0.9% fall in export prices in general from November to December is attributable to a decrease in those for furs, timber and paper and paperboard. Import prices remained constant between the two months.

Wholesale prices rose by 0.6% in 1995–1996, those of goods produced in Finland by 0.4% and those of imported goods by 1%.

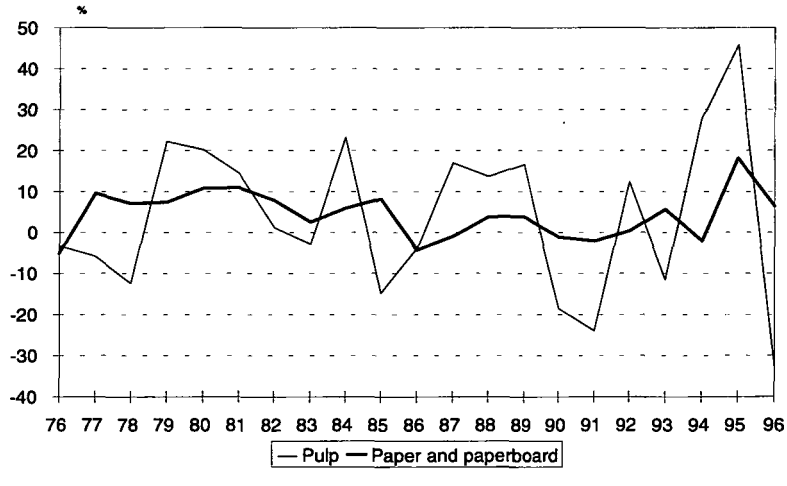
The HWWA index of raw material prices on the world market (in dollars) rose by 6.5% from 1995 to 1996. Energy raw materials prices increased by slightly over 15%, whereas those of other raw materials fell. The HWWA index rose by 2.3% from November to December 1996.

***Source** Producer price indices.*
For further details, please contact Jarmo Ranki, tel. +358-9-1734 3472

ANNUAL CHANGES IN THE IMPORT PRICE INDEX FROM 1991 TO 1996



ANNUAL CHANGES IN EXPORT PRICES FOR PULP, PAPER AND BOARD FROM 1976 TO 1996



A NEW WAY OF CALCULATING THE INDEX OF HOUSING PRICES

Introduction of a hedonistic regression model

The index describing trends in the prices of apartments and terraced houses has been renewed in order to take better account of not only the actual price data but also the effects of quality differences. The indices for the third quarter of 1995 were the first to be calculated by the new method.

The reference years for the indices, 1983=100 and 1970=100, have been preserved unchanged, but the focus is now on calculating an index to describe the trends to which average prices are linked. Earlier, when the index and average prices were calculated in different ways, there could easily be a situation where the index rose but the average price fell, or vice versa. The trends can now be expected to point in the same direction. Although it is true that the indices obtained using the hedonistic model and the average prices derived from these differ slightly from the direct averages recorded for transactions in the relevant quarter, it should be noted that the model is intended for monitoring general trends in prices and changes in the prices of dwellings of the same quality.

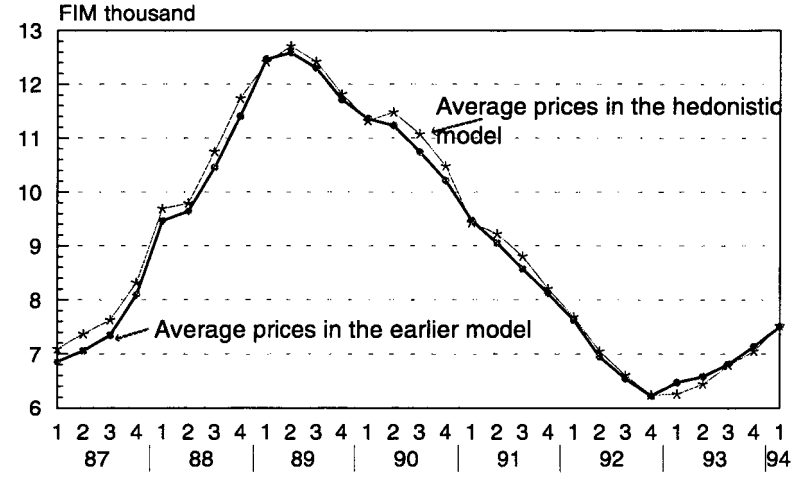
The publication also includes figures indicating the price distributions in major cities, calculated directly from the quarterly data (1st decile = the 10% of dwellings with the lowest prices, median = centremost price in rank order, and 9th decile = 90% dwellings with the lowest prices). The figures to some extent provide data on the prices of dwellings of different quality. The prices of large apartments in Helsinki, for example, i.e. with 3 rooms or more, varied from FIM 4392 per square metre in the 1st decile to FIM 10,000 per square metre in the 9th decile at the end of 1995.

The new hedonistic price index can be used to examine trends in dwelling prices on the basis of the actual prices and types of dwellings sold, and it enables problems connected with differences in quality to be solved better. The effects of different means of calculation on trends in average prices are compared in the figure below.

The purpose of the housing price index is thus to describe how much less or more on average a dwelling of a given quality costs in the period examined here compared with the reference period. If dwellings with completely identical properties were sold during the same period of time, it would be easy to measure trends in prices on the basis of direct average prices per square metre, for example, but as the dwellings sold in any one quarter of the year are heterogeneous, changes in average prices per square metre no longer reflect price trends only but are also determined by the quality of the dwellings sold. The quality tends to vary from one quarter of the year to another, however, so that it would be impracticable to compare the prices of dwellings of dissimilar quality directly.

