

Economic situation and outlook 2/2006

ELECTRONICS AND ELECTROTECHNICS INDUSTRY • MECHANICAL ENGINEERING INDUSTRY • METALS INDUSTRY

GLOBAL ECONOMIC OUTLOOK

Growth keeps rolling – overshadowed by rising raw material prices and deficit problems

The global economy is estimated to grow this year at roughly the same rate as last year: four per cent. A further positive factor is that growth will rest regionally on a firmer foundation than in 2005. This is indicated by an improvement in indicators of growth expectations in a number of countries in western Europe and Japan. Even if expectations do not pan out, in any event they point to a quickening in growth in these countries, at least to some extent.

Spiralling prices of oil, metals and other raw materials in recent weeks can nevertheless exert a drag on global economic growth towards the end of the year. The United States' ever-worsening current account deficit likewise poses a risk for the stability of the global economy.

There have been high expectations of an uptick in economic growth in **Western Europe** in recent months. Most significantly, optimism on the part of industry, construction and consumers has improved in Germany. With expectations on the rise, the European Central Bank has already hiked its main lending rates twice, though inflation has remained moderate. According to the latest estimates, eurozone GDP growth will accel-

erate to two per cent this year. Growth will be driven mainly by industrial output and capital investment. No pick-up is foreseen in private consumption growth, however, and inflation will hold steady at around two per cent. The rise in market interest rates brought about by the ECB is likely to choke off incipient growth.

In Central and Eastern Europe, the trend has been somewhat dual over the past months. All in all, GDP is estimated to grow this year as fast as last year, at a rate of 5–6 per cent. In Russia, private consumption and fixed investment are increasing again at a pace of about 10 per cent. The country's favourable economic trend is bolstered by hefty surpluses in both the current account balance and in central government finances. Inflation is nonetheless the highest in the region, along with Ukraine. On the other hand, speculation against currencies, especially in Hungary and Turkey, has increased in recent months owing to current account deficits.

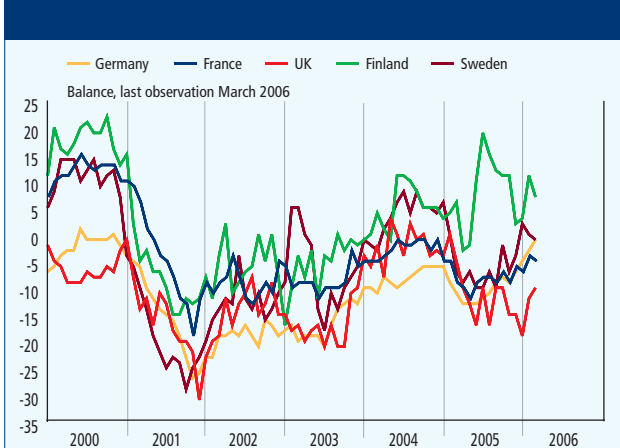
The cyclical upswing in the **United States'** economy is forecast to have peaked. In a key position are households, whose indebtedness has to some extent cooled down the hous-

ing market and the brisk growth in consumption. GDP growth already slowed down last year by just under a percentage point compared with the previous year, and it is estimated to slow further this year. Total output is nevertheless set to increase by just over 3 per cent this year, with corporate investment up by 8 per cent and industrial output by 4 per cent.

In Asia, the economies of China and India have grown at a faster rate than expected in the early part of the year. GDP growth in India will probably come in this year at close to China's 10 per cent rate. In Japan, total output is forecast to increase by nearly 3 per cent, led by corporate investment and industrial output. Private consumption, however, is not estimated to accelerate any further. In the other countries of Asia, GDP will probably grow at a rate of 4–6 per cent this year, most buoyantly in Singapore, Malaysia, Indonesia and South Korea.

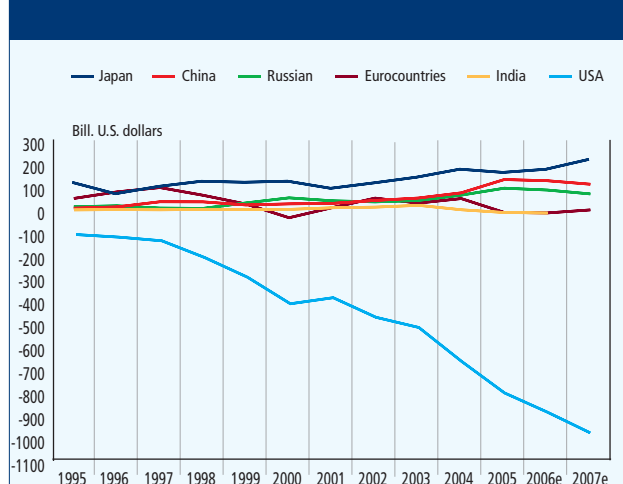
GDP growth in **South and Central America** is estimated to grow this year, all in all, at the 4 per cent rate seen last year. Growth is forecast to be the fastest in Argentina, Chile and Venezuela. In Brazil, growth slowed markedly last year, but it is estimated to rebound in the course of this year.

Industrial confidence indicator* for EU countries



Source: EU Commission, Business and Consumer Surveys, March 2006

Current account balance in some countries



Source: OECD, Consensus Economics

TECHNOLOGY INDUSTRIES IN FINLAND

Next few months: higher turnover than a year ago

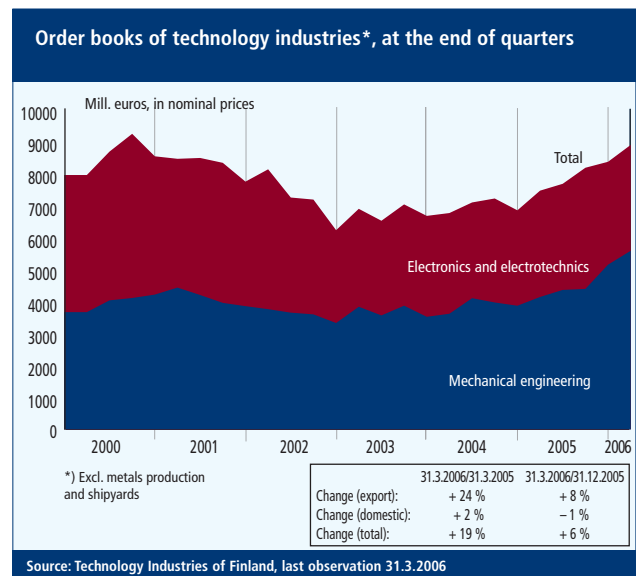
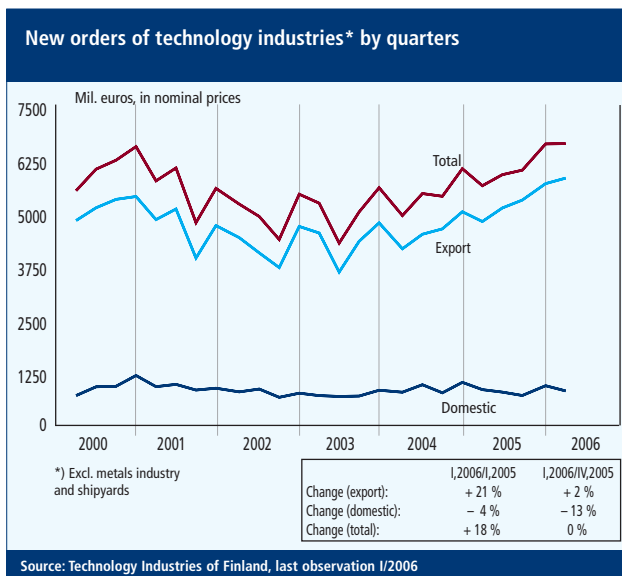
Companies in the technology industry in Finland reported an increase in aggregate turnover, in euro terms, of 7 per cent compared with 2004. Turnover in the early part of the year was also greater than at the same time a year ago.

The order book survey made by Technology Industries of Finland reports that Finnish companies (excluding shipbuilding companies)

received 18 per cent more orders in January–March, in euro terms, than in the same period of 2005, but about the same amount as in October–December of last year. At the end of March, the value of order books was 19 per cent greater than at the same time a year earlier and 6 per cent greater than at the end of December of last year.

By the end of March, 68 per cent of companies had more orders than they had at the end of December, whereas 28 per cent had less orders and 4 per cent the same amount.

Judging from order trends in recent months, the turnover of companies in the technology industry is estimated to be higher over the next few months than in the same period of last year.



ELECTRONICS AND ELECTROTECHNICS INDUSTRY

First-quarter order books on a par with last year but on an upward trend

The turnover of companies in the electronics and electrotechnics industry in Finland grew by 7 per cent last year, in euro terms, compared with 2004. Turnover in the first part of the year was also up on the same period a year earlier. In January, the value of exports of telecommunications equipment, electrical machinery and instruments was up 8 per cent on the same period of last year.

According to the order book survey made by Technology Industries of

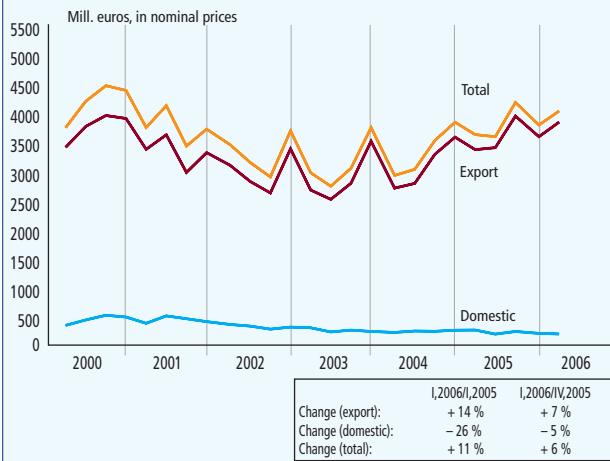
Finland, companies in the electronics and electrotechnics industry in Finland booked 11 per cent more orders in January–March, in euro terms, than in the corresponding period of 2005, and 6 per cent more than in October–December of last year. At the end of March, the value of order books was at the same level as a year ago, but 3 per cent greater than at the end of December of last year.

