

Economic situation and outlook 4/2015

- ELECTRONICS AND ELECTROTECHNICAL INDUSTRY • MECHANICAL ENGINEERING
- METALS INDUSTRY • CONSULTING ENGINEERING • INFORMATION TECHNOLOGY

Global and Finnish Economic Outlook

Developing countries pose a risk to the recovery in Europe s. 3

Technology Industries in Finland

Order books expand, largely due to ship orders. Without them, orders would have fallen to the level of 2009 s. 5



Developing countries pose a risk to the recovery in Europe

In the current state of development, the global economy is overshadowed by the developing countries such as China, Brazil and Russia. The risk of a significant slackening of growth is real. The possibility of Europe sliding into a third recession after 2008 cannot be excluded. The pressure for change is coming from developing countries, the proportion of which in the growth of the global economy over the past few years has been significant. Several developing countries have experienced a chronic negative development. Reversing such a development is not a quick process; rather, it may take several years.

Obtaining orders from China, Brazil, Russia and other developing countries for Finland and other high-tech countries has been more difficult than previously. By contrast, sales in the United States and in some parts of Europe have shown slight improvements.

Growth prospects in the Western countries have remained positive, at least until this autumn. In January–September this year, GDP

continued to grow in most Western European countries except in Finland. The economic growth in the whole of Western Europe this year is expected to be 1.7 per cent. If realised, the growth will be twice as fast as last year. The fastest pace of economic development has been seen in Ireland, Spain, Sweden and the UK.

The US economy is expected to see growth of 2.5 per cent this year, in line with 2014.

The size of the Chinese economy equals that of Western Europe

The recent nervousness on the stock market and among investors is a direct reflection of developments in the real economy. Russia and Brazil have slid into recession. Economic growth in China abated at a faster rate than official GDB figures indicate. The situation of the

other developing countries is aggravated by the depression of prices of raw materials and the depreciation of the exchange rates. The depression of prices of raw materials will reduce export earnings, as the exports of these countries mostly consists of raw materials. The depreciation of the exchange rates eats into purchasing power and imports because they become more expensive.

Adjusted for purchasing power parity, China's proportion of the global economy is 16% and, in Asia, as much as 42%. The size of the Chinese economy is the size of that of North America or Western Europe. Because of its sheer size, China attracts a great deal of international interest at the moment.