The hedonistic price index sets out from the idea that dwelling prices are determined on the market on the basis of the quality of the dwellings concerned, so that price and quality data can be used to form an estimated hedonistic price model which combines these two elements. This is a regression model in which the price per square metre is explained by the different properties of the dwellings concerned. The inclusion of quarterly indicator parameters in the model enables trends in housing prices to be estimated with the effects of the other properties in the model standardised. The relations between the quarterly prices of dwellings with identical properties are indicated in the model by coefficients for time indicator variables.

PRICES OF DWELLINGS IN HELSINKI PER SQUARE METRE IN 1987 – 1/1994



The new model yields quite similar estimates to the old one for price trends over the country as a whole, the Helsinki region, the city of Helsinki itself and the rest of the country, although occasional fairly striking differences can be seen in the resulting indices as regards smaller towns and areas. The new method is capable of taking into consideration changes in the areal distribution of dwellings sold, which can be regarded as the most significant improvement over the earlier method. Thus if an exceptionally large number of the dwellings sold in a town or city were located in the most highly valued areas, the price index would be bound to contain an upward bias. In the earlier method, the areal distribution of the dwellings sold had a direct impact on the index.

The condition of the dwellings sold is another important property which was not taken into consideration earlier. In some cases, the proportion of dwellings which are in good condition may vary from one quarter to another, sometimes quite markedly, and this will evidently be reflected in the average prices per square metre of floor space. The new model also enables the condition factor to be taken into consideration.

Background to the revision

Work on revising the housing price index commenced in 1994, when responsibility for collecting price data from the register maintained by property agents was transferred from the Technical Research Centre of Finland to Statistics Finland. Data collection was improved at the same time and the parameters used in the material to be collected were revised. The groundwork for the new method was done by Wangqiu Song and the actual model was developed by Markus Halonen.

The revision of the price index was accompanied by construction of a new data processing solution for use in a microcomputer environment. The method and the new computer system will be discussed in more detail in a subsequent publication.

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The new method reduces price fluctuations caused by the condition or location of dwellings.

HOUSING PRICES STIMULATING INFLATION

The rate of inflation in Finland rose to 0.7% in October 1996, mainly on account of a slight rise in housing prices. It has now remained below 1% for the last 1.5 years. This is mainly attributable to the drop in food prices resulting from joining the EU and the poor demand for consumption goods on account of the prevailing economic recession. Consumer prices have remained almost unchanged for a long time, apart from petrol, cigarettes and alcohol. The only factor causing obvious inflationary pressure in 1996 was the slight increase in housing prices, which also increased overall living costs for those in owner-occupied dwellings.

Housing prices have caused fluctuations in the rate of inflation in Finland ever since they were introduced into the consumer price index at the beginning of 1985. The most violent change was noted in 1989, when housing prices rose by 40%, at which point inflation increased by almost 2 percentage points for this reason alone. The subsequent sharp decline in 1990 served to slowed down the rising trend in consumer prices to a substantial extent, however. There were signs of a slight rise in housing prices in 1994, but this had only a minor, temporary impact on the index (Diagram 1).

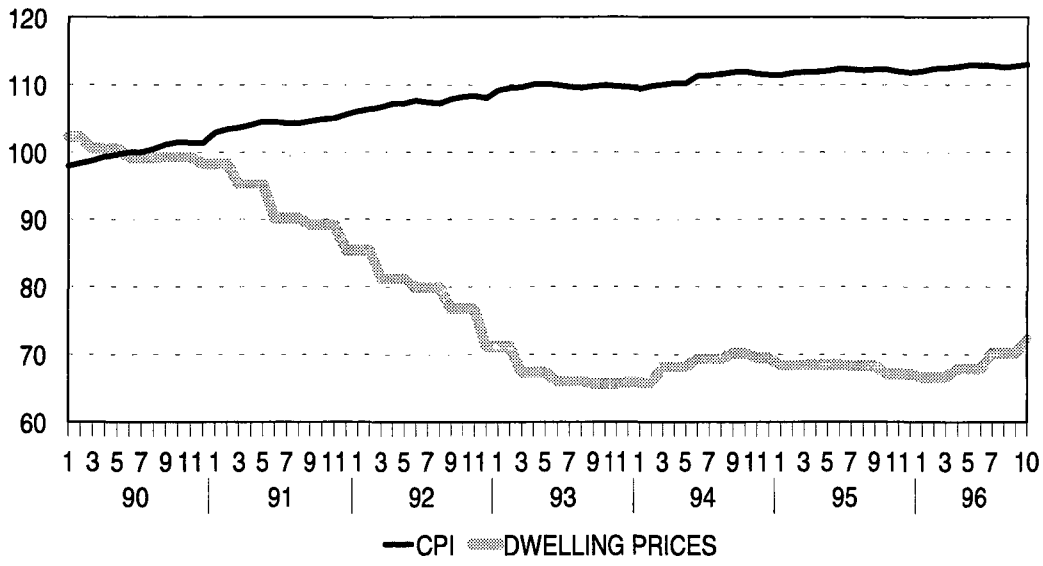
Housing prices had already risen by as much as 7% by October 1996 relative to the situation at the beginning of the year, mainly on account of a rise in the prices of small apartments, but it is impossible to say yet whether this will actually precipitate inflation, although housing prices did account for 0.2 percentage points of the inflation figures for October. Despite the slight rise in purchase prices, interests on housing loans have continued to decline, to the extent that, together with consumer loans, they reduced inflation by 0.7 percentage points in October, i.e. interests play a much more prominent role as a factor slowing down inflation than the rise in housing prices does in stimulating it.

