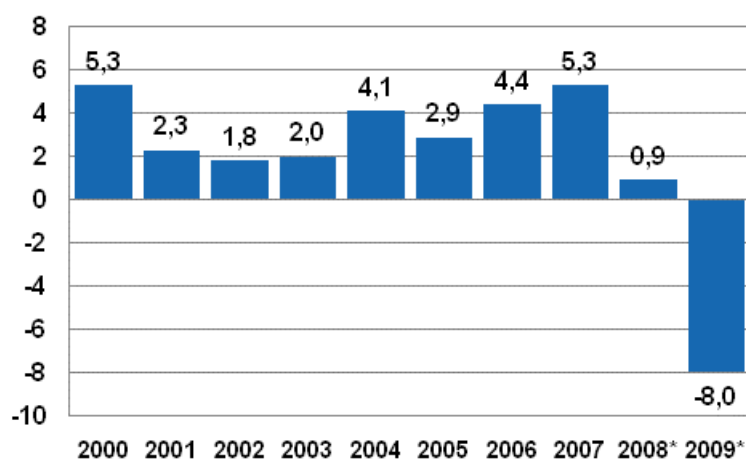


National Accounts 2009

Gross domestic product decreased by 8 per cent last year

According to Statistics Finland's revised preliminary data, Finland's GDP contracted by 8.0 per cent last year. According to the initial preliminary data released in March, the decrease was 7.8 per cent. Gross domestic product, or the value added created in the production of goods and services, amounted to EUR 171 billion last year. Statistics Finland has also made revisions to National Accounts concerning the years 2007 to 2008. In 2007 gross domestic product grew by 5.3 per cent and in 2008 by 0.9 per cent. Previous estimates put the respective growth figures at 4.9 and 1.2 per cent.

Annual change in the volume of gross domestic product, per cent



The volume of value added decreased in almost all industries in 2009. Output diminished most in manufacturing and trade where value added contracted by one-fifth. The productivity of labour in the whole economy fell by 3.5 per cent last year.

Output was brought down by contraction in all demand items. Especially exports and investments collapsed. The volume of exports shrunk by 20 per cent and that of imports by 18 per cent. The volume of investments contracted by nearly 15 per cent. Inventories diminished last year for the first time in ten years. Private consumption expenditure decreased by 1.9 per cent last year but the volume of public consumption expenditure grew by 1.2 per cent.

Despite the economic downturn, households' disposable income grew again last year, in real terms by 2.4 per cent. The growth was previously estimated to be one per cent. The data became revised because the accrued amounts of social security benefits (unemployment benefits) and property income exceeded earlier estimated. Wages and salaries received by households went down by 1.2 per cent, but social security benefits grew and taxation became lighter. Grown unemployment lowered income from wages and salaries even though the income level rose by four per cent. Social security benefits went up by 9.1 per cent, particularly pensions received grew.

Despite the growth in income households reduced their consumption so that the savings ratio became positive. Households' financial position also went into a surplus of EUR 0.6 billion last year.

Non-financial corporations' operating surplus, or operating profit, diminished by as much as 38 per cent in nominal terms from the previous year. Non-financial corporations paid 45 per cent less direct taxes and 15 per cent less dividends than in the previous year. Non-financial corporations decreased fixed investments in Finland by 22 per cent and also reduced their inventories substantially. Due to this non-financial corporations' financial position showed a surplus of EUR 3.6 billion.

The financial position of general government worsened rapidly last year and instead of surplus showed a deficit of EUR 4.7 billion. The so-called EMU deficit of general government amounted to 2.5 per cent of GDP whereas earlier estimates had put the proportion at 2.2 per cent.

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1. Gross domestic product decreased by 8 per cent last year

According to Statistics Finland's revised preliminary data, Finland's GDP contracted by 8.0 per cent last year. According to the initial preliminary data released in March, the decrease was 7.8 per cent. Gross domestic product, or the value added created in the production of goods and services, amounted to EUR 171 billion last year.

Statistics Finland has also made revisions to National Accounts concerning the years 2007 and 2008. The accounts for 2007 are now based on supply and use tables. In 2007 gross domestic product grew by 5.3 per cent and in 2008 by 0.9 per cent. Previous estimates put the respective growth figures at 4.9 and 1.2 per cent.

1.1. Output by industry

The volume of value added decreased in almost all industries in 2009. Output diminished most in manufacturing and trade where value added contracted by one-fifth.

In the year of economic downturn the volume of value added grew significantly only in financial intermediation and insurance activities, and in the chemical industry. Other industries which showed output growth included agriculture, mining and quarrying and social services.

In primary production, the volume of value added contracted by 0.6 per cent. Value added in agriculture grew by 10 per cent thanks to crop farming. Value added decreased by five per cent in forestry. Fellings diminished significantly but the net growth of forests was greater than in previous years.

The volume of value added in secondary production, that is manufacturing and construction, diminished by 15.5 per cent. Value added in all manufacturing was 17.8 per cent lower than one year previously. In the metal industry value added contracted by 27.7 per cent. Output decreased considerably in all sub-industries of the metal industry. In the wood and paper industry value added contracted by 20.4 per cent. Within manufacturing value added grew only in the chemical industry, and in mining and quarrying. The volume of value added in construction diminished by 7.7 per cent.

