

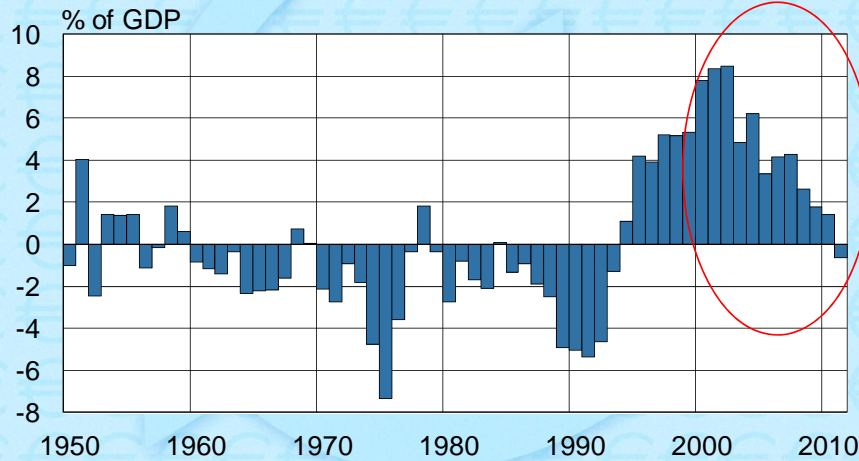


On the external balance and payment systems

Erkki Liikanen
Governor
10.5.2012

Current account deficit,
"a new, old problem"?

Finnish current account into deficit in 2011



Sources: Bank of Finland and Statistics Finland.

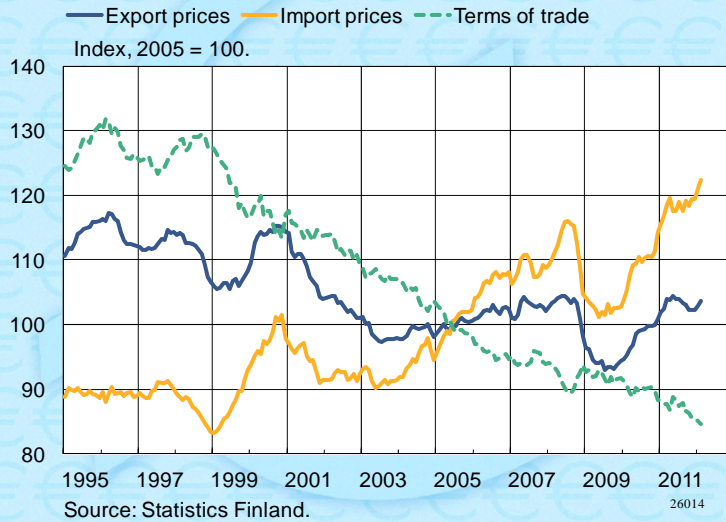
Current account is a measure net lending of the whole economy

Current account

$$= \text{exports} - \text{imports} + \text{income account} \\ (+ \text{net current transfers})$$

$$= \text{savings} - \text{investment}$$

Terms of trade have gradually weakened



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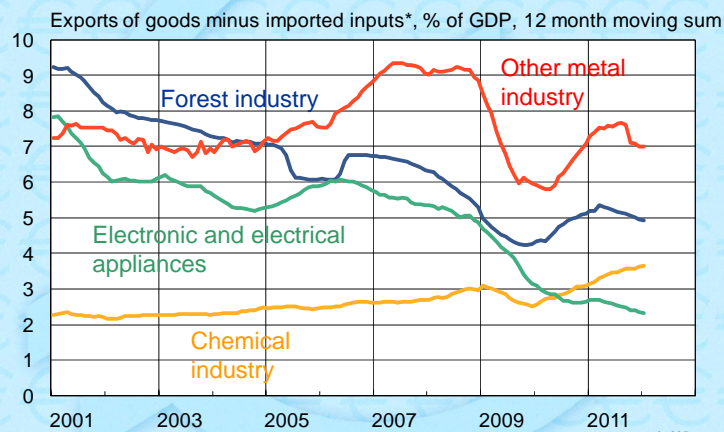
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Contributions from paper and electronics industries to trade account have diminished



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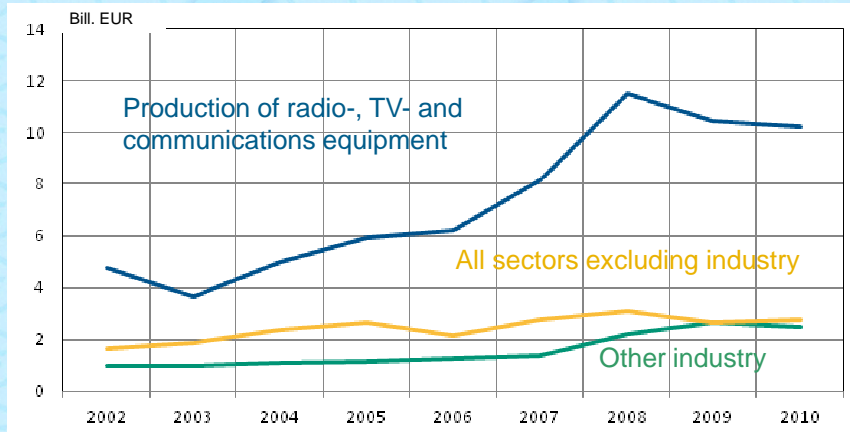
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Increase in exports of services narrowly based

Exports, services excluding transport and tourism



Source: Statistics Finland.

