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Finland Fact Sheet

November 2022

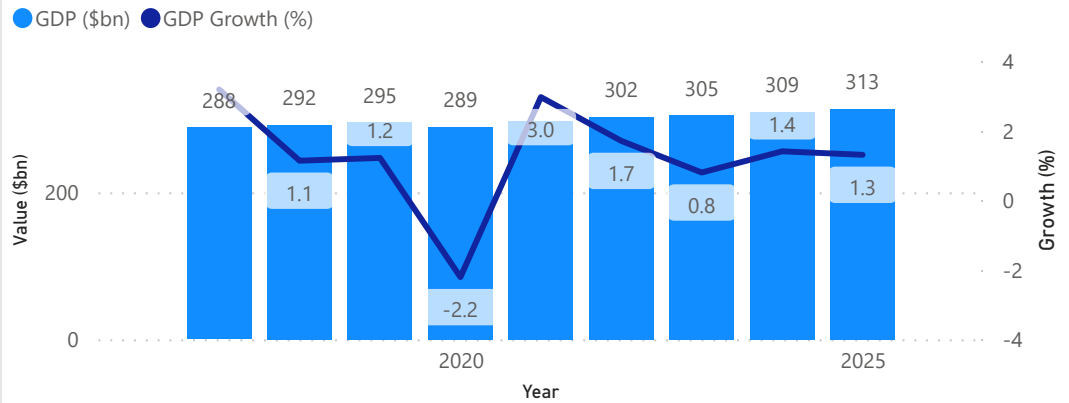
Cape Town and the Western Cape – A Leading Regional Economy

1) Economic Overview - Finland

Hard-hit by the global pandemic and increasingly difficult economic conditions, Finland's economy contracted by -2.2% in 2020. That said, the economy recovered strongly in 2021, recording a y-o-y real growth of 3% in 2021 to reach a total GDP value of \$297bn, up from \$289bn recorded in 2020. Finland the 59th largest economy (in GDP PPP terms) in the world in 2021.

The economic recovery in 2021 was largely due to economic stimulus measures and successful vaccination uptakes. Although economic recovery is expected to continue, long-run real growth is forecast to ease to a CAGR of 1.3% over the period 2022 to 2040, some 0.3 percentage points lower than the 1.6% predicted for the Western European region.

Figure 1: Finland GDP, 2017-2025f



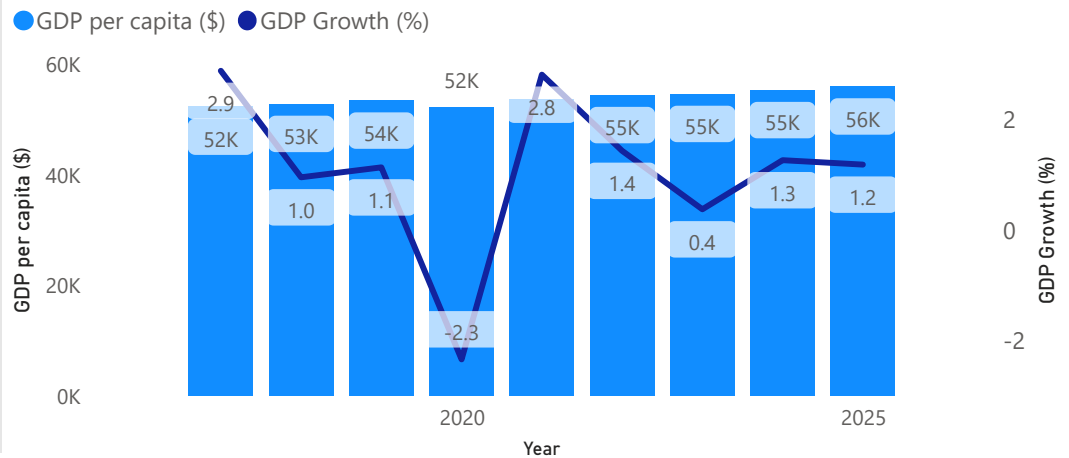
Source: Euromonitor, 2022

With an average annual GDP per capita of \$52,964 over the period 2017 to 2021, Finland ranked 24th in the world in GDP per capita terms.

Although GDP per capita plunged by -2.3% to \$52,261 in 2020 due to Covid-19, this recovered to a GDP per capita of \$53,732 in 2021, underpinned by the robust economic recovery. This was far higher than the \$40,083 average for the Western European region.

Buoyed by the country's positive economic outlook, GDP per capita is expected to grow at an average annual rate of 1.07% per annum from 2022-2025 to reach a GDP per capita value of \$56,069 by 2025.

Figure 2: Finland GDP per capita, 2017-2025f



Source: Euromonitor, 2022

Finland's economy is largely composed of the services sector, which collectively accounted for approximately 70% of total GVA in 2021. The financial intermediation, real estate, renting and business services sector dominates, accounting for nearly a third of Finland's Value Added in 2021. A positive outcome of the Covid-19 pandemic was the rapid adoption of digitalization across the globe. To this end, the Finnish Government allocated EUR547m from its Recovery and Resilience Plan to promoting and facilitating digital change.

Figure 3: Finland Sector Contribution to GVA (%), 2021



Source: Euromonitor, 2022

2) Trade

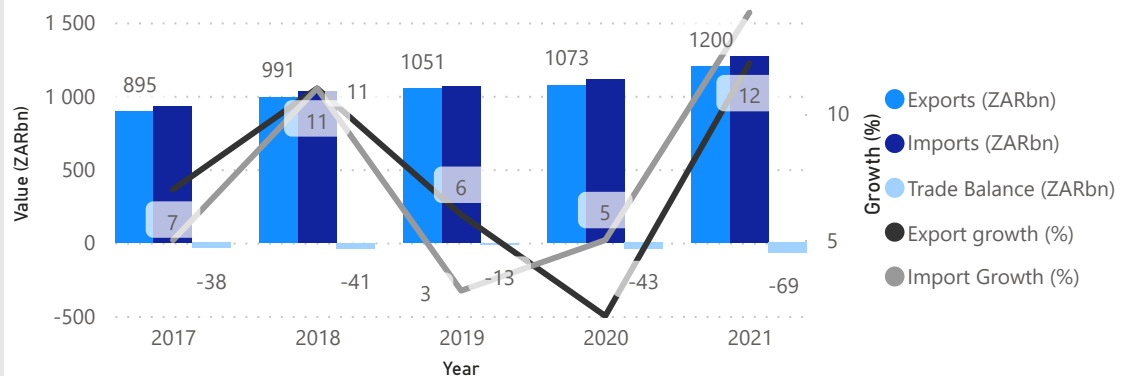
2.1) Finland's Global Merchandise Trade

Despite challenging global economic conditions, Finland has consistently recorded higher trade flows in recent years.

Export receipts rose at an average annual rate of 7.9% from ZAR895bn in 2017 to ZAR1.2tr in 2021, while imports grew at an average of 7.9% per annum - increasing from a cost of ZAR932bn from 2017 to ZAR1.27tr in 2021.

Finland's exports increased by 12% y-o-y in 2021, while imports spiked by 14%, widening the trade deficit to ZAR68.87bn in 2021, from a shortfall of ZAR43.49bn recorded in 2020.

Figure 4: Finland Trade with Globe, 2017-2021



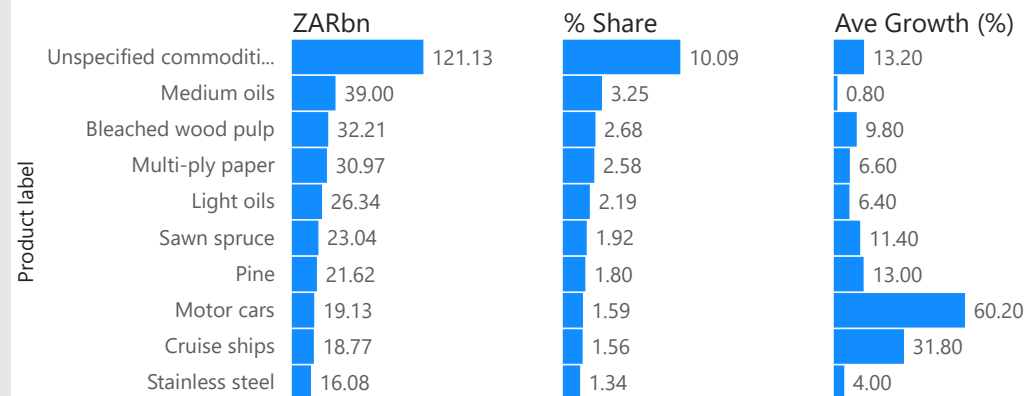
Source: Trademap, 2022

Finland's export basket is relatively diverse, as indicated in figure 5 alongside.

