

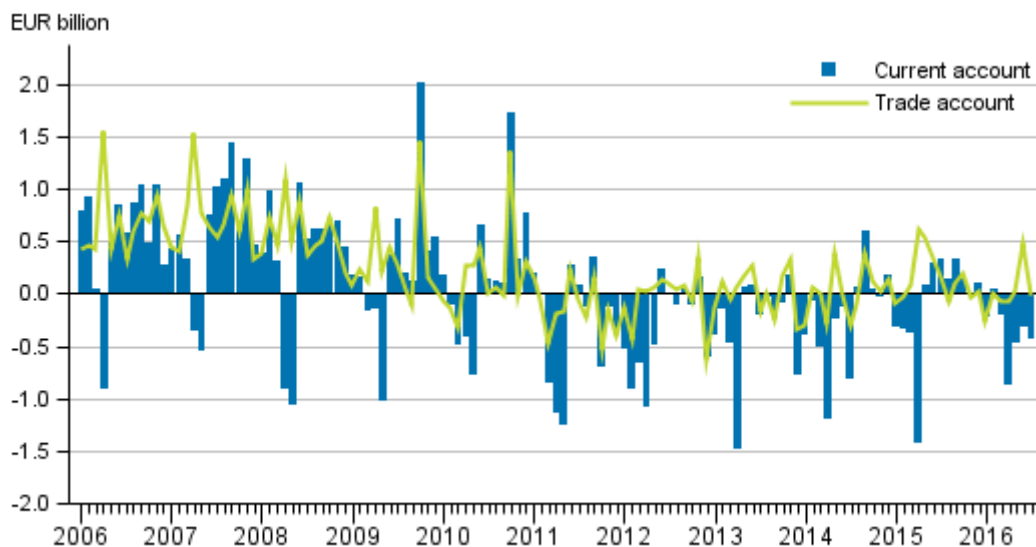
Balance of payments and international investment position

2016, 2nd quarter and July

Current account in deficit in the second quarter, the value of exports continued falling

The current account was EUR 1.6 billion in deficit in the second quarter of 2016. The combined value of exports of goods and services compared with the corresponding period in 2015 now declined for the fourth successive quarter. In July, the decline continued as the value of exports of goods and services decreased by eight per cent. Both foreign assets and liabilities contracted in the second quarter. The net international investment position was positive. The data appear from Statistics Finland's statistics on balance of payments and international investment position.

Current account and trade account



Current account in the second quarter

The current account was EUR 1.6 billion in deficit in the second quarter of the year. The deficit was generated from the services, primary and secondary income accounts.

In balance of payment terms, the trade account was EUR 0.4 billion in surplus. The value of exports of goods in balance of payment terms declined by three per cent from the corresponding period one year ago and amounted to EUR 13.9 billion. The value of imports of goods in balance of payment terms grew by five per cent from the corresponding period one year ago and amounted to EUR 13.4 billion.

The services account showed a deficit of EUR 0.8 billion. The value of service exports decreased by four per cent from the second quarter of 2015 and was EUR 5.2 billion. The value of service imports declined by one per cent.

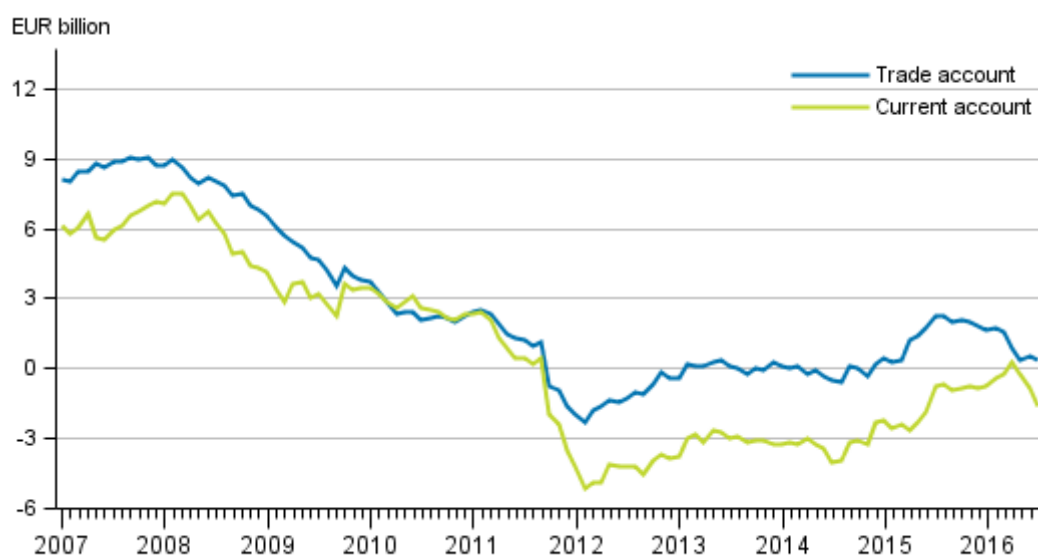
The primary income account was EUR 0.8 billion in deficit, which is mainly explained by the deficit of investment income. The primary income account includes investment income like interests and dividends. The secondary income account was EUR 0.4 billion in deficit.

