Economic outlook is brightening up, but uncertainty persists

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In recent months, global economic growth has picked up pace. The economic outlook has also brightened. Countries in recession, such as Russia and Brazil, are slowly returning to economic growth. The extent to which increased political uncertainties in the United States and Europe will impact future economic growth remains to be seen.

The world has waited a long time for industrial production to return to stronger growth. Recent developments reinforce the impression that this is already happening. The rise of raw material prices is one factor behind this.

In recent months, industrial production has increased in the EU, the United States, Japan and most emerging economies. According to the manufacturing sector’s purchasing managers, growth is also picking up pace. In Russia, production is clearly bouncing back in certain industries. Production activity has also expanded in China in recent months.

The pick-up in production helps businesses increase their investment activities. Contraction in investments has stopped in Russia for example, at least for the time being, giving rise to expectations of a slight increase in investments already this year.

Improved industry outlook combined with increased consumer confidence also supports GDP growth in several countries. GDP growth in the euro area has accelerated slightly over the past three months.

Based on these facts, the International Monetary Fund (IMF) has revised up its world economic growth forecast for 2017. In the January World Economic Outlook update, global growth was projected to be 3.4 per cent, while growth for 2016 is now estimated at 3.1 per cent.

IMF expects China, India and other economies in emerging Asia to remain major drivers of global growth. Growth in emerging countries will also be supported by Russia and Brazil, which are expected to return to slight growth this year.

Economic growth in North America is expected to be faster in 2017 than in 2016, while growth in Western Europe will be slightly slower. GDPs in Central and Eastern Europe will grow faster than in 2016.

The economic outlook has also brightened. Countries in recession, such as Russia and Brazil, are slowly returning to economic growth. The extent to which increased political uncertainties in the United States and Europe will impact future economic growth remains to be seen.

Despite the overall contraction in the value of goods exports from Finland, exports of certain goods grew last autumn. In the September-October period, these included diesel fuels, timber, pulp, medical devices, pharmaceuticals, non-ferrous metals and metallic minerals. Accounting for one fifth of Finnish goods exports, these products have a narrow share of all exports.

The effect of ship orders, car manufacturing and the Äänekoski pulp mill to exports

The value of Finnish exports, and goods exports in particular, will gradually return to growth during 2017. This change is indicated by the Technology Industries of Finland’s calculation of the overall effect of the large ship orders in Turku, increased car manufacturing in Uusikaupunki and the new pulp mill in Äänekoski. These three factors will have a gradual effect on exports between 2017 and 2019.

Overall, they are expected to increase total goods and services exports from Finland by 4.5 per cent, or EUR 3.5 billion, between 2016 and 2019. The increase will be 1.5 per cent per annum. Similarly, the effect on total goods exports in the three years is expected to be 6.5 per cent, or 2.2 per cent per annum.

Should the value of other exports remain unchanged, this would bring exports back to the levels reported in 2012-2013. They will still fall significantly short from the record levels of 2007-2008.

Based on the contraction in industrial production and the utilisation rates of remaining capacity, it can be calculated that, in total, the industry’s production capacity has fallen by one fifth since 2008.
Expanded industry production in individual areas such as those described above compensates for about one quarter of the lost capacity. Finland needs more positive news like these to boost our production capacity further. Where there is a will, we have several ways to support this objective.

Finland needs to make sure that, going forward, export sector leads the way and determines the overall development of salary costs for all sectors. But this is not enough. To return productivity to growth again, we also need to introduce a broad reform in collective agreements to allow detailed local agreements on working time and salary reviews. We would like to see different industries competing over creating the most modern collective agreement that is the best suited for our current, global operating environment. Productive work should be rewarded.

Other reforms are also necessary to return company productivity to growth again. Corporate taxation and energy prices must give Finnish companies competitive advantage over other countries. At the moment, there either is no such advantage or it is not sufficient. At the same time, we need to systematically reduce the administrative burden on companies’ investment decisions and activities.

Companies themselves should be agile and willing to change. They should approach the new opportunities of digital technologies, robotics and other areas of automation as well as bioeconomy with an open mind.

No Increase in the Export of Goods and Services from Finland since 2010

Goods Exports from Finland Shrank by 3 to 4% in 2016

Calculation of the Effect of Ship Orders, Increased Car Manufacturing and the New Äänekoski Pulp Mill to Finnish Exports 2017-2019

Orders up since early autumn 2016

The turnover of technology industry companies in Finland totalled some EUR 68.6 billion in 2016. This is almost one per cent higher than in 2015. In 2008, prior to the financial crisis, the corresponding figure was EUR 86 billion.