A large part of Finland's exports were unspecified commodities, which held a 10.09% share of its total exports in 2021 and grew at an average annual rate of 13.20% from 2017 to 2021. Many of these unspecified commodities were exported to unspecified areas, which is usually the case where the value of trade is low or where the importer was unknown.

With a combined share of 5.93% and export value of ZAR71.21bn, medium oils and bleached wood pulp were the country's second and third largest exports.

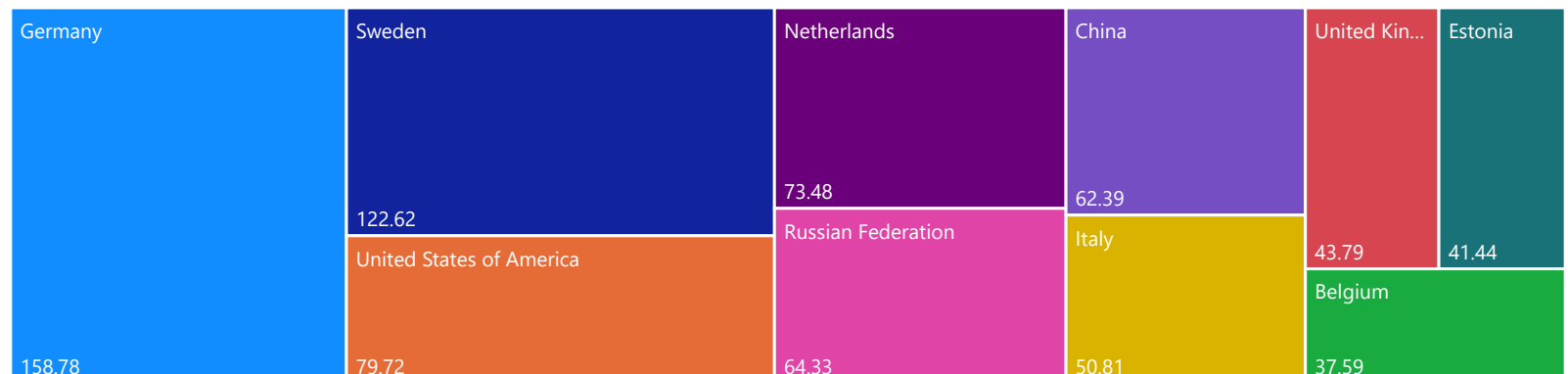
Figure 5: Finland Top Export Products, 2021: (Average Growth: 2017-2021)



Source: Trademap, 2022

Good relations between Germany and Finland are long-standing so much so that the close economic, political and cultural ties, along with both countries maintaining EU membership status, translated in Germany becoming Finland's most important trading partner in 2021. Finnish exports to Germany reached ZAR158.78bn in 2021, with the export of motor cars, paper products and flat-rolled stainless-steel products toppling the list. Sweden, USA, the Netherlands and Russia completed the top five export markets for Finnish products in 2021. With a combined export receipt of ZAR340.15bn, these four markets accounted for nearly 30% of Finnish exports in 2021, with exports such as refined petroleum oils to Sweden or instruments used surgical or dental sciences to the USA toppling the list.

Figure 6: Finland Top Export Markets (ZARbn), 2021



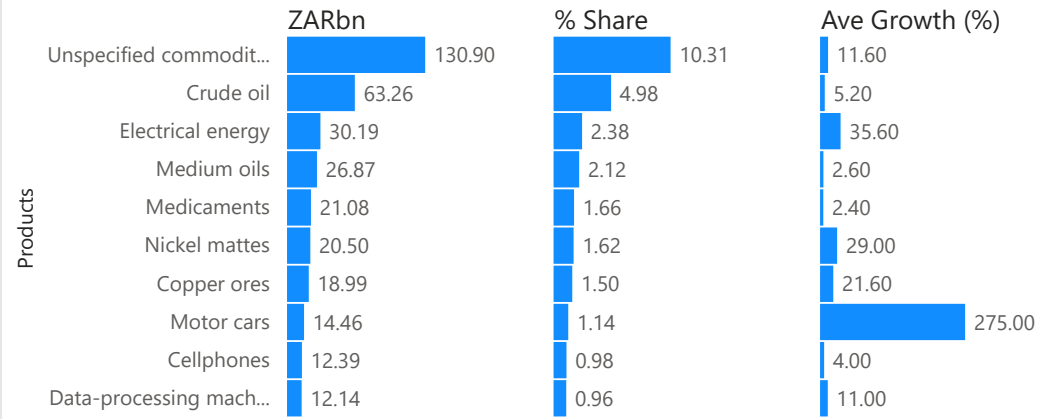
Source: Trademap, 2022

A large proportion of Finland's imports (10.31%) are unspecified commodities, with Germany, Russia and Sweden ranking as its top three import source markets and supplying 32% of unspecified commodities. Crude oil and electrical energy ranked as the countries second and third largest imports, collectively accounting for nearly 7.5% of total imports in 2021.

With an import share of nearly 80%, Russia was by far its largest supplier of crude oil, followed by Norway which held an 18.2% share of the Finnish market.

Finnish imports of motor cars grew at an average annual rate of 275% over the last five years, with Germany and Sweden as its two main suppliers.

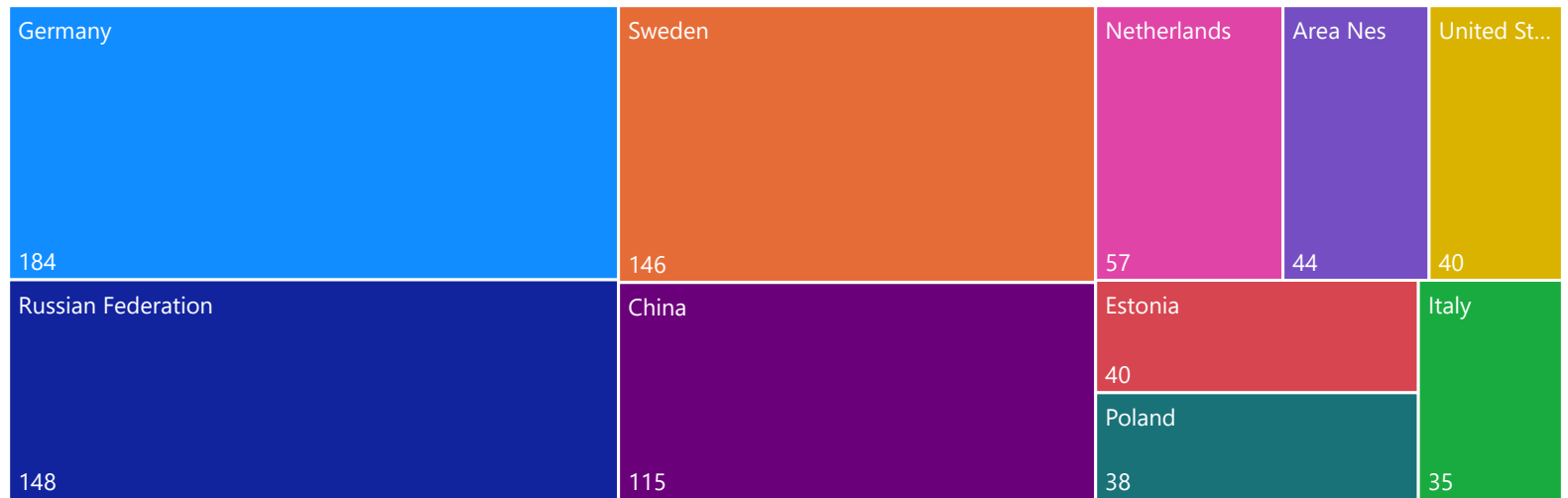
Figure 7: Finland Top Import Products, 2021: (Average growth: 2017-2021)



Source: Trademap, 2022

Finland's top five import markets have remained relatively constant over the past five years. Germany, as its most important trading partner, held the largest import share of 15%, which reached a total import cost of ZAR184bn in 2021. Finland imports motor cars and parts from Germany, accounting for around 20% of its imports in 2021, while imports from Russia - the country's second largest import source market - was largely in the oil and gas sector. Sweden, the country's third largest import market, was a large supplier of refined petroleum oils and electrical energy, while cellular phones and automatic data-processing machines were mostly imported from China.

Figure 8: Finland Top Import Markets (ZARbn), 2021



Source: Trademap, 2022

2.2) Trade Agreements and developments

"Finland has been a member of the World Trade Organization (WTO) since its foundation in 1995. The WTO creates binding agreements that set a regulatory basis for international trade. Finland's membership in the WTO enables them to make use of the multilateral trade system. Finland is a member of the Preferential Trade Agreements (PTAS) and Regional Trade Agreements (RTAS). Additionally, Finland is a member of the Agreement on Government Procurement (GPA) and the Informational Technology Agreement (ITA)".

