

Quarterly national accounts

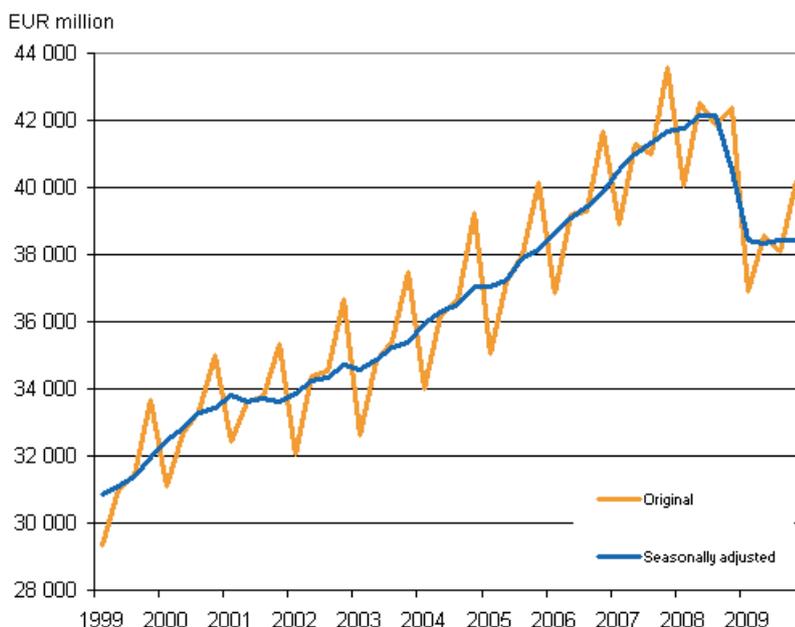
2009, 4th quarter

Gross domestic product remained on level with the previous quarter but fell by 5.1 per cent year-on-year

According to preliminary data of Statistics Finland, in the fourth quarter of 2009 the volume of Finland's GDP changed by 0.0 per cent from the previous quarter. Compared to the last quarter of 2008, GDP was down by 5.1 per cent. The fourth quarter had one more working day than one year previously.

The change of GDP in the third quarter remained at +0.3 per cent from the previous quarter, but became revised to -8.9 per cent from one year before (was -9.1%). The data of the seasonally adjusted and trend series always become revised as new observations become available. Revisions especially at turning points of economic trends may be significant, which should be taken into consideration when using seasonally adjusted and trend data.

Gross domestic product by quarter at reference year 2000 prices



The volume of exports grew by 7.4 per cent from the previous quarter but contracted by 13.8 per cent year-on-year. Imports increased by 0.7 per cent from the previous quarter but decreased by 16.5 per cent year-on-year. In the fourth quarter, the volume of private consumption grew by 0.7 per cent from the previous quarter and was 0.7 per cent up on twelve months back. Investments grew by 2.7 per cent from the previous quarter but fell by 9.3

per cent year-on-year. Inventories diminished by nearly EUR 2.5 billion at current prices, of which the delivery of a cruise liner in October accounted for around EUR 1 billion.

Volume refers to data adjusted for price changes. Volumes at reference year 2000 prices are expressed relative to the 2000 level in euros. Change percentages from the quarter of the previous year have been calculated from time series adjusted for working days, and change percentages from the previous quarter from seasonally adjusted time series.

Contents

Gross domestic product contracted by 7.8 per cent last year.....	4
Output.....	4
Imports, exports, consumption and investments.....	4
Employment.....	5
Prices.....	5
National income contracted by nine per cent in real terms.....	6
Non-financial corporations' profits diminished substantially.....	6
General government deficit 2.2 per cent of gross domestic product.....	6
Households' real income grew by one per cent.....	7
Next revisions in June and July 2010.....	7
Appendix tables	
Revision of volume changes in GDP.....	8

Gross domestic product contracted by 7.8 per cent last year

Gross domestic product fell by 7.8 per cent in 2009. This represents the largest fall in the annual level for the present time series starting from 1975. During the recession of the 1990s the biggest contraction of GDP occurred in 1991, when the volume went down by 6.0 per cent. When looking at historical time series a corresponding collapse of GDP can be found as far back as 1918.