Both new orders and order books of technology industry companies were up between October and December from the preceding quarter. However, the value of orders did not quite reach the level recorded at the end of 2015. The number of requests for tender received by technology industry companies continued to increase towards the end of 2016. Competitiveness determines the extent to which these translate into actual orders.

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 October and December was 23 per cent higher than in the preceding quarter, but slightly lower than in the corresponding period in 2015. Of the respondents, 59 per cent reported that the number of new orders was up since the July-September period, 33 per cent said it was down and eight per cent said it had remained stable.

At the end of December, the value of order books was two per cent higher than at the end of September, but four per cent lower than in December 2015. Forty-three per cent of companies reported an increase in their order books after September, while 40 per cent reported a decrease and 17 per cent had seen no change.

Judging from order trends in recent months, the turnover of technology industry companies in early 2017 is expected to be higher than in the corresponding period last year.

The number of personnel employed by technology industry companies in Finland continued to fall slightly in 2016. Personnel declined by some one per cent, or by 2,500 employees from the average number in 2015. However, the number of personnel increased slightly between October and December from the July-September level. At the end of December, 11,000 employees were affected by temporary or part-time lay-offs. On average, the industry employed 286,000 people in 2016. In 2008, the industry employed a total of 326,000 people in Finland.

Despite the overall reduction in personnel strength, technology industry companies recruited 28,500 new employees last year. Of these, 7,300 were recruited in the October–December period. Some companies were increasing their personnel, while others were hiring new employees due to retirements and employee turnover.
The turnover of companies in the electronics and electrotechnical industry (telecommunications equipment, electrical equipment and medical technology) in Finland totalled EUR 14.3 billion in 2016. This is two per cent less than in 2015. In 2008, prior to the financial crisis, turnover was EUR 30.4 billion.

Both new orders and order books in the electronics and electrotechnical industry were slightly up from the previous quarter in the October-December period. However, the value of orders did not quite reach the level recorded at the end of 2015.

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 October and December was 11 per cent higher than in the preceding quarter, but nine per cent lower than in the corresponding period last year.

At the end of December, the value of order books was up by four per cent from the end of September, but four per cent lower than in December 2015.

Judging from order trends in recent months, the turnover of electronics and electrotechnical industry companies in early 2017 is expected to remain at a similar level as in the corresponding period last year.

The number of personnel employed by companies in the electronics and electrotechnical industry in Finland continued to fall in 2016. Personnel declined by more than six per cent, or 2,600 employees from the average number in 2015. On average, the industry employed 38,000 people in 2016.
Mechanical Engineering in Finland

New orders increase

The turnover of mechanical engineering companies (machinery, metal products and vehicles) in Finland totalled EUR 28.3 billion in 2016. Turnover was one per cent higher than twelve months earlier. In 2008, prior to the financial crisis, the turnover was EUR 33.3 billion.

Both new orders and order books in mechanical engineering in the October–December period were higher than in the preceding quarter. However, the value of order books did not quite reach the level recorded at the end of 2015.

The mechanical engineering industry companies that took part in the Federation of Finnish Technology Industries’ survey of order books reported that the monetary value of new orders between October and December was 32 per cent higher than in the preceding quarter and six per cent higher than in the corresponding period of 2015.

At the end of December, the value of order books was slightly higher than at the end of September, but four per cent lower than in December 2015.

Judging from order trends in recent months, the turnover of mechanical engineering companies in early 2017 is expected to be higher than in the corresponding period last year.

The number of mechanical engineering personnel in Finland continued to fall in 2016. Personnel declined by slightly less than two per cent, or about 2,200 employees from the average number in 2015. On average, the industry employed 122,500 people in 2016.

The turnover of mechanical engineering companies (machinery, metal products and vehicles) in Finland totalled EUR 28.3 billion in 2016. Turnover was one per cent higher than twelve months earlier. In 2008, prior to the financial crisis, the turnover was EUR 33.3 billion.

Both new orders and order books in mechanical engineering in the October–December period were higher than in the preceding quarter. However, the value of order books did not quite reach the level recorded at the end of 2015.

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At the end of December, the value of order books was slightly higher than at the end of September, but four per cent lower than in December 2015.

Judging from order trends in recent months, the turnover of mechanical engineering companies in early 2017 is expected to be higher than in the corresponding period last year.

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The turnover of mechanical engineering companies (machinery, metal products and vehicles) in Finland totalled EUR 28.3 billion in 2016. Turnover was one per cent higher than twelve months earlier. In 2008, prior to the financial crisis, the turnover was EUR 33.3 billion.