Should a rise in property values be allowed to affect inflation?

The consumer price index has often been referred to as a thermometer, as it gives a monthly reading which shows the rate by which consumer prices are rising. As such, it cannot be expected to indicate whether there are inflationary pressures in the economy, just as a thermometer cannot be expected to forecast the weather. It is evident that a rise in housing prices and rents will also increase living costs, but the inclusion of interests on housing loans in the index is a more controversial issue.

The Finnish consumer price index regards owner-occupied dwellings as a staple commodity which entails certain costs for the consumer. Unlike the situation in a number of other countries, households in Finland do not usually perceive rented accommodation and owner-occupied housing as equal alternatives. If they were to do so,

DIAGRAM 1.
THE CONSUMER PRICE INDEX AND HOUSING PRICES



the costs of owner-occupied housing could be evaluated directly on the basis of trends in rents.

On the other hand, an owner-occupied dwelling is also an investment, the real value of which manifests itself only in the price at which it is sold. 70% of households in Finland live in owner-occupied dwellings, for which they have to pay a monthly service charge and/or other maintenance charges. In addition, most of them are paying back their housing loans at the same time, including the interests on these, so that they would also include these in their living costs.

It is because of the above capital costs that it is difficult to measure the living costs of those in owner-occupied dwellings in the context of the consumer price index. When housing prices are rising, people feel more prosperous, as the capital that they have invested in their houses earlier is appreciating. On the other hand, those moving house or purchasing their first dwelling will merely perceive prices to be higher than they were a year earlier.

Purchasing a dwelling is the largest single transaction that the ordinary consumer will ever make, and the interest paid on a housing loan is regarded purely as a cost item. On the other hand, if we set out to examine inflation from the point of view of the national economy, and particularly the monetary economy, the inclusion of interests in the measure of inflation causes problems of interpretation: interest rates should react to expectations regarding inflation, but their inclusion in the measure of inflation itself is a confusion of cause and effect. Statistics Finland consequently calculates an index of underlying inflation for the Bank of Finland from which the effect of owner-occupied housing and government measures such as indirect taxes and subsidies have been eliminated.

In many countries owner-occupied housing is regarded mainly as a form of investment, an investment commodity, and the respective costs are expected to change in the same manner as those arising from living in rented accommodation. These two housing solutions differ from each other greatly in terms of costs, however, as shown in Diagram 2, which in turn presupposes that they should be treated differently in the consumer price index.

Despite the fact that rents have risen in the 1990's at a rate well in excess of the general rate of inflation (Diagram 2), the overall trend since the 1960's had been quite the opposite. The process of dismantling the system of rent regulation began in 1992 and was completed in 1995, so that it is only now that rents have reached the level in real terms at which they were in the 1960's. For further details on trends in rents, please consult the Statistics Finland rent statistics (Housing 1996:3).

The consumer price index measures the costs arising from rented and owner-occupied housing by monitoring as carefully as possible the actual prices paid by consumers. The weight attached to housing costs in the index is 20%, distributed between rents (3.7%), owner-occupied housing (13.5%) and heating costs (2.5%), while housing prices carry a 5.3% weighting in the index. The level of rents is monitored by means of a special inquiry conducted on a quarterly basis and covering a total of 15,000 dwellings, and house prices by means of statistics based on actual prices reported by the larger property agencies, adjusted to take quality differences into consideration.

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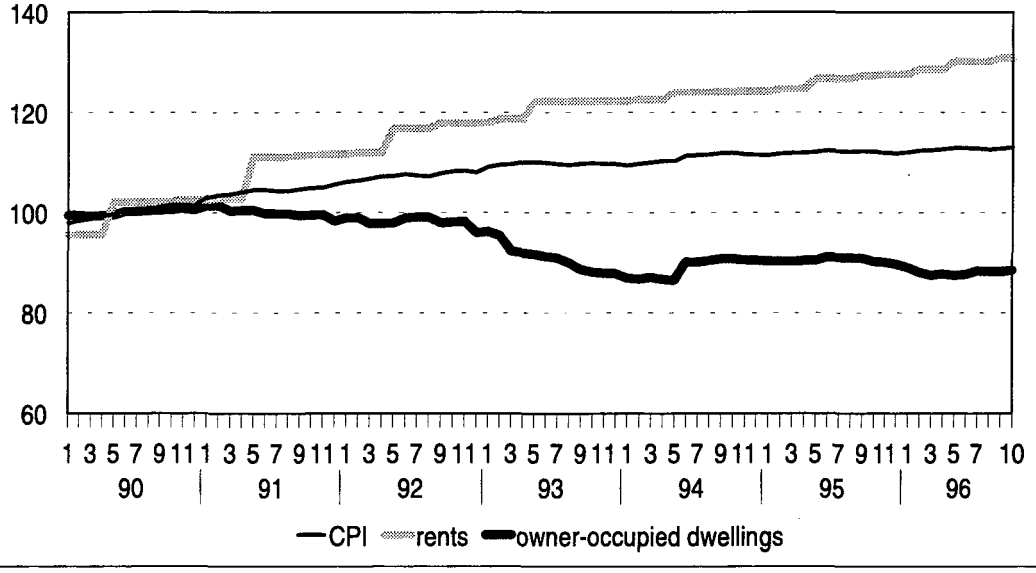
DIAGRAM 2.
CONSUMER PRICE INDEX, RENTS AND OWNER-OCCUPIED HOUSING



HOUSING PRICES CONTINUE TO RISE

According to preliminary data obtained from property agents, the prices of existing apartments continued to rise in July-September as compared with the second quarter of the year, by 5.2% in the Helsinki region, 3.0% elsewhere in Finland, and 3.6% in the country as a whole. The housing market was buoyant throughout the summer.

