

TRADE IN VALUE ADDED: FINLAND

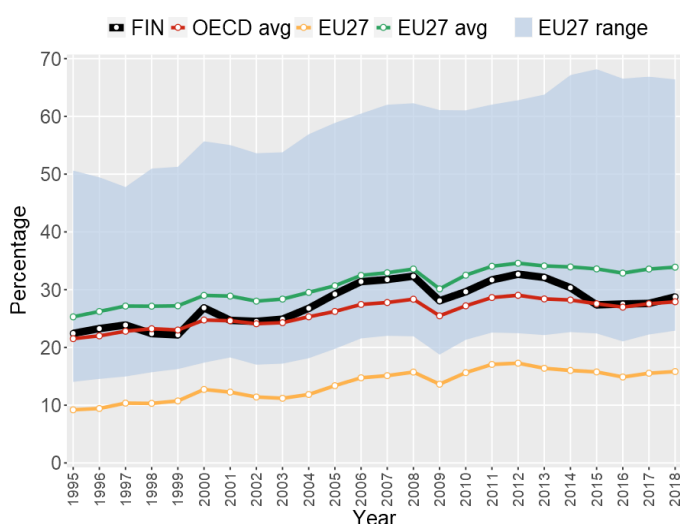
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Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for Finland, with a view to informing policy making for a range of areas including trade, innovation and investment.

Key findings

- ▶ In the decade up to 2018, the foreign content of Finland's exports fell from 32.3% to 28.8% (Figure 1). Industries contributing the most to foreign content of total exports in 2018 were *Wood and paper products* (3.8%), *Machinery and equipment, nec* (3.3%) and *Basic metals* (3%) (Figure 3b).
- ▶ In 2018, 27.2% of Finland's domestic value added was driven by foreign final demand, down from 30.8% in 2008. The *Basic metals* industry had the highest share (85.2%) of domestic value added in foreign final demand (Figure 2). In 2018, about 70% of intermediate imports of *Basic metals* were used in Finland's exports (Figure 4).
- ▶ While Sweden (10.7%) and Germany (9.7%) were the two most important destinations for Finland's gross exports in 2018, the top destination for Finland's value added was the United States (10.4%) (Figures 5).
- ▶ Services are a major contributor to Finland's economy, accounting for 53.6% of Finland's gross exports in 2018, up from 45.2% in 2008 (Figure 7). Services value-added content accounted for 35% of the value of manufactured gross exports.

Figure 1. Foreign value-added content of gross exports
As a percent of total gross exports, 1995 to 2018



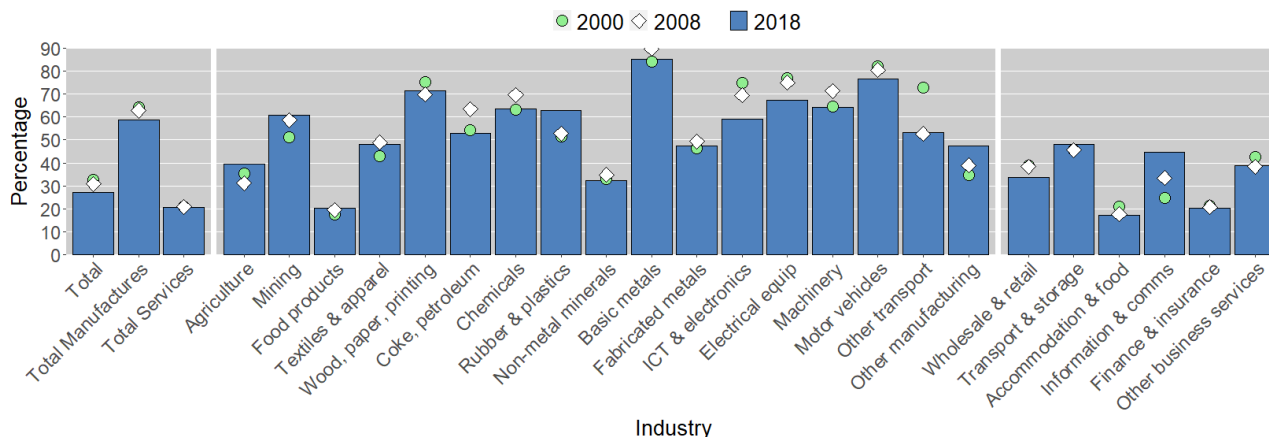
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of Finland's exports is estimated to have decreased from 32.3% to 28.8% - close to the OECD average of 27.9%. Compared to 2008, the foreign content of exports in 2018 was 3.6 percentage points lower.