At the end of March, 71 per cent of companies in the sector had a larger

number of orders than they did at the end of December 2005, whereas 23 per cent had less orders and 6 per cent the same amount.

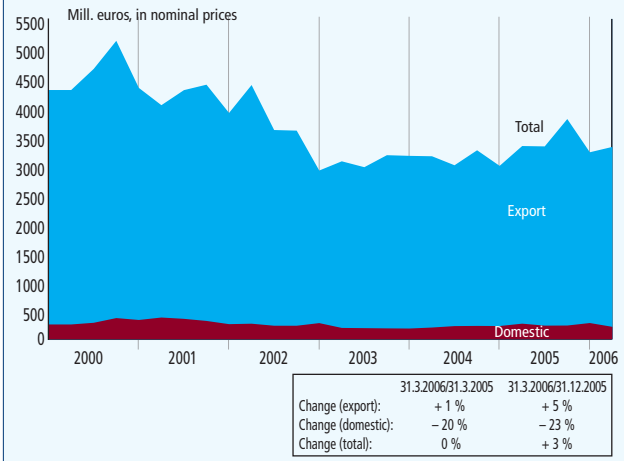
Judging from order trends in recent months, the turnover of companies in the electronics and electrotechnics industry over the next few months is estimated to be on a par with the same period of last year.

New orders of electronics and electrotechnics industry by quarters



Source: Technology Industries of Finland, last observation I/2006

Order books of electronics and electrotechnics industry at the end of quarters



Source: Technology Industries of Finland, last observation 31.3.2006

MECHANICAL ENGINEERING INDUSTRY

Early 2006: a further increase in order books

The turnover of companies in the mechanical engineering industry in Finland grew last year, in euro terms, by 9 per cent compared with 2004. Turnover in the first part of the year was also up on the same period a year earlier. In January, the value of exports of machinery, metal products and vehicles was 8 per cent greater in euro terms than in the same period of last year.

According to the order book survey made by Technology Industries of Finland, companies in the mechanical engineering industry in Finland (excl.

shipbuilding companies) booked 29 per cent more orders in January–March, in euro terms, than in the same period of 2005, but 8 per cent less than in October–December of last year. At the end of March, the value of the order books, in euro terms, was up 35 per cent on the same period of last year and 8 per cent greater than at the end of December of last year.

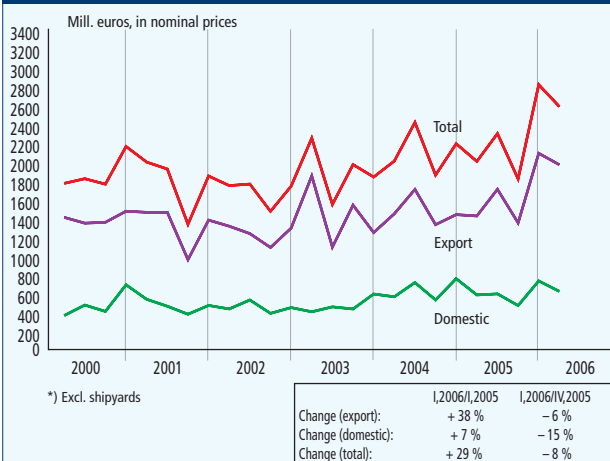
At the end of March, 67 per cent of companies in the sector had a larger number of orders than they had at the end of December, whereas 29 per

cent had less orders and 4 per cent the same amount.

The value of shipbuilding companies' order books at the end of March was 147 per cent greater than at the same period of last year and 27 per cent higher than at the end of December.

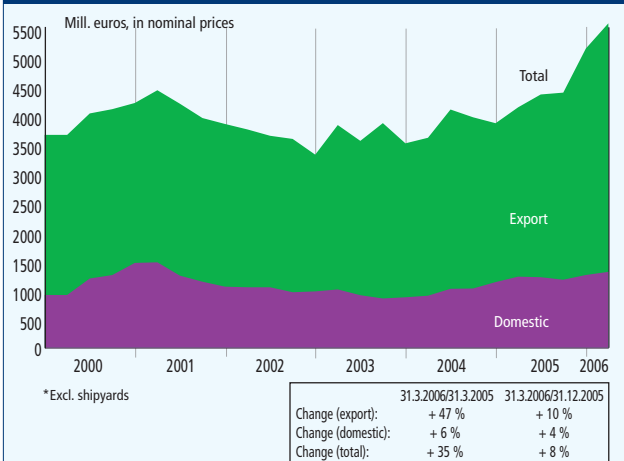
Judging from order trends in recent months, the turnover of companies in the mechanical engineering industry over the next few months is estimated to be greater than in the same period of last year.

New orders of mechanical engineering* by quarters



Source: Technology Industries of Finland, last observation I/2006

Order books of mechanical engineering* at the end of quarters



Source: Technology Industries of Finland, last observation 31.3.2006

METALS PRODUCTION

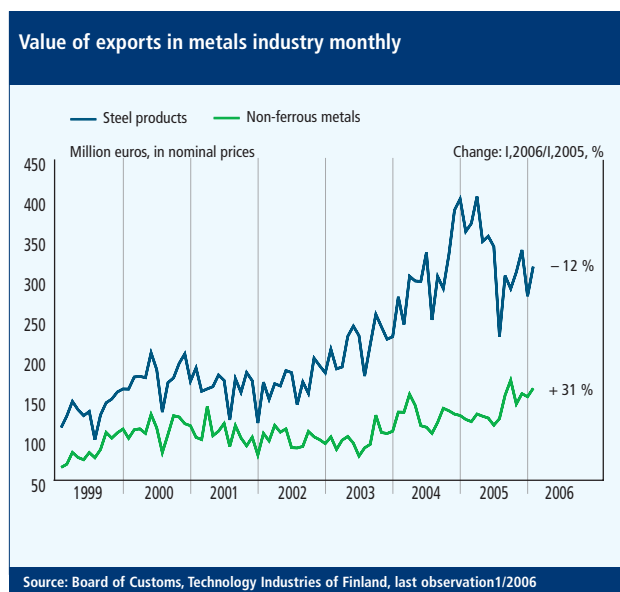
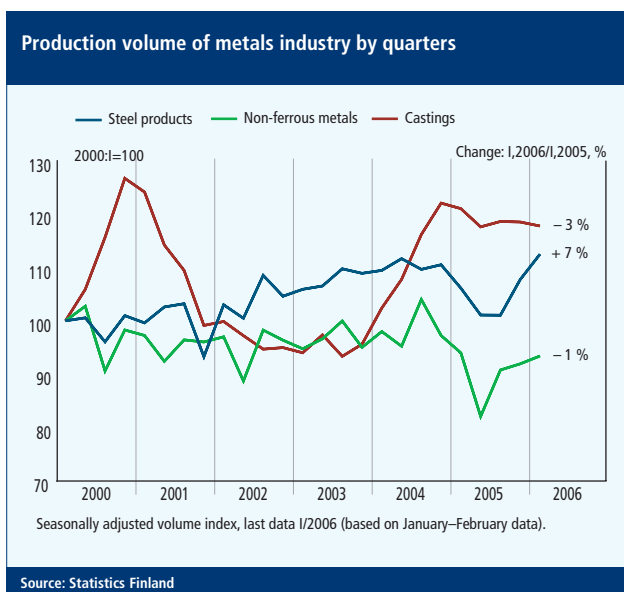
Production volumes up in recent months

The turnover of companies in the Finnish metal industry last year increased, in euro terms, by 4 per cent on 2004. Turnover was boosted by the higher price level than last year, though production volumes

were at a lower level than a year earlier.

Companies in the sector have reported further increases in production volumes during the past months. Growth has been spurred by the

increased output of steel products, with volumes in January–February up 7 per cent on the same period of last year. By contrast, production of non-ferrous metal products and castings was at a slightly lower level.



Finnish companies growing at a rapid rate in emerging economic areas; personnel in Finland slightly up from 2005

The prevailing employment trend in the technology industries continued ahead in 2005. Jobs in Finland diminished, whereas technology companies located in Finland strongly increased their numbers of employees abroad last year. According to a recent survey*), there were a total of 378,000 employees in the technology industry at the end of 2005, of whom 202,000 worked in Finland and 176,000 at foreign subsidiaries. The total increase was about 8,500 employees compared with 2004. The number of staff in Finland decreased by 4,000, whereas the number of employees at subsidiaries abroad grew by 12,500. This compares with

a total of 106,000 employees abroad at the end of 1998. Over the past seven years, the number of employees abroad has thus risen by 71,000, increasing year after year.

According to a survey conducted by Technology Industries of Finland, the number of jobs was slightly up during the first quarter of 2006, compared with the end of 2005. Personnel levels at SMEs have held steady, whereas at large companies (over 500 employees) there has been a slight increase. The number of employees at SMEs has fallen at 36 per cent of companies and grown or remained unchanged at 64 per cent. By contrast, at large companies 31

per cent of companies reported a decrease in staff levels, whereas 69 per cent said the number of employees had grown or remained unchanged. The number of temporary staff, which corresponds for about 3,5 per cent of industry's total work force, registered an increase of about 10 per cent at companies in the technology industry in the first part of the year.

Already about half of the foreign personnel of Finnish companies are located in fast-growing countries with a lower cost level – in the Far East, Central and Eastern Europe as well as South and Central America. Numbers of personnel in these coun-

tries have increased by 56,000 over the past seven years and in 2005 – the most recent figures – by a total of 11,000. In Western Europe and North America, however, staffing levels were on the rise all the way up to 2002, but thereafter they have declined. The trend in these traditional industrial countries has been the same as in Finland in recent years.

