Analysis

First quarter of 2018 sees a surge in investments

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According to the most recent quarterly national accounts, Finland's GDP in the first quarter of 2018 grew 1.2% quarter-on-quarter and 3.1% year-on-year. The data signal similar economic developments for early 2018 to those previously estimated, i.e. the economy continued its strong growth. Private investment in particular increased as building and investment in machinery continued to grow at a brisk pace. GDP growth in the first quarter of 2018 was only slightly stronger than suggested by the flash estimate published in May, while GDP figures for the fourth quarter of 2017 were revised upwards. The Finnish economy has now grown for ten consecutive quarters.



On 1 May 2018, Statistics Finland published preliminary quarterly national accounts containing the latest statistical data on Finnish economic developments in the first quarter of 2018 and revised data on quarterly developments in 2017.

The Bank of Finland's June 2018 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 2018 grew 1.2% quarter-on-quarter and 3.1% year-on-year. According to the flash estimate published in May, the increase in GDP in the first quarter was 1.1% quarter-on-quarter and 2.8% year-on-year.

Following the revision, the GDP growth rates for the last quarter of 2017 were revised up by 0.3 of a percentage point from the preliminary estimates. Hence, GDP in the fourth quarter of 2017 grew 0.9% on the previous quarter. This increases the carry-over effect for 2018 to 0.9 of a percentage point. GDP growth for 2017 as a whole was also revised up by 0.1 of a percentage point, to 2.7%. In December 2017, the Bank of Finland forecast that growth would climb to 3.1%.

Rapid growth in investment

According to the latest national accounts, growth in the first quarter of 2018 stemmed mainly from private demand. Private consumption increased 1% on the previous quarter and 3.3% year-on-year. Private investment was 4.2% up quarter-on-quarter and 9.4% up year-on-year. In particular, the volume of investment in machinery, equipment and transport equipment grew 15.6% during the year. For its part, housing investment increased 3.8% on the previous quarter and 9.3% year-on-year. On the whole, domestic demand increased 1.3% on the previous quarter and 3.2% year-on-year. Public consumption was 2.6% up, but public investment 2.8% down on the previous year.

By contrast, the volume of Finnish exports remained poor in the first quarter as a result of the decrease in services exports. However, a high degree of uncertainty is related to the statistical reporting of services exports, and numbers may fluctuate significantly between quarters. The volume of goods exports grew substantially, which was in line with the indicator data published earlier in the spring. Nonetheless, the volume growth of all Finnish exports declined in the first quarter of 2018 by 1.1% on the previous quarter. Even though imports simultaneously dropped by 0.5%, the overall impact of net exports on growth decreased from the previous quarter. Goods exports were 2.1% up on the previous quarter, while services exports dropped by 2.1%. However, the surge in investment in machinery and equipment as well as in industrial output during the first quarter suggests that exports will improve in the future.

Manufacturing continued to grow strongly

The volume of manufacturing value added grew 4.0 % quarter-on-quarter. Growth was

pronounced across all main industrial groupings apart from the forest industries. Metal industry output was 5.3 % up quarter-on-quarter, and 5.9 % on a year earlier. Electrical engineering and electronics also witnessed significant growth, with the volume of value added increasing 11.1% on the previous quarter and 5.6% on the previous year. The chemical industry also grew notably.

Activity in the construction sector has remained buoyant. The value added of construction was 3.2% up quarter-on-quarter and 6.6% up year-on-year. Housing construction, in particular has continued to grow strongly.

Growth in the service industries was also broadly based, with the financial and insurance sector being the only sector showing negative growth. The value added of the private services industry grew 3% on the previous year, while value added in public services increased 1%. Growth in the services industries was supported by e.g. growth in the volume of trade, transport and business services.

Labour input increased in early 2018. According to the national accounts, the number of persons employed rose in the first quarter of 2018 by 2.3%, and the number of hours worked increased 2.1% on the previous year. Growth in the wage bill picked up to 4.3% year-on-year.

The latest quarterly national accounts data signal similar economic developments for early 2018 as estimated on the basis of the previously published statistical and indicator data, i.e. economic growth has remained strong.

Keywords

exports, investment, private consumption , quarterly national accounts