The role of foreign final demand in domestic production

Overall, in 2018, 27.2% of Finland's domestic value added was driven by foreign final demand, down from 30.8% in 2008. By industry, the shares ranged from *Basic metals* (85.2%) and *Motor vehicles* (76.5%) at the higher end to *Accommodation and food services* (17.1%) at the lower end.

Figure 2. Finland - domestic value added in foreign final demand
As a percent of value added, by industry, 2000, 2008 and 2018



The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were *Coke and refined petroleum products* (59.8%), *Basic metals* (41.4%) and *Electrical equipment* (37.4%). *Wood and paper products* generated the greatest source of domestic value-added content of exports in 2018, accounting for 11.1% of gross exports (Figure 3b), followed by *Information and communication* (6.8%) and *Transport and storage* (6.8%). The most foreign content in total exports came from *Wood and paper products* (3.8%).

Figure 3a. Finland - foreign value-added content of gross exports
As a percent of gross exports, by industry, 2000, 2008 and 2018

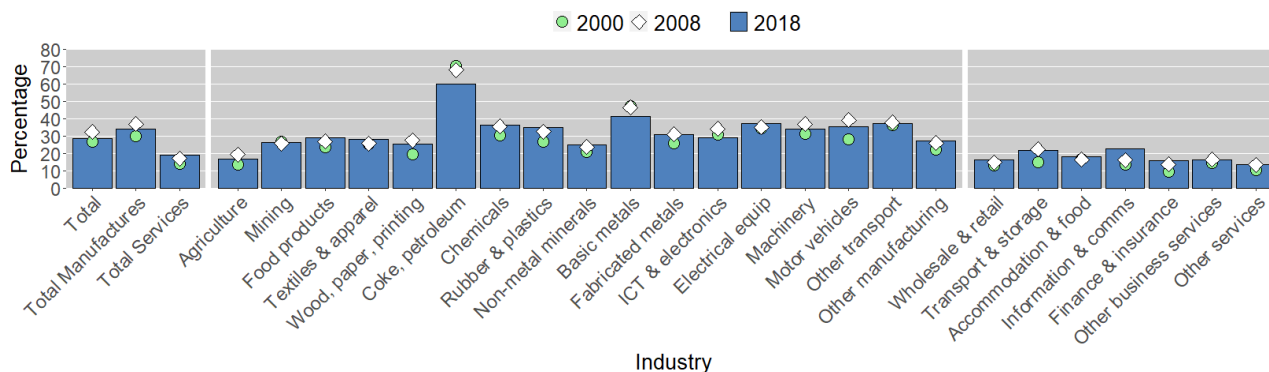
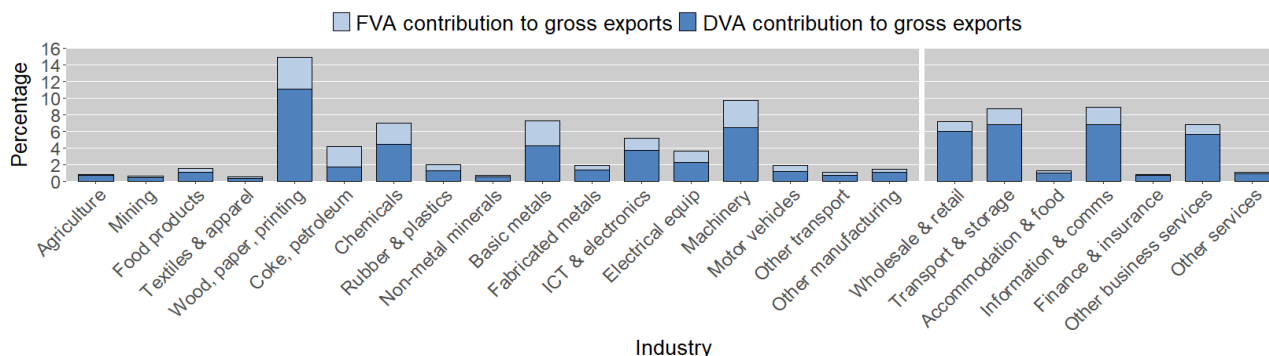
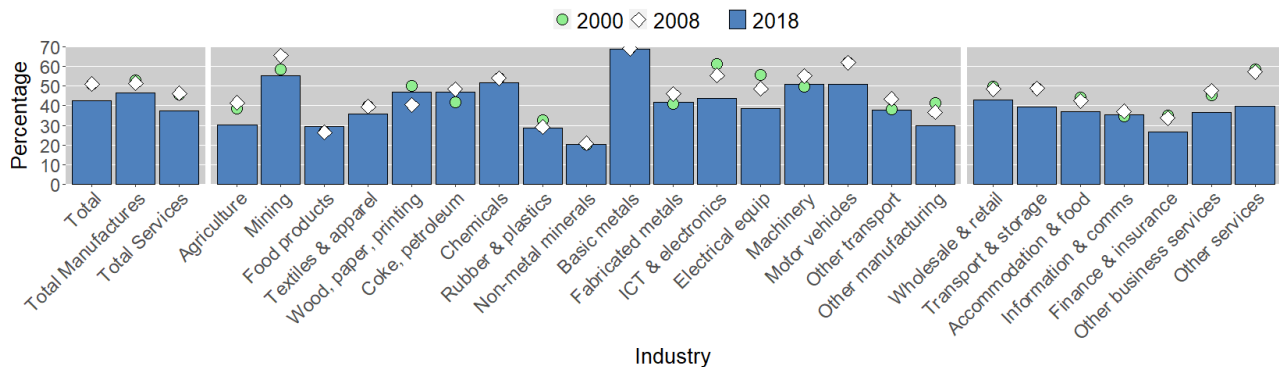