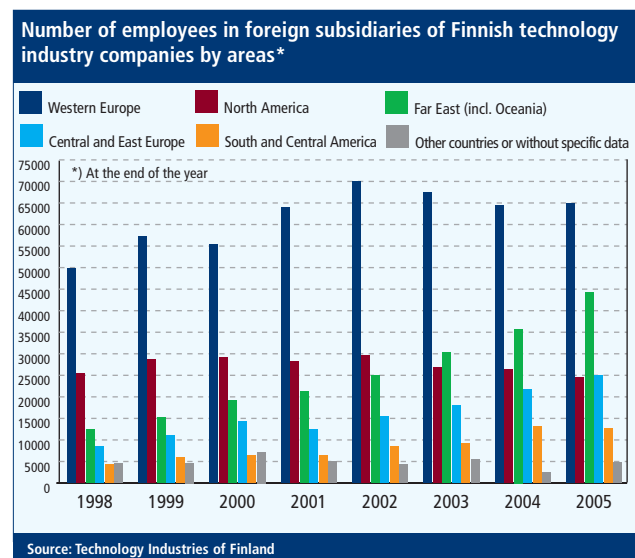
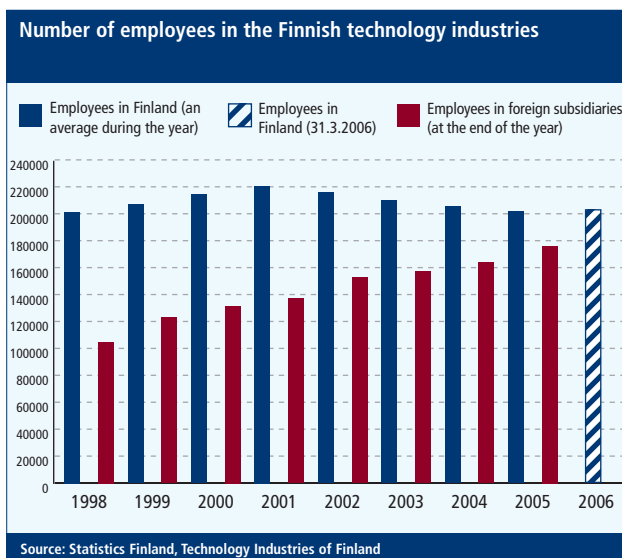
The main countries where subsidiaries are located, ranked by the number of employees at the end of 2005 were China (27,600), the United States (22,100), Sweden (14,300), Germany (11,000), Great Britain (8,900), Hungary (8,400), Estonia (7,000), France (6,000), Brazil (6,000),

Mexico (5,400) and the Netherlands (4,800).

The change in recent years reflects a tightening of price competition in various sectors of the technology industry. In order to ensure their own competitiveness, companies have located an increased amount of production and services close to growing markets and in countries with a lower cost level. The trend is estimated to continue in the same direction this year as well and in the future. Today, growth is centred elsewhere than in the traditional industrial countries.

To get a better overall view of the changes that have taken place at Finnish companies in the technology

industry over the past years, one must look at the corresponding trends in Finland as well. During the survey reference period, 1998–2005, employment at companies was on the increase in Finland in 1998–2001, but has been on the decline thereafter. Employment peaked in Finland at 220,000 jobs in 2001 (yearly average), but in 2005 it had dropped to less than 202,000. On the other hand, companies in Finland have a pressing need to hire new staff to replace those who are retiring. By the end of the decade, the total number of retirees will reach 5,000–6,000 blue and white-collar workers annually.



*) During April 2006, Technology Industries of Finland conducted an extensive email survey covering 1,200 member companies. Respondents were asked to indicate the number of staff at Group companies operating in Finland / subsidiaries of companies abroad at the end of 2005 regionally and by country. The data covers all the foreign subsidiaries of companies whose parent companies' main line of business in Finland is the technology industry. In turnover-weighted terms, the member companies of Technology Industries of Finland represent about 90 per cent of all the technology companies operating in Finland.

Foreign subsidiaries mean entities in which a company located in Finland has an ownership stake of over 50 per cent. Associated companies are thus not included in the survey. The number of employees can grow as a consequence of acquisitions abroad, the expansion of operations or an increase in the ownership stake.

In addition, for the first time the section of the questionnaire on order books asked the respondents to indicate the employment trend in Finland during the first quarter. There was a separate question on the number of temporary staff. The sample covered about 150 Group and other companies, corresponding to over 40 per cent of the entire number of employees in the technology industry in Finland.

Electronics and electrotechnics industry

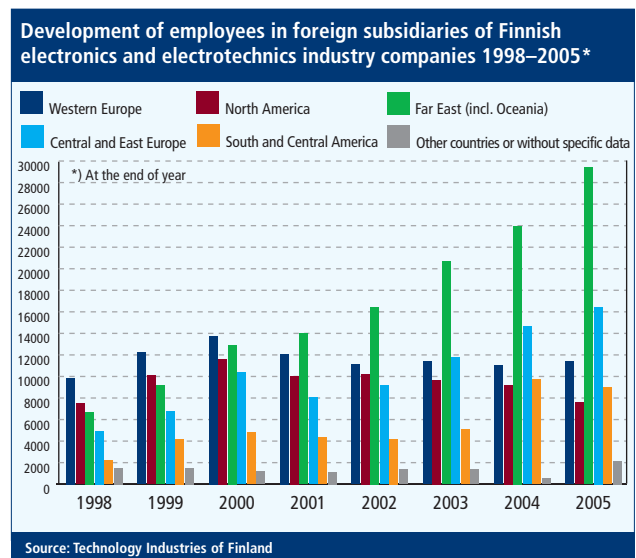
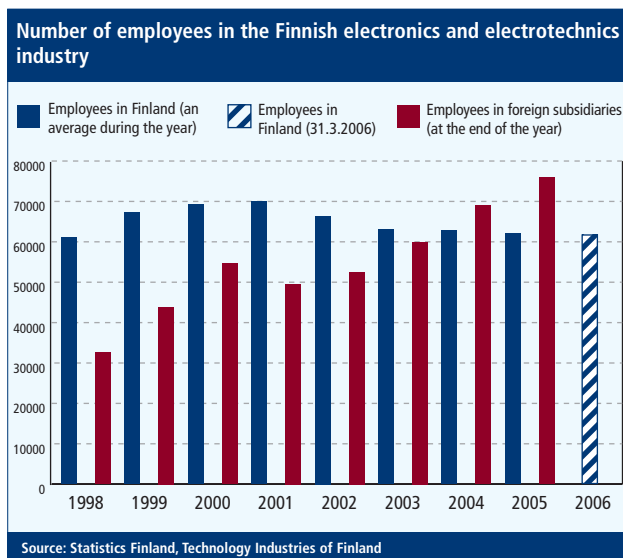
Finnish companies in the electronics and electrotechnics industry already have clearly more employees at foreign subsidiaries than they do in Finland. At the end of 2005, there were a total of 76,000 employees at foreign subsidiaries, compared with an average of 62,000 employees in Finland during the same year. In 1998 the situation was still markedly different. At that time, foreign subsidiaries employed 33,000 people, and the industry's companies located in Finland had roughly the same number of employees as in 2005. There was a

slight dip in the number of employees at foreign subsidiaries in 2001, but thereafter the number of employees headed upward again and already clearly exceeded the number of employees in 2000.

Over 70 per cent of the overseas staff of the industry's Finnish companies are located in fast-growing countries – in the Far East, Central and Eastern Europe, or South and Central America. Over the past seven years, personnel in these market areas have increased by a total of 41,000 and, most recently, by a total of 6,500 in

2005. In the Far East alone, the increase in employee numbers was 5,500. In both Western Europe and North America, however, staffing levels were on the rise all the way up to 2000, but thereafter they have declined.

The number of employees in the electronics and electrotechnics industry in Finland decreased slightly during the first quarter of 2006 compared with the end of 2005.



Mechanical engineering industry

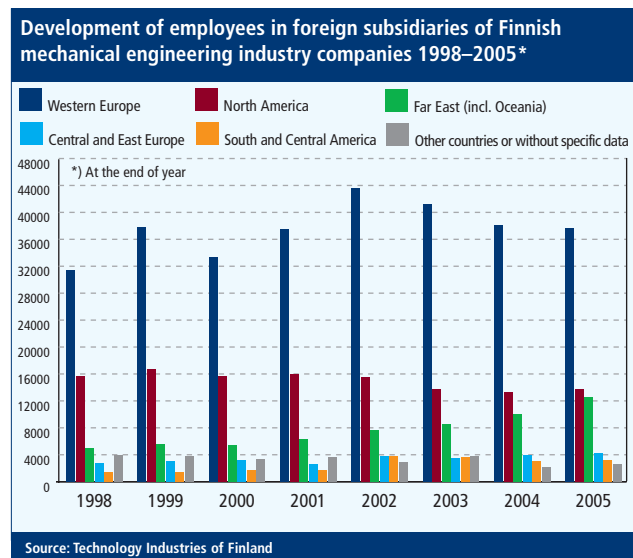
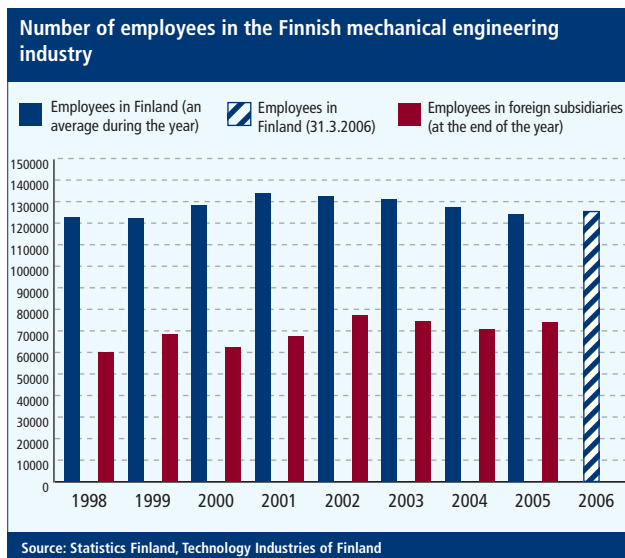
Nearly 40 per cent of the total number of employees of Finnish companies in the mechanical engineering industry worked abroad. At the end of last year, a total of 74,000 people were employed at foreign subsidiaries, whereas in Finland the average number of staff during the same year was 124,100. In 1998, foreign subsidiaries employed 60,200 people, whereas the industry' companies located in Finland employed 123,000. There was a slight dip in the number of employees of foreign subsidiaries in 2000, and the number declined

slightly during 2003–2004, but headed upward again last year owing to overseas investment projects carried out by Finnish companies last year.