The volume of value added in services decreased by 5.2 per cent. Value added in trade declined by 20.5 per cent especially due to the contracted volumes of wholesale trade and motor vehicle trade. In transport and communication value added decreased by 7.6 per cent, with growth of value added only recorded in telecommunications. Exceptionally, value added also decreased in ownership and letting of dwellings because the financial intermediation services indirectly measured that are deducted as intermediate products grew from their low level in the previous year. Business activities decreased by 6.5 per cent. By contrast, the volume of value added in financial intermediation and insurance activities grew by 10.7 per cent.

The growth figures for 2008 were revised downwards in, for instance, human health activities, for which new revised data were obtained on performances in specialised health care. The growth figures for 2007 were in turn revised upwards in certain manufacturing industries, such as the wood and paper industry and the chemical industry.

1.2. Foreign trade and investments diminished clearly

Output was brought down by contraction in all demand items. Especially exports and investments collapsed.

The volume of exports shrunk by 20 per cent and that of imports by 18 per cent. The volumes of goods exports and imports decreased by more than the volumes of services exports and imports. The preliminary figures on services exports and imports which were released in March were revised considerably upwards.

The volume of investments contracted by nearly 15 per cent last year. Acquisitions of all types of commodities decreased. Civil engineering investments showed the smallest contraction. Inventories diminished last year for the first time in ten years, albeit by less than previously estimated.

Private consumption expenditure decreased by 1.9 per cent last year but the volume of public consumption expenditure grew by 1.2 per cent. Purchases of durable goods, such as automobiles, showed the biggest drop of nearly 14 per cent. Consumption expenditure on services and non-durable goods also diminished.

1.3. Employment situation worsened

The number of employed persons decreased by 2.8 per cent and that of hours worked by 4.7 per cent last year. Temporary lay-offs were plentiful last year, and the year also contained two working days less than the year before. According to Statistics Finland's Labour Force Survey, the rate of unemployment stood at 8.2 per cent and the rate of employment at 68.3 per cent.

The productivity of labour in the whole national economy fell by 3.5 per cent last year.

1.4. Price went up moderately

The economy's overall price level is estimated to have risen by 0.9 per cent last year as measured by the GDP price index.

The Consumer Price Index remained on level with the previous year as an annual mean but the price index of household consumption expenditure in National Accounts rose by half a 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 improved by 0.6 per cent because import prices fell by slightly more than export prices.

1.5. National income contracted by 9.8 per cent in real terms

Net national income fell by 8.9 per cent in nominal terms last year, and stood at EUR 26,600 per capita. Finland's gross national income was of the same magnitude as gross domestic product last year, i.e. EUR 171 billion. Gross and net national income contracted by 8.2 and 9.8 per cent, respectively, in real terms.

Households' wages and salaries contracted by 1.2 per cent and employers' social insurance contributions by three per cent. Altogether, compensations of employees rose to 63.3 per cent of the national income. In the year before the respective proportion was 58.6 per cent. Property and entrepreneurial income decreased by 27 per cent and their share of the national income stood at 22.2 per cent. In the year before the respective share was 27.7 per cent.

1.6. Non-financial corporations' profits diminished substantially

Non-financial corporations' operating surplus, or operating profit, diminished by as much as 38 per cent in nominal terms from the previous year. Their entrepreneurial income decreased by 34 per cent. Entrepreneurial income also takes into consideration property income and paid interests and corresponds roughly with profit before payment of taxes and dividends.

Last year non-financial corporations paid 45 per cent less direct taxes and 15 per cent less dividends than in the year before.

Non-financial corporations' fixed investments in Finland fell by 22 per cent in nominal terms last year, especially because of decreased 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 3.6 billion, while the surplus in the previous year was EUR one billion.

Financial corporations' commission income 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 good EUR one billion.

1.7. General government deficit 2.5 per cent of gross domestic product

The financial position of central government turned sharply into deficit last year. The deficit totalled EUR 8.3 billion. State revenues from indirect taxes decreased by three 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 due to lightened taxation and fallen capital income. Income transfers to local government (incl. repayments of value added tax) went up by 5.5 per cent and current and capital transfers to social security funds, especially the Social Insurance Institution of Finland, by 15 per cent. Central government's final consumption expenditure and investments grew by nearly five per cent in nominal terms.

The deficit of municipalities and joint municipal boards was EUR 0.8 billion. Municipalities' tax income grew by half a per cent. In nominal terms their final consumption expenditure grew by 2.7 per cent and investments by half a per cent.

The financial surplus of employment pension funds fell to EUR five billion, as the amount of paid pensions grew by 11 per cent, but income from pension contributions only went up by one per cent and property income fell. The finances of other social security funds were EUR 0.6 billion in deficit and not in balance as indicated in the preliminary data because the growth in unemployment benefits could not be estimated correctly at that time.