Source: ITA, 2022

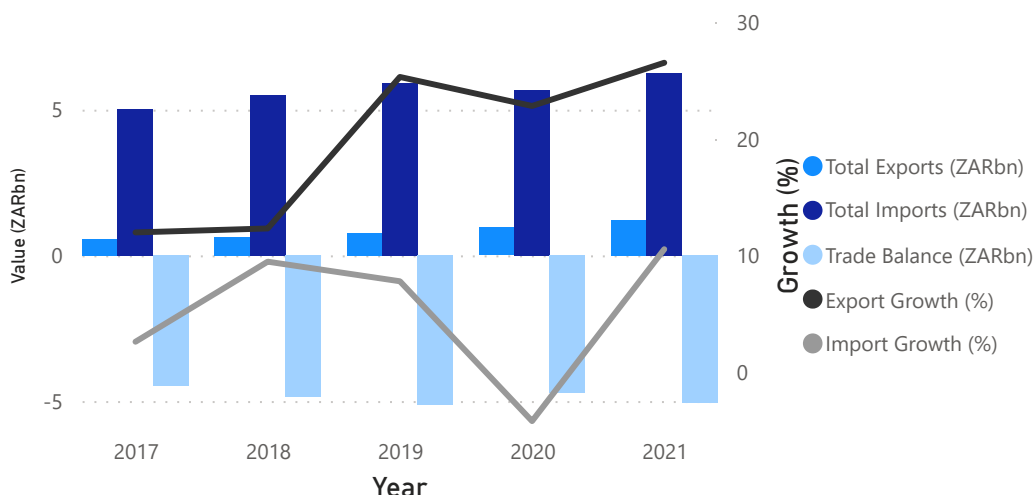
2.3) Bilateral Trade: South Africa and Finland

South Africa has seen a steady increase in its exports to Finland in recent years, with export receipts rising from a value of ZAR0.56bn in 2017 to ZAR1.21bn in 2021; an increase of 116% over this period. Finland was South Africa's 75th largest export market in 2021.

Although import costs were nearly five times that of exports receipts, import growth was relatively less robust over the review period, increasing from ZAR5.02bn in 2017 to ZAR6.27bn in 2021 (25% growth). Finland was South Africa's 40th largest import market in 2021.

Of interest was the 22.82% y-o-y increase in South Africa's export receipts with Finland in 2020 despite the global pandemic; a notable contrast to the softening of imports seen in 2020.

Figure 9: SA Trade with Finland, 2017-2021

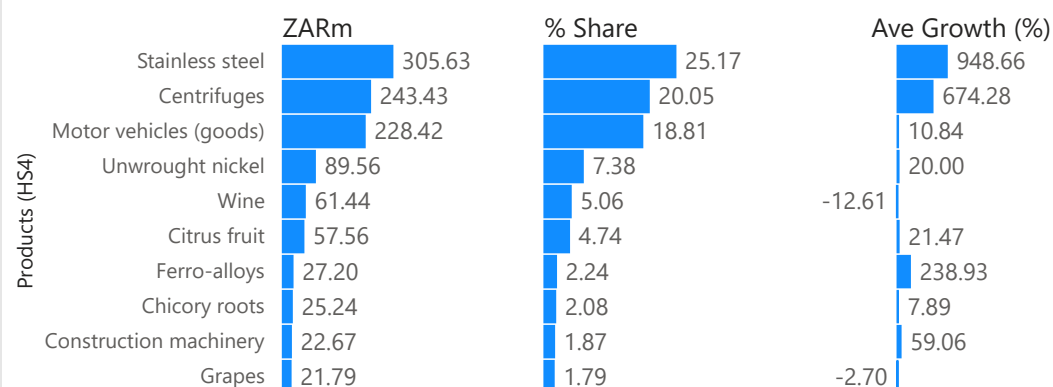


Source: Quantec, 2022

South Africa's top three exports to Finland accounted for nearly 65% of the top 10 exports to the country in 2021.

With an export value of ZAR305.63m and a share of 25.17%, stainless steel was the leading export to Finland in 2021. South Africa was the fourth largest source market for stainless steel into Finland in 2021. Of interest is that fact that South Africa's stainless steel exports to Finland grew at average annual rate of 948.66% over the five years from 2017 to 2021, mostly due to a spike in stainless steel exports in 2019 (3967%) and 2021 (546%). Other notable exports were centrifuges, which grew at 674% per annum, while ferro-alloys grew at 234% over the reviewed period.

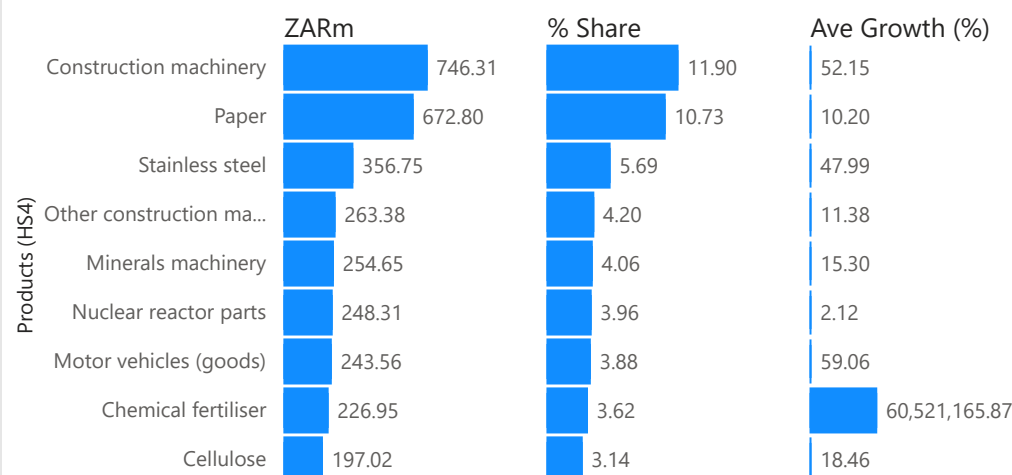
Figure 10: SA Top Exports to Finland, 2021: (Average Growth: 2017-2021)



Source: Quantec, 2022

South Africa's imports from Finland were predominantly in construction machinery (such as moving, grading and excavating machinery); and paper (and paperboard). With a collective cost of ZAR1.42bn, these two imports accounted for 23% of total imports from Finland in 2021. The exceptionally high average growth in chemical fertilizers was largely due to a spike in imports of this product in 2021, where it leaped from nearly no imports in 2020 to ZAR227m in 2021, surpassing the likes of France and Spain to become the fourth largest supplier of chemical fertilizers in South Africa in 2021. A reason for the diversification of import partners could be the result of surging global fertilizer prices in 2021, and importers may have found it cost-effective to have purchased from Finland.

Figure 11: SA Top Imports from Finland, 2021: (Average Growth: 2017-2021)



Source: Quantec, 2022

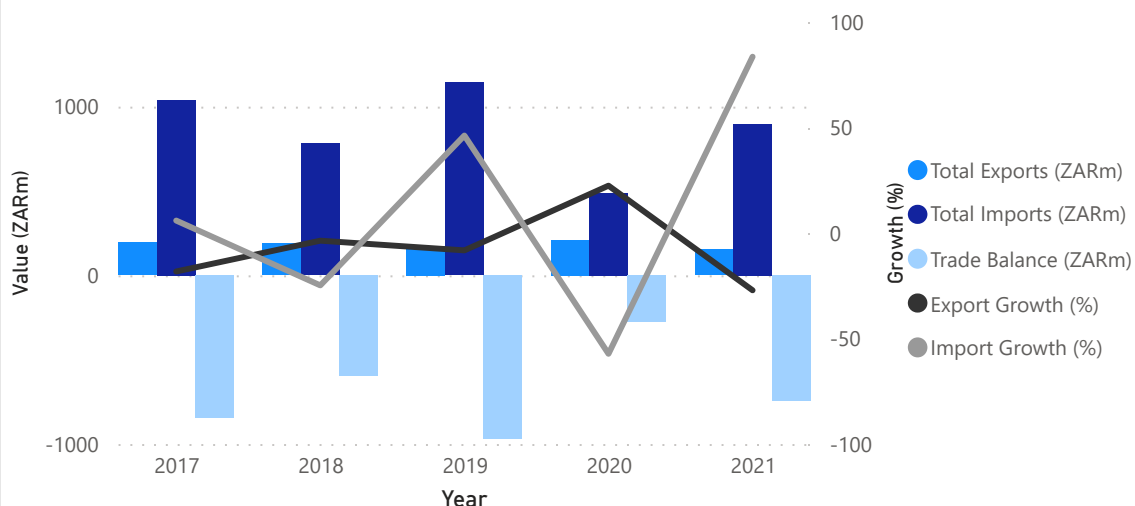
2.4) Bilateral Trade: Western Cape and Finland

The Western Cape has consistently recorded a trade deficit with Finland in recent years.