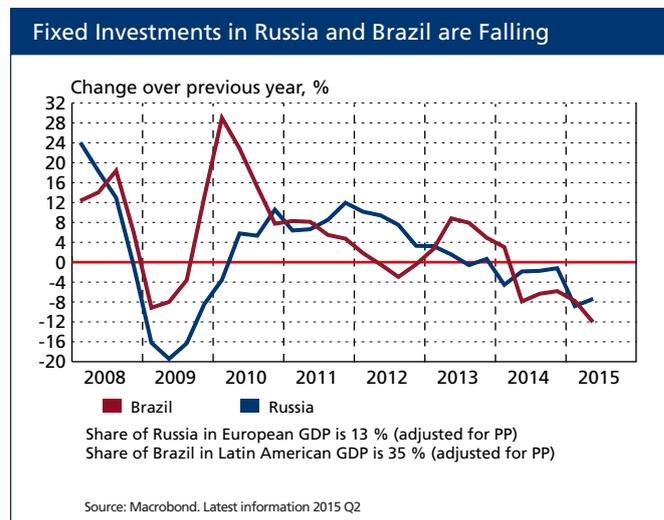
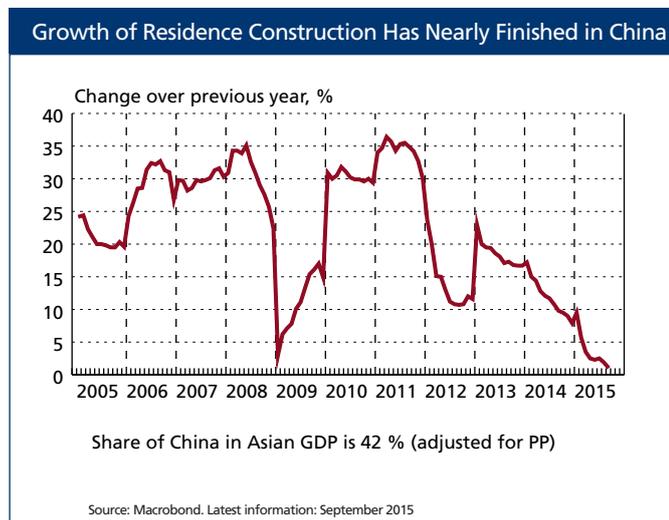
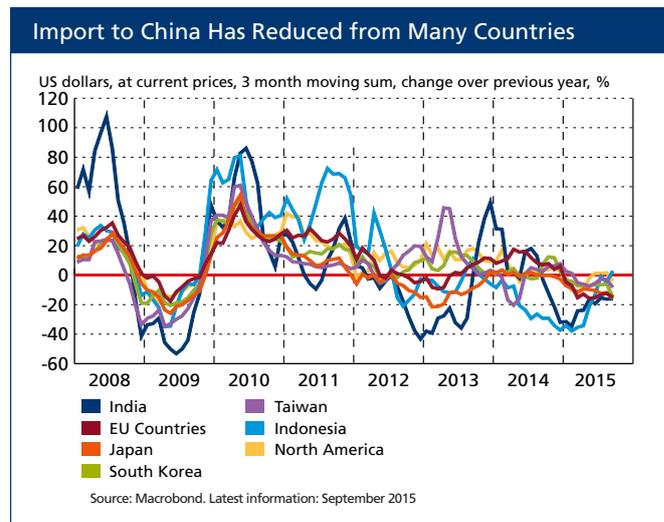
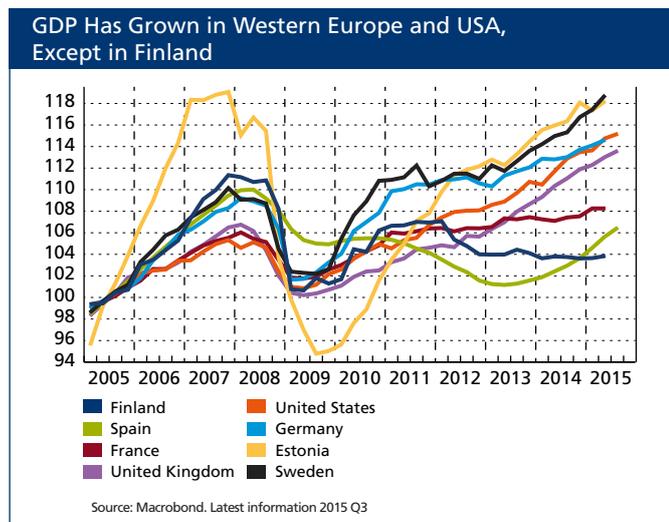
Despite the diverging developments in China's different areas, the economic development of this country can be illustrated with a number of statistics. According to purchasing managers, the situation of industrial companies has clearly deteriorated compared with the situation last spring. As a result, exports from China has decreased. Correspondingly, imports into China have significantly decreased, which is an indication of a fading growth in investments. Exports from China have decreased by six per cent in the period January – September, and the imports 14 per cent, compared with the last year. An almost comparable decrease in imports took place

last in 2009. For example, imports from the EU countries to China in the period of July – September was 15 per cent lower than during the last corresponding period. Imports from India and Japan were reduced by 16 per cent. Car sales in China have also decreased in China in the past few months.

Housing construction in autumn in China exceeded that of previous year by only a few per cent. Between 2006–2007 and 2010–2011 the rate of housing construction was still increasing by 30%. Correspondingly, fixed investments in Brazil and Russia decreased in 2015 by 10%. Industrial production has also fallen. During the summer and autumn, production fell particularly steeply in Brazil, affecting the services sector as well. Adjusted for purchasing power parity, Brazil's proportion of the GDP of Latin America is 35%.

The petering out of economic growth in the developing countries that there is growing industrial overproduction in several industry sectors. Price competition will be intensified. This is a question of the intensification of the global devaluation cycle.

The global uncertainty and the situation in the developing countries will naturally affect the development in Europe and Finland. For this reason alone, Finland should do everything it can to improve its competitiveness in exports. There is no time to waste in indecision.



Order books expand, largely due to ship orders

Without them, orders would have fallen to the level of 2009

In January–July, the turnover of technology industry companies was 3 per cent higher than in the corresponding period for 2014. In 2014, the turnover amounted 67 billion. The 2008 pre-crisis level of turnover was approximately EUR 86 billion.