Of the overseas personnel of Finnish companies in the industry, a good half are still located in Western Europe and just under a fifth in North America. Over the past three years, the number of employees in Western Europe has nevertheless decreased from its peak level in 2002. In North America too, there is a downward trend, even though last year the number of employees did show an

increase of 400. By contrast, in fast-growing markets, above all in the Far East as well as in Central and Eastern Europe, the number of employees at subsidiaries has been growing steadily in recent years. In 2005, the number of employees in these market areas increased by a total of 2,900 compared with 2004.

The number of employees in the mechanical engineering industry in Finland decreased somewhat during the first quarter of 2006 compared with the end of 2005.



Metals production

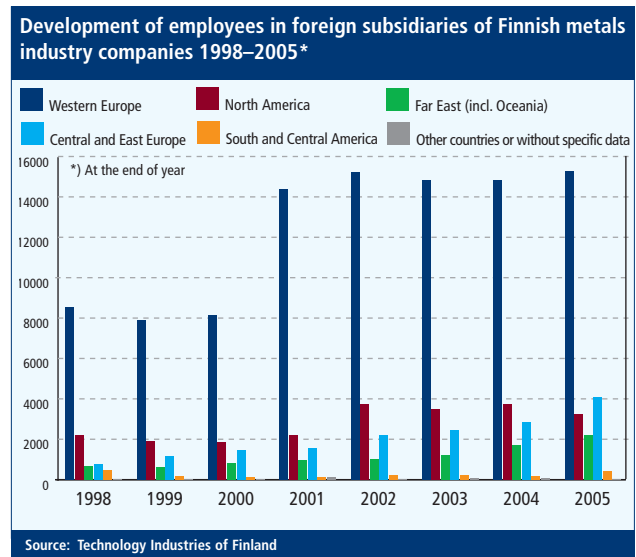
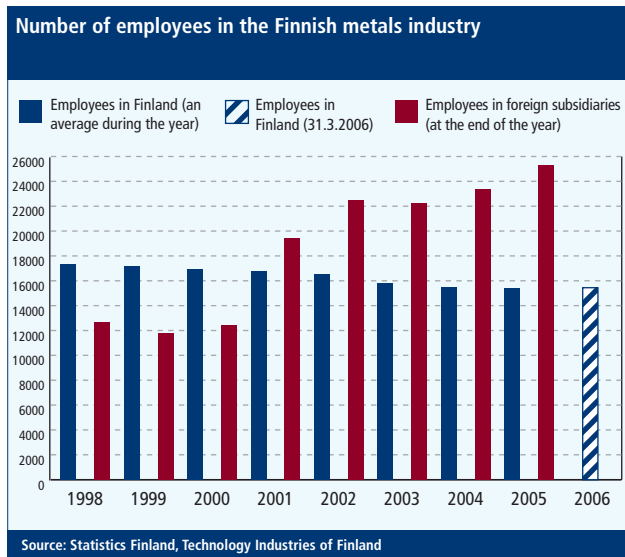
Of the main sectors of the technology industry, metal manufacturers located in Finland, as in the electronics and electrotechnics industry, already had markedly more employees at foreign subsidiaries than in Finland. At the end of last year, there were a total of 25,300 people employed at subsidiaries abroad, representing an increase of about 1,900 employees compared with the previous year. The number of staff in Finland during the same year was on

average 15,400. In 1998, foreign subsidiaries employed 12,700 people, and the industry's companies located in Finland employed 17,300.

About 55 per cent of the overseas personnel of Finnish companies in the industry are located in Western Europe. Growth in this region, the same as in North America, has nevertheless come to a halt after 2002. Last year the number of employees decreased in Western Europe and North America by a total of 3,400.

The number of employees at the industry's companies in Central and Eastern Europe has more than quintupled after 1998, and in the Far East it has more than tripled. In 2005, the number of employees increased in Central and Eastern Europe by 1,200, and in the Far East by 500.

In January–March, the number of employees in the metal industry in Finland remained unchanged compared with the end of 2005.



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 Employment trends: Timo Hirvonen, tel. +358 9 1923 389, +358 40 549 2476

Information based on the situation on 24 April 2006

**Technology
Industries
of Finland**

SITUATION AND OUTLOOK

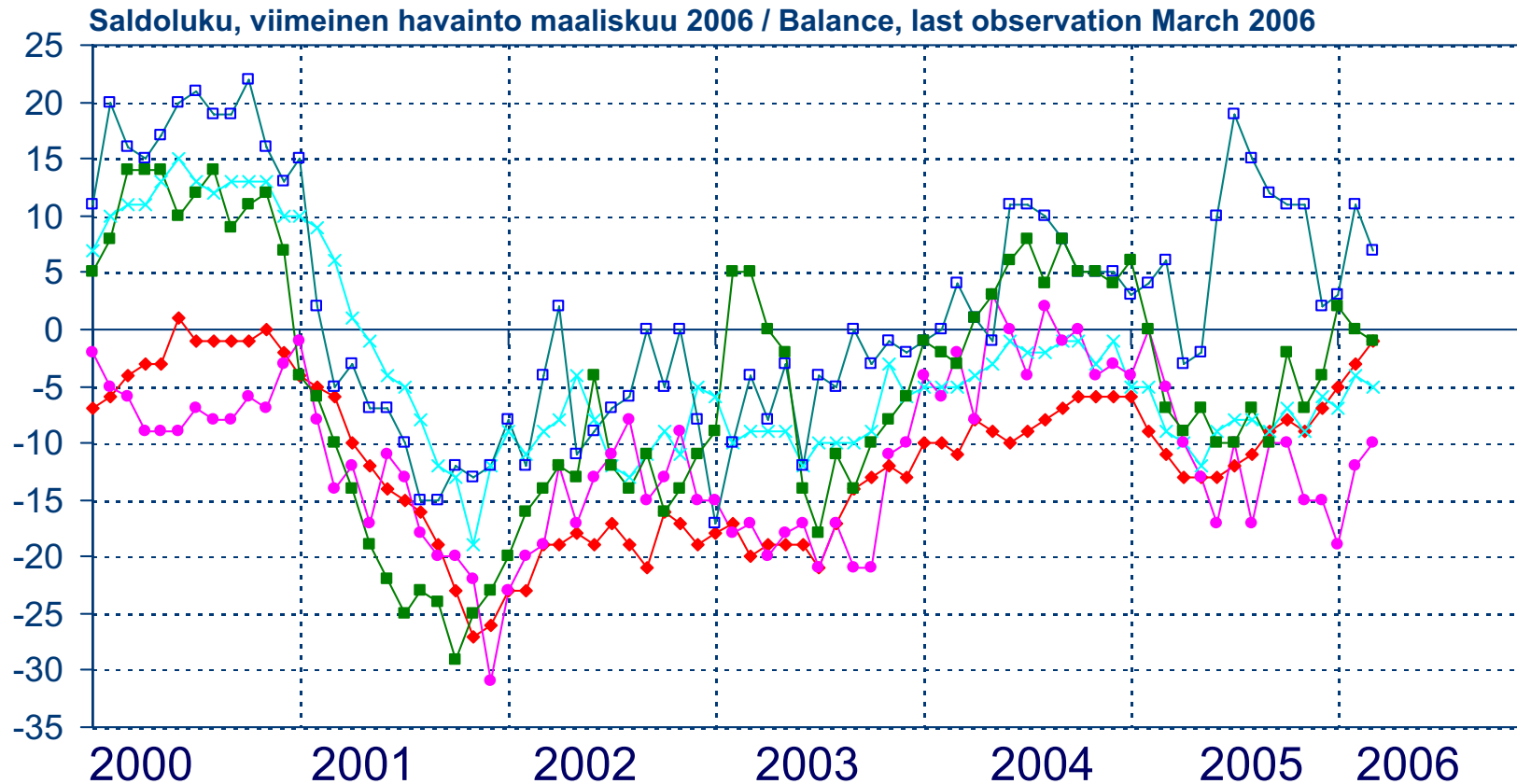
TECHNOLOGY INDUSTRIES OF FINLAND

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Teollisuuden kehitystä ennakoiva indikaattori* EU-maissa

Industrial confidence indicator* for EU countries

—●— Saksa/Germany —×— Ranska/France —●— Iso-Britannia/UK —□— Suomi/Finland —■— Ruotsi/Sweden