Export and import figures in balance of payments terms by service item and area can be found in the [statistics on international trade in goods and services](#).

Current account in July

In July, the current account was EUR 0.4 billion in deficit. Of the sub-items of the current account, the services account, the primary income account and the secondary income account were in deficit. In balance of payment terms, the trade account was in balance. The value of exports of goods in balance of payment terms declined by 11 per cent and that of exports of services by one per cent year-on-year. The value of exports of goods in balance of payment terms decreased by seven per cent from twelve months back.

Current account and trade account, 12 –month moving sum



Financial account and net international investment position

Net capital outflow from Finland, the net international investment position strengthened

In the second quarter of 2016, net capital outflow from Finland amounted to EUR 3.6 billion. Capital inflow was mostly in the form of other investments, that is, for example, as loans, deposits and trade credits from outside the group, EUR 6.6 billion on net. Net capital outflow from Finland was mostly in the form of direct investment, EUR 6.5 billion. At the end of the second quarter of 2016, Finland had EUR 735.9 billion in foreign assets and EUR 731.9 billion in foreign liabilities.

Table 1. External assets and liabilities by investment type, EUR billion

	Opening position 31.03.2016	Financial transactions 2016 Q2	Price changes 2016 Q2	Changes in the exchange rates and valuation adjustments 2016 Q2	Closing position 30.06.2016
Financial account	-0.5	3.6	2.1	-1.2	4.0
Assets	752.0	-36.2	21.0	-0.9	735.9
Liabilities	752.5	-39.7	19.0	0.1	731.9
Direct investment	25.5	6.5	-0.8	0.0	31.2
Assets	146.4	-4.1	-0.8	-0.7	140.8
Liabilities	120.9	-10.6	0.0	-0.6	109.7
Portfolio investment	-11.1	1.1	2.0	0.1	-7.9
Assets	292.9	-3.1	2.1	0.8	292.7
Liabilities	304.0	-4.2	0.1	0.7	300.6
Other investment	-26.2	-6.6	0.0	-0.2	-33.0
Assets	194.8	-9.0	0.0	0.1	185.9
Liabilities	220.9	-2.4	0.0	0.3	218.8
Financial derivatives	2.1	2.1	0.0	-0.5	3.7
Reserve assets	9.1	0.4	0.2	0.3	10.0

Direct investment liabilities decreased more than assets

At the end of the second quarter of 2016, foreign direct investment assets on gross stood at EUR 140.8 billion and the corresponding liabilities at EUR 109.7 billion. During the second quarter of 2016, foreign direct investment assets decreased by EUR 5.6 billion and liabilities by EUR 11.2 billion. The drop is explained by changes in intra-group loans and trade credits. During the second quarter, these debt assets decreased by EUR 5.3 billion and the corresponding liabilities declined by EUR 8.1 billion.

Portfolio investment liabilities contracted

In the second quarter, foreign portfolio investments decreased by EUR 3.1 billion on net. Holding gains (the effect of changes in prices, exchange rates and other valuation changes) from foreign portfolio investments totalled EUR 2.9 billion in the second quarter. At the end of the second quarter of 2016, outward portfolio investment assets stood at EUR 292.7 billion, of which EUR 145.7 billion were investments in shares and mutual fund shares, and EUR 147.0 billion in bonds and money market instruments.

At the end of the second quarter, outward portfolio investment liabilities stood at EUR 300.6 billion, of which EUR 101.5 billion were investments in shares and mutual fund shares, and EUR 199.1 billion in bonds and money market instruments. In the second quarter, portfolio investment liabilities contracted by

EUR 3.4 billion when also considering holding gains. Changes in prices increased portfolio investment liabilities by EUR 0.1 billion and other valuation changes by EUR 0.7 billion.