In the October to December period the volume of GDP remained on level with the previous quarter. Compared with the last quarter of 2008, GDP was down by 5.1 per cent. The change of GDP in the third quarter remained at +0.3 per cent from the previous quarter, but became revised to -8.9 per cent from one year before (was -9.1%).

Output contracted most in the first quarter of the year and continued to fall in the second quarter as well. In the latter half of the year the fall of GDP halted, but output did not grow much compared with the first half of the year.

According to the preliminary data compiled by Eurostat, in the last quarter of 2009 GDP grew in the EU area by 0.1 per cent from the previous quarter but contracted by 2.3 per cent from twelve months back.

Output

From October to December, the volume of value added in primary production increased by 11 per cent from the previous quarter. In the whole of 2009 the volume of primary production fell by 5.5 per cent. Value added in agriculture contracted by four per cent. Value added in forestry fell last year by 9.2 per cent due to reduction in fellings. Net growth of forests is not taken into consideration in the quarterly national accounts.

The volume of value added in secondary production, that is manufacturing and construction, fell by 1.2 per cent from the previous quarter. Value added in manufacturing grew by 1.4 per cent from the previous quarter. The slight growth in industrial output in the fourth quarter was due to metal industry (incl. electronic industry) showing signs of recovery, with an increase of 3.8 per cent in output. Value added in the wood and paper industry contracted by 0.1 per cent and in other manufacturing industry by 1.2 per cent. From October to December, the volume of value added in construction decreased by 1.6 per cent from the previous quarter.

The volume of secondary production contracted by 18.5 per cent in 2009. Value added in manufacturing went down by 20 per cent. The year 2009 was record weak for the metal industry and its output fell by 26.9 per cent. The wood and paper industry fared almost as badly as its value added dropped by 20.7 per cent. In other manufacturing output fell by 11.2 per cent. Value added in construction went down by 13.2 per cent from the previous year.

From October to December, the volume of value added in service industries decreased by 0.2 per cent from the previous quarter. Trade grew by 0.6 per cent, as did transport, storage and communications. In contrast, real estate and business activities contracted by 1.4 per cent.

In the whole of 2009 the volume of value added in service industries went down by 3.7 per cent. Value added in trade dropped by 11.2 per cent; sale of motor vehicles contracted most, retail trade least. Transport, storage and communications contracted by 6.8 per cent. Real estate and business activities fell by 3.3 per cent. Value added in financial intermediation and insurance included in other industries grew last year despite the poor economic situation.

Imports, exports, consumption and investments

All the demand components of the national economy increased slightly in the last quarter compared with the previous quarter. In all 2009 exports, consumption and investments fell clearly, however.

From October to December, the volume of exports grew by 7.4 per cent from the previous quarter but contracted by 13.8 per cent year-on-year. Exports of goods grew by 5.9 per cent and that of services by 13.7 per cent from the previous quarter. Exports were increased by the delivery of a cruise liner in October worth EUR one billion, which was also visible in reduction in inventories.

The volume of exports grew by 0.7 per cent from the previous quarter but contracted by 16.5 per cent year-on-year. Imports of goods fell by 3.5 per cent, but imports of services grew by 3.6 per cent from the previous quarter. Revisions put the change in imports (goods and services together) in the third quarter at +3.6 per cent from the previous quarter and at -23.6 per cent from twelve months back whereas the respective figures in the data for December were +3.3 and -24.5 per cent. Revisions put the change in the volume of exports in the third quarter at +1.2 per cent from the previous quarter and at -26.1 per cent from the year before, while the respective changes in the data for December were +0.6 and -26.6 per cent. Data on imports and exports may become substantially revised.

In the whole of 2009 the volume of exports fell by a record of 24.3 per cent. Exports of goods contracted by 25.7 per cent and those of services by 19.8 per cent. The collapse in exports was the single main reason for the great fall of GDP. Previously exports have fallen at most by 7.2 per cent on the annual level, that is, in 1991

In the whole of 2009 the volume of imports fell by 22.3 per cent, which is also a new record in the present time series. Imports of goods contracted by 23 per cent and those of services by 20.1 per cent. The second biggest reduction in imports also occurred in 1991, when imports dropped by 13.3 per cent.