Technology industry companies received fewer orders in July–September. Order books, however, somewhat strengthened due to orders for ships. The deliveries of ships will be scheduled for coming years, to be completed by 2020. If the orders for ships are disregarded, new orders received by the other technology companies remain at the same level as in 2009.

The reduction in calls for tenders in the industry in autumn speaks to the uncertainty of the market situation.

The companies that took part in the Federation of Finnish Technology Industries' survey of order books reported that the monetary value of new orders between July and September was 21 per cent lower than in the corresponding period of 2014, and 18 per cent lower than in the preceding quarter. Of the respondents, 65 per cent said the quantity of new orders had fallen since April – June, 28 per cent said it had grown, and seven per cent said it had remained stable.

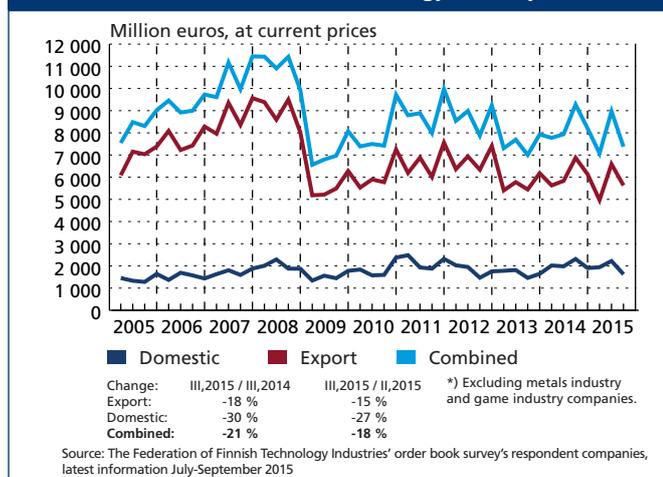
At the end of September, the value of order books was 11 per cent greater than in 2014 at the same time, and four cent above the value reported at the end of June. Of the respondents, 60 per cent said their order books had reduced in size since June, while 30 per cent said they had grown, and 10 per cent said they remained stable.

Judging from order trends in recent months, the turnover of the technology industry in late 2015 is expected to remain at the same level as in the corresponding period last year.

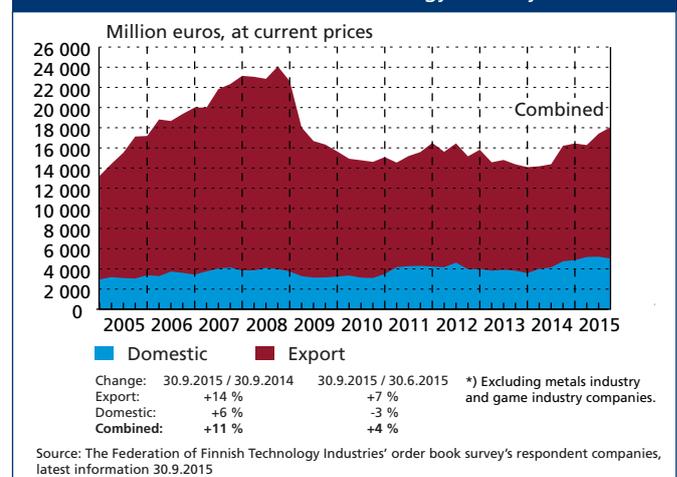
Between January and September, the number of personnel employed by Finnish technology industry companies saw a slight year-on-year decrease. At the end of September, the industry had about 2,000 fewer employees than last year. On average, the industry had 282,000 employees. In 2008, the industry employed a total of 326,000 people in Finland.

Despite the reductions, technology industry companies have recruited a total of almost 22,000 new employees in 2015. Between July and September, the number of recruitments amounted to 7,700. Some companies were increasing their personnel, while others were hiring new employees due to retirements and employee turnover.

