

# Balance of payments and international investment position

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## Current account in surplus, capital outflow from Finland in the last quarter of 2014

As a result of a surplus in the primary income and goods account, the current account showed a surplus in the last quarter of 2014. The financial account showed net capital outflow from Finland. According to the preliminary data for the year 2014, the current account showed deficit, and corporate acquisitions increased capital inflow.

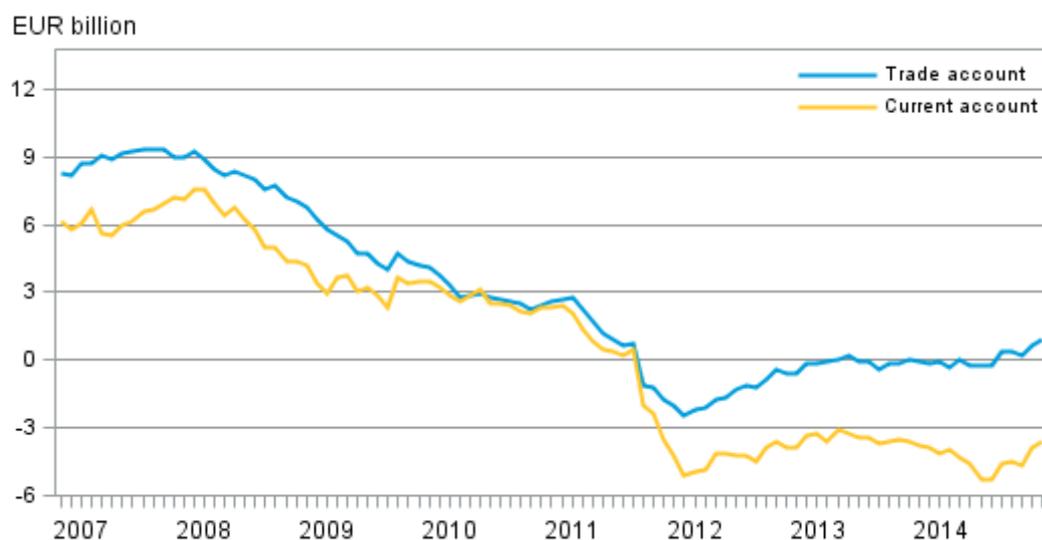
### Current account showed a surplus in the last quarter of 2014

The current account showed a surplus of EUR 0.4 billion in the last quarter of 2014 which can be explained by the surplus in the primary income and goods account.

The goods account in balance of payments terms was EUR 0.4 billion as exports of goods amounted to EUR 14.2 billion and imports to EUR 13.8 billion. In the last quarter of 2014, exports of services amounted to EUR 5.4 billion and imports to EUR 5.6 billion. Exports of services fell in most service items apart from telecommunication, data processing and information services, which grew compared with the year before. In trade in goods and services, the levels of both exports and imports fell from that of the last quarter of 2013, although imports went down more than exports in both items.

In the last quarter of 2014, the primary income account showed a surplus of EUR 0.5 billion, which is explained by investment income EUR 3 billion paid to Finland. Investment income from Finland amounted to EUR 2.6 billion. Investment income includes items such as interests and dividends.

## Finland's current account and trade account, 12 moving sum



## Net capital outflow from Finland in the last quarter of 2014

In the last quarter of 2014, the net capital outflow from Finland amounted to EUR 1.9 billion. Capital outflow took place mainly in the form of other investments (loans, deposits and trade credits), totalling EUR 4.6 billion, while capital inflow was mostly in the form of portfolio investments, altogether EUR 1.5 billion.

Capital was repatriated from abroad to Finland in the form of portfolio investments, amounting to EUR 0.9 billion. Finnish investors repatriated their portfolio investments particularly from foreign shares and money market instruments and correspondingly, increased their investments in bonds.

Foreign investors increased their investments in Finnish securities to the value of EUR 0.6 billion. Investments in Finnish money market instruments grew, whereas foreign investors withdrew their capital from investment funds registered in Finland and Finnish bonds.

Direct investment was EUR 0.9 billion inward on net. Direct investment assets grew by EUR 1.5 billion, while liabilities increased by EUR 2.4 billion. Other investments were EUR 4.6 billion on net.