In the last quarter the volume of private consumption went up by 0.7 per cent from the previous quarter. The volume of public consumption expenditure increased by 0.1 per cent from the previous quarter.

In the whole of 2009 private consumption went down by 2.1 per cent. Households' consumption expenditure fell most in the first quarter, but started to grow slightly in the latter half of the year. Over the year the volume of consumption of durable goods decreased by 12 per cent, that of semi-durable goods by 4.1 per cent, that of non-durable goods by 2.2 per cent and that of services by 0.8 per cent. The volume of public consumption expenditure increased by 0.7 per cent.

In the last quarter the volume of investments went up by 2.7 per cent from the previous quarter. Construction investments contracted by 2.3 per cent. Investments in housing construction increased by 0.6 per cent, but those in office premises fell by four per cent as did investments in civil engineering works. The volume of investments in machinery, equipment and transport equipment grew by nine per cent.

In 2009 investments decreased by 13.4 per cent. Investments in residential buildings diminished by 12.4 per cent and investments in office premises by as much as 21 per cent. The volume of civil engineering investments contracted by 11.5 per cent. Investments in machinery, equipment and transport equipment fell by 14.3 per cent and investments in transport equipment were particularly reduced so that their volume decreased by 34.6 per cent. Other investments, mainly consisting of software investments, grew by 10.5 per cent.

Inventories have diminished exceptionally much during last year. In the fourth quarter inventories diminished by EUR 2.5 billion at current prices, of which the delivery of a cruise liner in October accounted for around EUR one billion. In the whole of 2009 inventories diminished by over EUR four billion at current prices.

Employment

Employment weakened further in the fourth quarter of the year as the number of employed persons went down by 0.7 per cent from the previous quarter. The number of hours worked in the national economy decreased by 0.6 per cent from the previous quarter. In the whole of 2009 the number of employed persons fell by three per cent and the number of hours worked by 5.9 per cent. The slower rate of falling in the number of employed persons indicates that enterprises have made use of temporary lay-offs to lower the number of dismissals.

According to Statistics Finland's Labour Force Survey, the rate of unemployment in the October to December period was 8.3 per cent. In the corresponding period of 2008 it stood at 6.0 per cent.

Prices

The economy's overall price level is estimated to have risen by 0.6 per cent last year as measured by the GDP price index.

The change in the Consumer Price Index was last year 0.0 per cent, but the price index of household consumption expenditure in National Accounts grew by 1.0 per cent. In National Accounts, the prices of housing services

are measured with changes in market rents, whereas the Consumer Price Index also takes into consideration all 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 improved because import prices fell by 7.3 per cent and export prices by 5.7 per cent

National income contracted by nine per cent in real terms

Net national income fell by nine per cent in nominal and real terms last year, and was EUR 26,600 per capita. Finland's gross national income was EUR 171 billion, i.e. only a little less than GDP.

Households' wages and salaries went down by one per cent and employers' social insurance contributions by three per cent. Compensations of employees decreased by a total of one and a half per cent and their share of the national income rose to 63.6 per cent. In the year before the respective proportion was 58.7 per cent. Property and entrepreneurial income decreased by 27 per cent and their share of the national income stood at 22.1 per cent. In the year before the respective proportion was 27.5 per cent.

Non-financial corporations' profits diminished substantially

Non-financial corporations' operating surplus, or operating profit, diminished in nominal terms by as much as 39 per cent from the previous year. Their entrepreneurial income decreased by 44 per cent. Entrepreneurial income also takes into consideration property income and interest paid and corresponds roughly with profit before payment of taxes and dividends. Entrepreneurial income has last been lower in 1997.

Last year non-financial corporations paid 44 per cent less direct taxes and 34 per cent less dividends than in the year before.

Non-financial corporations' fixed investments in Finland fell by 21 per cent in nominal terms last year, especially due to decrease in construction investments. Non-financial corporations also reduced their inventories clearly. Due to reduced investments and inventories, non-financial corporations' net lending, or financial position, showed a surplus of EUR 4.8 billion, while the financial position was nearly in balance in the previous year.

Financial corporations' commission income and interest income (financial intermediation services indirectly measured) grew but entrepreneurial income decreased. The credit and deposit stock continued to increase a little and the average level of interest rates was lower than in the year before. The financial position of insurance and financial corporations showed a surplus of EUR two billion.

