

Finland: Selected Issues

This Selected Issues report on **Finland** was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on **September 27, 2001**. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of **Finland** or the Executive Board of the IMF.

The policy of publication of staff reports and other documents by the IMF allows for the deletion of market-sensitive information.

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to Publicationpolicy@imf.org.

Copies of this report are available to the public from
International Monetary Fund • Publication Services
700 19th Street, N.W. • Washington, D.C. 20431
Telephone: (202) 623 7430 • Telefax: (202) 623 7201
E-mail: publications@imf.org • Internet: <http://www.imf.org>

Price: \$15.00 a copy

International Monetary Fund
Washington, D.C.

INTERNATIONAL MONETARY FUND

FINLAND

Selected Issues

Prepared by Nancy Wagner and Matthias Vocke (all EU1)

Approved by European I Department

September 27, 2001

	Contents	Page
I.	A Note on Finland's "New Economy"	3
A.	Introductory Remarks	3
B.	A Radical Structural Change	4
C.	Why Finland?	6
D.	But Is It Just Nokia?	8
E.	What Has Been ICT's Impact On the Larger Economy?	12
F.	Looking Forward	18
Figures		
1.	The ICT Sector—The Horsepower Behind the Finnish Economic Recovery	3
2.	Export Shares by Industry Group	5
3.	Employment Growth Indices in the ICT Cluster and Economy	9
4.	Developments in the Helsinki Stock Market, 1995–2001	11
5a.	Worldwide Mobile Phone Market Shares, Q1 2001	20
5b.	Mobile Phone Penetration Rates by Region, 2001	20
Tables		
1.	ICT Sector's Share in Value Added of Market Production	4
2.	Developments in the Manufacturing Sector, 1980–2000	5
3.	Venture Capital Investments, 1995–2000	11
4.	Contributions to Finland's Market-Based Output Growth	13
5.	Income Shares of Inputs in the Finnish Economy	15
6.	Labor Productivity Growth Rates in Finland	16
References		22
II.	Labor Market Challenges: Job Creation in the Services Sector	24
A.	Introduction	24
B.	A Closer Look at Some Relevant Data	25
C.	What is Impeding Employment Growth in the Services Sector?	35
D.	Concluding Remarks	38