

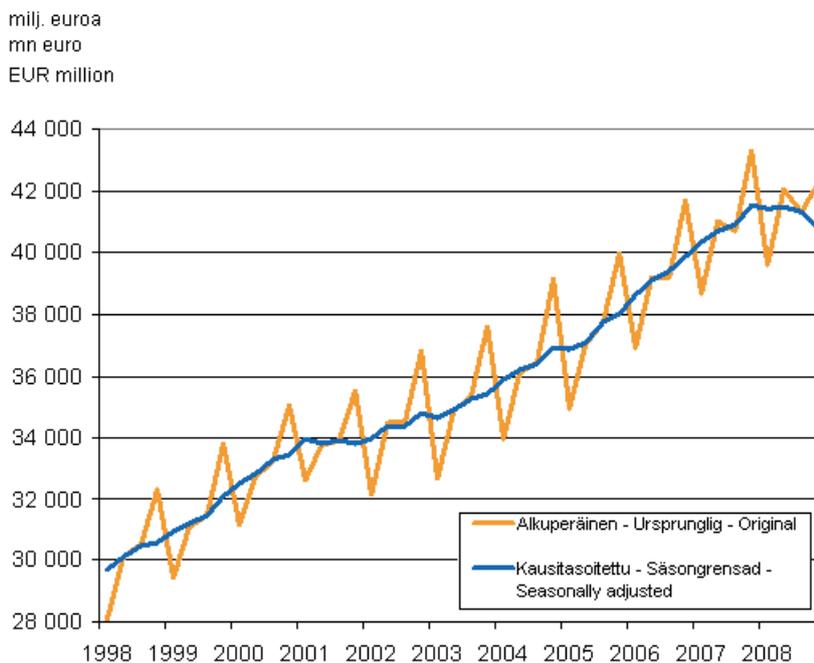
Quarterly national accounts 2008

Gross domestic product fell by 2.4 per cent in the fourth quarter, Finland is in recession

According to preliminary data of Statistics Finland, in the fourth quarter of 2008 the volume of Finland's GDP fell by 1.3 per cent from the previous quarter. Compared to the last quarter of 2007, GDP adjusted for working days was down by 2.4 per cent. The fourth quarter of 2008 had one more working day than one year previously.

Revisions put growth in GDP in the third quarter at +1.4 per cent from twelve months back and at -0.3 per cent from the previous quarter. If recession is defined as two successive quarters with falling volume of GDP, Finland's economy is now in recession.

Gross domestic product by quarter at reference year 2000 prices



In the fourth quarter the volume of exports contracted by 14.2 per cent and that of imports by 14.5 per cent year-on-year. The volume of private consumption contracted by 1.2 per cent and investments decreased by 2.1 per cent in the fourth quarter.

Volume refers to value data adjusted for price changes. Volumes at reference year 2000 prices are expressed relative to the 2000 level in euros.

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Gross domestic product fell sharply in the last quarter of 2008, growth for the whole year only 0.9 per cent

In the last quarter of 2008 the volume of Finland's gross domestic product fell by 1.3 per cent from the previous quarter. Compared to the last quarter of 2007, GDP adjusted for working days was down by 2.4 per cent.

Revisions put the change in the volume of GDP in the third quarter of 2008 at +1.4 per cent from the year before and at -0.3 per cent from the previous quarter, whereas the respective change percentages published in December were +1.1 and + 0.1 per cent. If recession is defined as two successive quarters with falling volume of GDP, Finland's economy is now in recession.

In the whole of 2008 gross domestic product grew by only 0.9 per cent. The development in the whole year's gross domestic product was last this weak in 1993 when GDP fell by 0.9 per cent.

According to the preliminary data compiled by Eurostat, in the fourth quarter of 2008 GDP contracted in the EU area by 1.5 per cent from the previous quarter and by 1.1 per cent from twelve months back.