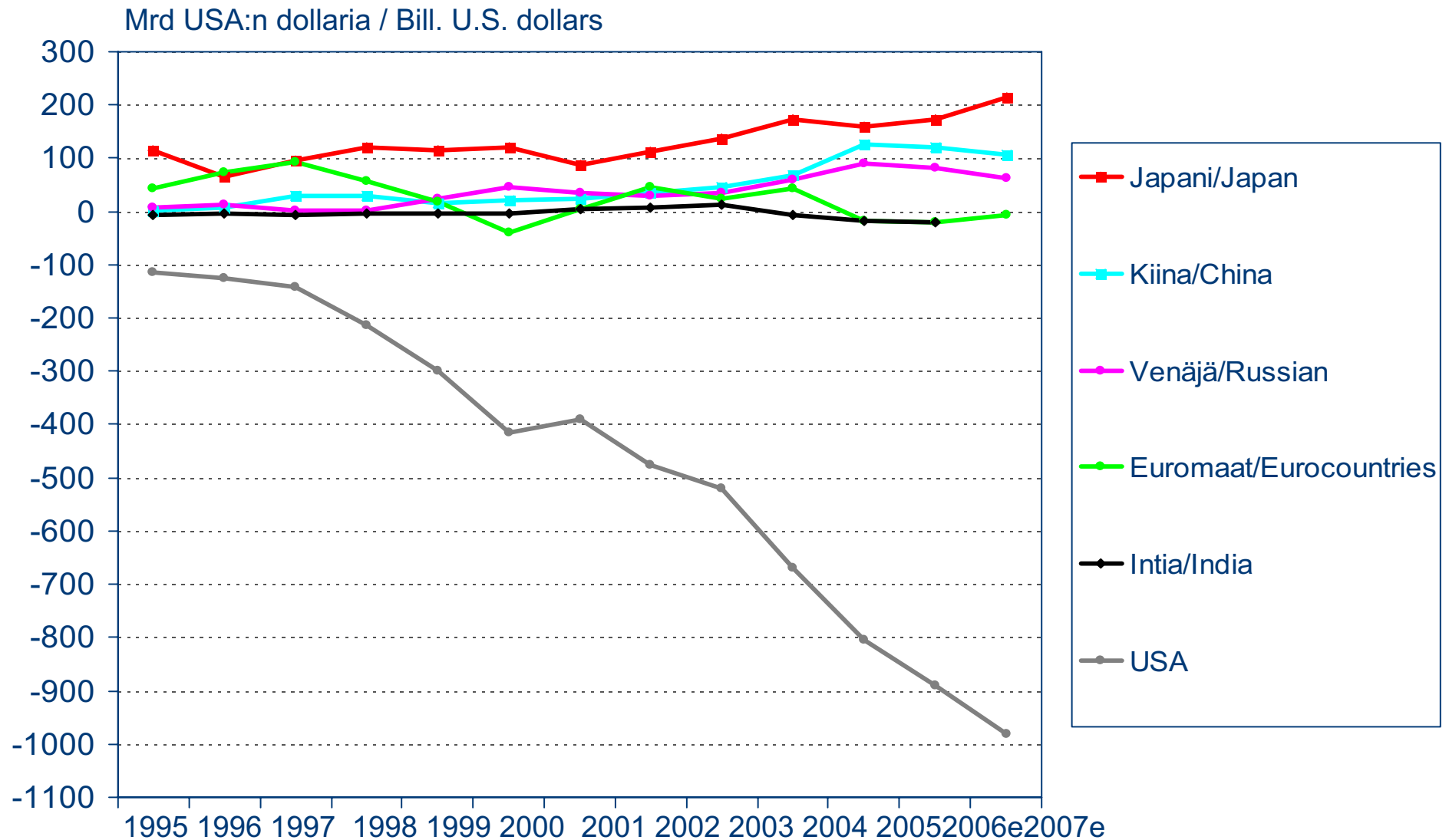
* Luottamusindikaattori lasketaan yritysjohtajien vastauksista kolmeen kysymykseen: tuotanto-odotus lähikuukausina, tilauskanta sekä valmistuotevarastot normaaliin verrattuna. Jos saldoluku on positiivinen, vastaajista suurempi osa odottaa tilanteen paranemista kuin heikkenemistä.

* The indicator is an average of the responses (balances) to the questions on production expectations, order books and stocks.

If the balance is positive, more respondents expect the economic situation to be improving than to be decreasing.

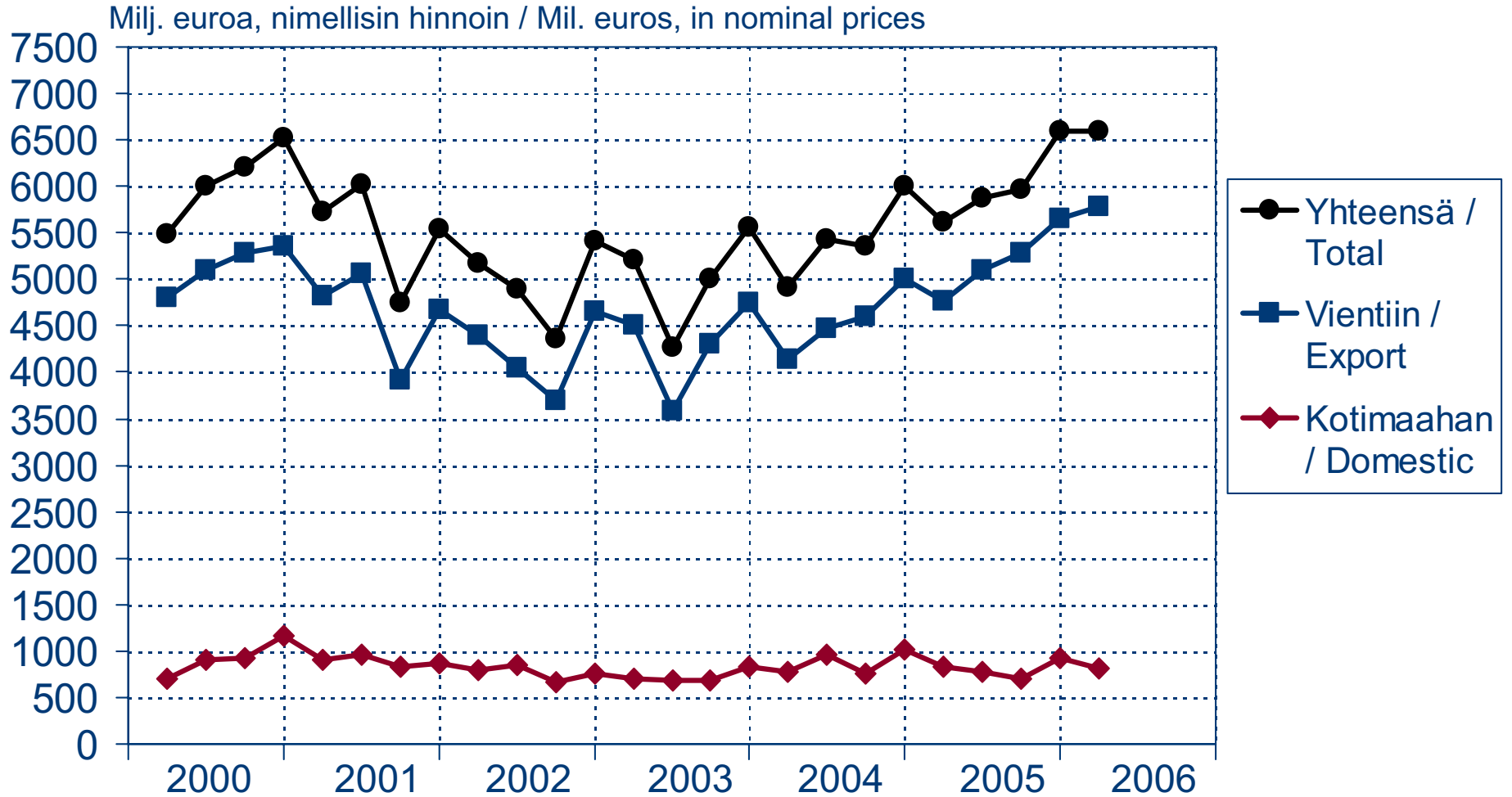
Vaihtotaseen tasapaino eräissä maissa

Current account balance in some countries



Teknologioteollisuuden uudet tilaukset* vuosineljänneksittäin

New orders of technology industries* by quarters

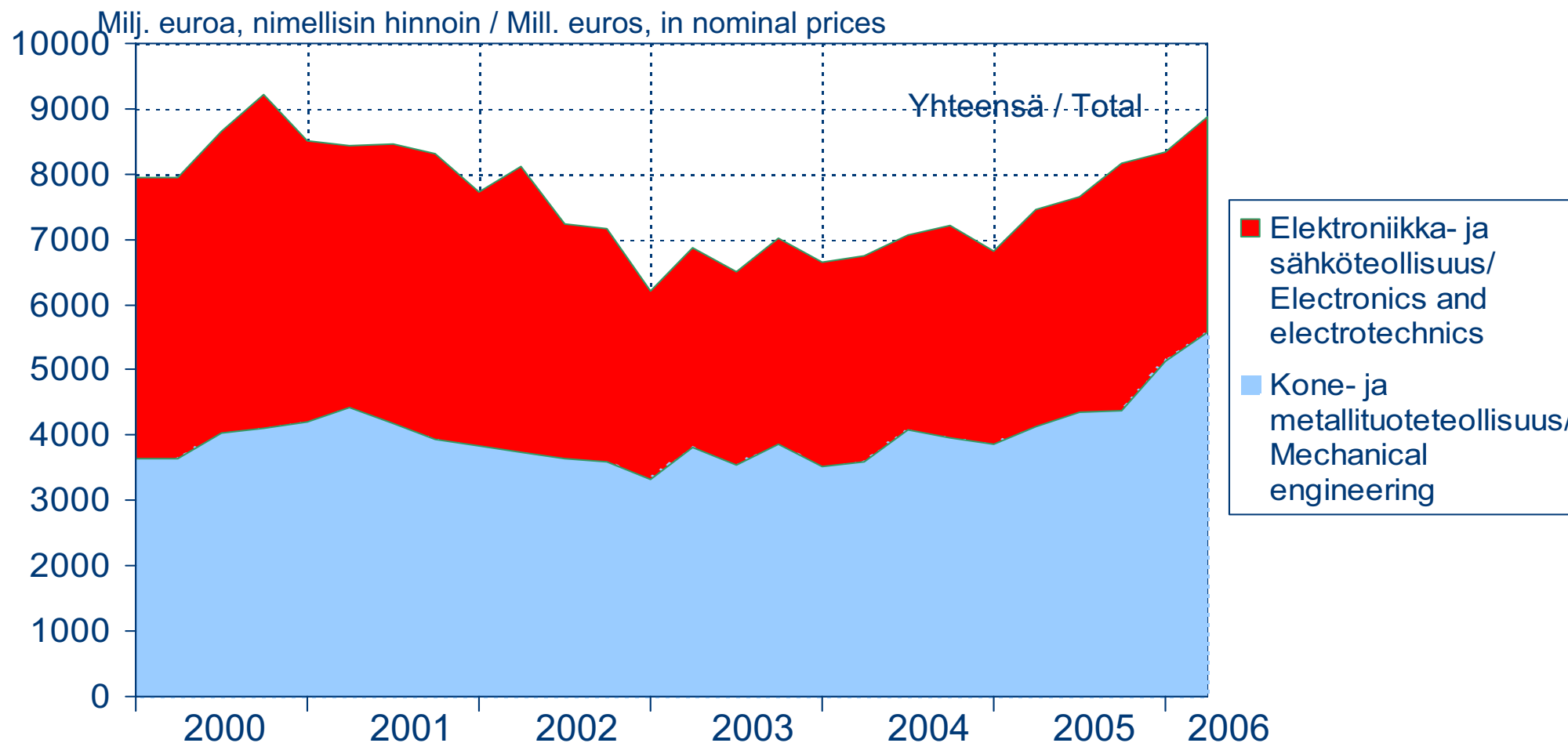


	I,2006/I,2005	I,2006/IV,2005
Muutos (vientiin)/Change (export):	+ 21 %	+ 2 %
Muutos (kotimaahan)/Change (domestic):	- 4 %	- 13 %
Muutos (yhteensä)/Change (total):	+ 18 %	0 %