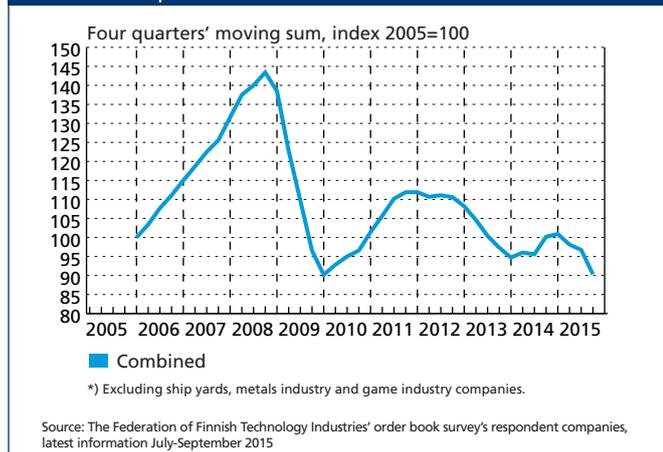
Value of New Orders in the Technology Industry* in Finland



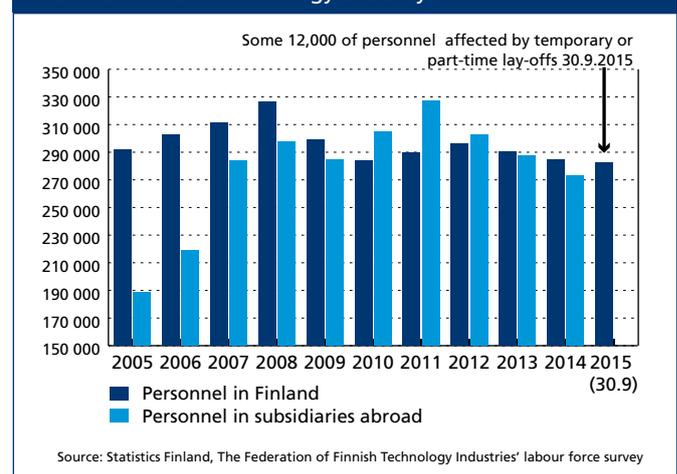
Value of Order Books in the Technology Industry* in Finland



Value of New Orders in the Technology Industry* in Finland Without Ship Orders



Personnel in the Technology Industry





Electronics and Electrotechnical Industry in Finland



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Decrease in new orders has continued

Between January and July, the turnover of companies in the electronics and electrotechnical industry (telecommunications equipment, electrical equipment and medical technology) in Finland was smaller than twelve months earlier. The decrease in turnover was especially noticeable in the telecommunications equipment sector. In 2014, the turnover amounted 15.3 billion. The 2008 pre-crisis level of the turnover was approximately EUR 30.4 billion.

The level of new orders in the electronics and electrotechnical industry between July and September fell short of the previous year. New orders were driven by the telecommunications equipment industry.

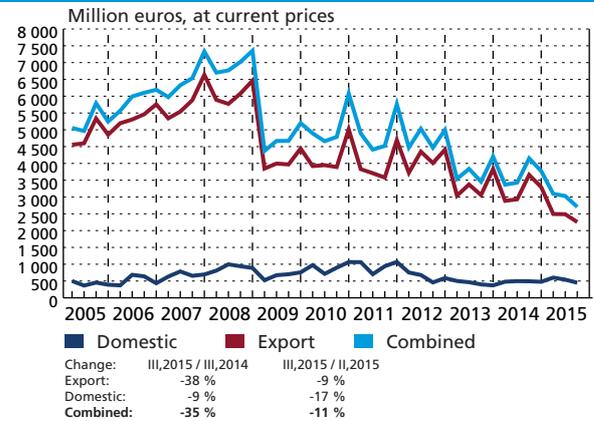
The electronics and electrotechnical companies that took part in the Federation of Finnish Technology Industries' survey of order books reported that the monetary value of new orders in the industry between July and September was 35 per cent lower than in the corresponding period of 2014, and 11 per cent lower than in the preceding quarter.

At the end of September, the value of order books was 17 per cent lower than in 2014, and six per cent below the value reported at the end of June.