Output

In primary production, the volume of value added was 9.6 per cent lower in the fourth quarter than twelve months earlier. Value added in agriculture contracted by 0.3 per cent. The downhill that had lasted throughout the year continued in forestry where value added contracted by 12.3 per cent. In the whole of 2008 the volume of primary production fell by 9 per cent. Value added in agriculture contracted by 6.1 per cent. The prices of inputs of agricultural production, especially fertilisers, went well up in the course of the year. The volume of forestry diminished by 10.6 per cent as fellings decreased.

The volume of value added in secondary production, that is manufacturing and construction, fell by 5.6 per cent in the fourth quarter. Value added in manufacturing was 6.4 per cent lower than one year previously. In the wood and paper industry value added continued to diminish and the fall now amounted to 10 per cent from twelve months back. November and December were especially gloomy in the metal industry (incl. manufacture of electrical and electronic products) where value added diminished by 0.3 per cent from one year back. Value added in other manufacturing decreased by 7.7 per cent in the fourth quarter. In construction the volume of value added decreased by 3 per cent in the October to December period from the year before.

The volume of secondary production grew by 0.3 per cent in the whole of 2008. The volume of manufacturing went up by 0.3 per cent even though the wood and paper industry contracted by 4.9 per cent and other manufacturing by 1.4 per cent. The growth was sustained by the metal industry where the volume went up by 4.4 per cent in the course of the year. The total volume of construction remained on level with 2007. Towards the end of the year building construction died down so strongly that its volume contracted by 1.4 per cent even if the whole year is considered, but the volume of civil engineering was 5.2 per cent up on the year before.

In service industries the volume of value added fell by 0.7 per cent in the fourth quarter. The volume of value added in trade was 3.7 per cent lower than twelve months earlier. The decline was steepest in wholesale trade where value added shrunk by 7.1 per cent. The volume of retail trade contracted by 2.8 per cent. Transport, storage and communications contracted by 3.3 per cent. Real estate and business activities showed 0.7 per cent growth from twelve months back but decline in volume from the previous quarter.

In the whole of 2008 the volume of service industries grew by 1.5 per cent. Trade increased by 2.2 per cent. In wholesale trade, volume grew by 0.5 per cent, in retail trade by 1.5 per cent and in motor vehicle trade by 8.9 per cent. The large increase in motor vehicle trade was due to an amendment in vehicle taxation, which brought the prices of automobiles down at the beginning of the year. Transport, storage and communications contracted by 0.2 per cent. In the early part of the year growth in this industry was mainly slowed down by development in telecommunications but towards the end of the year and especially in the last quarter actual transport activity showed clear decline. Real estate and business activities grew by 3.2 per cent. The volume of financial intermediation and insurance activities diminished slightly but especially computer and related activities grew briskly in 2008.

In the last quarter of 2008 the volume of total value added generated by all industries fell by 2.7 per cent year-on-year and by 1.6 per cent from the previous quarter. In the whole of 2008 the volume of value added grew by 0.8 per cent.

Imports, exports, consumption and investments

Demand declined all down the line in the fourth quarter: exports, private consumption and investments diminished from one year back. Only government consumption expenditure increased demand to any significant extent.

In the October to December period the volume of exports diminished by as much as 14.2 per cent from twelve months back and by 13.3 per cent from the quarter before. Exports of goods decreased by 10.2 per cent and those of services by 29 per cent year-on-year. The volume of imports also contracted exceptionally strongly: by 14.5 per cent from twelve months before and by 14.6 per cent from the previous quarter. Imports of goods decreased by 12.6 per cent and those of services by 22.4 per cent year-on-year. Data on imports and exports may become substantially revised. The year-on-year change in imports (goods and services together) in the third quarter became revised to +2.7 per cent from the -0.5 per cent indicated in the December data. The change in the volume of exports in the third quarter became revised to -2.6 per cent from the -2.7 per cent calculated in December.

In the whole of 2008 the volume of exports fell by 1.1 per cent. Exports of goods contracted by 0.7 per cent and those of services by 2.4 per cent. The volume of imports fell by 1.3 per cent as imports of goods increased by 0.1 per cent and those of services decreased by 6.3 per cent.

