Analysis

Finland's economic growth becoming export-driven

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According to the most recent quarterly national accounts, Finland's GDP in the first quarter of 2017 grew 1.2% quarter on quarter and 2.7% year on year. The data signal similar economic developments for early 2017 as previously estimated, i.e. economic growth is becoming more broadly based. Net exports, in particular, increased, fuelled by a tangible increase in exports. However, GDP growth in the first quarter of 2017 was slightly weaker than suggested by the flash estimate published in May, while GDP figures for the fourth quarter of 2016 were revised upwards. Nevertheless, the Finnish economy has now grown for three consecutive quarters.



On 1 June 2017, Statistics Finland published preliminary quarterly national accounts containing the latest statistical data on Finnish economic developments in the first quarter of 2017 and revised data on quarterly developments in 2016.

The Bank of Finland's June 2017 macroeconomic forecast is based on the quarterly national

accounts published by Statistics Finland in March, a flash estimate for the first quarter released in May and extensive indicator data on economic developments.

According to the most recent quarterly national accounts, GDP in the first quarter of 2017 grew 1.2% quarter on quarter and 2.7% year on year. In the flash estimate published in May, the increase in GDP in the first quarter was 1.6% quarter on quarter and 1.3% year on year.

GDP growth figures for the fourth quarter of 2016 were revised up notably, i.e. by 0.5 of a percentage point. Hence, GDP in the fourth quarter of 2016 grew 0.6% on the previous quarter. GDP growth for 2016 as a whole was also revised up by 0.1 of a percentage point, to 1.5%.

Net exports increased in particular, supported by private consumption and investment

Finnish exports grew robustly, which was in line with the indicator data published earlier in spring. The volume of exports grew in the first quarter of 2017 by 5% on the previous quarter. Since imports contracted 1% over the same period, the contribution from net exports to economic growth increased to 2.2% relative to the previous quarter. Goods exports were 12.7% up on the previous quarter, while services exports increased 0.5%.

Growth in early 2017 stemmed from private demand. Private consumption in the first quarter increased 1.5% on the previous quarter and 3.3% on a year earlier. Private investment was 5.2% up quarter on quarter and 11.4% up year on year. In particular, the volume of investment in machinery, equipment and transport equipment grew 16.2% during the year.

The contribution from private consumption and private investment to GDP growth was 1.7 percentage points relative to the previous quarter. Public consumption, in turn, was 0.1% down and public investment was 1.5% down on the previous year.

Notable turn in the manufacturing industries

The volume of manufacturing value added grew 5.3% quarter on quarter. Growth was pronounced across all main industrial groupings. The metal industry was 4.8% up quarter on quarter, and output increased 14.0% on a year earlier. Electrical engineering and electronics also witnessed significant growth, with the volume of value added increasing 14.5% on the previous quarter and 5.2% on the previous year. The chemical industry grew notably as well.

Construction, too, continues to support growth. Construction value added continued to grow at a rapid pace in the first quarter of 2017. Construction was 2.0% up quarter on quarter and 7.5% up

year on year.

Of the services industries, the value added in private services grew 4.1% on the previous year, while public services value added declined 0.8%. Growth in the services industries was broadly based. It was supported e.g. by growth in the volume of trade, which was fuelled by car sales.

Labour input increased in early 2017. According to the national accounts, the number of persons employed rose in the first quarter of 2017 by 0.4% and the number of hours worked increased 0.8% on the previous year. Growth in the wage bill picked up to 1.5% year on year.

The latest quarterly national accounts data signal similar economic developments for early 2017 as estimated on the basis of the previously published statistical and indicator data, i.e. economic growth is clearly gathering pace, supported now notably by exports. Growth is also sustained by private investment and private consumption. In this respect, the composition of economic growth is shifting onto a sounder footing.

Quarterly GDP growth was slightly weaker than suggested by the flash estimate published in May. Quarterly GDP growth for the end of 2016, in turn, was revised up markedly, which increases the carry-over effect for 2017 to 0.9 of a percentage point.

Keywords

exports, gross domestic product, private consumption , quarterly national accounts