In 2019 Western Cape imports from Finland were more than six times the value of its exports to the European country. That said, this trade deficit narrowed sharply in 2020 as cross-border trade flows dried up as Covid-19 took hold, resulting in imports falling by 57% y-o-y.

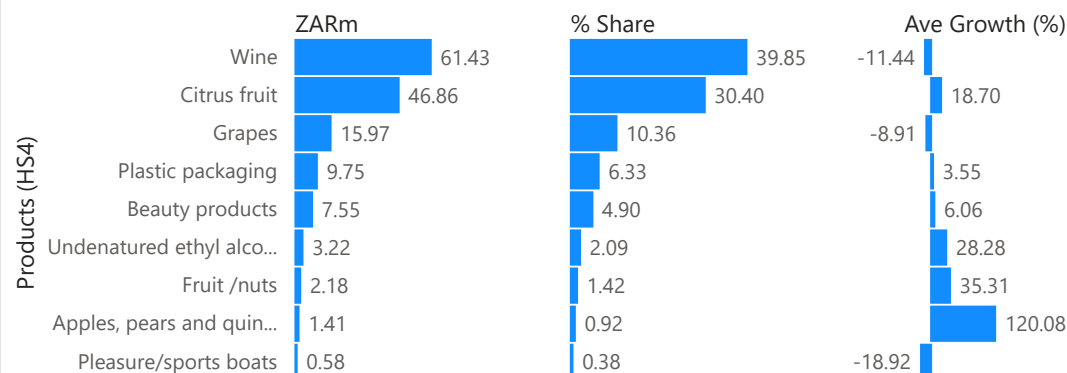
The Western Cape's imports from Finland recovered by 83.68% y-o-y to an associated cost of ZAR899m in 2021, positioning Finland as the province's 38th largest import market. In contrast, local exports to Finland declined by 27% y-o-y to ZAR154m in 2021 - making Finland its 76th largest export market in 2021.

Figure 12: WC Trade with Finland, 2017-2021



Source: Quantec, 2022

Figure 13: WC Top Exports to Finland, 2021: (Average Growth : 2017-2021)



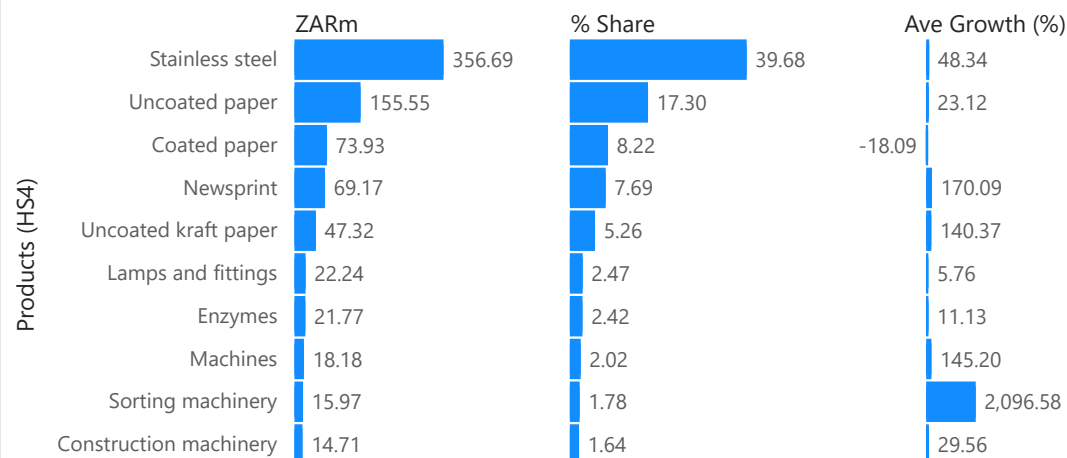
Source: Quantec, 2022

Agricultural products dominated the Western Cape's export basket to Finland, with 7 out of the 10 export products rooted in the agribusiness sector. Wine and citrus fruits dominated, accounting for a collective 70% share of exports to Finland at a value of ZAR108.29m in 2021.

South Africa was the eighth largest supplier of wine, and the second largest exporter of citrus fruit into Finland in 2021.

South Africa was also Finland's largest supplier of grapes in 2021, with over 70% of this originating from the Western Cape.

Figure 14: WC Top Imports from Finland, 2021: (Average Growth: 2017-2021)



Source: Quantec, 2022

South Africa was Finland's most important trading partner in Sub-Saharan Africa, with the Western Cape accounting for 14% of Finnish imports into South Africa. Western Cape imports of stainless-steel products dominated the import basket, accounting for nearly 40% of imports at an import cost of ZAR357m in 2021. Nearly 100% of stainless-steel imports from Finland were destined for the Western Cape, with the province a key destination market for Finnish flat-rolled stainless-steel products.

Paper imports (coated and uncoated) accounted for a quarter of Western Cape imports from Finland in 2021, with the latter growing at a robust average annual rate of 23% from 2017 to 2021.

3) Foreign Direct Investment

3.1) FDI into Finland

Over the period 2010 to 2021, 1,324 global companies invested in 1,536 capital projects into Finland with a capex value of ZAR398.89bn. These projects created 53,053 Finnish jobs.

Over the last decade, foreign investment in Finland averaged ZAR34bn per annum before spiking to ZAR76.12bn in 2016, underpinned by aggressive investment from China and the USA into Finland's communications and consumer electronics sector. Despite challenging global economic conditions, FDI recovered strongly in 2021.

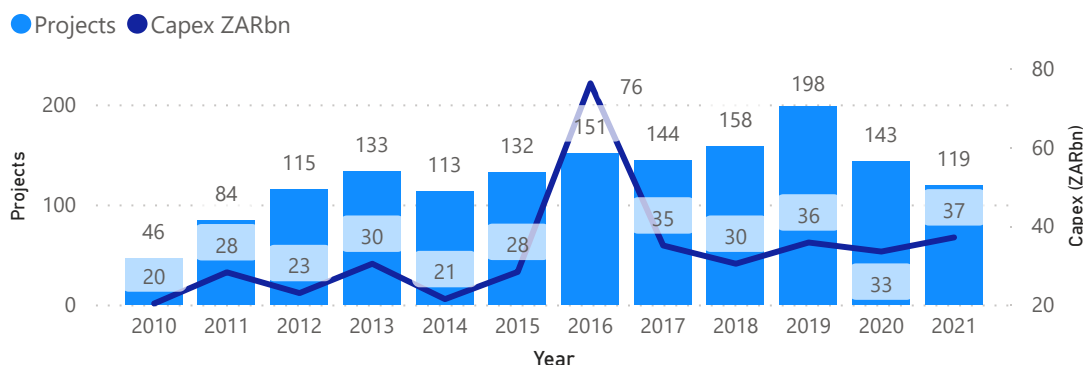
Sweden, the USA and Germany were the top three source markets for FDI flows into Finland over the period 2010 to 2021. These three markets accounted for 45% of capex and 45% of capital projects into Finland over the reviewed period. Sweden emerged as the country's top foreign investor, investing nearly twice the number of projects as the US at about the same accumulative capex value of ZAR60bn. Business services (59 projects), software and IT services (55 projects), and consumer products (36 projects) were the top three sectors for Swedish investment into Finland, while consumer products and communications sectors attracted the majority of Swedish foreign expenditure at around ZAR23.6bn or 40% of capex.

When asked why Swedish companies preferred the Finnish market, domestic market growth and proximity to customers were cited as the main motivations.

With green energy and communications of increasing importance as the European Green Deal comes into effect, an increasing share of inward FDI (as measured by capex) has been directed to Finland's communications and renewable energy sector, with each attracting capex worth ZAR52bn over the last 12 years.