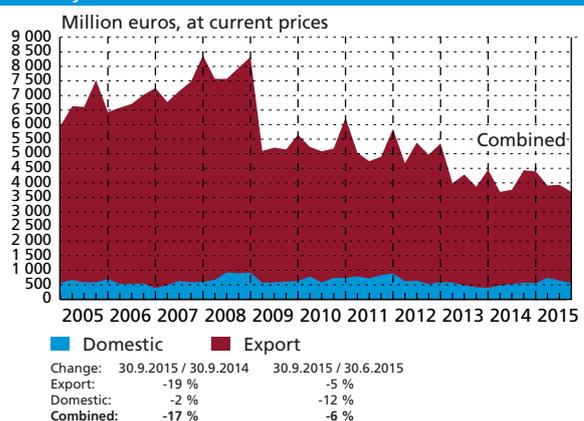
Based on order trends in recent months, the turnover of companies in the electronics and electrotechnical industry in late 2015 is expected to remain below last year's level.

Between January and September, the number of personnel employed by Finnish electronics and electrotechnical industry companies saw a slight year-on-year decrease. At the end of September, the industry had about 1,100 fewer employees than last year. On average, the industry had 41,000 employees. In 2008, the industry employed a total of 60,900 people in Finland.

Value of New Orders in the Electronics and Electrotechnical Industry in Finland



Value of Order Books in the Electronics and Electrotechnical Industry in Finland





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Value on New Orders in the Mechanical Engineering in Finland



Source: The Federation of Finnish Technology Industries' order book survey's respondent companies, latest information July-September 2015

Order books expand, largely due to ship orders

Between January and July, the turnover of mechanical engineering companies (machinery, metal products and vehicles) in Finland was four per cent higher than twelve months earlier. In 2014, the turnover amounted to 26.8 billion. The 2008 pre-crisis level of the turnover was approximately EUR 33.3 billion.

In mechanical engineering, favourable development of order books continued in July-September. Growth was driven by ship orders in particular, which are produced over a period extending until 2020. Without ship orders, both the number of new orders and the order book as a whole would have decreased. The increase in the orders of the entire sector after 2013 is solely based on orders for ships.

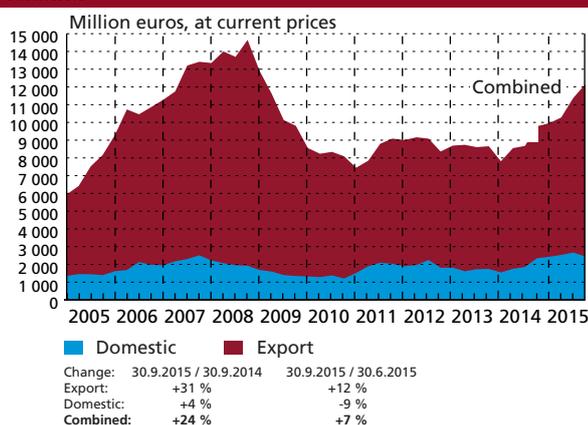
The companies that took part in the Federation of Finnish Technology Industries' survey of order books reported that the monetary value of new orders in the industry between July and September was 11 per cent lower than in the corresponding period of 2014, and 23 per cent lower than in the preceding quarter.

At the end of September, the value of order books was up 24 per cent from the corresponding period in 2014, and seven per cent higher than the value reported at the end of June.

Judging from order trends in recent months, the turnover of mechanical engineering companies in late 2015 is expected to remain at a similar level to the corresponding period last year.

The number of mechanical engineering personnel in Finland saw a slight year-on-year decline in the January-September period. At the end of September, the industry had about 1,400 fewer employees than last year. On average, the industry had 121,000 employees. In 2008, the industry employed a total of 150,100 people in Finland.

Value of Order Books in the Mechanical Engineering in Finland



Source: The Federation of Finnish Technology Industries' order book survey's respondent companies, latest information 30.9.2015



Metals Industry in Finland



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Turnover up, production volumes flat

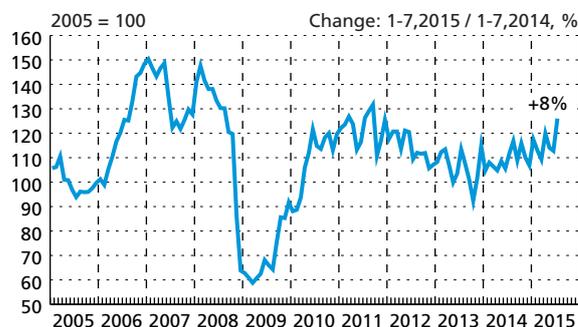
Between January and July, the turnover of companies in the metals industry (steel products, non-ferrous metals and castings) in Finland was eight per cent higher than twelve months earlier. In 2014, the turnover amounted to 9.8 billion. The 2008 pre-crisis level of turnover was approximately EUR 11.2 billion.