**Table 1. External assets and liabilities by investment type in 2014 Q4, EUR billion**

	Opening position 30.9.2014	Financial transactions 2014 Q4	Price changes 2014 Q4	Changes in the exchange rates and valuation adjustments 2014 Q4	Closing position 31.12.2014
<b>Financial account</b>	3.6	1.9	-3.8	-0.8	0.8
Assets	716.9	-33.6	40.7	-0.4	723.6
Liabilities	713.3	-35.5	44.5	0.5	722.8
<b>Direct investment</b>	31.1	-0.9	-1.0	-3.3	25.9
Assets	138.5	1.5	-0.9	-3.6	135.5
Liabilities	107.4	2.4	0.2	-0.3	109.6
<b>Portfolio investment</b>	-2.7	-1.5	-1.7	3.2	-2.7
Assets	279.8	-0.9	1.8	3.4	284.0
Liabilities	282.5	0.6	3.5	0.2	286.8
<b>Other investment</b>	-42.3	4.6	0.0	-0.9	-38.6
Assets	175.7	-9.4	0.0	-0.1	166.1
Liabilities	218.0	-14.0	0.0	0.7	204.7
<b>Financial derivatives</b>	8.9	-0.4	-1.1	0.0	7.5
<b>Reserve assets</b>	8.5	0.1	0.0	0.1	8.8

## Current account showed a deficit, capital inflow mostly in the form of direct investment in 2014

According to preliminary data, the current account showed a deficit of EUR 3.8 billion in 2014. The current account credit and debit had no significant change compared with the levels of 2013. Apart from the goods account, the sub-items of the current account were in deficit

The trade account in balance of payments terms was EUR 0.7 billion in surplus in 2014 and the service account was EUR 1.5 billion in deficit. In combined trade in goods and services, imports fell more than exports. Exports of services went down in almost all sub-items. In telecommunication, computer and information services, exports grew from the previous year. Imports of services also declined in most services.

The primary income account showed a deficit of EUR 0.5 billion, as credit flows amounted to EUR 14 billion and debit flows to EUR 14.6 billion. In 2013, the primary income account showed a surplus of EUR 0.3 billion. The most important item in the primary income account is investment income, of which EUR 12.5 billion were paid to Finland and EUR 13.5 billion abroad from Finland.

The secondary income account was EUR 2.5 billion in deficit. The secondary income account includes such as payments to international organisations.

## Corporate acquisitions increased liabilities

According to preliminary data, inward capital flow on net to Finland amounted to EUR 9.3 billion in 2014.

Net capital inflow to Finland was mostly in the form of direct investment, totalling EUR 13.6 billion. The growth in direct investment liabilities compared to the year before is mainly explained by the recovery of corporate acquisitions. Direct investment assets were EUR 135.5 billion and liabilities EUR 109.6 billion. The net international position connected to direct investment has clearly contracted in the course of 2014, which is mainly accountable to changes in intra-group loans.

Net capital outflow from Finland was mainly in the form of portfolio investments, EUR 5.5 billion. Outward portfolio investments amounted to EUR 13.3 billion, which is mainly a consequence of investments made by Finnish financial institutions and mutual funds registered in Finland in foreign quoted shares and bonds, as well as employment pension schemes' investments in foreign mutual fund shares. Foreign investments in Finnish securities totalled EUR 7.8 billion. Foreign investors purchased particularly bonds issued by financial institutions and other financial intermediaries.

At the end of 2014, Finland had EUR 723.6 billion in foreign assets and EUR 722.8 billion in foreign liabilities. Finland's net international investment position fell from EUR 9.7 billion at the end of 2013 to EUR 0.8 billion at the end of 2014, which is mainly explained by growing foreign liabilities in direct investments.

## Revisions in recording of balance of payments

In accordance with new international standards the balance of payments now includes claims and liabilities related to the issuance of euro bank notes and their allocation within the Eurosystem. The recording was directed to other investments from 2006 onwards. The recording decreased Finland's net international investment position by EUR 5.2 billion at the end of 2014.

Interest income received from the European Central Bank related to the allocation of euro notes within the Eurosystem was added to primary income interests.

## Differences between the current account of balance of payments and national accounts

The current account according to the national accounts and balance of payments still deviates in some respects although by definition it is the same item. The differences are caused by the versions of source data and differing treatment of some items (e.g. manufacturing services, FISIM) and divergent release schedules.