General government deficit 2.2 per cent of gross domestic product

The financial position of central government turned sharply into a deficit last year. The deficit was EUR 8.6 billion, the largest since 1995. State revenues from indirect taxes decreased by 4.4 per cent and those from direct taxes by as much as 31 per cent. Corporation tax revenue received by central government fell to under one half, but income taxes paid by households to central government also decreased by 21 per cent because of lightening of taxation and reduction in capital income. Income transfers to local government (incl. repayments of value added tax) went up by 5.5 per cent and those to social security funds, especially to the Social Insurance Institution of Finland, increased by 23 per cent.

In nominal terms final consumption expenditure of central government grew by 4.7 per cent and investments by 5.6 per cent.

The deficit of municipalities and joint municipal boards was EUR 0.7 billion, unchanged from the year before. Municipalities' tax income grew by half a per cent. In nominal terms consumption expenditure increased by 2.6 per cent, but investments are estimated to remain on level with the previous year.

The financial surplus of employment pension funds fell to EUR 5.1 billion, because pensions paid grew, but revenue from pension contributions was unchanged from before and property income went down. The finance of other social security funds was on balance.

The total financial position, or net lending, of general government showed a deficit of EUR 4.1 billion. The EMU deficit deviates slightly from the general government net lending of National Accounts, and it stood at EUR 3.7 billion, or 2.2 per cent of GDP. Government finance last showed a deficit in 1997. The so called EMU debt of general government in relation to GDP grew in the year by nearly ten percentage points and was 44.0 per cent.

The proportion of public expenditure to GDP grew considerably to 55.6 per cent. In the year before the respective proportion was 49.5 per cent. The proportion was the highest since 1997.

The tax rate, or the proportion of taxes and statutory social security contributions to GDP, contracted to 43.0 per cent last year. The tax rate was the lowest since 1989.

Households' real income grew by one per cent

Despite the recession, households' disposable income grew again last year, in nominal terms by 1.9 per cent and in real terms by 1.0 per cent.

Wages and salaries received by households went down by one per cent, but social security benefits grew and taxation became lighter. Growth in unemployment diminished income from wages and salaries, because the income level rose by four per cent. Social security benefits received by households went up by 6.6 per cent, particularly pensions received grew. Direct taxes paid by households decreased by good six per cent.

Entrepreneurial income from agriculture and forestry fell by eight per cent. Imputed income from owner-occupied dwellings doubled due to the fall in interest level. Other entrepreneurial income went up by seven per cent. Dividend income is estimated to have declined by 22 per cent.

Households' consumption expenditure fell, despite growth in income, by 1.2 per cent. Consumption expenditure was lower than disposable income, so the savings ratio, or savings relative to disposable income, became positive at 2.5 per cent. Households' fixed investments decreased by 13 per cent in nominal terms as investments in housing fell. Households' financial position showed a deficit of EUR 1.4 billion.

Households' indebtedness rose again and was 113.5 per cent. The calculation method of indebtedness changed so that it shows debts according to financial accounts statistics relative to disposable income for the year. Debts now also include the proportion of households in debts of housing corporations.

Next revisions in June and July 2010

Data concerning the first quarter of 2010 will be released on 9 June 2010, when the data for the previous quarters will also be revised. National accounts for 2009 with more detailed data contents will be released on 15 July 2010. At the same time the data for 2007 and 2008 will be revised.

These preliminary data are based on the information on economic development available by 22 February 2010. Methodological descriptions of National Accounts can be found on Statistics Finland's website at: Virhe. Kirjanmerkille ei ole annettu nimeä. http://tilastokeskus.fi/til/vtp/men_en.html and http://tilastokeskus.fi/til/ntp/men_en.html

Appendix tables

Revision of volume changes in GDP

		2008Q4	2009Q1	2009Q2	2009Q3	2009Q4
Seasonally adjusted quarter-on-quarter change, %	8 December 2009	-4.1	-4.9	-0.3	0.3	.
	1 March 2010	-3.9	-5.2	-0.3	0.3	0.0
Working day adjusted year-on-year change, %	8 December 2009	.	-7.6	-9.1	-9.1	.
	1 March 2010	.	-8.0	-9.1	-8.9	-5.1

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