The total production of steel products, non-ferrous metals, castings, and metallic minerals in Finland decreased between January and August by two per cent compared with the last year. Production fell in all other sectors with the exception of the manufacturing of non-ferrous metals.

Global steel production in January-September saw a year-on-year decrease of two per cent. In December, production was four per cent higher than one year previously. Capacity utilisation in September was 69 per cent, as compared to 73 per cent a year earlier. Production in September in North America was six per cent, in Asia three per cent and in the EU countries five per cent lower than in the previous year. By far the largest production country, China, accounted for 50 per cent of global steel production in September.

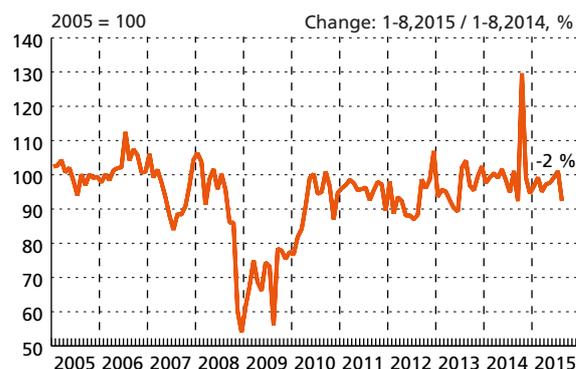
Between January and September, the number of personnel employed by Finnish metals industry companies in Finland saw a year-on-year decrease of almost four per cent. At the end of September, the industry had about 600 fewer employees than last year. On average, the industry had 15,100 employees. In 2008, the industry employed a total of 18,100 people in Finland.

Turnover of the Metals Industry in Finland



Seasonally adjusted turnover index, latest information 7/2015
Source: Statistics Finland

Production Volume of the Metals Industry in Finland

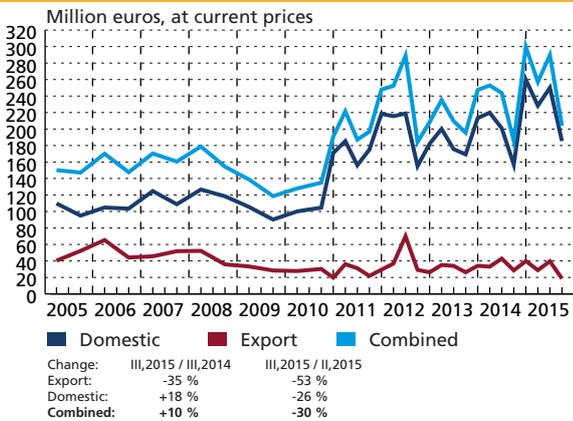


Seasonally adjusted volume index, latest information 8/2015
Source: Statistics Finland



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Value of New Orders in the Consulting Engineering in Finland



Source: The Federation of Finnish Technology Industries' order book survey's respondent companies, latest information July-September 2015

Favourable development of order books continues

Between January and July, the turnover of consulting-engineering companies (industrial, social and construction expert services) in Finland was seven per cent higher than twelve months earlier. In 2014, the turnover amounted to 5.3 billion. The 2008 pre-crisis level of turnover was approximately EUR 5.5 billion.

In consulting engineering, favourable developments continued between July and September. However, the situation of the companies varies considerably. Typically for the sector, new order volumes also fluctuate strongly from one quarter to another.

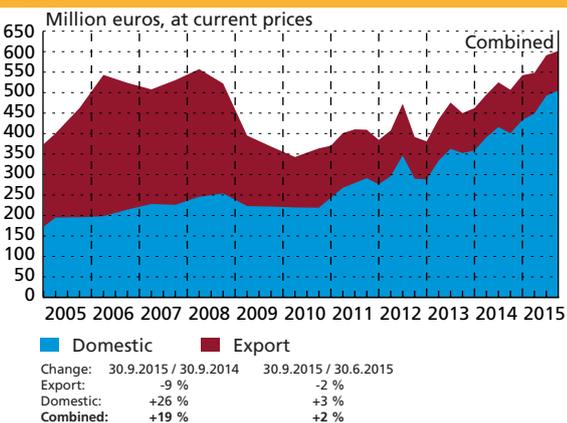
According to the Federation of Finnish Technology Industries' survey of order books, the monetary value of new orders reported by consulting engineering companies between July and September was 10 per cent more than in the corresponding period of 2014, but 30 per cent less than in the preceding quarter between April and June.