**Table 2. External assets and liabilities by investment type in 2014 Q4, EUR billion**

Corrected on 13. March 2015 at 15:00 am. The corrections are indicated in red.

Assets and liabilities	Stock 31.12.2013	Financial transactions in 2014	Price changes in 2014	Changes in the exchange rates and valuation adjustments in 2014	Stock 31.12.2014
<b>Financial account</b>	9.7	-9.3	-5.6	6.0	0.8
Assets	651.4	-59.5	116.7	15.1	723.6
Liabilities	641.7	-50.3	122.3	9.1	722.8
<b>Direct investment</b>	44.9	-13.6	-9.1	3.7	25.9
Assets	139.3	0.4	-8.7	4.5	135.5
Liabilities	94.4	14.0	0.4	0.8	109.6
<b>Portfolio investment</b>	-14.0	5.5	0.0	5.8	-2.7
Assets	250.9	13.3	11.1	8.8	284.0
Liabilities	264.9	7.8	11.1	3.0	286.8
<b>Other investment</b>	-34.4	-0.2	0.0	-4.0	-38.6
Assets	167.7	-3.4	0.0	1.9	166.1
Liabilities	202.1	-3.2	0.0	5.9	204.7
<b>Financial derivatives</b>	5.0	-0.7	3.3	-0.1	7.5
<b>Reserve assets</b>	8.2	-0.2	0.0	0.6	8.8

## Finland's balance of payments in January 2015

The current account showed a deficit of EUR 0.5 billion in January. One year earlier, the current account showed a deficit of EUR 0.7 billion. The 12-month moving total of the current account was EUR 3.6 billion in deficit.

In January 2015, foreign financial liabilities increased more than financial claims resulting in net capital inflow. The total net capital inflow to Finland amounted to EUR 2.5 billion, of which direct investment was EUR 4.4 billion. Portfolio investment was EUR 2.2 billion outward on net.

At the end of January 2015, the net international investment position amounted to EUR -2.6 billion with foreign assets amounting to EUR 784.3 billion and liabilities to EUR 786.9 billion. The change in the net international investment position was mainly caused by the recording of claims and liabilities related to the issuance of euro bank notes and their allocation within the Eurosystem.

The data for January 2015 will be published on 15 April 2015.

### Finland's monthly international investment position



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**Appendix table 1. Finland's current account, quarterly 2014, EUR million**

		Year/quartal				
		2013/Q4	2014/Q1	2014/Q2	2014/Q3	2014/Q4
Credit	1. Current account	23 954	21 692	23 605	22 957	23 253
	1.1 Goods	14 324	13 243	14 528	13 751	14 213
	1.2 Services	5 844	4 843	4 872	5 440	5 419
	1.3 Primary income	3 490	3 319	3 898	3 443	3 365
	1.4 Secondary income	296	286	307	323	257
Debit	1. Current account	24 372	23 605	25 346	23 484	22 897
	1.1 Goods	14 164	13 537	14 096	13 635	13 787
	1.2 Services	6 232	5 334	5 631	5 490	5 571
	1.3 Primary income	3 276	3 351	4 729	3 627	2 859
	1.4 Secondary income	700	1 382	890	731	680