Net investment position related to other investments weakened

In the second quarter of 2016, net capital inflow to Finland of other investments, i.e. loans, deposits and trade credits amounted to EUR 6.6 billion. The net investment position related to other investments weakened by EUR 6.8 billion, when also considering the EUR 0.7 billion effect of price changes and the EUR -0.9 billion effect of other valuation changes. At the end of June, assets from other investments amounted to EUR 185.9 billion and liabilities to EUR 218.8 billion. Of these assets, EUR 164.5 billion and of the liabilities, EUR 189.4 billion were held by financial and insurance corporations.

Derivative-related investment portfolios declined

At the end of June, Finland had EUR 3.7 billion derivative-related net assets, which is EUR 1.6 billion more than at the end of March. Both derivative-related assets and liabilities contracted in the second quarter.

Net international investment position strengthened

At the end of June 2016, Finland had EUR 735.9 billion in foreign assets and EUR 731.9 billion in foreign liabilities. The net international investment position was thus positive at the end of the quarter as there were EUR 4.0 billion more assets than liabilities. Both foreign assets and liabilities contracted in the second quarter. Price changes related to foreign assets and liabilities raised the net investment position by EUR 2.1 billion during the quarter. Changes in exchange rates and other valuation changes in turn lowered the net investment position by EUR 1.2 billion.

At the end of March 2016, the net investment position was EUR 0.5 billion negative so the net growth was EUR 4.5 billion. Assets declined by EUR 16.1 billion in April to June and liabilities by EUR 20.7 billion. When examining the net investment position at sector level, the foreign assets of mutual funds, social security funds and households were higher than their liabilities. Non-financial corporations, monetary financial institutions, central government and local government had more foreign liabilities than assets.

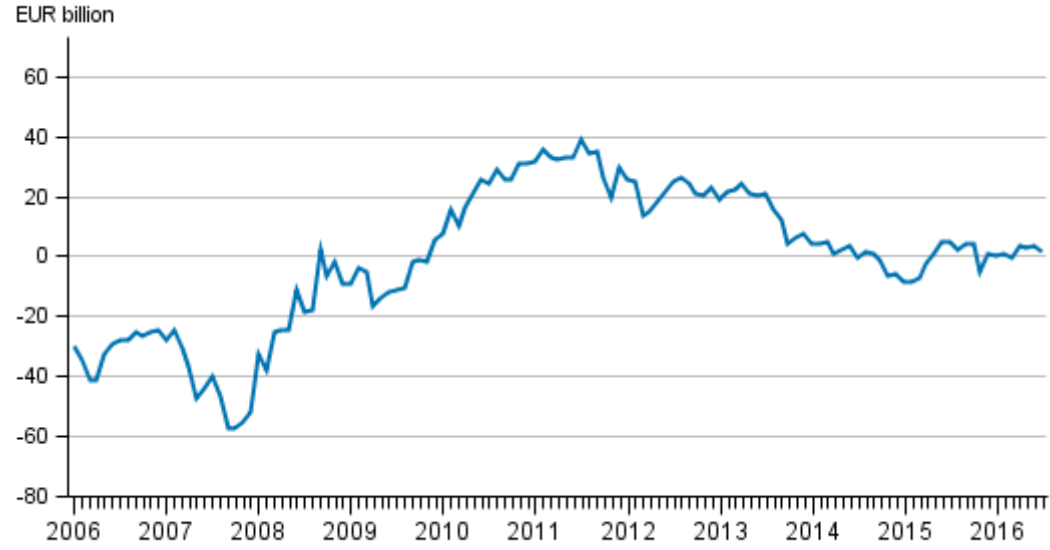
Financial account and international investment position in July

In July, the net capital inflow to Finland was EUR 2.4 billion. Net capital inflow was mostly in the form of portfolio investments, altogether EUR 2.5 billion. Net capital outflow was mostly in the form of direct investments, EUR 0.6 billion.

Finland's net investment position was EUR 1.7 billion positive at the end of July, as foreign assets amounted to EUR 754.3 billion and foreign liabilities to EUR 752.6 billion.

The data for August will be published on 14 October 2016.