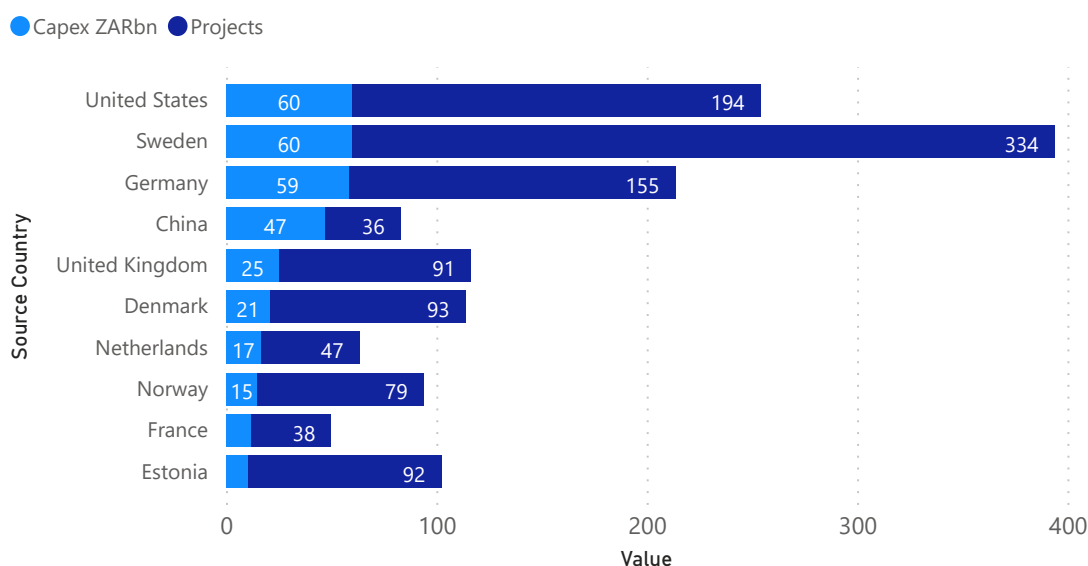
However, when considering the frequency of projects as a means of continuous investment, the software and IT services sector had the highest number of projects at 227, followed by the business services sector with 221 projects. The USA was the largest investor of capital projects into the software and IT services sector into Finland, with 60 projects at a capex of ZAR17.6bn, while Sweden was the dominant investor into Finland's business services sector - with 59 projects reaching a total capex of ZAR3.3bn over the period 2010 to 2021.

Figure 15: FDI into Finland, 2010-2021



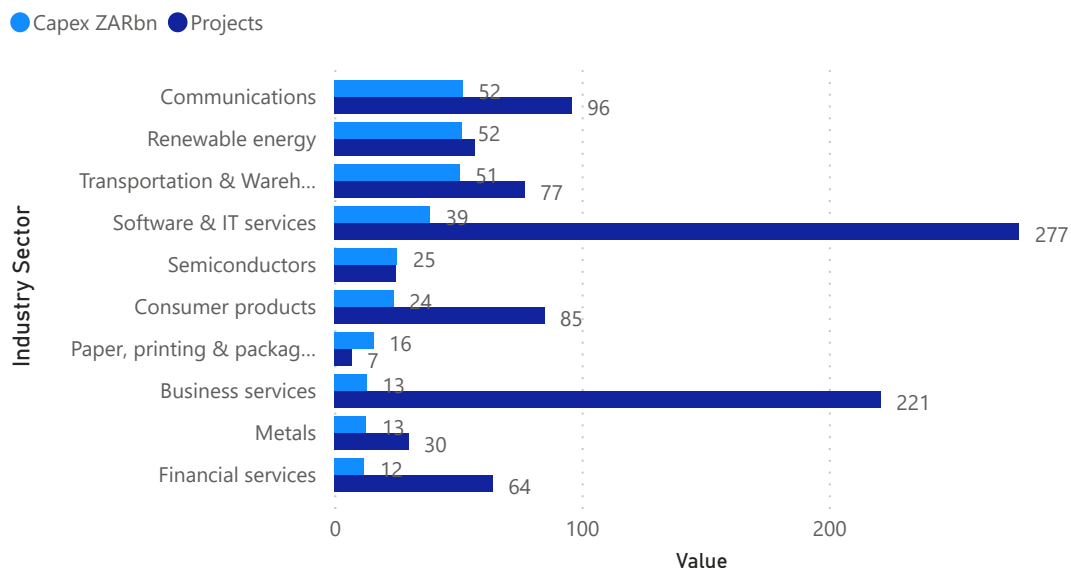
Source: FDI Markets, 2022

Figure 16: FDI into Finland by Source Markets, 2010-2021



Source: FDI Markets, 2022

Figure 17: FDI into Finland by Sector, 2010-2021



Source: FDI Markets, 2022

3.2) OFDI From Finland to the Globe

Finland's total outward Foreign Direct Investment (OFDI) in terms of capex was more than twice the value of its inward FDI over the last 12 years. The country invested in 1,748 projects globally with a total capex of ZAR933.46bn, creating 200,140 jobs

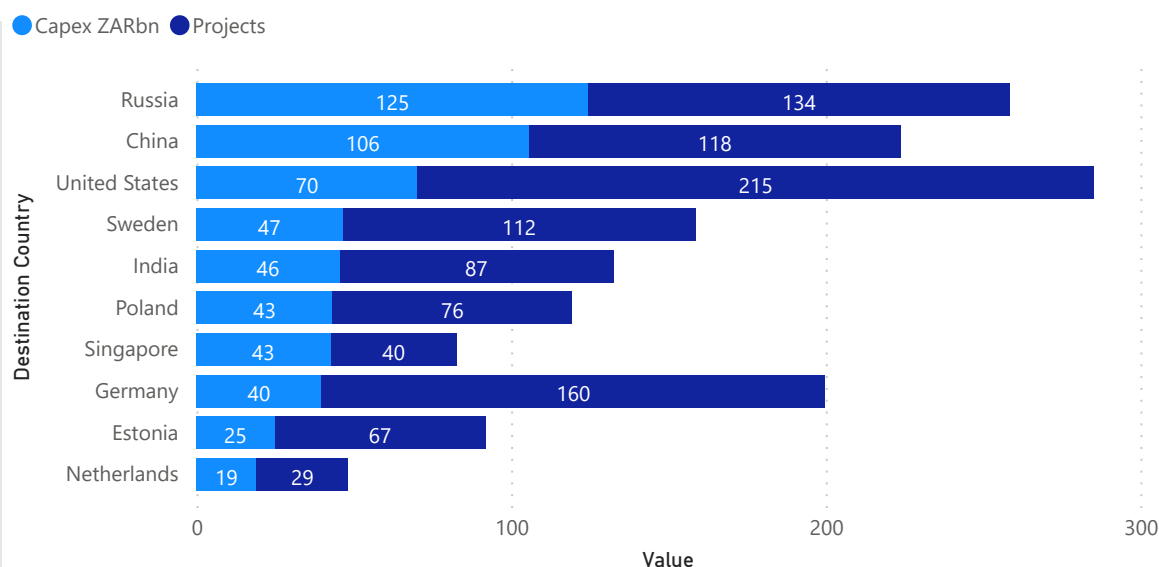
Both capital expenditure and projects remained relatively stable over the last 12 years, albeit plunging to nearly half its value during the Covid-19 pandemic in 2020. Although FDI flows from Finland showed little signs of recovery in 2021, funding from the EU's Recovery and Resilience Plan is expected to boost foreign investment from Finland over the period 2022 to 2026.