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

**Appendix table 2. External asset and liability flows by sector, quarterly 2014, EUR million**

		Year/quartal				
		2013/Q4	2014/Q1	2014/Q2	2014/Q3	2014/Q4
Assets	S1 Total economy	23	-6 051	-7 487	-12 402	-33 608
	S11 Non-financial corporations	-5 355	-8 545	-8 594	-7 945	-7 848
	S121 Central bank	3 541	-2 021	-1 051	-6 682	7 773
	S122 Other monetary financial institutions	808	4 684	2 179	7 301	-16 223
	S123 Money market funds (MMF)	125	-37	-183	378	68
	S124 Collective investment schemes excl. money market funds	609	1 823	1 849	394	-1 090
	S125+S126+S127 Other financial intermediaries financial auxiliaries and captive financial institutions and money lenders	364	25	871	804	-160
	S128+S129 Insurance corporations and pension funds	1 357	32	-1 105	-506	-1 307
	S1311 Central government	-3 065	-1 862	-3 047	-4 497	-9 025
	S1313 Local government	2	6	11	7	6
	S1314 Social security funds	1 320	-19	1 405	-1 676	-5 892
	S14+S15 Households and non-profit institutions serving households	318	-135	180	20	90
	Liabilities	S1 Total economy	-2 609	1 687	-4 151	-12 336
S11 Non-financial corporations		-4 437	-1 999	-4 825	-6 053	-10 236
S121 Central bank		-412	-26	-282	88	67
S122 Other monetary financial institutions		5 114	5 067	4 686	99	-14 151
S123 Money market funds (MMF)		30	21	-1	-16	15
S124 Collective investment schemes excl. money market funds		563	110	886	-1 138	-834
S125+S126+S127 Other financial intermediaries financial auxiliaries and captive financial institutions and money lenders		986	1 075	713	1 101	135
S128+S129 Insurance corporations and pension funds		63	64	-116	40	27
S1311 Central government		-2 564	-305	-3 118	-3 727	-5 903
S1313 Local government		-174	-20	2	4	115
S1314 Social security funds		-1 781	-2 302	-2 096	-2 733	-4 730
S14+S15 Households and non-profit institutions serving households		1				

		Year/quartal				
		2013/Q4	2014/Q1	2014/Q2	2014/Q3	2014/Q4
Net	S1 Total economy	2 632	-7 738	-3 337	-66	1 886
	S11 Non-financial corporations	-918	-6 546	-3 769	-1 892	2 388
	S121 Central bank	3 953	-1 996	-769	-6 769	7 705
	S122 Other monetary financial institutions	-4 307	-383	-2 507	7 203	-2 072
	S123 Money market funds (MMF)	95	-59	-183	394	54
	S124 Collective investment schemes excl. money market funds	46	1 712	963	1 532	-256
	S125+S126+S127 Other financial intermediaries financial auxiliaries and captive financial institutions and money lenders	-622	-1 051	157	-297	-294
	S128+S129 Insurance corporations and pension funds	1 294	-32	-990	-546	-1 334
	S1311 Central government	-501	-1 557	71	-770	-3 123
	S1313 Local government	176	26	8	2	-109
	S1314 Social security funds	3 101	2 283	3 501	1 057	-1 162
	S14+S15 Households and non-profit institutions serving households	316	-135	180	20	90

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 2014, EUR million**

		Year/quartal				
		2013/Q4	2014/Q1	2014/Q2	2014/Q3	2014/Q4
Assets	S1 Total economy	651 391	662 051	686 020	716 915	723 640
	S11 Non-financial corporations	129 538	127 811	125 592	126 925	128 461
	S121 Central bank	46 172	44 326	43 422	37 150	45 139
	S122 Other monetary financial institutions	239 901	246 706	260 840	289 902	291 291
	S123 Money market funds (MMF)	2 135	2 095	1 909	2 287	2 351
	S124 Collective investment schemes excl. money market funds	54 391	56 786	60 057	61 538	61 194
	S125+S126+S127 Other financial intermediaries financial auxiliaries and captive financial institutions and money lenders	18 561	19 097	20 444	21 634	20 947
	S128+S129 Insurance corporations and pension funds	25 217	25 394	24 869	24 751	23 639
	S1311 Central government	19 069	20 490	22 566	21 168	18 696
	S1313 Local government	355	366	398	406	413
	S1314 Social security funds	104 325	107 264	113 807	118 802	119 095
	S14+S15 Households and non-profit institutions serving households	11 726	11 716	12 117	12 353	12 415
	Liabilities	S1 Total economy	641 678	658 028	681 559	713 326
S11 Non-financial corporations		169 760	172 668	175 566	181 019	183 737
S121 Central bank		10 630	10 579	10 330	10 469	10 607
S122 Other monetary financial institutions		317 282	323 154	338 949	361 693	365 967
S123 Money market funds (MMF)		-14	8	7	-9	5
S124 Collective investment schemes excl. money market funds		16 896	17 107	18 379	17 540	16 768
S125+S126+S127 Other financial intermediaries financial auxiliaries and captive financial institutions and money lenders		25 084	26 619	27 812	29 605	30 058
S128+S129 Insurance corporations and pension funds		3 129	3 268	3 176	3 290	3 398
S1311 Central government		93 577	98 376	101 891	102 662	105 071
S1313 Local government		2 324	2 231	2 232	2 237	2 352
S1314 Social security funds		2 984	3 005	3 191	3 807	3 832
S14+S15 Households and non-profit institutions serving households		26	1 013	27	1 014	1 014
Net		S1 Total economy	9 713	4 023	4 461	3 589
	S11 Non-financial corporations	-40 222	-44 857	-49 974	-54 094	-55 276
	S121 Central bank	35 542	33 746	33 092	26 681	34 531
	S122 Other monetary financial institutions	-77 381	-76 448	-78 110	-71 791	-74 676
	S123 Money market funds (MMF)	2 149	2 088	1 902	2 296	2 346
	S124 Collective investment schemes excl. money market funds	37 495	39 679	41 678	43 997	44 426
	S125+S126+S127 Other financial intermediaries financial auxiliaries and captive financial institutions and money lenders	-6 523	-7 521	-7 368	-7 972	-9 111
	S128+S129 Insurance corporations and pension funds	22 088	22 125	21 693	21 461	20 242
	S1311 Central government	-74 508	-77 887	-79 324	-81 494	-86 375
	S1313 Local government	-1 969	-1 865	-1 835	-1 831	-1 939
	S1314 Social security funds	101 341	104 259	110 616	114 995	115 263
	S14+S15 Households and non-profit institutions serving households	11 700	10 703	12 091	11 339	11 401