Figure 3b. Finland - industry share of domestic and foreign value-added content of gross exports
As a percent of total gross exports, 2018



Of the total value of Finland's imports of intermediate goods and services in 2018, 42.7% was subsequently embodied in exports, below the OECD average of 47.9%, and below the share in 2008 (51.1%). The originating industries with the highest shares of intermediate imports used in Finland's exports were *Basic metals* (68.8%), *Mining and quarrying* (55.4%) and *Chemicals and pharmaceuticals* (51.8%).

Figure 4. Finland - imported intermediate inputs used for exports, by industry-origin of imports
As a percent of intermediate imports, 2000, 2008 and 2018



Finland: international flows of goods and services, main players

In gross terms, Sweden (10.7%), Germany (9.7%) and the United States (7.5%) were the three most important Finnish export market destinations in 2018. The top three final destinations for Finland's value added were the United States (10.4%), Sweden (7.9%) and Germany (7.8%).

For imports in gross terms, Finland's top three partners in 2018 were Sweden (11.8%), Germany (11.5%) and the Russian Federation (9.2%), while in value-added terms, the top three were Germany (11.2%), Sweden (9.6%) and the United States (8.3%).

Figure 5 Finland - exports and imports: main partners
As a percent of total gross and value-added exports and imports, 2018

