

Focus on: Finland

International Business Report 2010 – Country focus series

The recovery

Finland suffered from a very tentative recovery, as GDP shrunk by 0.2 per cent in the first quarter of 2010 following the 0.4 per cent contraction in the previous quarter, reflecting very weak demand for services. Finland's heavy reliance on capital goods exports to the eurozone leaves it exposed to the faltering recovery of the European Union (EU). GDP growth was expected to remain weak throughout 2010, although longer term prospects are favourable compared to the forecast for the EU as a whole.

The key indicators¹ are highlighted below:

- in Q2 2010 GDP growth rose to 1.9 per cent on the previous quarter, 3.7 per cent on the previous year
- the volume of exports rose by 12.6 per cent on the previous quarter and 6.1 per cent year-on-year
- imports grew by 6.6 per cent quarter-on-quarter and 3.7 per cent on the previous year
- the volume of private consumption observed a rise of 0.8 per cent quarter-on-quarter and 2.6 per cent year-on-year.

Impact on businesses

The Grant Thornton International Business Report (IBR) 2010 surveyed the views of over 7,400 privately held businesses (PHBs) in 36 economies around the world. This report focuses on Finland, the experiences and attitudes of its businesses and how they have been affected by the economic crisis along with how they are dealing with the recovery, as illustrated in figure 1.

The IBR survey tells us that businesses in Finland are less pessimistic on the outlook of the economy over the next 12 months in 2010 than they were in 2009 and two-thirds expected to see an upturn in the global economy by the end of 2010. Expectations for revenue and profitability are all markedly more positive this year but a shortage of orders/reduced demand remains a major constraint on potential expansion.



¹ Source: International Monetary Fund, The Economist and Experian.

Looking ahead

A slow eurozone recovery is likely to keep GDP growth at a weak 1.1 per cent in 2010 with growth expected to accelerate slightly, as domestic and external sectors begin to turn around, to 1.7 per cent in 2011. The possibility of a eurozone double-dip recession is a key threat to Finland, although the country's economic growth is forecast to outpace the eurozone average in the long term.

Consumer spending is expected to be weak as households battle high unemployment, higher taxes and weaker income growth. Employment is likely to continue to contract in 2010, with weaker job creation in the next decade. The fiscal surplus is expected to be reduced as the tax base shrinks and expenditure rises.

As the economy exits recession, all businesses will face new challenges and will need to take advantage of new opportunities to achieve consolidated growth and lead the way to recovery.



Figure 1: Key indicators for businesses

Finland compared to the EU average	2009 Fin	2010 Fin	2010 EU
Outlook for the economy over the next 12 months			
Balance of optimists over pessimists	-40%	-10%	+7%
Change in employment levels			
Balance of businesses expecting an increase over those expecting a reduction	-16%	-7%	-1%
Constraints on expansion			
Shortage of orders/reduced demand	41%	50%	41%
Availability of a skilled workforce	22%	20%	18%

Source: Grant Thornton IBR 2010

Talk to us to find out how we can help you deal with the challenges of a new world economic order.

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International Business Report results

The Grant Thornton IBR 2010 reveals that businesses in almost all countries are more optimistic about economic prospects for the year ahead. Businesses in Finland are less pessimistic about prospects for 2010; their optimism/pessimism balance² has risen 30 percentage points from -40 per cent in 2009 to -10 per cent in 2010.

For the first time in six years, India has been overtaken as the most optimistic country by Chile. Chile now tops the league table with a net balance of +85 per cent (-24 per cent in 2009), India comes in a very close second with +84 per cent, whilst Japan remains at the bottom with a balance of -72 per cent.