Figure 18: Trend in OFDI from Finland, 2010-2021



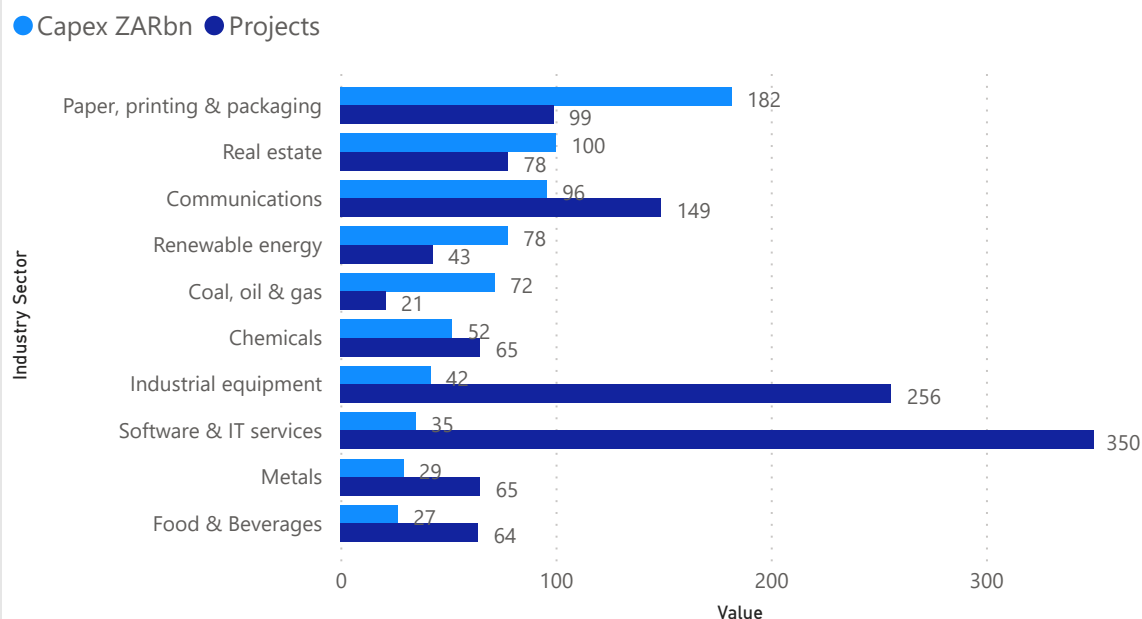
Source: FDI Markets, 2022

Figure 19: OFDI from Finland by Destination Market, 2010-2021



Source: FDI Markets, 2022

Figure 20: OFDI from Finland by Top Sectors, 2010-2021



Source: FDI Markets, 2022

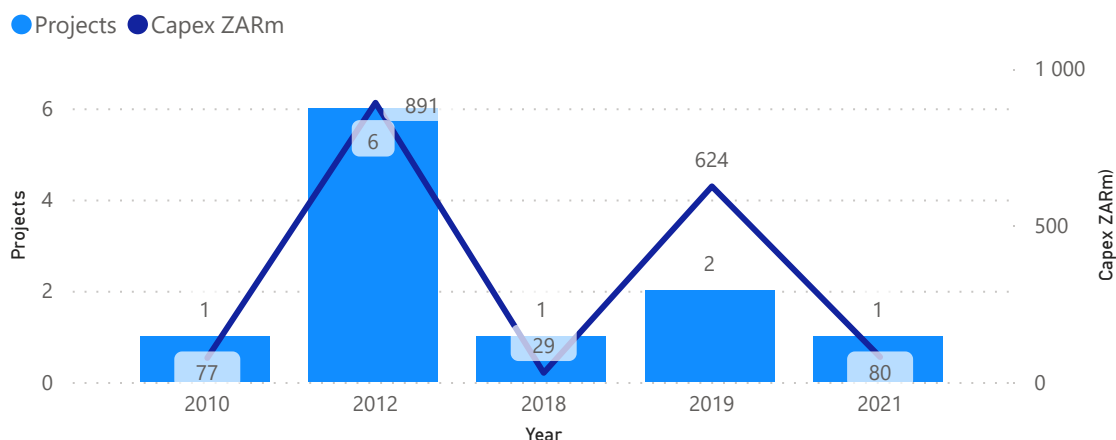
Russia, China and the US were key recipients of (outward) FDI capex from Finland over the period 2010 to 2021, accounting for approximately 32% of capex and 27% of projects over this period. Real estate was the leading sector for Finnish investment into Russia, while industrial equipment (in terms of projects) and paper, printing and packaging (in terms of capex) were the leading sectors invested into China. In terms of capital project investments, the US was the leading sector for investment (as measured by number of projects) attracting 215 Finnish projects with the majority of these directed to the software and IT services sector.

The paper, printing and packaging (PPP) sector was the preferred sector of choice for Finnish investments abroad. This sector reached a total cumulative capex of ZAR182bn over the period 2010 to 2021, with 99 investment projects registered over the reviewed period. Uruguay was the leading destination market for PPP investments, reaching a capex of ZAR107bn, through only three PPP projects. The software and IT services, and industrial equipment sectors were key recurring project investors, investing 350 and 256 projects respectively over the reviewed period. The US was the leading recipient of software investment projects from Finland, with 71 projects. Proximity to markets and customers and industry clusters were among the top two reasons for this investment into the US.

3.3) Bilateral FDI: Finland into South Africa

Out of the 1,748 capital projects originating from Finland to the globe, 11 were destined for South Africa. This equates to 0.6% of Finnish projects, worldwide. Overall, these 11 projects reached a capex value of ZAR1.7bn and created 463 jobs. Capital projects and capital expenditure peaked in 2012, where six projects were invested at a total capex of ZAR891m. Four out of these six projects were invested in the industrial equipment sector (with a capex of ZAR178m), while one project each were invested into the chemicals (capex of ZAR518m) and communications (ZAR195m) sectors, respectively.

Figure 21: FDI from Finland into SA, 2010-2021

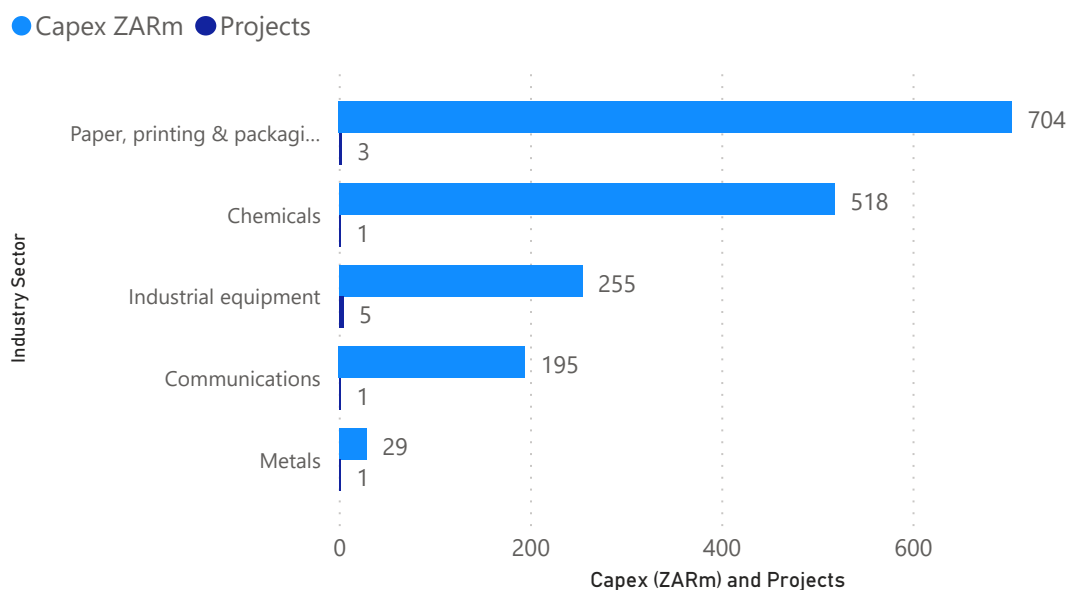


Source: FDI Markets, 2022

Of Finland's ZAR1.7bn capital outlay into South Africa, the paper, printing and packaging sector dominated, accounting for 41% of capex into South Africa, while the chemicals (30%), and industrial equipment (15%) followed.

Gauteng and Kwa-Zulu Natal were the only two South African provinces to receive investment into the paper, printing and packaging sector. The industrial equipment sector was also a key recipient for FDI projects, securing five out of the 11 projects over the reviewed period, with Cape Town, Durban, Gqeberha, Johannesburg and Secunda each securing one industrial project.

Figure 22: FDI from Finland into SA by Sectors, 2010-2021



Source: FDI Markets, 2022

Figure 23 alongside shows the top 10 Finnish companies (by capex) investing into SA over the period 2010 to 2021. UPM Raflatac invested two projects into SA's paper, printing and packaging sector, with a total capex value of ZAR624.98m creating 54 jobs over the period under review.

Other noteworthy Finnish companies were Normet (with two projects reaching ZAR562.98m); Normet Africa (1 project reaching ZAR518.49m); and Tramigo, which invested one project in South Africa's communications sector to reach a total capital outlay of ZAR194.82m.

Figure 23: Finnish Companies Investing in SA, 2010-2021

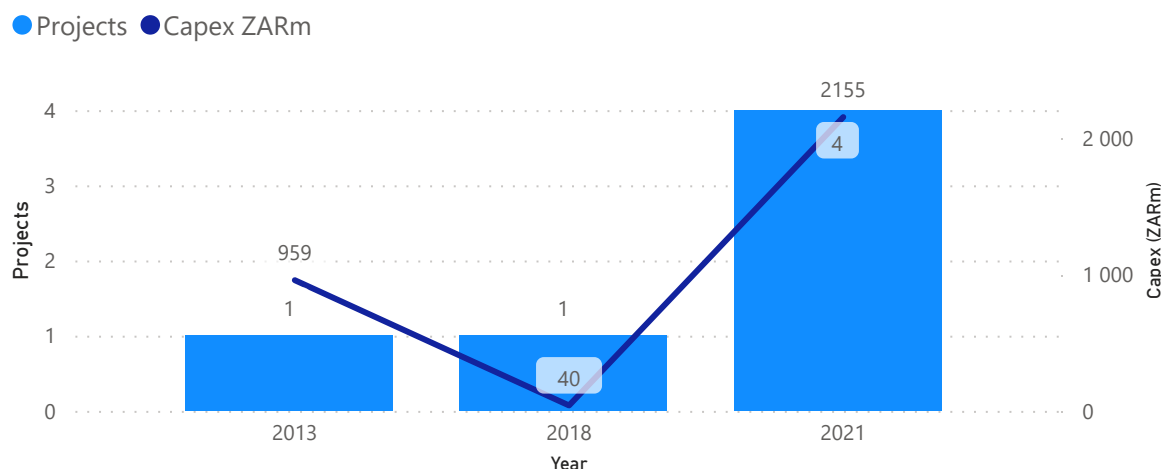
Company name	#Projects	Capex ZARm	Total jobs	Primary sector
UPM Raflatac	2	624.34	54	Paper, printing & packaging
Normet	2	562.98	166	Industrial equipment
Normet Africa	1	518.49	149	Chemicals
Tramigo	1	194.82	142	Communications
KCI Konecranes	3	133.46	36	Industrial equipment
Huhtamaki	1	79.77	30	Paper, printing & packaging
Peikko	1	29.15	8	Metals
Total	11	2 143.01	585	