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

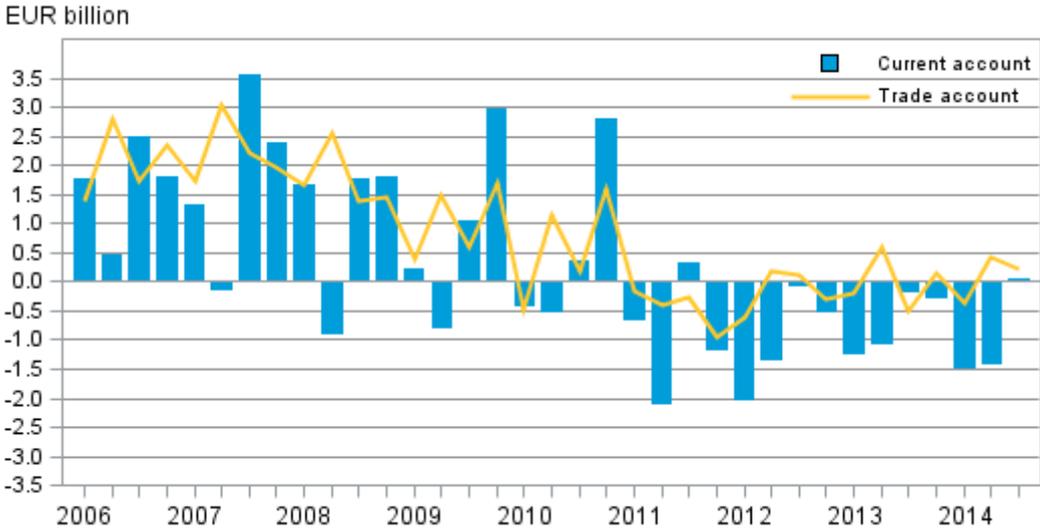
**Appendix table 4. Finland's balance of payments 2015, EUR million**

	Year 2014	12 month moving sum	2014/12	2015/01
1. Current account	-3 826	-3 640	137	-530
1.1 Goods	679	893	143	-114
1.2 Services	-1 452	-1 429	-42	-137
1.3 Primary income	-541	-585	177	94
1.4 Secondary income	-2 512	-2 519	-141	-373
2. Capital account	202	201	29	12
3. Financial account	-9 254	-3 984	3 497	-2 497
3.1 Direct investment	-13 603	-17 833	1 675	-4 422
3.2 Portfolio investment	5 461	13 736	1 112	2 158
3.3 Other investment	-178	1 592	458	403
3.4 Financial derivatives	-727	-1 344	68	-667
3.5 Reserve assets	-207	-136	183	31
4. Errors and omissions	-5 630	-545	3 331	-1 979

- 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

# Figures

Appendix figure 1. Finland's current account and trade account



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