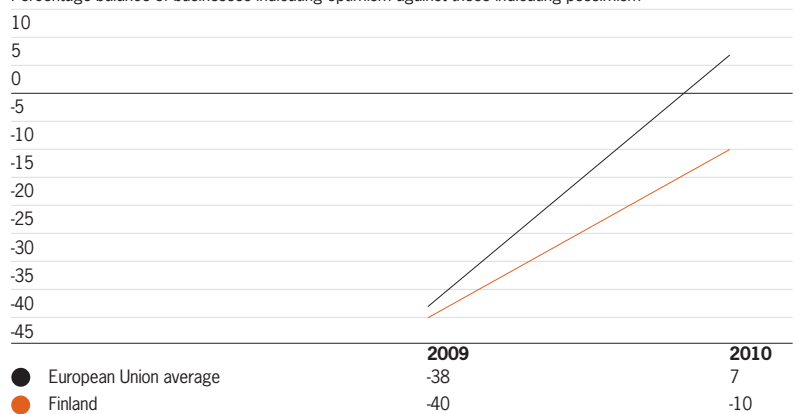
Overall optimism amongst businesses globally has risen from 2009; this year a balance of +24 per cent of businesses across all countries are positive about their country's economy – compared to a balance of -16 per cent in 2009.

Optimism/pessimism

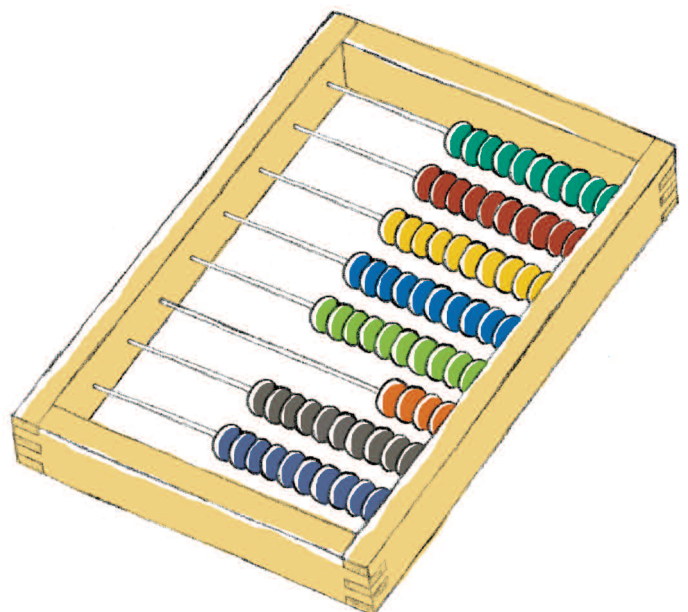
- businesses in Finland are less pessimistic about their country's economic outlook (-10 per cent) compared with 2009 (-40 per cent)
- this is considerably lower than the EU³ average of +7 per cent
- optimism levels in the EU have risen this year, by 45 percentage points to +7 per cent from -38 per cent in 2009.

Figure 2: Outlook for the economy over the next 12 months: 2009-2010

Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2010



² the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

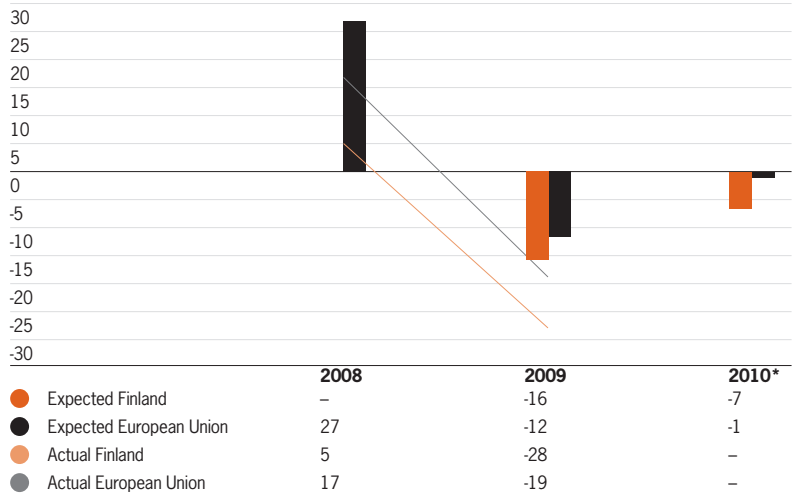
³ for the purposes of IBR, the term 'EU' refers to those EU countries covered by our survey – Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

Employment

- a balance of -7 per cent of businesses in Finland expect employment to grow in 2010, higher than the EU average (-1 per cent)
- actual employment change reported by businesses in Finland in 2009 (-28 per cent) was considerably higher than what was expected 12 months previously (-16 per cent)
- actual employment contraction across the EU as a whole (-19 per cent) was also worse than expected (-12 per cent).