*) PI. metallien jalostus ja telakat / Excl. metals industry and shipyards

Teknoliateollisuuden* tilauskanta, vuosineljänneksen lopussa

Order books of technology industries*, at the end of quarters



	31.3.2006/31.3.2005	31.3.2006/31.12.2005
Muutos (vientiin) / Change (export):	+ 24 %	+ 8 %
Muutos (kotimaahan) / Change (domestic):	+ 2 %	- 1 %
Muutos (yhteensä) / Change (total):	+ 19 %	+ 6 %

*) PI. metallien jalostus ja telakat / Excl. metals production and shipyards

**Teknologia
teollisuus**

Lähde: Teknoliateollisuus ry:n tilauskantatiedustelu / Source: Technology Industries of Finland

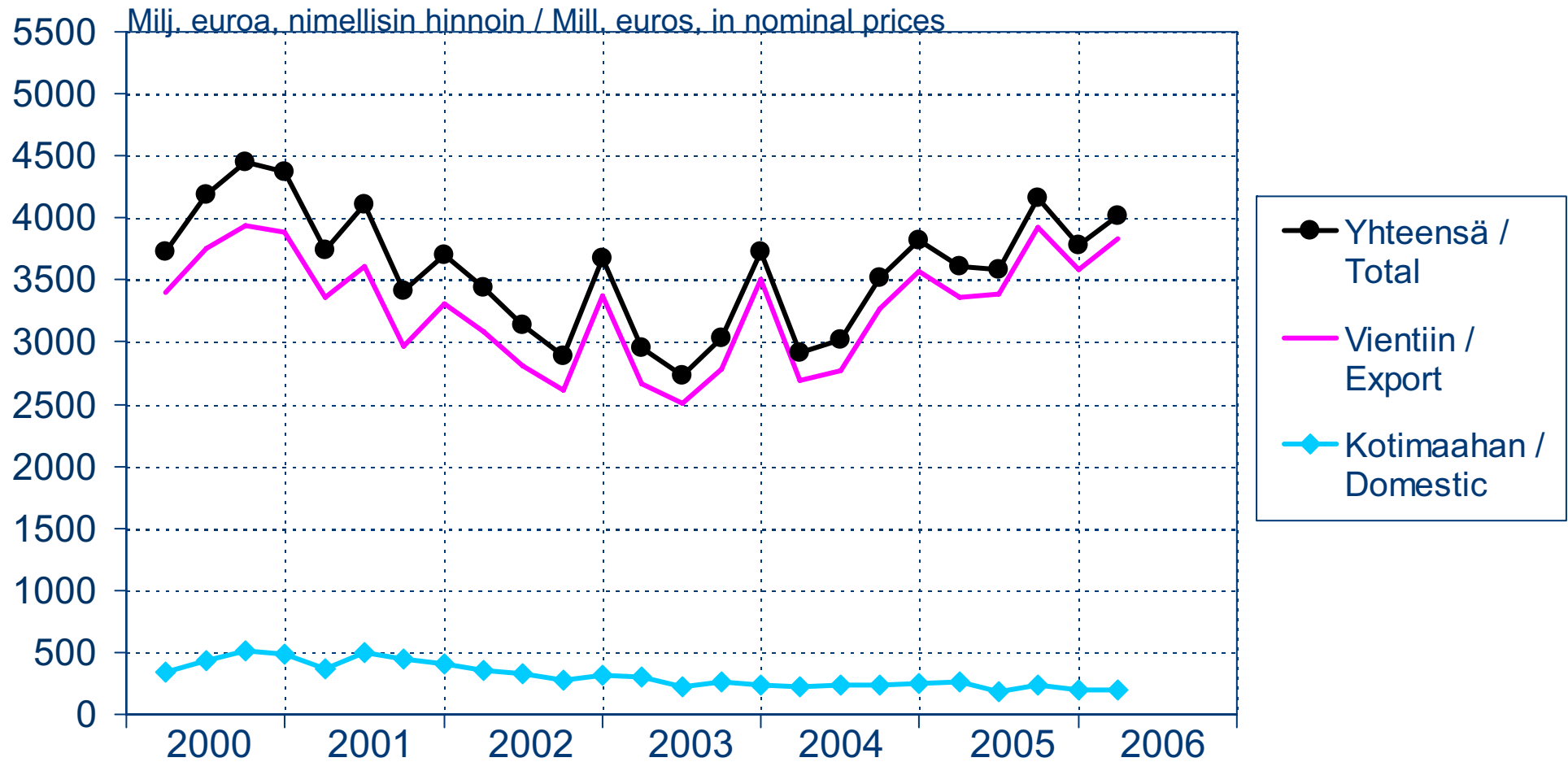
Viimeinen havainto / last observation 31.3.2006

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Elektroniikka- ja sähköteollisuuden uudet tilaukset vuosineljänneksittäin

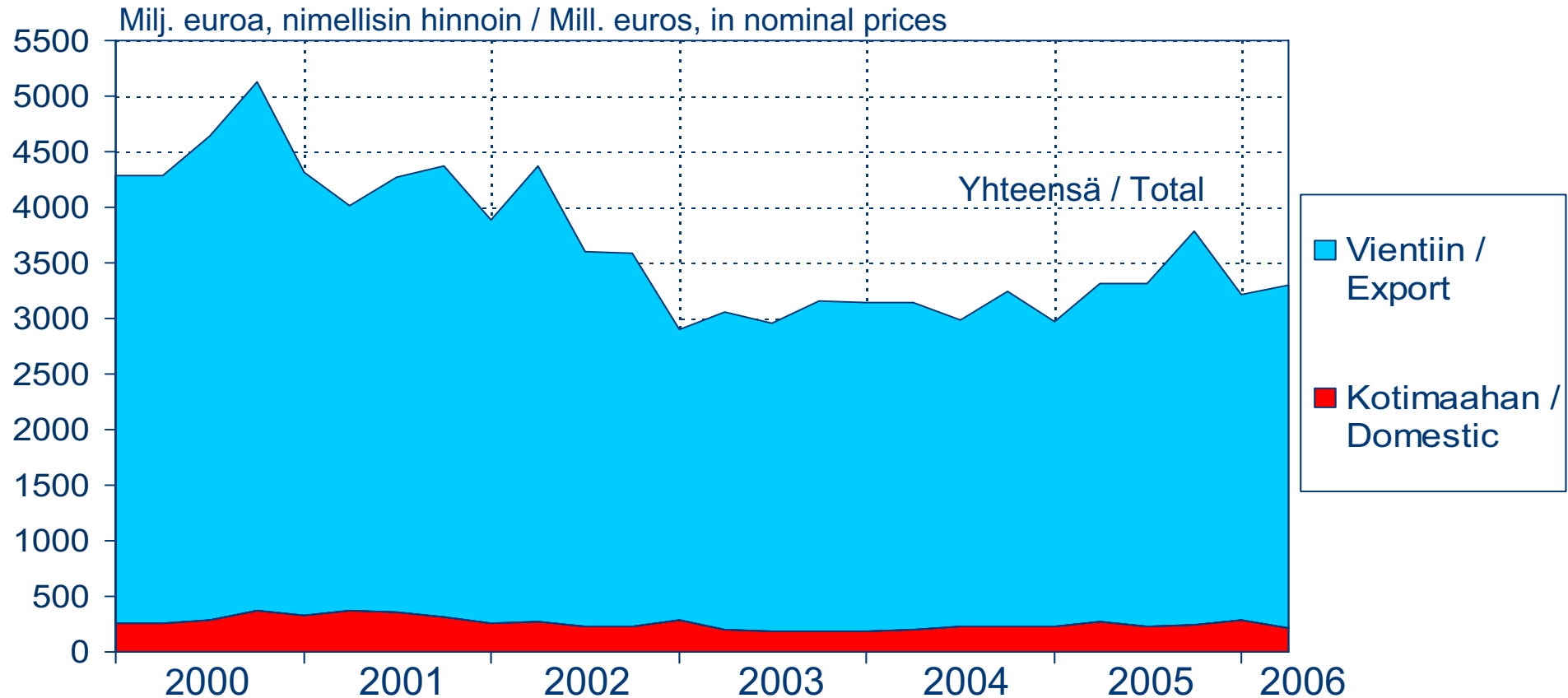
New orders of electronics and electrotechnics industry by quarters



	I,2006/I,2005	I,2006/IV,2005
Muutos (vientiin) / Change (export):	+ 14 %	+ 7 %
Muutos (kotimaahan) / Change (domestic):	- 26 %	- 5 %
Muutos (yhteensä) / Change (total):	+ 11 %	+ 6 %