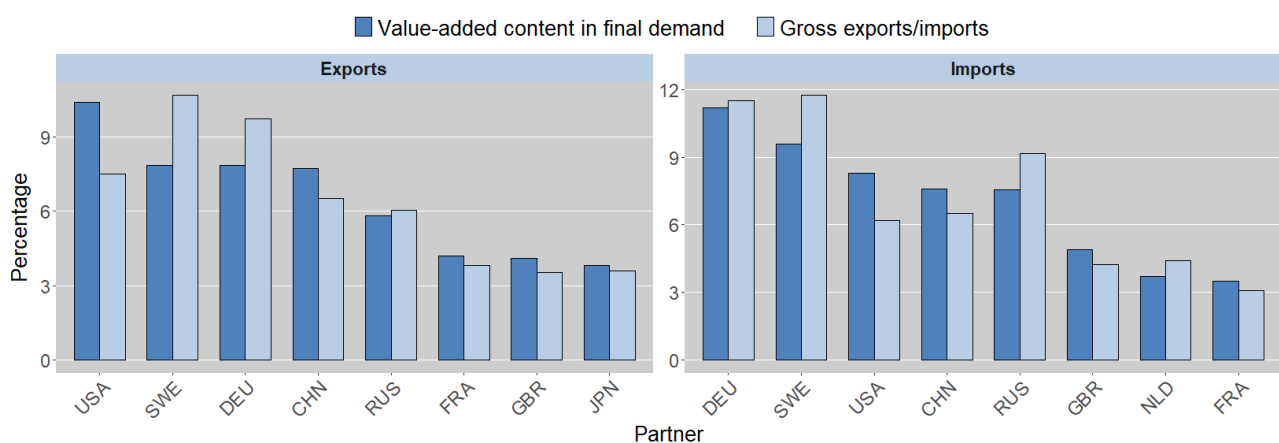
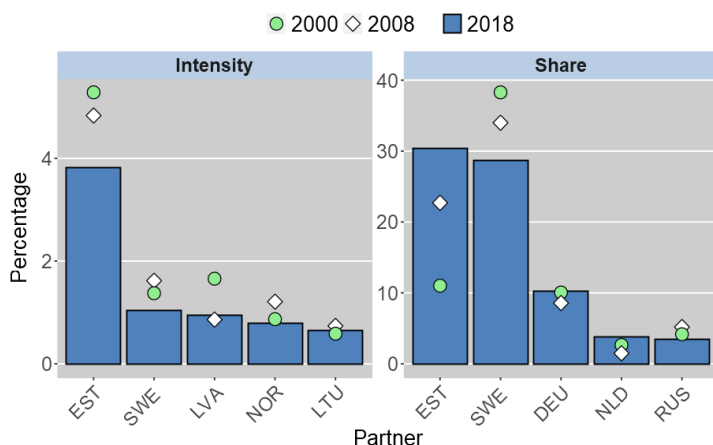


Figure 6. Finland's domestic value-added content of manufactured imports, top 5 partners

As a share of total Finland's value added embodied in Finland's imports (right) and as a percent of total imports by partner (left)



In 2018, the highest shares of Finland's domestic value added embodied in Finland's manufactured imports (Figure 6, right) came from Estonia (30.4%), Sweden (28.7%) and Germany (10.3%).

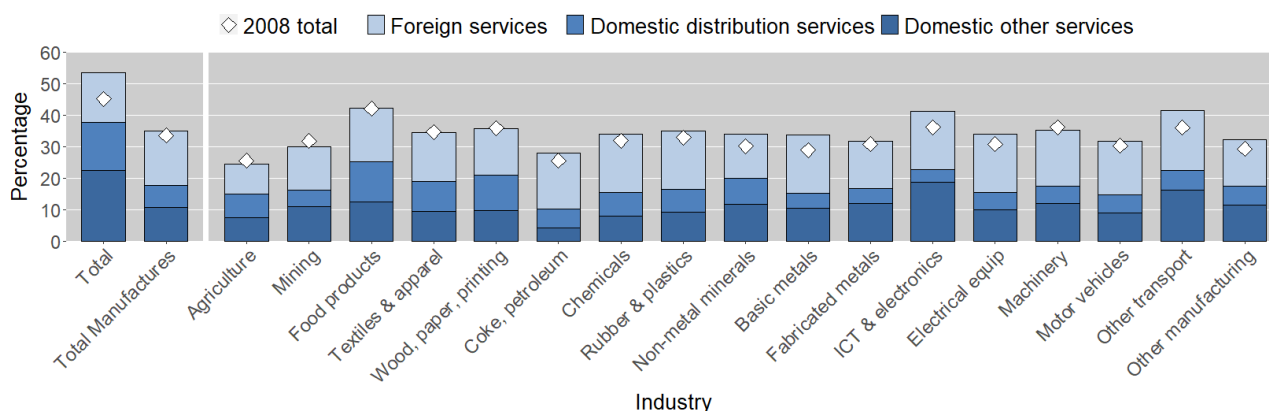
The trading partners with the highest shares of Finland's value added in their exports of manufactures to Finland (Figure 6, left) in 2018 were Estonia (3.8%), Sweden (1%) and Latvia (0.9%).

The importance of services in international trade

Services are a major contributor to Finland's economy, accounting for 53.6% of Finland's gross exports in 2018 (Figure 7) - below the OECD average of 55.7%. Foreign services contributed 15.7% to the value of total gross exports. For manufactures, services value-added content was 35% of gross exports, with the highest shares in Food and beverages (42.2%), Other transport equipment (41.6%) and ICT and electronics (41.2%).

Figure 7. Finland - services content of gross exports

As a percent of gross exports by industry, 2018



Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

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