Prices in the centre of Helsinki rose by 4.5%, while the greatest rise, 6-7%, was recorded outside the inner city area. A sharp rise in the prices of small apartments also occurred in the inner city area, however. The rise in housing prices in Espoo was 3% and that in Vantaa 4.6%, while Turku and Jyväskylä also recorded 3% rises and Tampere 3.7%. Prices in Kuopio, Rovaniemi, Joensuu, Kouvola and Pori remained almost unchanged or even fell.

The average price per square metre for existing apartments in the centre of Helsinki was FIM 10,000, and that in the eastern and northern suburbs FIM 5600. Average prices in Tampere, Turku, Oulu and Vantaa were FIM 4800-5000, and those in Kuopio, Jyväskylä, Vaasa and Joensuu FIM 5300. Housing continued to be cheapest in Kouvola, Rauma and Kotka, where the average price was less than FIM 4000 per square metre.

Source Housing prices 1996, 3rd quarter.
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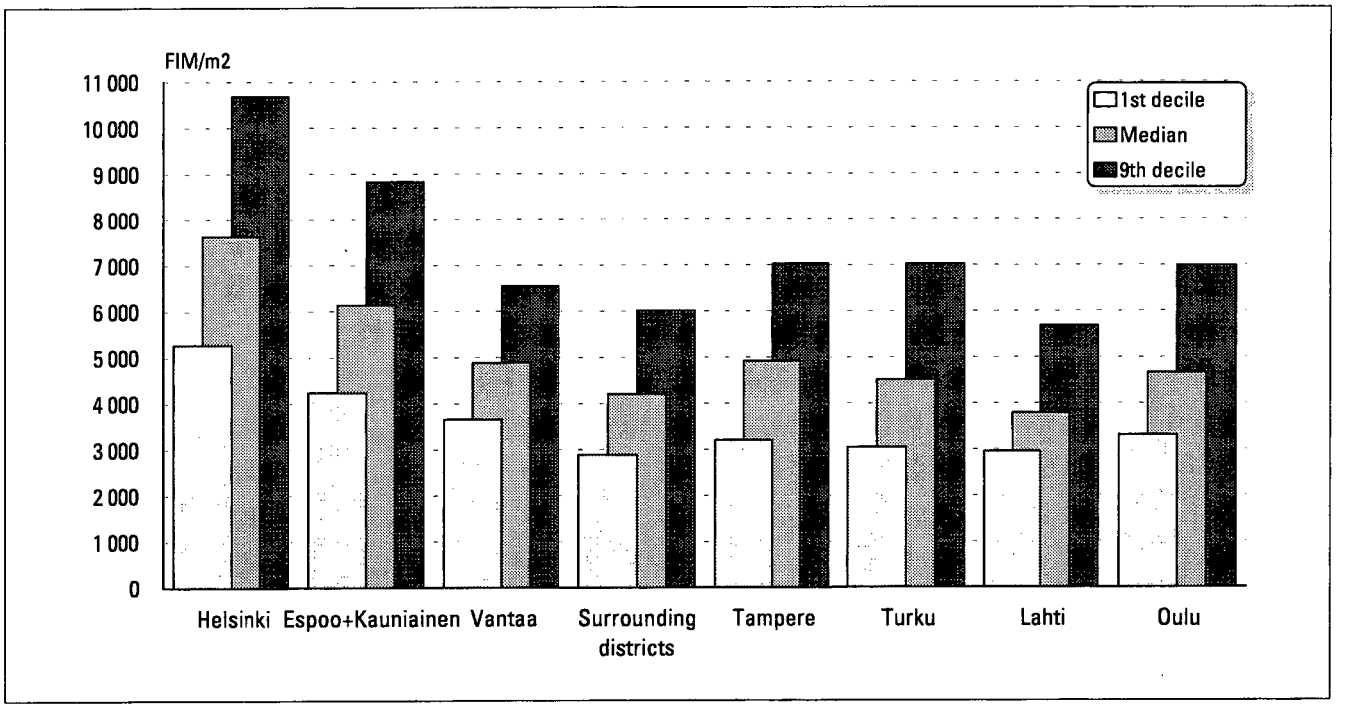
Town or city	FIM/m² 2nd quarter	FIM/m² 3rd quarter	Nominal index 3rd quarter	Change from previous quarter	Real index 3rd quarter	Change from previous quarter	No. of sales recorded
Whole country	***5 404***	***5 598***	***152.2***	***3.6***	***94.0***	***3.7***	***4 372***
Helsinki region	7 127	7 495	140.6	5.2	86.9	5.3	1 252
Rest of Finland	4 535	4 671	160.1	3.0	98.9	3.1	3 120
Helsinki	7 664	8 102	143.2	5.7	88.5	5.8	865
Helsinki-1	9 568	9 998	161.1	4.5	99.6	4.6	174
Helsinki-2	8 248	8 558	142.3	3.8	87.9	3.9	228
Helsinki-3	7 005	7 417	138.2	5.9	85.4	6.0	304
Helsinki-4	5 245	5 618	135.7	7.1	83.9	7.2	159
Espoo+Kauniainen	6 203	6 388	143.3	3.0	88.5	3.1	213
Vantaa	4 740	4 960	124.5	4.6	77.0	4.8	174
Surrounding districts*	4 058	4 208	134.6	3.7	83.2	3.8	284
Tampere	4 635	4 808	157.0	3.7	97.0	3.9	284
Turku	4 923	5 069	147.5	3.0	91.2	3.1	380
Pori	4 269	4 268	187.6	0.0	116.0	0.1	120
Lappeenranta	4 899	5 152	159.1	5.2	98.3	5.3	119
Kouvola	3 712	3 643	149.3	–1.9	92.3	–1.7	64
Lahti	4 094	4 306	152.4	5.2	94.2	5.3	236
Hämeenlinna	4 851	4 941	194.4	1.8	120.1	2.0	61
Kotka	3 650	3 898	169.2	6.8	104.6	6.9	47
Rauma	3 901	3 975	184.9	1.9	114.2	2.0	64
Kuopio	5 267	5 336	164.4	1.3	101.6	1.4	213
Jyväskylä	5 182	5 335	146.5	3.0	90.5	3.1	123
Vaasa	5 133	5 503	169.0	7.2	104.5	7.3	45
Mikkeli	4 526	4 731	172.7	4.5	106.7	4.7	82
Joensuu	5 439	5 349	150.1	–1.6	92.8	–1.5	107
Oulu	4 814	5 009	158.9	4.1	98.2	4.2	201
Rovaniemi	4 605	4 621	140.3	0.3	86.7	0.5	52