International investment position monthly



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Appendix table 1. Current account, quarterly, EUR million

		Year/quarter				
		2015/Q2	2015/Q3	2015/Q4	2016/Q1	2016/Q2
Credit	1. Current account	23 958	22 594	23 881	21 735	23 513
	1.1 Goods	14 285	13 237	13 937	12 201	13 856
	1.2 Services	5 413	5 557	6 106	5 612	5 221
	1.3 Primary income	3 999	3 540	3 572	3 626	4 147
	1.4 Secondary income	261	259	265	296	289
Debit	1. Current account	24 970	21 777	23 588	22 082	25 114
	1.1 Goods	12 769	13 032	13 758	12 528	13 411
	1.2 Services	6 066	5 626	6 597	5 692	5 983
	1.3 Primary income	5 271	2 573	2 545	2 917	4 988
	1.4 Secondary income	865	545	689	945	731

1) The statistics become final more than two years after the end of the reference year.

Appendix table 2. External assets and liabilities by sector, quarterly, EUR million

		Year/quarter				
		2015/Q2	2015/Q3	2015/Q4	2016/Q1	2016/Q2
Assets	S1 Total economy	-11 513	-21 969	-58 677	26 383	-36 183
	S11 Non-financial corporations	-5 303	-6 324	-6 852	5 540	-13 890
	S121 Central bank	5 206	-850	-9 176	25 517	414
	S122 Other monetary financial institutions	-6 715	-10 129	-31 985	4 605	-10 446
	S123 Money market funds (MMF)	-23	-67	-97	-150	57
	S124 Collective investment schemes excl. money market funds	1 449	-200	990	-182	201
	S125+S126+S127 Other financial intermediaries financial auxiliaries and captive financial institutions and money lenders	615	896	232	233	1 047
	S128+S129 Insurance corporations and pension funds	-786	934	181	1 026	168
	S1311 Central government	-1 362	-5 021	-8 694	-5 260	-11 110
	S1313 Local government	9	43	21	4	10
	S1314 Social security funds	-4 253	-1 494	-3 560	-5 046	-2 616
	S14+S15 Households and non-profit institutions serving households	-352	242	262	97	-15
	Liabilities	S1 Total economy	-16 459	-23 172	-53 766	31 465
S11 Non-financial corporations		-6 185	-10 302	-4 430	5 895	-17 941
S121 Central bank		734	-97	89	230	-10
S122 Other monetary financial institutions		-3 237	-6 451	-39 606	34 989	-6 857
S123 Money market funds (MMF)		5	1	-11	36	-36
S124 Collective investment schemes excl. money market funds		-2	4	193	341	299
S125+S126+S127 Other financial intermediaries financial auxiliaries and captive financial institutions and money lenders		379	1 608	474	328	512
S128+S129 Insurance corporations and pension funds		-383	-9	56	46	-234
S1311 Central government		-3 456	-3 641	-6 342	-4 631	-10 015
S1313 Local government		151	91	143	-41	-8
S1314 Social security funds		-4 464	-4 375	-4 332	-5 728	-5 445
S14+S15 Households and non-profit institutions serving households		-	-	-	-1	
Net		S1 Total economy	4 945	1 203	-4 912	-5 082
	S11 Non-financial corporations	883	3 978	-2 422	-355	4 050
	S121 Central bank	4 472	-752	-9 265	25 287	424
	S122 Other monetary financial institutions	-3 479	-3 678	7 621	-30 384	-3 589
	S123 Money market funds (MMF)	-28	-68	-86	-186	93
	S124 Collective investment schemes excl. money market funds	1 451	-204	798	-524	-98
	S125+S126+S127 Other financial intermediaries financial auxiliaries and captive financial institutions and money lenders	235	-712	-242	-95	535
	S128+S129 Insurance corporations and pension funds	-402	943	125	979	402
	S1311 Central government	2 094	-1 380	-2 352	-629	-1 095
	S1313 Local government	-141	-48	-122	45	18
	S1314 Social security funds	212	2 881	773	681	2 828
	S14+S15 Households and non-profit institutions serving households	-352	242	262	98	-15

1) The statistics become final more than two years after the end of the reference year.