The volume of private consumption diminished by 1.2 per cent year-on-year in the fourth quarter. Only the consumption of durable consumer goods showed growth from twelve months back because of the slump in the sale of automobiles in the fourth quarter of 2007. The volume of government consumption expenditure grew by 3.8 per cent from twelve months back.

In the whole of 2008 private consumption grew by 2 per cent. The growth in the final consumption expenditure of households slowed down in the course of the year and in the last quarter its volume already declined. Over the year the volume of consumption of durable goods increased by 9.4 per cent and that of semi-durable goods by 3 per cent, while consumption of non-durable goods went up by 0.2 per cent and that of services by 1.4 per cent. The volume of government consumption expenditure grew by 1.7 per cent.

The volume of investments diminished by 2.1 per cent in the fourth quarter from one year ago. Construction investments contracted by 6 per cent. Investments in residential buildings diminished by 10 per cent and investments in non-residential buildings by 6 per cent. Construction investments only increased in civil engineering where they went up by 4.1 per cent. The volume of investments in machinery, equipment and transport equipment grew by 1.2 per cent. In the fourth quarter, private investments decreased by 2.1 per cent and public investments by 1.8 per cent.

In the whole of 2008 investments grew by one per cent overall. Investments in residential buildings diminished by 9.4 per cent but those in non-residential buildings increased by 8.1 per cent. The volume of civil engineering investments grew by 6.1 per cent. Investments in machinery, equipment and transport equipment grew by 3.6 per cent and other investments by 0.3 per cent.

Employment

Employment improved slightly in the fourth quarter of 2008 as the number of employed persons went up by 0.8 per cent from one year back. However, when seasonally adjusted the number of employed persons has not grown at all since the second quarter, meaning that the growth in employment came to a halt during 2008. The working day adjusted number of hours worked in the national economy went up by 1.2 per cent from one year before.

According to Statistics Finland's Labour Force Survey, the rate of unemployment in the October to December period was 6.0 per cent. In the corresponding period of 2007 it stood at 6.2 per cent.

Prices

The economy's overall price level is estimated to have risen by 2.7 per cent last year as measured by the GDP price index. It was pushed up especially by the prices of construction.

The year-on-year rise in the Consumer Price Index was 4.1 per cent, but the price index of household consumption expenditure in National Accounts was 3.4 per cent. In National Accounts, the prices of housing services are measured with changes in market rents only, whereas the Consumer Price Index also takes into consideration expenditure of owner-occupied housing. The methods used in National Accounts and in the Consumer Price Index for measuring development in the prices of insurance and financial intermediation services also deviate from each other.

The terms of trade weakened further by 2.7 per cent as import prices rose by four per cent but export prices by good one per cent.

National income contracted by one per cent in real terms

Net national income grew by 2.8 per cent in nominal terms last year, and stood at EUR 29,500 per capita. Finland's gross national income was slightly lower than gross domestic product last year, i.e. EUR 185 billion, as the property income paid to the rest of the world exceeded property income received from the rest of the world. Due to the weakened terms of trade, gross and net national incomes contracted respectively by 0.9 and 1.1 per cent in real terms.

Households' wage and salary income went up by 7.1 per cent and employers' social insurance contributions by 5.5 per cent. Compensations of employees increased by a total of 6.8 per cent and their share of the national income rose to 58.4 per cent. The respective proportion in the previous year was 56.2 per cent. Property and entrepreneurial income decreased by 4.2 per cent and their share of the national income stood at 28.0 per cent. The respective proportion in the previous year was 30.0 per cent.

Non-financial corporation's profits diminished

Non-financial corporations' operating surplus, or operating profit, diminished by two per cent in nominal terms from the previous year. Their entrepreneurial income decreased by 15 per cent. Entrepreneurial income also takes into consideration property income and paid interest and corresponds roughly with profit before payment of taxes and dividends.

Non-financial corporations paid six per cent less direct taxes and 20 per cent less dividends than in the year before.