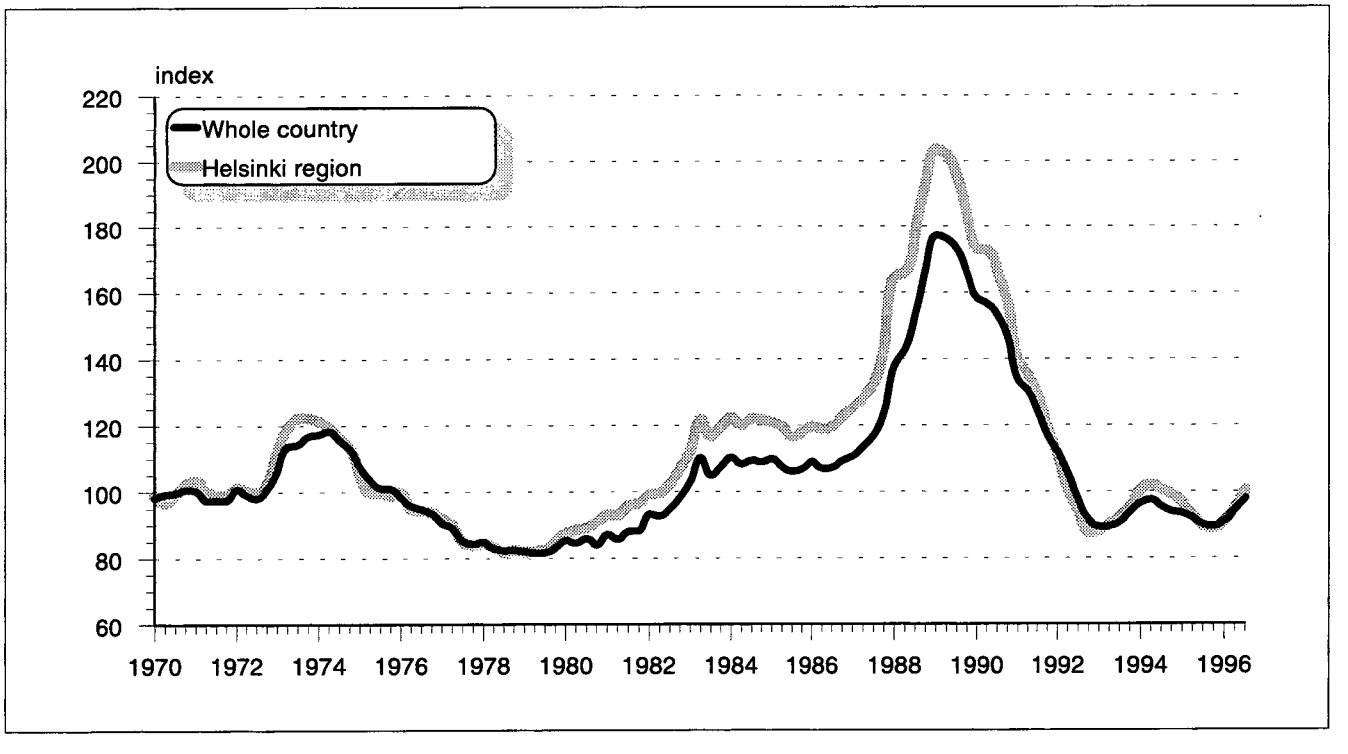
* Hyvinkää, Järvenpää, Kerava, Kirkkonummi, Nurmijärvi, Riihimäki, Sipoo, Tuusula and Vihti
** Index of prices in real terms based on 1983=100 for consumer prices in general.
The division of Helsinki into areas is explained in the source publication.