Source: FDI Markets, 2022

3.4) Bilateral FDI: South Africa into Finland

South African FDI into Finland was relatively less robust in terms of projects, with a total of six projects invested, but more robust in terms of capex, at a value of ZAR3.2bn invested. This capital outlay created 200 Finnish jobs over the reviewed period from 2010 to 2021. Interestingly, the majority of these greenfield investments occurred recently, with four out of the six projects invested in 2021. These four projects collectively accounted for 68% of South Africa's capex into Finland. Five of these six projects originated from Gauteng, while one project was invested from Kwa-Zulu Natal.

Figure 24: FDI from SA into Finland, 2010-2021

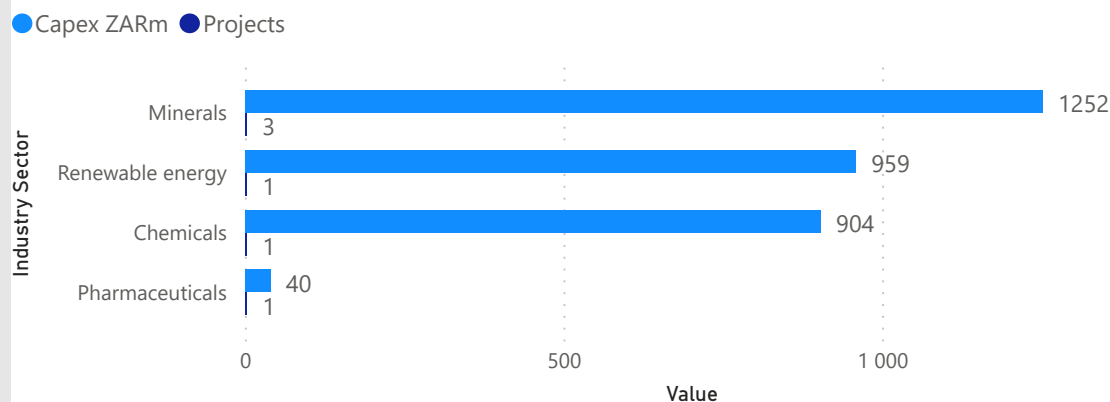


Source: FDI Markets, 2022

The minerals sector was the largest recipient of South African investment into Finland, attracting three out of the six projects with a capital expenditure of ZAR1.25bn, or 40% of capex.

The renewable energy, and chemicals sectors were also sectors of choice as indicated in figure 25 alongside. All three mineral projects occurred in 2021, and were sourced from Gauteng. The destination city in Finland was unspecified.

Figure 25: FDI from SA into Finland by Sector, 2010-2021



Source: FDI Markets, 2022

Sibanye was the largest investor from South Africa into Finland over the last 12 years, investing four projects into Finland's minerals sector, with a total capital expenditure of ZAR2.2bn and creating 176 Finnish jobs.

Figure 26: SA Companies Investing into Finland, 2010-2021

Company name	#Projects	Capex ZARm	Total jobs	Primary sector
Sibanye-Stillwater	4	2 155.27	176	Minerals
Sappi	1	958.10	12	Paper, printing & packaging
Aspen Pharmacare Holdings	1	39.88	12	Pharmaceuticals
Total	6		200	

Source: FDI Markets, 2022

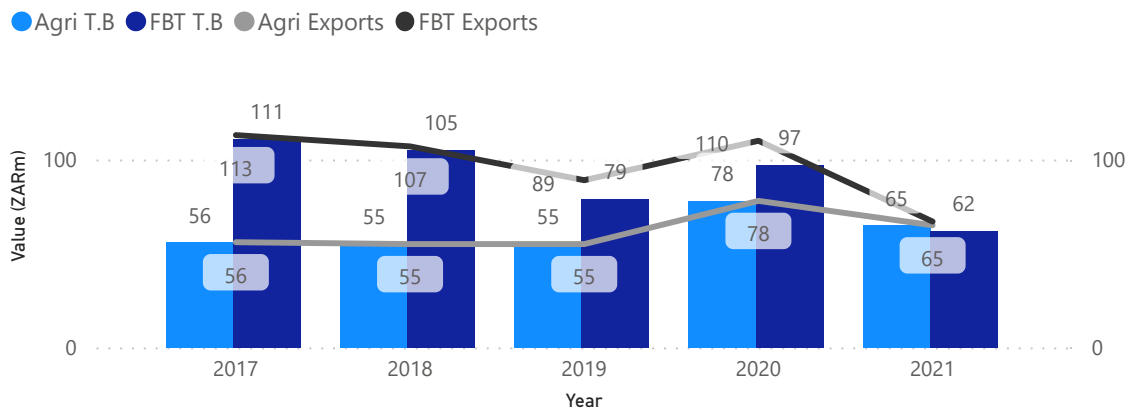
3.5) Bilateral FDI: Finland and the Western Cape

Finland invested one project into the Western Cape's industrial equipment sector in December 2012, which reached a total capex of ZAR44.5m and created 12 jobs. There were no investments from the Western Cape into Finland over the reviewed period, from 2010 to 2021.

4) Western Cape Agribusiness Trade with Finland

The Western Cape was a net exporter of both primary agricultural products and agri-processed (food, beverage and tobacco) products to Finland over the last five years. Overall, primary agricultural exports increased from ZAR56m in 2017 to ZAR65m by 2021, while agri-processing exports declined by 40% from ZAR113m in 2017 to ZAR65m in 2021. This has led to a widening of the agri trade balance from ZAR56m in 2017 to ZAR65m in 2021, while the agri-processing trade balance narrowed by 44% from ZAR111m in 2017 to ZAR62m by the end of 2021.

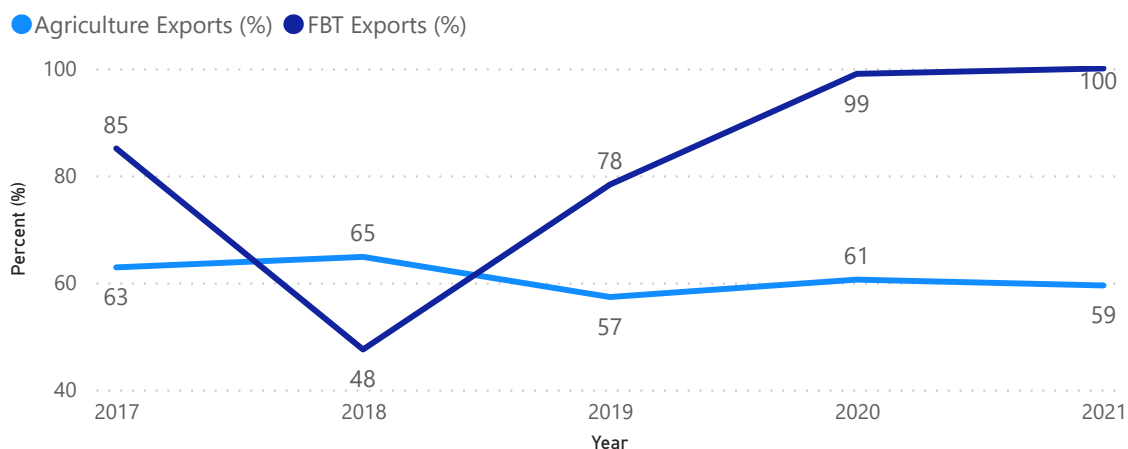
Figure 27: WC Agriculture and FBT Trade with Finland, 2017-2021



Source: Quantec, 2022

The Western Cape accounted for the majority of South Africa's agribusiness exports to Finland, accounting for an average annual share of 61% of primary agricultural exports and 82% of agri-processing exports to the said country over the period 2017 to 2021. What is of particular interest is the Western Cape's share of agri-processing exports, which exponentially increased from 48% in 2018 to nearly 100% by 2021. This was on account of Finland's fast-rising demand for wine, grapes and citrus, which are predominantly produced by and exported from the Western Cape.