Both new orders and order books in mechanical engineering in the October–December period were higher than in the preceding quarter. However, the value of order books did not quite reach the level recorded at the end of 2015.

The mechanical engineering industry companies that took part in the Federation of Finnish Technology Industries’ survey of order books reported that the monetary value of new orders between October and December was 32 per cent higher than in the preceding quarter and six per cent higher than in the corresponding period of 2015.

At the end of December, the value of order books was slightly higher than at the end of September, but four per cent lower than in December 2015.

Judging from order trends in recent months, the turnover of mechanical engineering companies in early 2017 is expected to be higher than in the corresponding period last year.

The number of mechanical engineering personnel in Finland continued to fall in 2016. Personnel declined by slightly less than two per cent, or about 2,200 employees from the average number in 2015. On average, the industry employed 122,500 people in 2016.
The turnover of metals industry companies (steel products, non-ferrous metals, castings and metallic minerals) in Finland amounted to EUR 8.7 billion in 2016. This is four per cent less than in 2015. The turnover contracted due to the year-on-year decline in prices, which continued until the autumn. On average, producer prices in the industry were seven per cent lower than in 2015. In December, producer prices were 11 per cent higher than twelve months earlier. In 2007, prior to the financial crisis, the metal industry turnover in Finland totalled EUR 11.2 billion.

The total production of steel products, non-ferrous metals, castings and metallic minerals in Finland in 2016 increased by seven per cent year-on-year. Production of steel products, non-ferrous metals and metallic minerals increased, while production of castings contracted by a few per cent.

Global steel production was only slightly higher in 2016 than in 2015, but was up by six per cent in December year-on-year. In December, production increased by 14 per cent in the EU, by 10 per cent in North America and four per cent in Asia.

China, Japan, India, the United States, Russia and South Korea were the largest producers in December. China accounted for 50 per cent of global steel production.

The turnover of metals industry companies in early 2017 is expected to be higher than in the corresponding period last year.

The number of metals industry personnel continued to decrease in 2016. It was down by slightly less than three per cent, or some 400 employees from the average number in 2015. On average, the industry employed 15,400 people in 2016.
The turnover of consulting engineering companies (industrial, social and construction expert services) in Finland totalled EUR six billion in 2016. Turnover was up nine per cent from 2015. In 2008, prior to the financial crisis, the industry’s turnover in Finland was EUR 5.5 billion.

The level of new orders and order books in the consulting engineering sector in the October-December period remained at a similar level as in the preceding quarter. However, the value of orders was significantly higher than the level reported at the end of 2015. Typically for the sector, new order volumes tend to fluctuate strongly from one quarter to another.

The consulting engineering companies that took part in the Federation of Finnish Technology Industries’ survey of order books reported that the monetary value of new orders between October and December was two per cent lower than in the preceding quarter, but 13 per cent higher than in the corresponding period in 2015.

At the end of December, the value of order books was similar to that at the end of September, but 14 per cent higher than in December 2015.

Judging from order trends in recent months, the turnover of consulting engineering companies in early 2017 is expected to be higher than in the corresponding period last year.

The number of personnel employed by Finnish consulting engineering companies continued to increase in 2016. Personnel increased by more than three per cent, or by some 1,600 employees from the 2015 average. On average, the industry employed almost 50,000 people in 2016.
The turnover of information technology companies (IT services and software) in Finland totalled EUR 11.3 billion in 2016. Turnover was up three per cent from 2015. In 2008, prior to the financial crisis, the industry’s turnover in Finland totalled EUR 6.7 billion.

Both new orders and order books in information technology continued to increase from the July-September period. Even so, they remained slightly lower than at the end of 2015. Typically for the sector, new order volumes tend to fluctuate strongly from one quarter to another.

The information technology companies that took part in the Federation of Finnish Technology Industries’ survey of order books reported that the monetary value of new orders between October and December was 52 per cent higher than in the preceding quarter, but two per cent lower than in the corresponding period in 2015. Game industry companies are not included in the survey.

At the end of December, the value of order books was five per cent higher than at the end of September, but six per cent lower than in December 2015.

Judging from order trends in recent months, the turnover of information technology companies in early 2017 is expected to be higher than in the corresponding period last year.

The number of information technology personnel in Finland continued to increase in 2016. Compared with the 2015 average, the increase was almost two per cent, or by some 1,100 employees. On average, the industry employed in excess of 60,000 people in 2016.