Appendix table 3. International investment position by sector, quarterly, EUR million

		Year/quarter				
		2015/Q2	2015/Q3	2015/Q4	2016/Q1	2016/Q2
Assets	S1 Total economy	750 656	736 215	701 761	752 015	735 864
	S11 Non-financial corporations	130 394	132 988	136 224	148 820	140 557
	S121 Central bank	55 899	54 928	45 908	71 167	72 186
	S122 Other monetary financial institutions	284 495	279 281	241 994	256 691	245 930
	S123 Money market funds (MMF)	2 732	2 657	2 553	2 397	2 451
	S124 Collective investment schemes excl. money market funds	67 873	63 885	67 462	65 950	66 854
	S125+S126+S127 Other financial intermediaries financial auxiliaries and captive financial institutions and money lenders	23 545	24 175	24 262	24 385	24 965
	S128+S129 Insurance corporations and pension funds	25 449	25 772	26 391	27 750	28 111
	S1311 Central government	22 356	18 290	18 431	20 762	16 319
	S1313 Local government	498	553	525	526	536
	S1314 Social security funds	124 138	121 650	125 326	121 527	126 091
	S14+S15 Households and non-profit institutions serving households	13 278	12 035	12 685	12 041	11 865
	Liabilities	S1 Total economy	745 477	732 117	700 468	752 537
S11 Non-financial corporations		193 624	184 706	193 497	198 121	186 040
S121 Central bank		11 437	11 344	11 538	11 639	11 921
S122 Other monetary financial institutions		367 906	365 862	322 231	365 365	358 548
S123 Money market funds (MMF)		46	47	36	72	36
S124 Collective investment schemes excl. money market funds		18 857	17 704	18 833	18 791	19 137
S125+S126+S127 Other financial intermediaries financial auxiliaries and captive financial institutions and money lenders		33 869	36 609	37 226	36 894	36 737
S128+S129 Insurance corporations and pension funds		873	869	934	1 012	792
S1311 Central government		111 850	107 767	108 868	113 226	111 150
S1313 Local government		2 850	2 946	3 017	2 976	2 968
S1314 Social security funds		3 108	3 208	3 234	3 357	3 484
S14+S15 Households and non-profit institutions serving households		1 055	1 055	1 055	1 084	1 055
Net		S1 Total economy	5 180	4 098	1 293	-522
	S11 Non-financial corporations	-63 231	-51 718	-57 274	-49 301	-45 483
	S121 Central bank	44 462	43 584	34 370	59 527	60 265
	S122 Other monetary financial institutions	-83 412	-86 580	-80 237	-108 673	-112 618
	S123 Money market funds (MMF)	2 686	2 610	2 517	2 325	2 415
	S124 Collective investment schemes excl. money market funds	49 016	46 181	48 629	47 159	47 717
	S125+S126+S127 Other financial intermediaries financial auxiliaries and captive financial institutions and money lenders	-10 324	-12 434	-12 963	-12 509	-11 772
	S128+S129 Insurance corporations and pension funds	24 576	24 903	25 457	26 738	27 319
	S1311 Central government	-89 494	-89 477	-90 437	-92 464	-94 831
	S1313 Local government	-2 352	-2 393	-2 491	-2 450	-2 432
	S1314 Social security funds	121 029	118 442	122 092	118 170	122 607
	S14+S15 Households and non-profit institutions serving households	12 223	10 980	11 630	10 957	10 810

1) The statistics become final more than two years after the end of the reference year.

Appendix table 4. Balance of payments, EUR million

	Year 2015	12 month moving sum	2016/06	2016/07
1. Current account	-870	-1 583	-304	-421
1.1 Goods	1 865	330	489	-7
1.2 Services	-1 608	-1 427	-258	-51
1.3 Primary income	1 194	1 353	-388	-230
1.4 Secondary income	-2 321	-1 838	-147	-133
2. Capital account	160	94	15	17
3. Financial account	-2 024	-7 404	3 799	-2 370
3.1 Direct investment	-15 764	15 815	1 806	602
3.2 Portfolio investment	-2 805	-18 672	-1 645	-2 499
3.3 Other investment	21 810	-5 330	2 726	251
3.4 Financial derivatives	-5 047	525	785	-549
3.5 Reserve assets	-219	258	127	-175
4. Errors and omissions	-1 314	-5 915	4 088	-1 966

- 1) The statistics become final more than two years after the end of the reference year
- 2) Figures in the table are net flows during period
- 3) Financial account = Assets less liabilities

Inquiries

Tapio Kuusisto 029 551 3318

Saana Ranta-Ruona 029 551 3375

Director in charge:

Ville Vertanen

www.stat.fi

Source: Balance of payments and international investment position, Statistics Finland