DISTRIBUTION OF PRICES OF EXISTING APARTMENTS PER SQUARE METRE, 3 RD QUARTER, 1996



1st decile = 10% of transactions concluded at a lower price than this.
Median = An equal number of transactions concluded at lower and higher prices.
9th decile = 90% of transactions concluded at a lower price than this.
The figures were calculated directly from the data received.

INDEX OF REAL PRICES OF APARTMENTS IN 1970 – 3RD QUARTER OF 1996
(relative to the cost-of-living index)

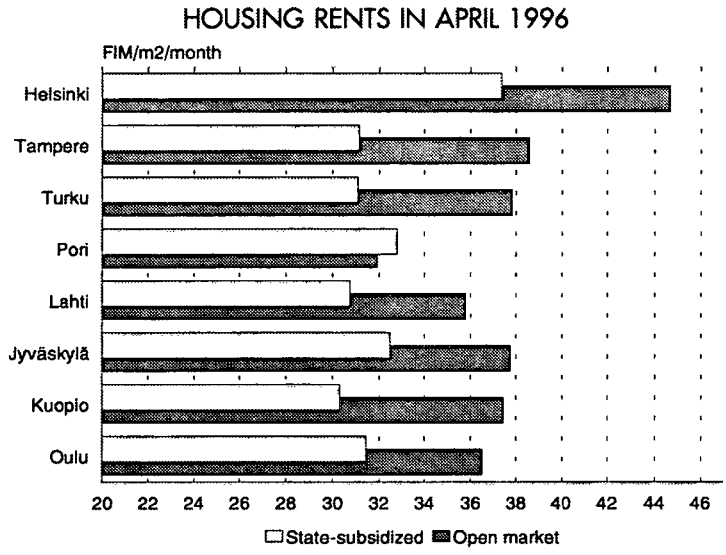


RENTS UP BY 3.2% IN A YEAR

Housing rents increased by 3.2% from April 1995 to April 1996, as a result of rises of 2.8% in rents for state-subsidized accommodation and 3.6% for housing on the open market. The absolute rises in monthly rents per square metre of floor space were FIM 1.00 in the former case and FIM 1.60 in the latter. The figures are based on Statistics Finland rented housing statistics.

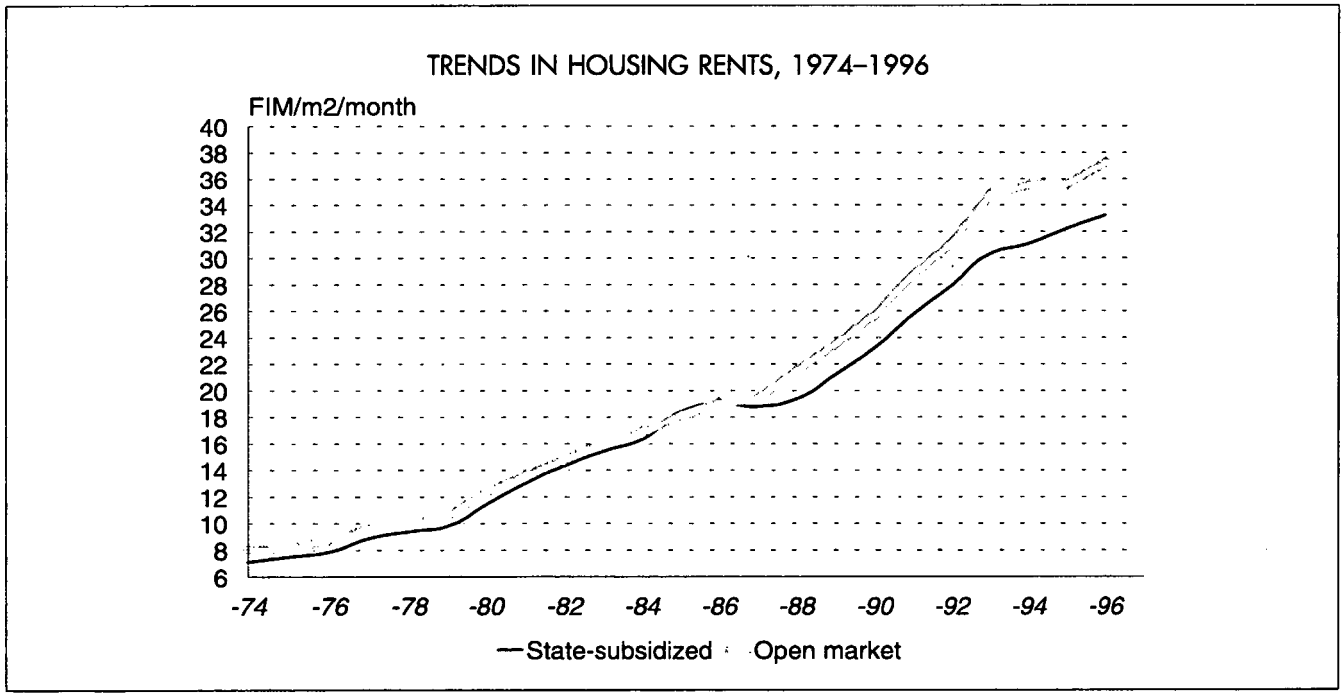
The average monthly rent for state-subsidized housing was FIM 33.20 per square metre and that for housing on the open market FIM 37.20. Rents per square metre were highest for small apartments in city centres, and some 20% higher in the Helsinki region than elsewhere in Finland. Thus the average monthly rent per square metre for an apartment of one room and a kitchen in Helsinki was FIM 68.50 for tenancy agreements of less than a year and FIM 47 for tenancies that had already exceeded 10 years.

