

FOCUS ON INTERNATIONAL TRADE

FINLAND

THE REPUBLIC OF FINLAND TODAY

Location	The Republic of Finland lies in northern Europe, bordered to the far north by Norway and to the north-east by Sweden. Russia adjoins the whole of the eastern frontier. Finland's western and southern shores are washed by the Baltic Sea.
Size	338,424 Sq. K.M. (130,666 Sq. miles). Land:304,473 sq. km. and water:33,672 sq. km.
Geographic coordinates	64 ^o north of the Equator and 26 ^o east of the Prime Meridian.
Geographic note	Around two-thirds of Finland is covered in forest and about a tenth by water. In the far north the White Nights, during which the sun does not set, last for around 10 weeks of the summer. In winter the same area goes through nearly eight weeks when the sun never rises above the horizon.
Land boundaries	Total: 2,681 km; border countries: Norway 727 km, Sweden 614 km, and Russia 1,340 km.
Land use	Arable land: 6.54%, permanent crops: 0.02% and other: 93/44%.
Irrigated land	640 sq. km.
Elevation extremes	Lowest point: Baltic Sea 0 m and highest point: Haltiatunturi 1,328 m.
Coastline	1,250 km.
Maritime claims	Territorial sea: 12 nm (in the Gulf of Finland- 3 nm), contiguous zone: 12 nm, exclusive fishing zone: 12 nm; extends to continental shelf boundary with Sweden and continental shelf: 200-m depth or to the depth of exploitation.
Population	5,614,571 estimated for 2023.
Population Density	16.55 per sq. km*
Population growth rate	0.22 (Est. 2023).
Life expectancy	Total population: 81.96 years; male: 79.08 years and female: 84.98 years.2023*
Birth rate	10.33 births/1,000 population estimated for 2023.
Death rate	10.37 deaths/1,000 population estimated for 2023.
Net migration rate	2.25 migrant(s)/1,000 population estimated for 2023.
Literacy	Total population: 100%; male: 100% and female: 100%.
Capital City	Helsinki
Other Large Cities	Espoo, Tampere, Vantaa, Turku, Oulu, Lhti, Kuopio, Pori, Jyvaskyla, Lappeenranta, Vaasa, Kotka, Joensuu, Hameenlinna, Porvoo, Hyvinkaa, Rauma, Kajaani, Rovaniemi, Kokkola etc.
Religion	Almost all of the inhabitants profess Christianity, and about 85% belong to the Evangelical Lutheran Church.
Language	There are two official languages: 93% of the populations speak Finish and 6% speak Swedish. There is a small Lapp population in the north.
Climate	The climate varies sharply, with warm summers and cold winters. The mean annual temperature is 5 ^o C (41 ^o F) in Helsinki and -0.4 ^o C (31 ^o F) in far north.
International Relations	Finland is a member of the UN, EU, Nordic Council, OECD, the NATO Partnership for peace and the Council of Europe. Finland has acceded to the Schengen Accord, which abolished border controls between Finland and Austria, Belgium, Denmark, France, Germany, Greece, Iceland, Italy, Luxembourg, the Netherlands, Norway Portugal, Spain and Sweden.
International dialing code	+356
Currency	The unit of currency is the euro (EUR).

*Estimated figure

NATIONAL ECONOMY

The strong post-Covid recovery is faltering due to the spillovers from Russia's invasion of Ukraine. Government policies has helped bring output back to the pre-pandemic trend and employment to a record-high level. But growth turned negative in the third quarter of 2022, reflecting the fallout from the war: reduced trade with Russia and higher energy prices weighing—alongside higher interest rates—on private consumption and investment. Energy prices are passing through to core prices, sustaining inflation. Wage growth has remained moderate, but recent agreements in the public sector point to pressures.

Economic activity is expected to stall in 2023. Further contraction in private demand is expected to be only partially offset by higher public spending. Growth is projected to start recovering in 2024 and return to a subdued trend rate of around 1¼, reflecting adverse demographics and low productivity growth. Risks are skewed to the downside given uncertainties related to the war. Headline inflation is expected to remain at about 4½ percent in 2023, and to return to the 2 percent target in the medium term.

The fiscal deficit is expected to widen, providing a mild stimulus in 2023 and putting public debt on a riskier path. The deficits are projected to be higher than the pre-war path by about 1 percentage point. The widening of the 2023 deficit reflects the impact of measures to compensate for higher energy prices along with higher security-related spending. The latter persists into the medium term. Under unchanged policies, the debt ratio would increase from around 72 percent of GDP in 2022 to close to 80 percent by 2028.