Figure 28: WC Share of National Agri and FBT exports to Finland, 2017-2021



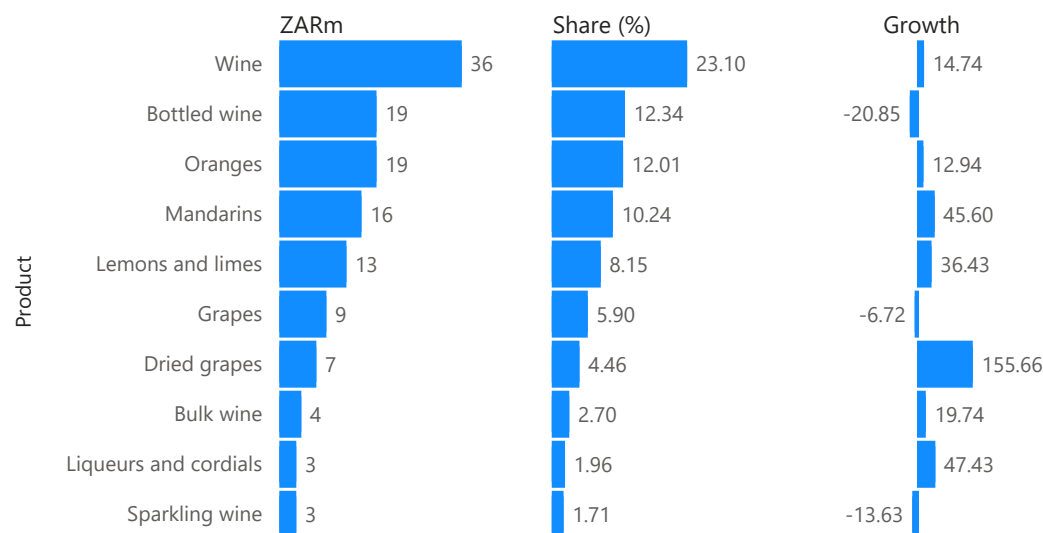
Source: Quantec, 2022

Figure 29 shows the Western Cape's top agribusiness products exported to Finland at an HS6 level tariff code.

Grapes were the largest agricultural export at an export value of ZAR36m (or 23.10%) in 2021, with an average annual growth rate of 14.74% from 2017 to 2021. Other noteworthy agricultural exports were bottled wine (ZAR19m) and oranges (ZAR19m), which grew at an average rate of -20.58% and 12.94% per annum, respectively, from 2017 to 2021.

Out of the top 10 agricultural exports to Finland, dried grapes grew at the highest average annual rate of 155.66% over the period under review.

Figure 29: Top Agri Exports from WC to Finland, 2021: (Average Growth: 2017-2021)



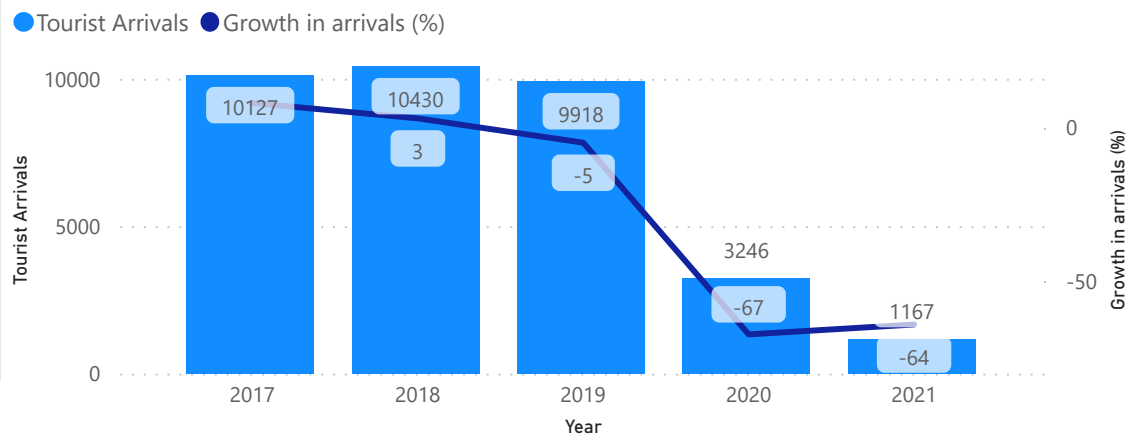
Source: Quantec, 2022

5) Tourism: South Africa and Western Cape Tourism Flows with Finland

Over the last six years, the highest (10,430) proportion of tourist arrivals to South Africa from Finland were received in 2018. A y-o-y increase of 3% when compared to 2017 arrivals.

Finland ranked in the 10th position among European source markets to both South Africa and the Western Cape.

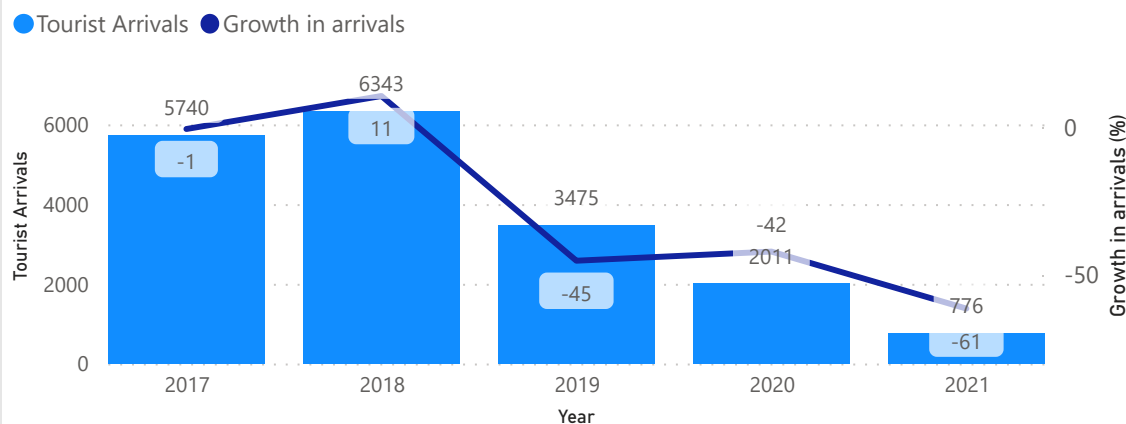
Figure 30: Finnish Tourist Arrivals to SA, 2017-2021



Source: South African Tourism, 2022

Pre-Covid 19, Finland tourist arrivals to the Western Cape recorded the highest volume of tourists in 2018 (6,343), a positive y-o-y increase of 11% when compared to the 5,740 tourists welcomed in 2017.

Figure 31: Finnish Tourist Arrivals to WC, 2017-2021

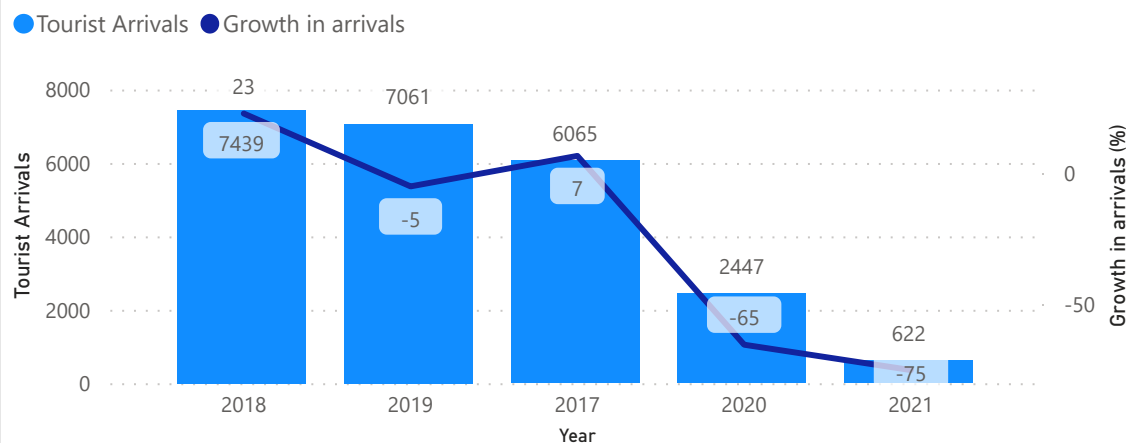


Source: South African Tourism, 2022

When observing the movement of Finland passengers through the Cape Town International Airport, a consecutive y-o-y growth was recorded between 2016 and 2018, reaching its peak of over 7,000 passenger arrivals in the year 2018 as well as into the year 2019.

Tourist arrivals have fallen sharply in recent years with this likely being a direct result of Covid-19 and the impact thereof.

Figure 32: Finnish Passenger Movement Through CTIA, 2017-2021



Source: StatsSA, 2022

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