The rented housing statistics cover a total of 7300 rented dwellings and are designed to describe average rents in Finland in April of each year and any changes that have taken place within the last year. Separate statistics are being compiled for new tenancy agreements and to describe the effects of de-regulation, and these will be published in the autumn, but it is clear that market rates for new tenancy agreements are typically higher than the average figures for the whole scale of rented housing.



Source Rents 1996

For further details, please contact Lasse Lakanen, tel. +358-9-1734 3397



THE NORDIC COUNTRIES AMONG THE MOST EXPENSIVE IN THE OECD

The Nordic countries, with the exception of Iceland, are among the most expensive OECD countries. When price levels in private consumption are adjusted by reference to exchange rates and inflation as of September 1996, Finland ranks sixth in the comparison study, preceded only by Norway (4% more expensive), Sweden (5%), Denmark (10%), Japan (16%) and Switzerland (18%) (cf. Fig.). Of the EU countries, those of southern Europe together with the UK and Ireland are substantially cheaper than Finland .

International price level indices float according to fluctuations in the exchange rates. Finland was the most expensive country in Europe and the OECD in terms of private consumption in 1990, but the devaluation of the Finnish mark in autumn 1991 suddenly placed it alongside Denmark as the cheapest Nordic country, and this trend continued as the mark was allowed to float. The weakening of the mark together with the low rate of inflation meant that price levels in Finland were substantially lower in 1992 than they had been two years earlier.

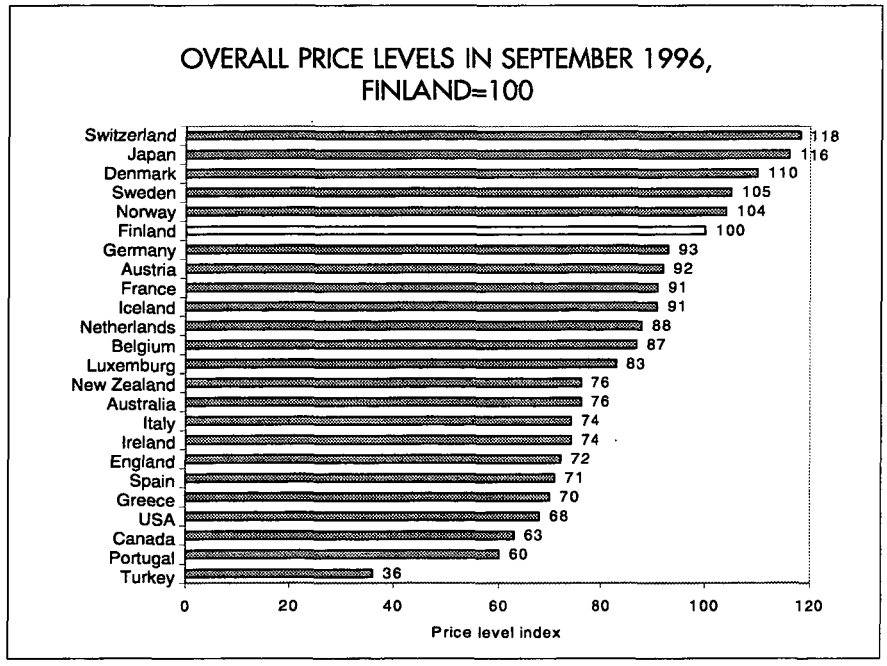
Correspondingly, the subsequent strengthening of the mark was reflected in a rise in relative prices. Although price trends are also dependent on the rates of inflation in other countries, the main reason for the fluctuations in the indices observed in the current decade has been variation in the external values of currencies. Of the new EU countries, Finland in particular was compelled to adjust its prices to the general EU level. EU membership did not, however, alter the fact that in terms of private consumption Finland is still one of the most expensive countries.

Where do these results come from?

Comparative price surveys are carried out to determine how much equivalent commodities cost in different countries. Prices are collected for the various product categories by means of a three-year 'survey circle', and indices are then formed which reflect the prices of the individual commodities in the countries involved. The price index for a product category, i.e. basic heading, is formed on the basis of those recorded for the individual items in that category. A still higher aggregate level is represented by the SNA level, at which a number of products are gathered together.

As the relations between the prices of different products typically from country to country, and consumption habits likewise, it is not easy to compare price levels, and a Big Mac index alone is certainly not enough. Price levels in private consumption are monitored on the basis of commodity baskets which reflect typical household consumption, the contents for each country being determined through negotiations between the national statistical authorities, coordinated by the EU statistical office Eurostat and the OECD.

It should be borne in mind when examining the levels of prices in different countries that the indices say nothing about people's purchasing power. Such a comparison would require information on wages, taxation, social security and public sector services funded from tax revenues.



International price level indices for private consumption calculated on the basis of 1994 purchasing power parities and adjusted by reference to changes in exchange rates and inflation.

For more details on price levels for individual products and services, please contact Harri Kananoja, tel. +358-9-1734 3567

51 LABOUR DISPUTES IN THE FIRST HALF OF 1996

Preliminary data indicate that there were 51 labour disputes in Finland in January-June 1996, 35 of them in January-March and 16 in April-June. These figures are lower than in 1995, when there were 42 and 27 disputes, respectively. More than 17,000 workers were involved in the disputes in January-March 1996 and some 13,500 in April-June, whereas in the previous year as many as 80,000 workers had been involved in the first quarter but only just over 6000 in the second. The number of working days lost in 1996 was fairly small, however, some 9000 in the first quarter and only 3600 in the second, as almost all the stoppages concerned local disagreements within individual companies.