Figure 3: Employment history: 2008-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



*actual 2010 data will be documented in IBR 2011

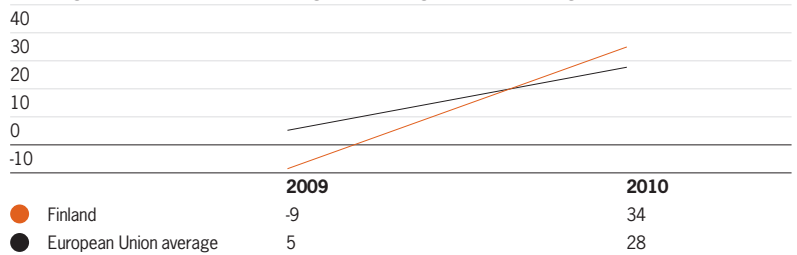
Source: Grant Thornton IBR 2010

Revenue expectations

- expectations for revenue prospects have risen by 43 percentage points; from -9 per cent in 2009 to +34 per cent this year
- the EU average has also risen, by 23 percentage points, from +5 per cent in 2009 to +28 per cent.

Figure 4: Revenue expectations: 2009-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



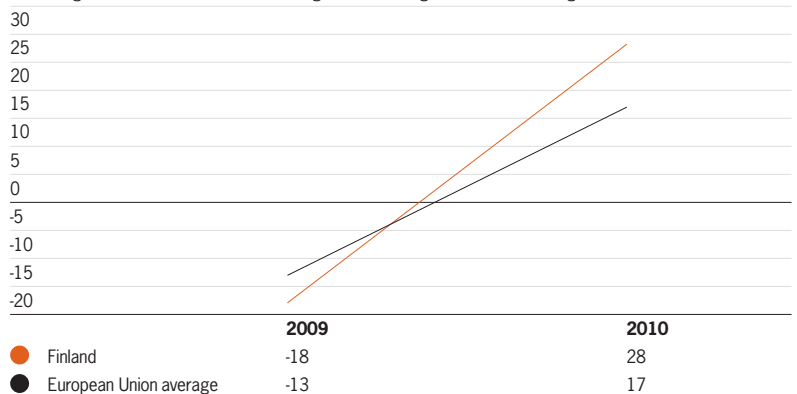
Source: Grant Thornton IBR 2010

Profitability expectations

- profitability expectations amongst businesses in Finland have also observed a rise, an increase of 46 percentage points this year to +28 per cent
- the EU average has observed a similar rise of 30 percentage points, from -13 per cent in 2009 to +17 per cent this year.

Figure 5: Profitability expectations: 2009-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



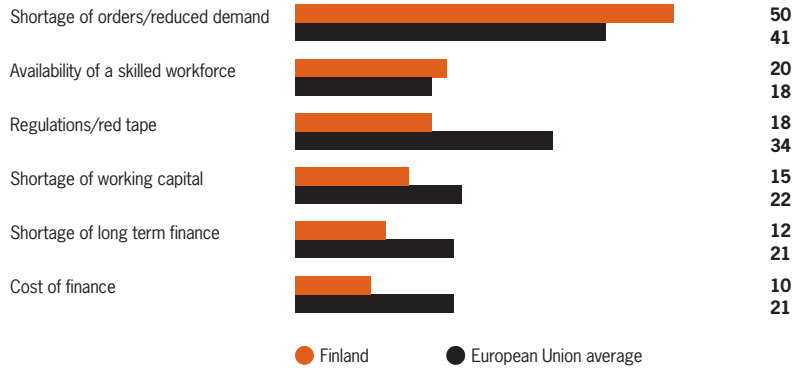
Source: Grant Thornton IBR 2010

Constraints

- a shortage of orders /reduced demand is viewed as the most pressing constraint restricting expansion for businesses in Finland (50 per cent) and across the EU as a whole (41 per cent)
- regulations/red tape is of considerably lesser concern for businesses in Finland (18 per cent), compared to the global average (34 per cent)
- financial constraints (the cost of finance, a shortage of long term finance and of working capital) are also lesser of a concern for businesses in Finland.