At the end of September, the value of order books was up 19 per cent from the corresponding period in 2014, and two per cent higher than the value reported at the end of June.

The turnover of consulting engineering companies in late 2015 is expected to be higher than in the corresponding period of 2014.

Between January and September, the number of personnel employed by Finnish consulting engineering companies saw a year-on-year rise of approximately three per cent. At the end of September, the industry had about 1,500 more employees than last year. On average, the industry had 48,000 employees. In 2008, the industry employed a total of 45,500 people in Finland.

Value of Order Books in the Consulting Engineering in Finland



Source: The Federation of Finnish Technology Industries' order book survey's respondent companies, latest information 30.9.2015



Information Technology in Finland



Orders still on the rise

Between January and July, the turnover of companies in the information technology sector (IT services and software) in Finland was 17 per cent higher than twelve months earlier. This growth was driven by the software industry, particularly in the gaming sector. In 2014, turnover amounted to 9.9 billion. The 2008 pre-crisis level of turnover was approximately EUR 6.7 billion.

New orders and order books in the information technology sector continued to rise. Nevertheless, there are major differences between individual companies. Typically for the sector, order volumes also fluctuate strongly from one quarter to another.

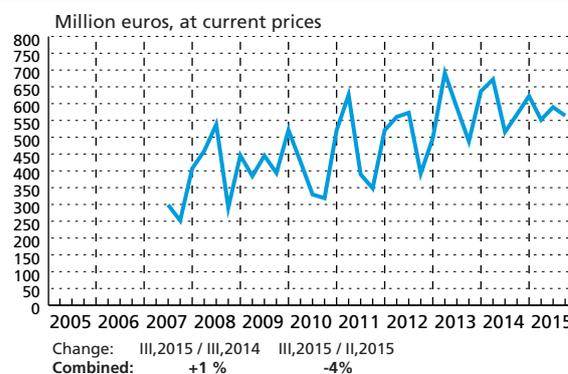
The companies that took part in the Federation of Finnish Technology Industries' survey of order books reported that the monetary value of new orders in the industry between July and September was slightly lower than in the corresponding period of 2014, and four per cent lower than in the preceding quarter.

At the end of September, the value of order books was up eight per cent on the corresponding period in 2014, and seven per cent higher than the value reported at the end of June.

Judging from order trends in recent months, the turnover of information technology companies in late 2015 is expected to be higher than in the corresponding period last year.

Between January and September, the number of personnel employed by Finnish information technology companies saw a slight year-on-year decrease. At the end of September, the industry had about 600 fewer employees than last year. On average, the industry had 58,000 employees. In 2008, the industry employed a total of 51,700 people in Finland.

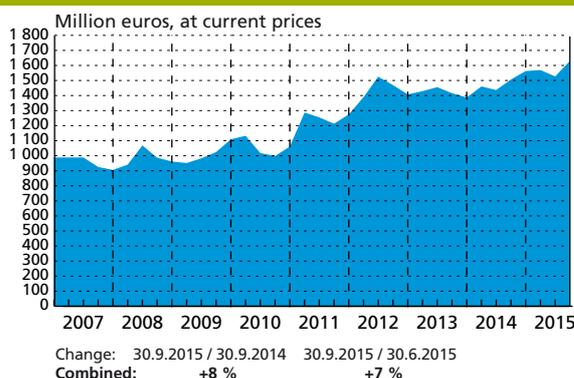
Value of New Orders in the Information Technology in Finland*



*) Excl. game industry companies

Source: The Federation of Finnish Technology Industries' order book survey's respondent companies, latest information July-September 2015

Value of Order Books in the Information Technology in Finland*



*) Excl. game industry companies

Source: The Federation of Finnish Technology Industries' order book survey's respondent companies, latest information 30.9.2015



ECONOMIC SITUATION AND OUTLOOK 4/2015

Information based on the situation on 03/11/2015.

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Please visit the homepage of the Federation of Finnish Technology Industries for additional information on technology industry turnover, exports, investments, personnel and the development of producer and metal prices: www.techind.fi.



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