Elektroniikka- ja sähköteollisuuden tilauskanta vuosineljänneksen lopussa

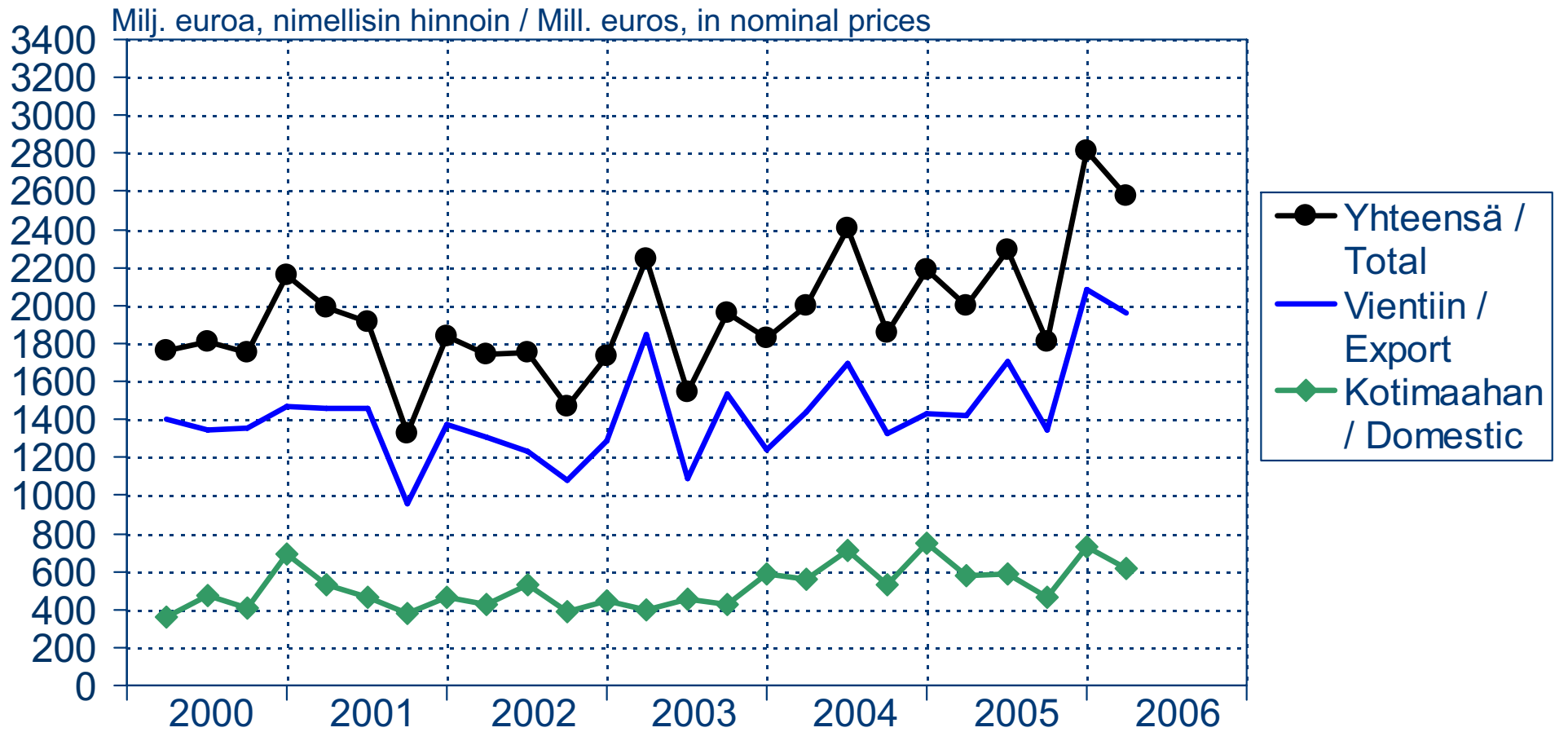
Order books of electronics and electrotechnics industry at the end of quarters



	31.3.2006/31.3.2005	31.3.2006/31.12.2005
Muutos (vientiin) / Change (export):	+ 1 %	+ 5 %
Muutos (kotimaahan) / Change (domestic):	- 20 %	- 23 %
Muutos (yhteensä) / Change (total):	0 %	+ 3 %

Kone- ja metallituoteteollisuuden uudet tilaukset* vuosineljänneksittäin

New orders of mechanical engineering* by quarters



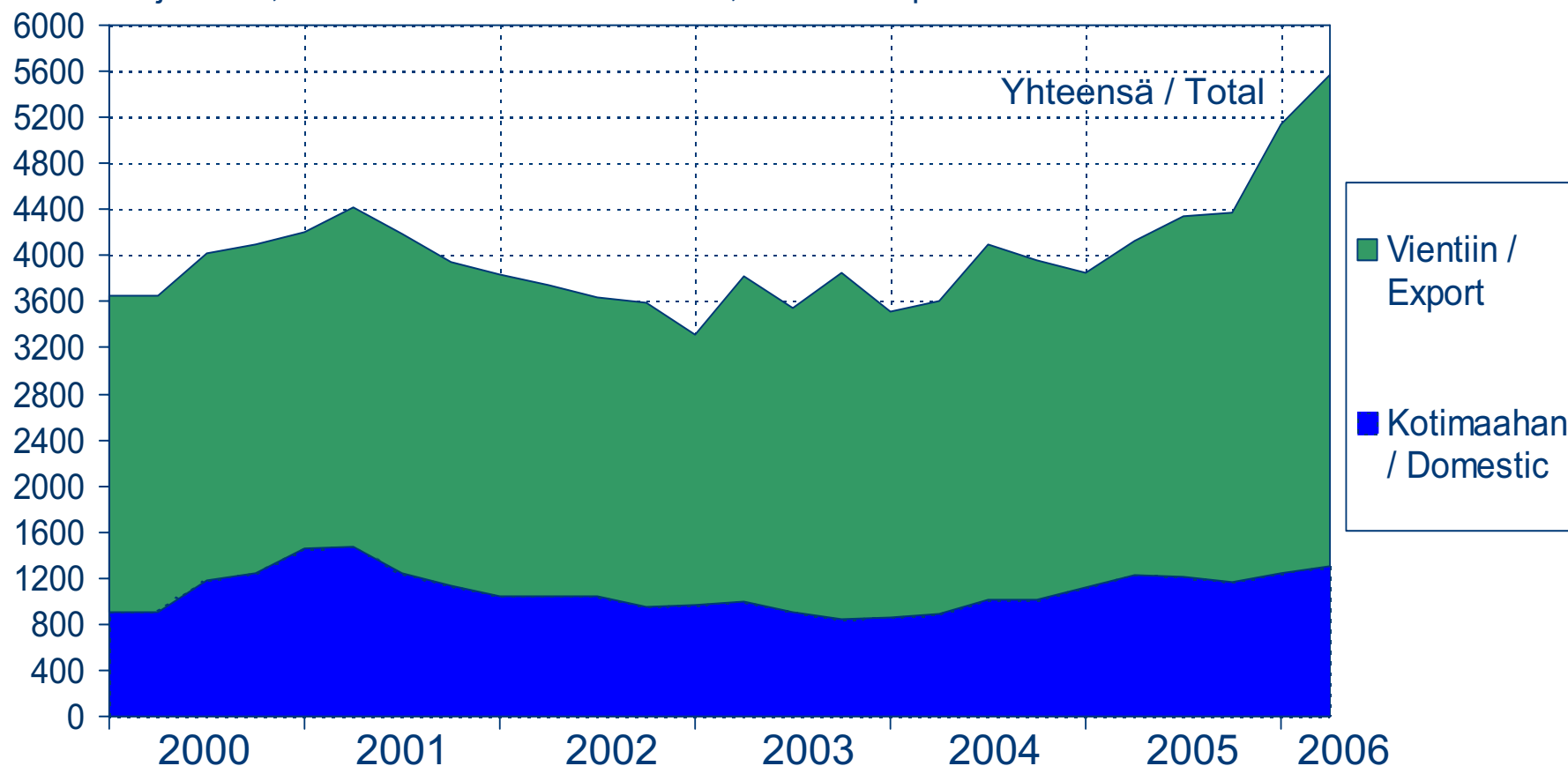
	I,2006/I,2005	I,2006/IV,2005
Muutos (vientiin) / Change (export):	+ 38 %	- 6 %
Muutos (kotimaahan) / Change(domestic):	+ 7 %	- 15 %
Muutos (yhteensä) / Change (total):	+ 29 %	- 8 %

*) PI. telakat / Excl. shipyards

Kone- ja metallituoteteollisuuden tilauskanta* vuosineljänneksen lopussa

Order books of mechanical engineering* at the end of quarters

Milj. euroa, nimellisin hinnoin / Mill. euros, in nominal prices

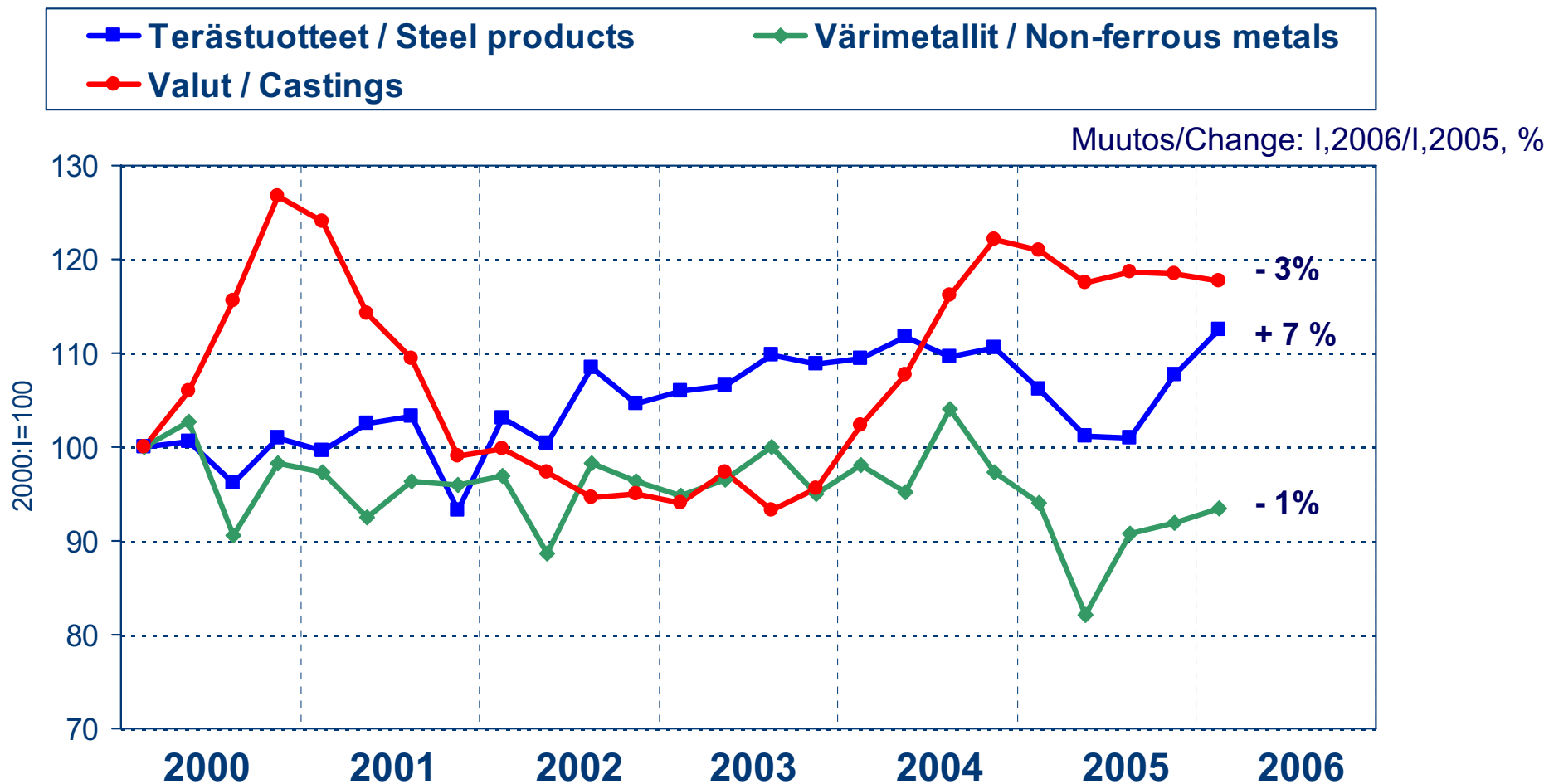


	31.3.2006/31.3.2005	31.3.2006/31.12.2005
Muutos (vientiin) / Change (export):	+ 47 %	+ 10 %
Muutos (kotimaahan) / Change (domestic):	+ 7 %	+ 4 %
Muutos (yhteensä) / Change (total):	+ 35 %	+ 8 %