Figure 6: Constraints on expansion

Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



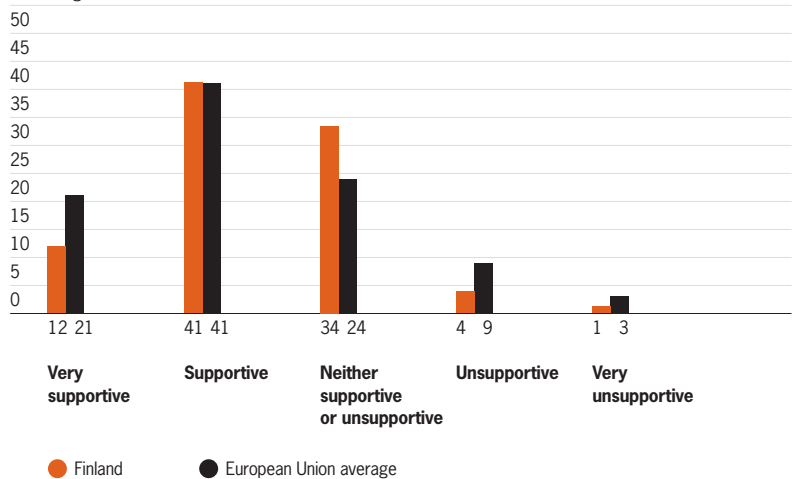
Source: Grant Thornton IBR 2010

Support of lender

- 53 per cent of businesses in Finland are happy with the level of support provided by lenders and class lenders as supportive or very supportive towards their business, lower than the EU average of 62 per cent
- one-third (34 per cent) class lenders as neither supportive nor unsupportive
- five per cent of businesses in Finland believe that lenders are unsupportive or very unsupportive of their business, compared to 12 per cent across the EU as a whole.

Figure 7: Level of support provided by lenders

Percentage of businesses



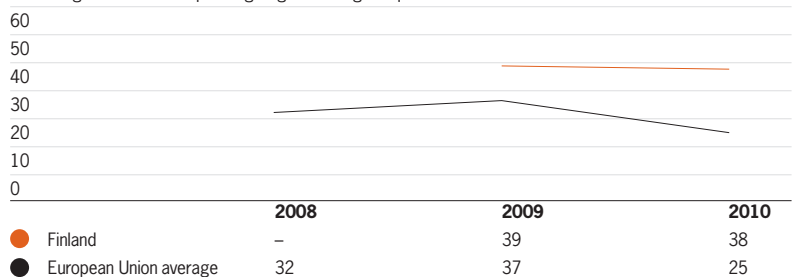
Source: Grant Thornton IBR 2010

Mergers & acquisitions

- the proportion of businesses in Finland planning to grow through acquisition this year has fallen by one percentage point to 38 per cent
- and compares to a decrease of 12 percentage points in the EU average, from +37 per cent in 2009 to +25 per cent.

Figure 8: Plans to grow through acquisition in the next three years

Percentage of businesses planning to grow through acquisition



Source: Grant Thornton IBR 2010

The Grant Thornton International Business Report (IBR) is an annual survey of the views of senior executives in privately held businesses (PHBs) all over the world. Launched in 1992 in nine European countries the report now surveys over 7,400 PHBs in 36 economies providing insights on the economic and commercial issues affecting a segment often described as the 'engine' of the world's economy. In Finland 100 PHBs were surveyed across all industry sectors. These businesses ranged from medium to large in size with total employment of between 50 and 499.

To find out more about IBR and to obtain copies of reports and summaries visit: www.internationalbusinessreport.com. The site also allows users to complete the survey and benchmark their results against all other respondents by territory, industry type and size of business.

Participating economies

Argentina	Japan
Armenia	Malaysia
Australia	Mexico
Belgium	Netherlands
Botswana	New Zealand
Brazil	Philippines
Canada	Poland
Chile	Russia
Mainland China	Singapore
Denmark	South Africa
Finland	Spain
France	Sweden
Germany	Taiwan
Greece	Thailand
Hong Kong	Turkey
India	United Kingdom
Ireland	United States
Italy	Vietnam



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