The total financial position, or net lending, of general government showed a deficit of EUR 4.7 billion. The EMU deficit deviates slightly from the general government net lending of National Accounts, and it stood at EUR 4.3 billion, or 2.5 per cent of GDP. In the preliminary data the deficit was shown as 2.2 per cent. The so called EMU debt of general government in relation to GDP grew by nearly 10 percentage points in the year and was 44.0 per cent.

The ratio of public expenditure to GDP grew substantially, reaching 56.0 per cent. In the previous year the ratio was 49.3 per cent. The tax rate, or the proportion of taxes and statutory social security contributions of GDP, rose to 43.1 per cent last year, equalling the figure for the previous year.

1.8. Households' real income grew by 2.4 per cent

Despite the economic downturn, households' disposable income grew again last year, in nominal terms by three per cent and in real terms by 2.4 per cent. According to the preliminary data released in March income in real terms grew by only one per cent. The data became revised because the accrued amounts of social security benefits (unemployment benefits) and property income exceeded earlier estimates.

Wages and salaries received by households went down by 1.2 per cent, but social security benefits grew and taxation became lighter. Growth in unemployment lowered income from wages and salaries even though the income level rose by four per cent. Social security benefits received by households went up by 9.1 per cent, particularly pensions received grew. Direct taxes paid by households decreased by six per cent.

Entrepreneurial income from agriculture and forestry fell by one-fifth. Imputed income from owner-occupied dwellings doubled due to lowered interest level. Other entrepreneurial income went up by seven per cent. Dividend income is estimated to have fallen by 14 per cent.

Despite growth in income, households' consumption expenditure fell by 1.8 per cent. Consumption expenditure was lower than disposable income, so the savings ratio, or savings relative to disposable income, became positive at 4.1 per cent. Households' fixed investments decreased by 15 per cent in nominal terms as investments in housing fell. Households' financial position was EUR 0.6 billion in surplus and not in deficit as indicated in the preliminary data.

Households' indebtedness rose again and was 112.4 per cent, in other words higher than ever before. The indebtedness rate expresses the ratio between the end-of-year credit stock in accordance with financial

accounts and annual disposable income. Debts also include the proportion of households in debts of housing corporations.

1.9. Next revision in January 2011

National Accounts for 2009 will next be revised in January 2011. National Accounts will be published by the revised TOL2008 standard classification of industries in July 2011.

These revised preliminary data are based on the information on economic development that was available by 9 July 2010. Methodological descriptions of National Accounts can be found on Statistics Finland's website at: http://tilastokeskus.fi/til/vtp/men_en.html

Appendix tables

Appendix table 1. Gross domestic product (GDP) at market prices 1975-2009*

Year	At current prices, million EUR	At reference year 2000 prices, million EUR	Change in value, %	Change in volume, %	Change in prices, %	GDP per capita, EUR
1975	18 011	68 235	.	.	.	3 823
1976	20 445	68 470	13.5	0.3	13.1	4 326
1977	22 424	68 627	9.7	0.2	9.4	4 732
1978	24 798	70 626	10.6	2.9	7.5	5 217
1979	28 771	75 667	16.0	7.1	8.3	6 038
1980	33 240	79 727	15.5	5.4	9.6	6 954
1981	37 568	80 756	13.0	1.3	11.6	7 827
1982	42 272	83 213	12.5	3.0	9.2	8 757
1983	47 074	85 723	11.4	3.0	8.1	9 694
1984	52 645	88 391	11.8	3.1	8.5	10 783
1985	57 271	91 309	8.8	3.3	5.3	11 683
1986	61 616	93 718	7.6	2.6	4.8	12 529
1987	66 528	96 990	8.0	3.5	4.3	13 489
1988	75 352	102 048	13.3	5.2	7.6	15 235
1989	84 218	107 211	11.8	5.1	6.4	16 966
1990	89 291	107 780	6.0	0.5	5.5	17 908
1991	85 178	101 299	-4.6	-6.0	1.5	16 988
1992	82 971	97 766	-2.6	-3.5	0.9	16 456
1993	83 891	96 982	1.1	-0.8	1.9	16 560
1994	88 343	100 489	5.3	3.6	1.6	17 360
1995	95 986	104 472	8.7	4.0	4.5	18 791
1996	99 065	108 217	3.2	3.6	-0.4	19 330
1997	107 312	114 931	8.3	6.2	2.0	20 878
1998	116 548	120 700	8.6	5.0	3.4	22 618
1999	122 222	125 410	4.9	3.9	0.9	23 664
2000	132 110	132 110	8.1	5.3	2.6	25 524
2001	139 198	135 130	5.4	2.3	3.0	26 831
2002	143 541	137 591	3.1	1.8	1.3	27 599
2003	145 416	140 344	1.3	2.0	-0.7	27 895
2004	152 148	146 116	4.6	4.1	0.5	29 106
2005	157 307	150 379	3.4	2.9	0.5	29 991
2006	165 643	157 010	5.3	4.4	0.9	31 453
2007	179 702	165 383	8.5	5.3	3.0	33 978
2008*	184 649	166 908	2.8	0.9	1.8	34 752
2009*	171 315	153 524	-7.2	-8.0	0.9	32 088

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