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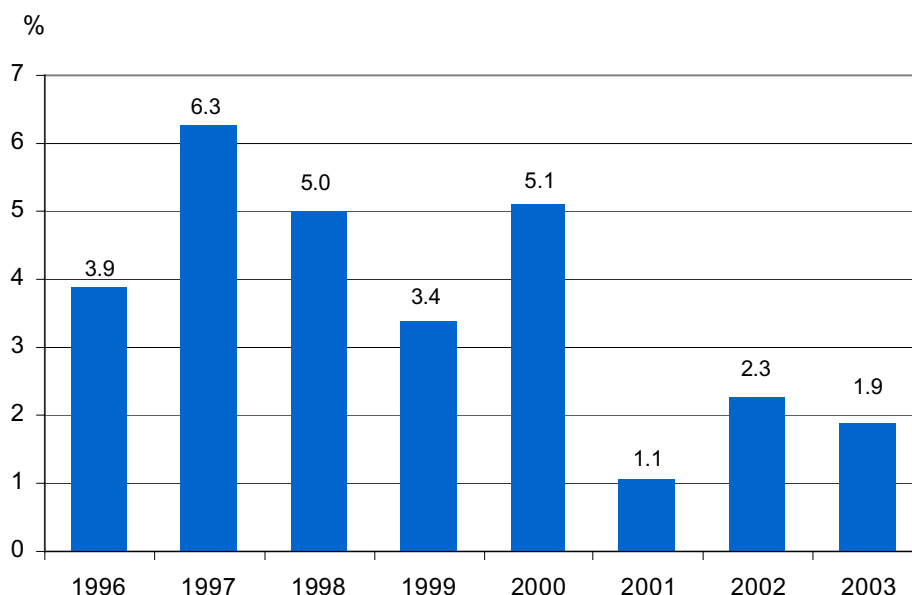
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Gross domestic product grew by 1.9 per cent last year

According to Statistics Finland's preliminary data, the volume of Finland's gross domestic product grew by 1.9 per cent in 2003. Gross domestic product, or the combined value added of the goods and services produced, amounted to EUR 143 billion last year.

During the first quarter of the year, output was down by 0.3 per cent on the previous quarter but in the second and third quarters of the year GDP went up by 0.8 per cent. In the last quarter GDP increased by 0.3 per cent when compared with the previous quarter.

Volume changes of GDP 1996-2003, %



Growth in demand hinged on private consumption last year. For the second consecutive year, investments decreased demand in the national economy.

Private final consumption expenditure rose by 3.6 per cent last year. Starting from the previous year, brisk purchases of passenger cars continued throughout 2003, but other household appliances were also bought in great quantities. Purchases of durable consumer goods went up by as much as 17 per cent last year, having grown by under six per cent the year before. Government consumption expenditure increased by close on 1 per cent.

Investments contracted by 2 per cent. Investments in machinery, equipment and transport equipment decreased in total by nearly 10 per cent. Compared with the previous year, investments in residential buildings increased by 8 per cent, but construction of other buildings fell by ten per cent. Government investments grew by 7 per cent.

The volume of exports of goods and services grew by 1.3 per cent but because export prices fell more than this, the value of exports was lower than in the previous year. The volume of imports went up by 0.9 per cent, and due to risen import prices the value of imports grew as well.

Output grew in the service industries, up by 2 per cent. In the processing industries, output remained unchanged from the previous year. Output in manufacturing industry and construction contracted by nearly 1 per cent. Primary production decreased by close on 1 per cent, as output grew slightly in forestry but fell in agriculture.

Non-financial corporations' profits grew slightly

Non-financial corporations' operating surplus was on level with the previous year. In contrast, non-financial corporations' entrepreneurial income rose by 2 per cent from 2002, but it remained somewhat lower than in 2000 and 2001. Entrepreneurial income roughly corresponds to profits before payment of taxes and dividends. Direct taxes paid by non-financial corporations declined by 13 per cent from the previous year. Non-financial corporations paid 6 per cent more in dividends than in 2002. Non-financial corporations' fixed investments decreased by 11 per cent. The financial position of non-financial corporations was good EUR 7 billion in surplus, which is more than ever before.

Financial corporations' financial position in deficit

The net interest income of financial corporations was on level with the previous year. The credit stock and deposit base grew but the interest level declined further. The financial position of financial corporations was for the first time in deficit. The reasons for this were dividends and undistributed profits from foreign direct investments to Finland, which are regarded as foreign owners' income and are deducted from the income of the sector. The financial position of insurance corporations showed a slight surplus.

Households' real income grew by 4 per cent

In 2003 the disposable income of households increased by 5.8 per cent in nominal terms and by 4.1 per cent in real terms. Gross income grew chiefly as a result of a 3.4 per cent growth in the wage sum, primarily as a consequence of the risen earnings level. Social security benefits received by households also grew by 3.4 per cent. Despite the growth in income, direct taxes paid decreased by 1.7 per cent, because taxation became lighter. Households' entrepreneurial income grew by 8 per cent. Entrepreneurial income from agriculture fell by 6 per cent. Dividend income of households increased by 13 per cent.

Final consumption expenditure of households grew by 5.4 per cent in nominal terms, that is, slightly less than disposable income. The savings rate, that is, the proportion of savings relative to disposable income, turned positive and was 0.3 per cent, having been -0.2 per cent in the previous year. Households' fixed investments grew by 11 per cent as single-family house construction increased. The financial position of households showed a deficit of EUR 1.8 billion.

General government surplus EUR 3 billion

The financial position of central government still showed a slight surplus last year, being EUR 0.4 billion. The surplus contracted because expenditure, especially income transfers, grew more than income. Central government also includes government funds, which were clearly in surplus. State

revenues from indirect taxes increased by 5 per cent, but revenues from direct taxes declined by 7 per cent.

The financial position of local government weakened slightly and showed a deficit of EUR 0.8 billion. Tax revenues received by municipalities fell by nearly 2 per cent. Revenues from the local tax decreased due to the rise in earned income deduction, and revenues from the corporate tax declined because of the general development and municipalities' lowered proportion.

The financial position of both employment pension schemes and social security funds weakened from the year before. The financial surplus of employment pension schemes was EUR 3.8 billion and the deficit of other social security funds was EUR 0.3 billion.

The total financial position, or net lending, of general government showed a surplus of EUR 3 billion. From 2003 onwards, the EMU surplus differs slightly from net lending of general government according to the national accounts. Last year the EMU surplus was 2.3 per cent, against 4.3 per cent the year before. In 2003 the EMU debt of general government amounted to 45.3 per cent of GDP.

The proportion of public expenditure of GDP rose slightly and was 50.6 per cent, as compared with 50.1 per cent in the previous year. The tax rate, or the proportion of taxes and statutory social security contributions of GDP, declined distinctly last year, to 44.6 per cent, as compared with 45.9 per cent in the previous year.

**Sources: National Accounts, Preliminary Data, 2003 and 4th quarter. Statistics Finland
General Government Deficit and Gross Debt According to the EMU criteria. Statistics Finland**