



Finland



Did you know...?

History Finland's history is influenced by its geographic location between East and West: Over the last two centuries, it was first part of the Swedish realm, then part of Russia. Finland declared independence from Russia in 1917.

Culture Music is one of the most popular forms of art in Finland. Over the last years, Finnish rock and pop music has become internationally popular.

Architecture Many buildings and structures in the US, such as the St. Louis Gateway Arch, embody the principles of modern Finnish architecture.

Sports Formula 1 and rally racing are very popular. Millions of Finns regularly follow the races on TV and cheer for their drivers.

Fun Fact Saunas, small rooms for hot steam baths, are an important part of the Finnish culture. Used as a place of social gathering and relaxation, almost every household, statistically speaking, has its own sauna.

An overview of Finland's economy

Finland, a highly open economy, was hard hit by the financial and economic crisis. Structural reforms, especially in the labor market, will help it to re-gain economic momentum.

Finland joined the European Union, along with Austria and Sweden, on January 1, 1995. The addition of these three new members brought the EU membership to fifteen countries, including almost all of the major nations in Western Europe. Finland was among the first group of countries to adopt the Euro on January 1, 1999, the official launch date of the single currency. Euro notes and coins entered circulation in Finland on January 1, 2002, replacing the Finnish Markka.

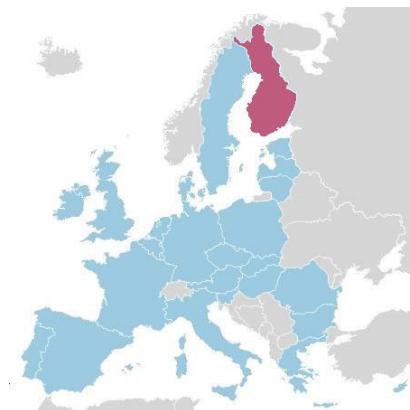
The Finnish economy has benefited greatly from globalization. With its highly industrialized, open and export-oriented economy, the country is one of the wealthiest in the world as measured in GDP per capita (19th wealthiest in 2011, according to the World Bank). In the past few decades, Finland has transformed from an agrarian economy to a service-based social market economy. Productivity is innovation-driven with a great emphasis on research and is supported by the country's excellent education system.

At the same time, the high dependency on exports, especially in capital goods, combined with the slump in global demand made Finland one of the countries hit hardest by the recent financial and economic crisis. Overall, after a long period of robust growth, GDP collapsed nearly 8 percent in 2009, the sharpest decline in the Euro

area, according to the IMF. Domestic demand contracted less sharply than exports.

While the economic recovery is likely to be prolonged due to the sharp drop, healthy economic fundamentals allowed the Finnish government to put in place broad stimulus measures that helped to dampen the effects of the crisis. Unemployment increased from 6.4% to 8.4% during 2008-10. The country's financial sector weathered the crisis relatively well, mainly because Finnish banks were not overly exposed to risky assets.

Economic activity rebounded in 2010 with GDP growth of 1.8%, but recession is predicted for 2011 (-2.2%) and 2012 (-1.8%)! While the short- to medium-term policy goals will include a credible return to fiscal sustainability, the government is also committed to addressing challenges such as the aging population and labor market reforms.





Finland's Economy – Key Facts

- Finland has a population of about 5.35 million people in an area slightly smaller than the US state of Montana. It is a small, very open economy that is well integrated with other EU economies and its large neighbor Russia.
- Key economic sectors are electrical engineering, metal, wood processing, and chemicals. Finland's economy strongly relies on exports from these sectors. At the same time, Finland depends on imports for most of its raw materials and machinery. Germany, Russia and Sweden are the most important trading partners.
- The World Economic Forum (WEF) Global Competitiveness Report for 2011/2012 ranked Finland 4th out of 139 countries in terms of competitiveness, the second best in the European Union and higher than the US. Higher education and training capacities are ranked as the best in the world. Healthcare, institutions, and an innovation-friendly climate are other clear strengths. High tax rates and rigid labor regulations are seen as the most problematic factors for doing business.
- The World Bank's Doing Business Report for 2011 ranked Finland 13th out of 183 countries.
- According to the European Commission's Spring 2011 forecast real GDP will fall by 2.2% in 2011. In 2012 real GDP is expected to fall again by 1.8%. While macroeconomic indicators such as unemployment and inflation seem relatively favorable, the structural government balance has hindered growth with the debt to GDP ratio to reach 107.4% in 2012.

References

- <http://www.delicious.com/eurochallenge/Finland>
- http://ec.europa.eu/economy_finance/eu/countries/finland_en.htm
- http://europa.eu/abc/european_countries/eu_members/finland
- <http://www.oecd.org/finland>
- <http://www.imf.org/external/country/fin>
- <http://www.doingbusiness.org/ExploreEconomies/?economyid=69>
- <https://www.cia.gov/library/publications/the-world-factbook/geos/fi.html>

Labor Market In 2008 and 2009, unit labor costs increased at twice the pace of the Euro area average. In 2010, unit labor costs declined and are predicted to rise at a slower rate in 2011 and 2012.

Trade Due to its unique geographic position, Finland is not only highly integrated with the EU, but can also be seen as a commercial gateway into Russia.

Deficit Finland committed in its 2010-2013 Stability Program, presented to the European Commission in February 2010, but has failed to achieve its objectives with the general government gross debt to rise to 107.4% of GDP by 2012.

Inflation Inflation turned down markedly in 2009 but has since leveled off and remains around the European average.

Education Finland regularly tops league tables in education. The 2006 OECD Pisa study found that Finland outperformed all other study participants in science and mathematics.

Innovation Finland has a highly innovative economy. It is a market leader in IT and telecommunications. One of the world's biggest mobile phone companies, Nokia, is Finnish.