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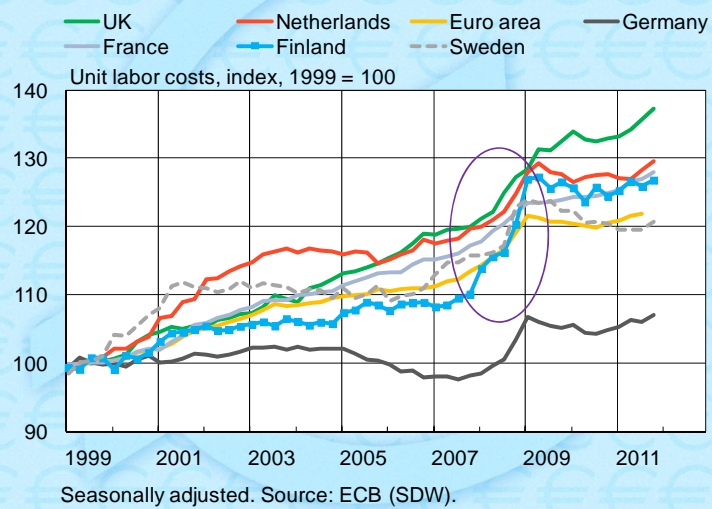
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Rapid rise in unit labour costs in 2008-2009



Seasonally adjusted. Source: ECB (SDW).

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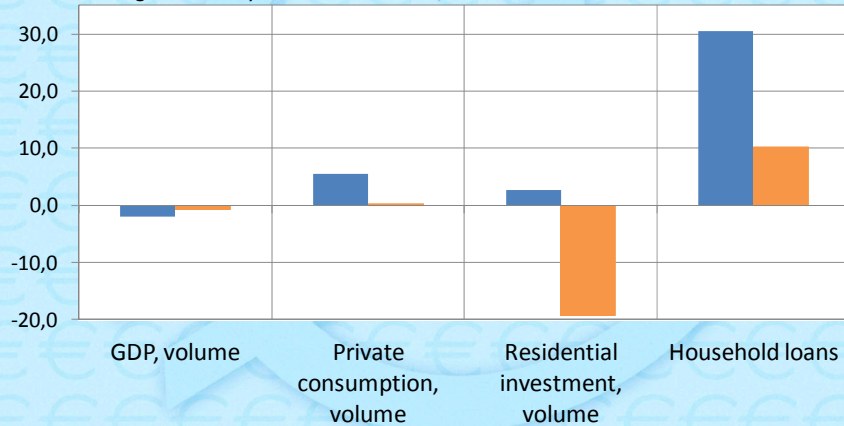
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Increase in Finnish households' indebtedness has contributed to weaker current account

■ Finland ■ Euroa area

Change between years 2007 and 2011, %



Sources: Eurostat and European Central Bank.

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Summary

◆ *Several factors behind the recent weakness in the current account*

- Problems in important export industries
- Rise in the price of oil imports
- Weakened cost competitiveness
- Households' readiness to increase indebtedness

◆ *Current account deficit implies risks for the future*

- Rapid increases in household and government debt pose a problem
- Cost competitiveness essential

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On the Payment Forum

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On the importance of payment systems

Payment systems:

- ◆ ***the backbone of the economy, facilitate all economic activity***
- ◆ ***often hidden, but critical infrastructure***
- ◆ ***In addition, efficient payment systems can stimulate overall economic growth, consumption and trade (Bank of Finland Discussion Paper 19/2012)***

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On the Payment Forum and its history

- ◆ ***The Bank of Finland established the Payment Forum in 2007***
- ◆ ***Purpose: bring Finnish payment sector participants together and contribute to creating a joint vision for the development of payments***

Today's topics

- 1. European initiatives related to further development and security of retail payments***
- 2. Finnish perspectives on contingency preparations to safeguard payment traffic.***

“Price stability, secure payment systems and reliable financial system are prerequisites for sustainable growth, employment and the welfare of Finnish society.” (Bank of Finland; strategy)

1. European initiatives related to further development and security of retail payments

- ◆ **The European Commission's Green Paper: "Towards an integrated European market for card, internet and mobile payments"**
 - *Public consultation, next steps by summer 2012*
- ◆ **European Forum on the Security of Retail Payments (SecuRe Pay)**
 - *"Security Recommendations for Internet Payments" under public consultation*

2. Contingency measures to safeguard payment traffic - Finnish perspectives

- ◆ **Reliance on electronic payments and cards is high in Finland.**
- ◆ **Disruptions can have wide-scale effects on the whole economy.**
 - ⇒ **Each participant in the payment chain should ensure adequate contingency arrangements!**
- ◆ **Three views on preventing disruptions and on practical contingency measures to ensure the daily payment traffic are presented.**

The SEPA forum

- ◆ **Organized by the Federation of Finnish Financial Services and the SEPA Forum Core Group**
- ◆ **Finland is a forerunner in SEPA migration: the first country where the SEPA credit transfer has completely replaced the domestic one.**
- ◆ **Congratulations and my warm thanks for this excellent achievement!**
- ◆ **Today's SEPA forum will focus on the remaining challenges**
 - **Implementation of SEPA End-date Regulation in the EU**
 - **Direct debit migration in Finland**

Thank you!