Non-financial corporations' fixed investments in Finland grew by 10 per cent in nominal terms last year, especially due to the growth in construction investments. Fixed investments were higher than ever before. Non-financial corporations' net lending, or financial position, showed a surplus of just short of EUR 2 billion, as against EUR 4 billion in the previous year.

Financial corporations' commission income fell by six per cent but interest margin (financial intermediation services indirectly measured) grew by 10 per cent from the year before. The credit and deposit stock continued to increase and the average level of interest rates was higher than in the year before. The financial position of insurance and financial corporations showed a surplus of good EUR one billion.

General government surplus still nearly EUR 8 billion

The financial position of central government still showed a surplus of EUR 1.5 billion last year. State revenues from indirect taxes grew by six per cent but 1.5 per cent less than in the previous year was accrued from direct taxes due to fallen revenues from corporate income tax. Income transfers to local government (incl. repayments of value added tax) went up by 10 per cent and those to social security funds by 7.5 per cent.

In nominal terms, central government's final consumption expenditure grew by over 7 per cent and investments by nearly 14 per cent.

The financial position of local government was nearly in balance, showing a deficit of just EUR 0.2 billion. Tax revenues received by municipalities grew by over six per cent. In nominal terms final consumption expenditure grew by 7 per cent and investments by 8 per cent.

The financial surplus of employment pension funds was EUR 6 billion and that of other social security funds EUR 0.4 billion.

The total financial position, or net lending, of general government showed a surplus of EUR 7.7 billion. The EMU surplus deviates slightly from the general government net lending of National Accounts, and it stood at EUR 7.8 billion, or 4.2 per cent of GDP. The surplus was slightly smaller than in the previous year when it amounted to 5.2 per cent of GDP. General government's so-called EMU debt contracted to 33.4 per cent of GDP.

The proportion of public expenditure of GDP (excluding internal transfers) went up to 48.4 per cent. The respective proportion in the previous year was 47.3 per cent.

The tax rate, or the proportion of taxes and statutory social security contributions of GDP, contracted to 42.7 per cent last year. The tax rate was the lowest since 1989.

Households' real income grew by 2.7 per cent

Households' disposable income grew again last year, in nominal terms by 6.3 per cent and in real terms by 2.7 per cent.

The biggest contribution to the growth in gross income came from over 7 per cent growth in the wage sum, above all in consequence of risen level of earnings, although the whole year considered employment also improved slightly from the year before. Social security benefits received by households went up by just under four per cent. Entrepreneurial income from agriculture and forestry fell by 10 per cent, and imputed income from owner-occupied housing by 8 per cent due to risen interest expenditure. Other entrepreneurial income diminished by one per cent. Entrepreneurial income fell by 5.5 per cent overall. Direct taxes paid by households increased by good five per cent.

In nominal terms, households' final consumption expenditure went up by 5.6 per cent. Consumption expenditure also exceeded disposable income, which resulted in a savings ratio, or savings relative to disposable income, of -0.9 per cent. In other words, households' regular income could not quite cover their consumption expenditure. Households' fixed investments diminished by good one per cent in nominal terms as investments in housing decreased. The financial position of households showed a deficit of EUR 4.5 billion.

At the end of September, households' indebtedness rate fell to 101.2 per cent, or slightly below the rate at the end of 2007. The indebtedness rate expresses the ratio between the end-of-year credit stock and the same year's disposable income.

Next revisions in June and July 2009

Data concerning the first quarter of 2009 will be released on 9 June 2009, when the data for previous quarters will also be revised. National Accounts for 2008 with more detailed data contents will be released on 9 July 2009. The time series starting from 1975 will next be revised in 2010.

These preliminary data are based on the information on economic development available by 20 February 2009. The quality description is available on Statistics Finland's website at: <http://www.stat.fi/til/ntp/laa.html> (in Finnish only).

Methodological descriptions of National Accounts can be found on Statistics Finland's website at: http://www.tilastokeskus.fi/til/ntp/2008/03/ntp_2008_03_2008-12-08_men_001_en.html

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