The banking sector is well-capitalized and profitable, and in terms of solvency, resilient to adverse macroeconomic shocks. However, the banking sector is also large, concentrated, highly connected with other financial systems in the Nordic region, and heavily reliant on wholesale funding which exposes it to liquidity shocks. Household debt remains elevated and corporate debt has also risen.

Executive Board Assessment

In the course of Article IV consultation between IMF and Finland, the Executive Directors of the IMF commended the authorities' decisive response to the spillovers from Russia's war against Ukraine, including finding alternative energy sources. They also welcomed the adoption of structural reforms to boost employment and productivity. However, they noted that the economic outlook has deteriorated, and inflation remains elevated. In that context, Directors encouraged the authorities to focus their policy efforts on enhancing fiscal sustainability, while continuing to implement reforms necessary to address remaining structural impediments, reinforce the resiliency of the financial system, and advance Finland's ambitious green agenda.

Directors agreed that fiscal policy, in the near term, should be supportive of monetary policy. They generally concurred that a slightly tighter fiscal stance relative to 2022 would be desirable in 2023 and agreed that security spending and support to the vulnerable should be prioritized. While acknowledging implementation difficulties in a short timeframe, Directors encouraged the authorities to better target the support measures in response to elevated energy prices. Noting widening fiscal deficits over the medium term, Directors agreed that a gradual but sustained fiscal consolidation is needed to put the public debt ratio on a declining path and create room for aging-related spending. The authorities' plan to strengthen the fiscal framework and carry out a comprehensive spending and tax revenue reviews to identify possible consolidation measures is welcome.

Directors agreed that boosting employment and productivity remains key for growth and sustainability. They called for further measures to reduce work disincentives, improve access to tertiary education and attract foreign labor, and for more flexibility within the coordinated wage bargaining framework to support employment. They welcomed government's proposal to increase R&D spending to 4 percent of GDP in the medium term and called for the spending to be targeted.

Directors agreed that the financial system remains resilient post pandemic. They welcomed the progress in recent years in strengthening the oversight of the Finnish financial system and broadly

supported the key policy recommendations of the 2022 Financial Sector Assessment Program (FSAP). Directors concurred that additional measures, including strengthening the operational independence of the financial supervisory authority (FIN-FSA), reinstating systemic risk buffers, enhancing the banking sector's resilience to liquidity shocks and cross-border exposures in the Nordic region, and improving the macroprudential toolkit to address vulnerabilities from high household indebtedness, are needed. Directors also encouraged the authorities to legislate a positive neutral rate for the countercyclical capital buffer to help build macroprudential policy space in the medium term. Further strengthening of the AML/CFT supervision remains important.

Finland: Selected Economic and Social Indicators, 2020–28									
	2020	2021	2022	2023	2024	2025	2026	2027	2028
	<i>Proj.</i>								
	(Percentage change, unless otherwise indicated)								
Output and demand (volumes)									
GDP	-2.2	3.0	2.0	0.0	1.3	1.3	1.3	1.3	1.2
Domestic demand	-2.0	2.8	3.5	0.1	0.8	1.6	1.3	1.3	1.3
Private consumption	-4.0	3.7	2.5	-0.1	0.6	0.7	0.9	0.8	0.8
Public consumption	0.3	2.9	1.9	0.9	0.1	0.9	0.9	1.0	1.0
Gross fixed capital formation	-0.9	1.5	4.3	-0.3	1.0	3.5	2.0	2.1	2.1
Net exports (contribution to growth in percent of GDP)	-0.7	-0.2	-1.5	-0.1	0.5	-0.3	0.0	0.0	0.0
Prices, costs, and income									
Consumer price inflation (harmonized, average)	0.4	2.1	7.2	4.4	2.5	2.2	1.8	1.8	1.8
Labor market									
Labor force	-0.4	2.2	1.9	0.5	0.1	0.0	0.2	0.0	0.0
Employment	-1.5	2.4	2.8	0.0	0.4	0.2	0.2	0.2	0.0
Unemployment rate (in percent)	7.8	7.6	6.8	7.3	7.0	6.9	6.9	6.8	6.8
Potential output									
Output gap (in percent of potential output) ¹	-2.7	-0.9	0.1	-0.8	-0.5	-0.3	-0.1	0.0	0.0
Growth in potential output	0.9	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.2
	(Percent of GDP)								
General government finances²									
Overall balance	-5.5	-2.7	-1.5	-2.6	-2.2	-2.5	-2.5	-2.7	-2.8
Primary balance ³	-5.4	-2.8	-1.6	-2.6	-2.2	-2.4	-2.4	-2.6	-2.8
Structural balance (in percent of potential GDP) ⁴	-3.4	-2.2	-1.8	-2.0	-1.9	-2.3	-2.4	-2.6	-2.7
Structural primary balance (in percent of potential GDP) ⁵	-3.3	-2.2	-1.9	-2.0	-1.9	-2.2	-2.2	-2.5	-2.7
Gross debt	74.8	72.3	72.1	73.6	74.7	75.9	77.1	78.7	80.3
Net debt ⁶	-64.1	-72.1	-66.5	-61.3	-56.8	-52.3	-48.2	-44.1	-40.0
Balance of payments									
Current account balance	0.7	0.6	-2.9	-2.9	-1.7	-0.9	-0.6	-0.5	-0.3
Goods and services balance	0.2	0.2	-3.0	-3.1	-2.1	-1.6	-1.3	-1.2	-1.1
Net international investment position	-4.5	-1.4	-4.1	-6.8	-8.2	-8.7	-8.9	-9.1	-9.0
Gross external debt	222.7	208.1	211.9	215.1	216.3	216.1	216.5	217.4	217.4
Sources: Bank of Finland, BIS, International Financial Statistics, IMF Institute, Ministry of Finance, Statistics Finland, and IMF staff calculations.									
¹ A negative value indicates a level of actual GDP that is below potential output.									