Three national labour disputes took place at the beginning of the year. A half-day stoppage involving some 10,000 workers was organised in the co-operative banking group in February in protest against redundancies, a four-hour national stoppage was arranged by senior salaried staff, who opposed the new law on working hours, and a one-day strike was held by sales staff and cleaners at Alko, the national liquor retail chain, which they claimed was in protest against the confusion of health policy and business principles in the company's philosophy but was interpreted by the industrial disputes tribunal as expressing anxiety over the prospects of a reduction in jobs.

For further details, please contact Harri Nummila, tel. +358-9-1734 3235

NUMBERS OF LABOUR DISPUTES, PARTICIPANTS AND WORKING DAYS LOST FROM 1985 TO THE 2ND QUARTER OF 1996

Year	Disputes	Workers			Working days lost	
		Total no.	No. per dispute	% of workforce	Total no.	No. per worker
1985	848	171 350	202	7.0	174 399	1.0
1986	1 225	602 730	492	24.8	2 787 600	4.6
1987	802	99 290	124	4.1	130 890	1.3
1988	1 353	244 070	180	10.0	179 820	0.7
1989	629	158 480	252	6.4	204 210	1.3
1990	455	244 760	538	9.9	935 150	3.8
1991	284	166 770	587	7.1	458 340	2.7
1992	168	103 510	616	4.8	76 090	0.7
1993	124	22 920	185	1.1	17 040	0.7
1994	171	70 540	413	3.5	525 700	7.5
1995	112	127 039	1 134	6.3	869 422	6.8
I	42	79 934	1 903	3.9	703 499	8.8
II	27	6 340	235	0.3	141 943	22.4
III	21	6 267	298	0.3	6 034	1.0
IV	22	34 498	1 568	1.7	17 946	0.5
1996						
I	35	17 427	498	0.8	9 288	0.5
II	16	13 496	844	0.6	3 633	0.3

LABOUR DISPUTES IN JANUARY-JUNE 1996, NUMBERS OF PARTICIPANTS AND WORKING DAYS AND GROSS WAGES LOST

Branch	Disputes	Partici-pants	Working days lost	Gross wages lost (FIM 1000)
A Agriculture, game husbandry and forestry	1	55	55	25
D Industry	29	6 016	3 722	2 076
170 Textiles	2	54	27	8
211 Pulp, paper and board	–	45	23	18
242–247 Chemical products	1	580	290	208
260 Non-metal mineral products	4	282	309	143
270 Basic metals	13	2 948	1 234	731
280 Metal products	3	317	257	227
290 Machinery and equipment	5	1 217	1 005	474
310 Other electrical machinery and equipment	1	161	94	43
351 Shipbuilding and boatyards	7	2 340	2 481	1 151
E Electricity, gas and water supplies	–	354	177	115
G Wholesale and retail trading	1	700	613	250
I Transport, warehousing and telecommunications	5	661	610	290
J Financing	7	20 598	5 530	2 525
K Real estate, rentals and research services	–	491	136	91
O Other social and personal services	–	60	30	26
Total	**51**	**30 923**	**12 922**	**6 346**

TABLE OF INDICES

	IV/1996*	Annual change %
● **Index of wage and salary earnings1990 = 100***	**123.0**	**3.3**
Hourly paid employees	121.2	3.2
Monthly paid employees	123.7	3.3
Manufacturing	129.4	3.2
• Blue-collar workers	129.4	3.1
• White-collar workers	129.5	3.3
Building construction workers	105.9	3.4
Wholesale and retail trading	125.9	3.3
Transport	124.8	2.8
Finance	130.8	3.4
Local government	**123.7**	**3.6**
Hourly paid employees	118.5	3.4
Monthly paid employees	124.1	3.6
Central government	**116.8**	**3.2**
Monthly paid employees	116.5	3.1
Private sector	**123.7**	**3.2**
Hourly paid employees	121.4	3.2
Monthly paid employees	125.3	3.2
● **Index of real earnings 1990 = 100***	109.0	2.5
● **Dwelling price index 1983 = 100**	157.2	13.1
Helsinki conurbation	150.7	19.9
Rest of Finland	162.2	10.8
	March 1997	
● **Consumer price index 1990 = 100**	**113.2**	**0.6**
Food	93.1	0.6
Housing, heating and lighting	101.7	1.5
Transportation	126.3	0.5
● **Cost of living index 1951:10 = 100**	1 405	0.6
● **Wholesale price index 1990 = 100**	111.5	1.2
Domestic goods	108.2	1.3
Imported goods	118.9	0.9
● **Export price index 1990 = 100**	115.5	–6.2
● **Import price index 1990 = 100**	121.1	0.6
● ***Producer price index for manufactured products* 1990 = 100**	110.2	–1.6
● **Basic price index for domestic supply 1990 = 100**	106.7	0.7
● **Building cost index 1990 = 100**	104.1	2.1
Labour	105.9	3.2
Materials	105.7	1.8
● **Cost index of civil engineering works 1990 = 100**	105.3	2.1
● **Cost index for road transport of goods 1990 = 100**	111.9	2.1
● **Cost index of bus and motor-coach traffic1990 = 100**	113.2	0.6

* *Preliminary figure*

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Wages 1997:5

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