² Fiscal projections include measures as specified in the General Government Fiscal Plan.

³ Adjusted for interest expenditures and receipts.

⁴ Not adjusted for COVID-related one-off measures.

⁵ Adjusted for interest expenditures and receipts. Not adjusted for COVID-related one-off measures.

⁶ Defined as the negative of net financial worth (i.e., debt minus assets).

“NATIONAL ECONOMY” is based on IMF Executive Board Concludes 2022 Article IV Consultation with Finland January 23, 2023.

FOREIGN TRADE

Finland’s total exports in 2016 were of the order of US\$ 57,417 million. It increased to US\$ 65,668 million in 2020. Exports during the period from 2016 to 2020, in terms of percentage, grew highest (17.52%) in 2017 and fell maximum (-9.84%) in 2020 in comparison with 2016 and 2019 respectively. The annual compound average growth rate worked out at 3.41%.

Imports, on the other hand, were of the order of US\$ 68,085 million in 2020 while in 2016 it was US\$ 60,820 million. Imports during the period from 2016 to 2020, in terms of percentage, grew highest (16.07%) in 2017 and fell maximum (-7.64%) in 2020 as compared to 2016 and 2019 respectively. The annual average compound growth rate worked out at 2.86%.

Volume of trade registered an annual average (compound) rate of growth of 3.13% from US\$ 118,237 million in 2016 to US\$ 133,753 million in 2020.

Finland faced a deficit balance of trade payment during the said period.

Finland’s export and import, volume and balance of trade between 2016 and 2020 along with their growth rates are given in **Table-I**.

Food and live animals, crude materials (inedible) except fuels, wood, lumber and cork, shaped or simply worked wood, sawn coniferous lumber, pulp and waste paper, chemical wood pulp, mineral fuels, lubricants etc., chemical and related products, wood and cork manufactures (excl. furniture), paper, paperboards and manufactures, newsprint paper, machinery and transport equipment etc. are the main exportable commodities of Finland and major export markets are in Belgium/Luxembourg, Denmark, Estonia, France, Germany, Italy, Japan, Netherlands, Norway, Russia, Spain, Sweden, Switzerland, UK, USA.

Main import suppliers of Finland are Austria, Belgium/Luxembourg, China PR, Denmark, Estonia, France, Germany, Italy, Japan, Netherlands Norway, Poland, Russian, Spain, Sweden, Switzerland, UK, USA etc. Major imported commodities are food and live animals, crude materials (inedible) except fuels, mineral fuels, lubricants etc., chemicals and related products, basic manufactures, machinery and transport equipment, miscellaneous manufactured articles etc.

An international airport is situated at Helsinki-Vantaa, 19 km from Helsinki. International and domestic services also operate to and from airports at Ivalo, Joensuu, Jyväskylä, Kajaani, Kemi-Tornio, Kruunupyy, Kuopio, Lappeenranta, Mariehamn, Oulu, Pori, Rovaniemi, Savonlinna, Tampere-Pirkkanta, Turku, Vaasa and Varkaus. Domestic services are available at airport at Enontedio, Kitila, Kuusamo and Mikkeli.

The chief port of export is Korkeakoulu; the main port of import is Helsinki, which has five specialized harbours. The West Harbour handles most of the transatlantic traffic, the East Harbour coastal and North Sea freight, and the South Harbour passenger traffic. North Harbour deals only in local launch traffic. Sornainen is the timber and coal harbour; Herttoniemi specializes in petroleum. Other important

international ports are Turku (Abo), Rauma and Hamina. The goods loaded for export from Finnish ports amounted to 37.1m tones.

Lakes cover 33,350 sq. km. The inland waterway system comprises 7,842 km of buoyed-out channels, 40 open canals and 37 lock canals. The total length of canals is 116 km. In 2000 cargo vessel traffic on inland waterways amounted to 2.3m. metric tones including traffic on the Saimaa Canal. Saimaa Canal was leased to Finland by the USSR for 50 years in 1968, was opened for vessels.

BILATERAL TRADE WITH INDIA

Indo-Finland bilateral trade in 2017-18 was of the order of Rs.10,845.84 crores. It decreased to Rs.9,106.04 crores in 2021-22. The annual compound growth rate of volume of trade during the period from 2017-18 to 2021-22 was -4.28%. India faced a deficit balance of trade during the said period (**see table II**). The average annual compound growth rates of exports and imports worked out at 8.94% and -7.74% respectively.

India's exports to, and imports from Finland of Merchandise Goods between 2017-18 and 2021-22 along with their growth rates are presented in **Table II**.

India's top ten merchandise goods exported to and imported from Finland during 2017-18 to 2021-22, along with their growth rates are depicted in **Table III & IV** respectively.

Some Important Links

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Names and addresses of the organizations engaged in foreign trade in Finland are:-

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Finland Trade Promotion Organization (FIRPRO)

Porkkalankatu 1
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**Central Chamber of Commerce of
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Sources

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BBC News, the World Fact Book, World Development Indicator, MEA,
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NOTICE

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TABLE - I**FINLAND'S TOTAL EXPORTS AND IMPORTS, VOLUME AND BALANCE OF TRADE
BETWEEN 2016 AND 2020.**

(Figures in US MILLION DOLLARS)

<i>Year</i>	<i>Exports</i>	<i>Percentage Growth in Exports</i>	<i>Import</i>	<i>Percentage Growth in Imports</i>	<i>Volume of Trade</i>	<i>Percentage Growth in Vol. of Trade</i>	<i>Balance of Trade</i>
2016	57417		60820		1,18,237		-3403
2017	67478	17.52	70595	16.07	1,38,073	16.78	-3117
2018	75215	11.47	78634	11.39	1,53,849	11.43	-3419
2019	72838	-3.16	73718	-6.25	1,46,556	-4.74	-880
2020	65668	-9.84	68085	-7.64	1,33,753	-8.74	-2417
Annual Compound Growth Rate	3.41		2.86		3.13		
NOTE :	Figures relate to calendar year, January to December.						
SOURCE :	UN COMTRADE PUBLICATION						

TABLE - II**INDIA'S EXPORT TO AND IMPORT FROM FINLAND MERCHANDISE****GOODS DURING 2017-2018 TO 2021-2022**

(Value in Rs. CRORES)

Year	Exports	Percentage Growth in Exports	Import	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2017-18	1823.18		9022.66		10845.84		-7199.48
2018-19	1792.18	-1.70	7795.05	-13.61	9587.23	-11.60	-6002.87
2019-20	1903.33	6.20	4426.06	-43.22	6329.39	-33.98	-2522.73
2020-21	2108.41	10.77	5278.09	19.25	7386.50	16.70	-3169.68
2021-22	2567.69	21.78	6538.35	23.88	9106.04	23.28	-3970.66
Annual Compound Growth Rate	8.94		-7.74		-4.28		
NOTE :	Figures relate to Financial Year April to March.						
SOURCE :	Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata 700 107.						

TABLE -III**INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORT TO FINLAND****2017-2018 TO 2021-2022 AND THEIR GROWTH RATES****(Value in Rs. CRORES)**

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2017-18	2018-19	2019-20	2020-21	2021-22	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21
1	Drugs Formulations & Biologicals	222.76	159.30	222.57	302.84	309.31	-28.49	39.72	36.07	2.14
	Share in total export	12.22	8.89	11.69	14.36	12.05				
2	Products Of Iron And Steel	162.21	185.08	206.16	228.49	262.31	14.10	11.39	10.83	14.80
	Share in total export	8.90	10.33	10.83	10.84	10.22				
3	Electric Machinery And Equipments	29.12	49.93	75.65	92.19	235.43	71.46	51.51	21.86	155.37
	Share in total export	1.60	2.79	3.97	4.37	9.17				
4	Electronic Instruments	45.04	62.92	65.69	121.71	134.82	39.70	4.40	85.28	10.77
	Share in total export	2.47	3.51	3.45	5.77	5.25				
5	Auto Tyres And Tubes	70.33	94.73	78.98	110.13	124.68	34.69	-16.63	39.44	13.21
	Share in total export	3.86	5.29	4.15	5.22	4.86				
6	Other Construction Machinery	37.94	48.17	45.61	37.66	120.94	26.96	-5.31	-17.43	221.14
	Share in total export	2.08	2.69	2.40	1.79	4.71				
7	Iron And Steel	75.54	65.92	53.76	36.32	116.85	-12.73	-18.45	-32.44	221.72
	Share in total export	4.14	3.68	2.82	1.72	4.55				
8	Cotton Fabrics, Madeups Etc.	53.75	55.82	62.22	58.67	72.67	3.85	11.47	-5.71	23.86
	Share in total export	2.95	3.11	3.27	2.78	2.83				
9	RMG Cotton Including Accessories	55.71	57.79	62.48	57.61	69.91	3.73	8.12	-7.79	21.35
	Share in total export	3.06	3.22	3.28	2.73	2.72				
10	Organic Chemicals	26.98	43.68	40.64	36.80	62.02	61.90	-6.96	-9.45	68.53
	Share in total export	1.48	2.44	2.14	1.75	2.42				
	Total export to FINLAND	1823.18	1792.18	1903.33	2108.41	2567.69	-1.70	6.20	10.77	21.78

NOTE : Figures relate to Financial Year, April to March.**SOURCE** : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.

TABLE -IV**INDIA'S MAJOR ITEMS OF MERCHANDISE IMPORT FROM FINLAND****2017-2018 TO 2021-2022 AND THEIR GROWTH RATES****(Value in Rs. CRORES)**

Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2017-18	2018-19	2019-20	2020-21	2021-22	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21
1	Fertilizers Manufactured	87.24	506.50	201.45	432.99	1068.73	480.58	-60.23	114.94	146.83
	Share in total imports	0.97	6.50	4.55	8.20	16.35				
2	Electronic Components	718.37	506.50	328.30	858.46	1015.75	-29.49	-35.18	161.49	18.32
	Share in total imports	7.96	6.50	7.42	16.26	15.54				
3	Paper, Paper Board & Products	647.95	651.20	587.62	452.53	540.50	0.50	-9.76	-22.99	19.44
	Share in total imports.	7.18	8.35	13.28	8.57	8.27				
4	Electronic Instruments	339.88	396.55	382.74	371.29	416.32	16.67	-3.48	-2.99	12.13
	Share in total import	3.77	5.09	8.65	7.03	6.37				
5	Other Construction Machinery	385.13	220.60	220.98	314.32	415.58	-42.72	0.17	42.24	32.22
	Share in total import	4.27	2.83	4.99	5.96	6.36				
6	Electric Machinery And Equipment	128.21	102.49	131.73	124.11	286.42	-20.06	28.53	-5.78	130.78
	Share in total import	1.42	1.31	2.98	2.35	4.38				
7	Resdl. Chemicals And Allied Prod.	189.50	236.71	213.03	215.31	237.27	24.91	-10.00	1.07	10.20
	Share in total import	2.10	3.04	4.81	4.08	3.63				
8	Incl. Machinery For Dairy Etc.	262.24	209.93	193.17	361.26	220.05	-19.95	-7.98	87.02	-39.09
	Share in total import	2.91	2.69	4.36	6.84	3.37				
9	Telecom Instruments	142.81	62.54	111.11	312.59	189.23	-56.21	77.66	181.33	-39.46
	Share in total import	1.58	0.80	2.51	5.92	2.89				
10	Iron And Steel	198.43	197.04	162.72	148.50	185.12	-0.70	-17.42	-8.74	24.66
	Share in total import	2.20	2.53	3.68	2.81	2.83				
	Total import from Finland	9022.66	7795.05	4426.06	5278.09	6538.35	-13.61	-43.22	19.25	23.88

NOTE : Figures relate to Financial Year, April to March.**SOURCE** : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.