*Pl. telakat /
Excl. shipyards

Metallien jalostuksen tuotannon määrä vuosineljänneksittäin

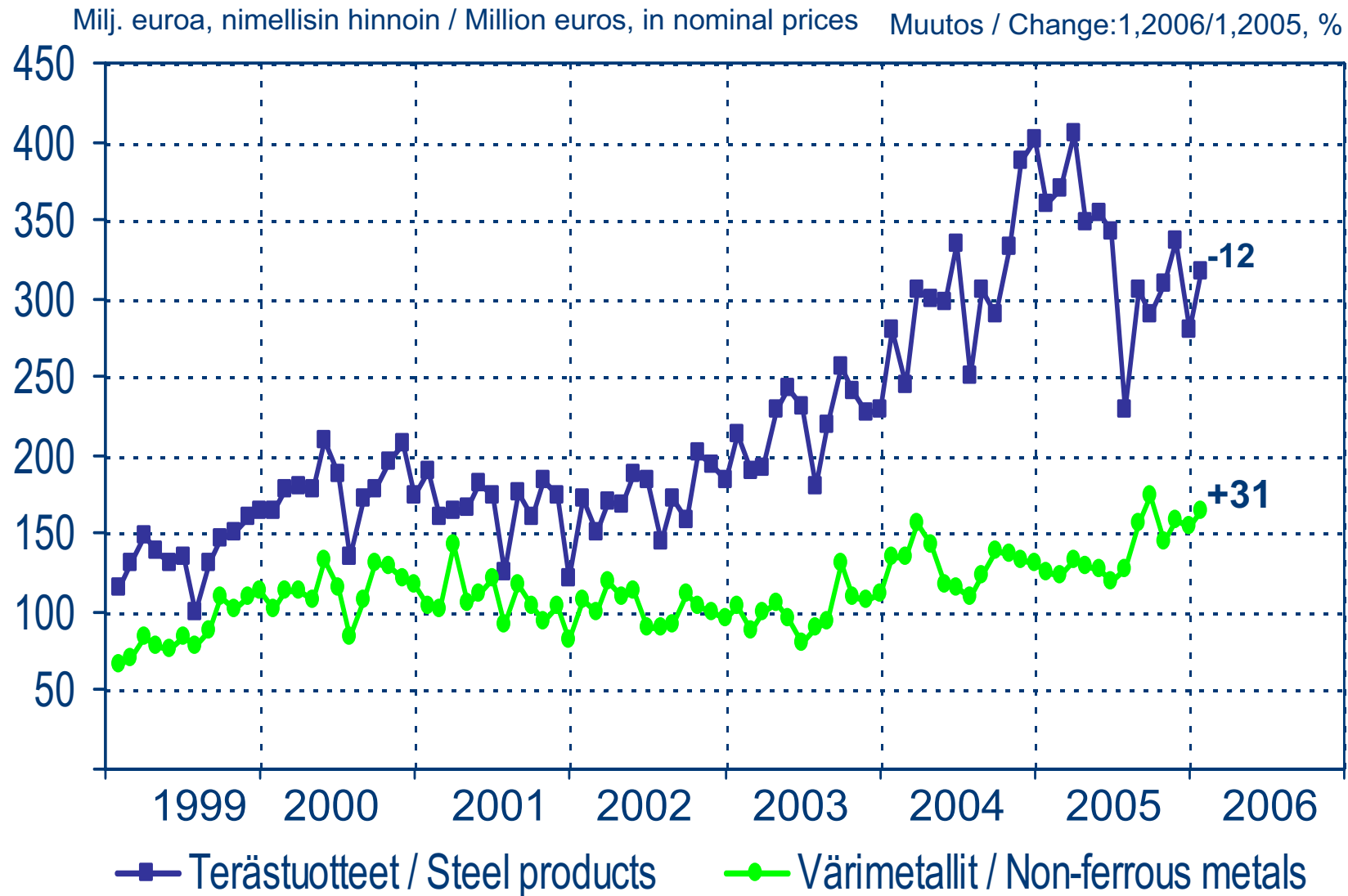
Production volume of metals industry by quarters



Kausipuhdistettu volyymi-indeksi, viimeinen havainto I/2006 (tammi-helmikuun tietojen perusteella).
 Työpäiväkorjatun volyymi-indeksin kumulatiivinen vuosimuutos: 1-2,2006/1-2,2005. / Seasonally
 adjusted volume index, last data I/2006 (based on January-February data).

Metallien jalostuksen viennin arvo kuukausittain

Value of exports in metals industry monthly



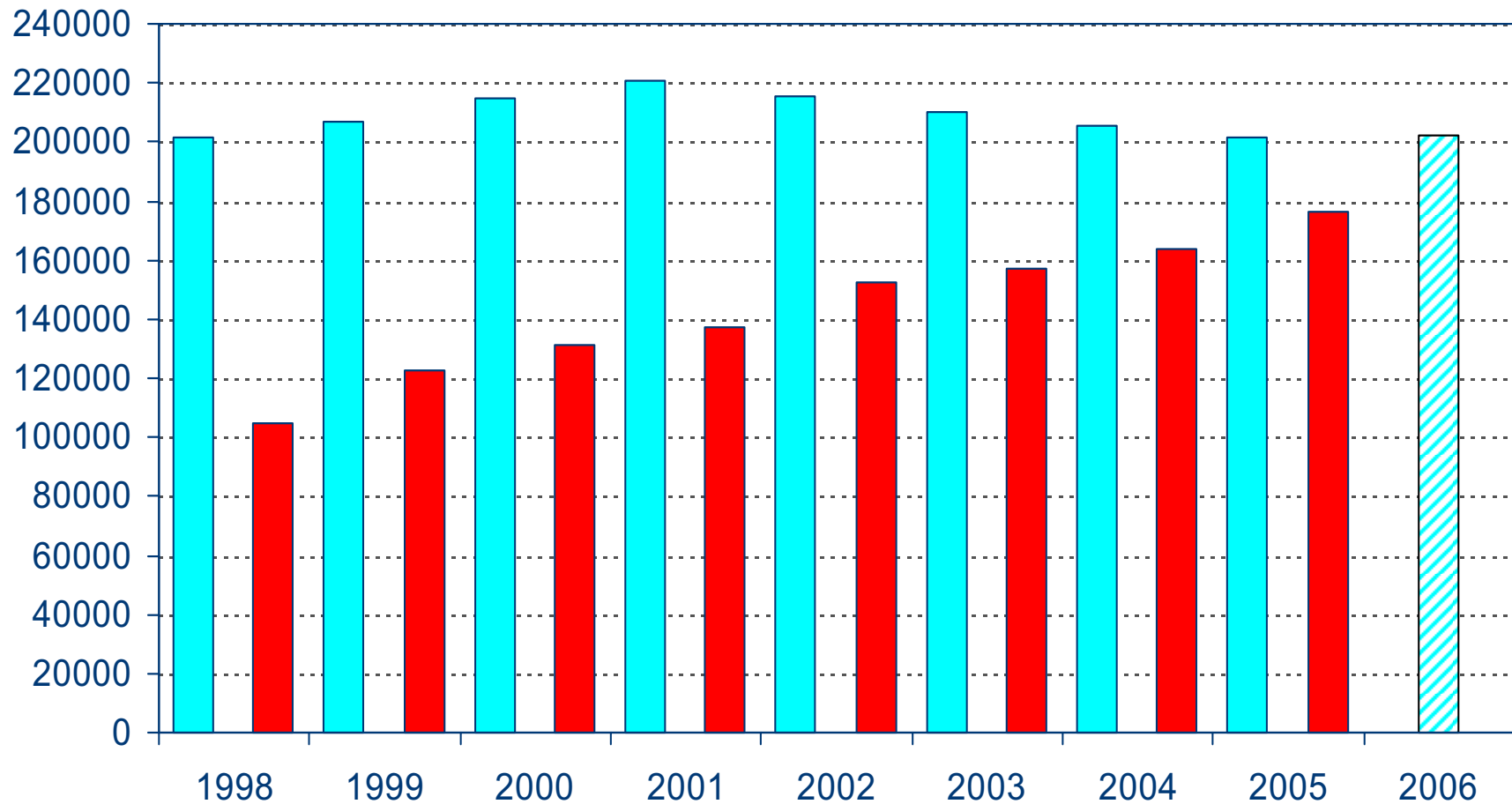
Viimeinen havainto / Last observation: 1/2006

Lähde: Tullihallitus (tavaravienti), Teknologiateollisuus ry / Source: Board of Customs, Technology Industries of Finland

R:\ulkomaankauppa\mhul08af.ppt 12.3.2006/jp/mh

Suomalaisen teknologiateollisuuden henkilöstön kehitys

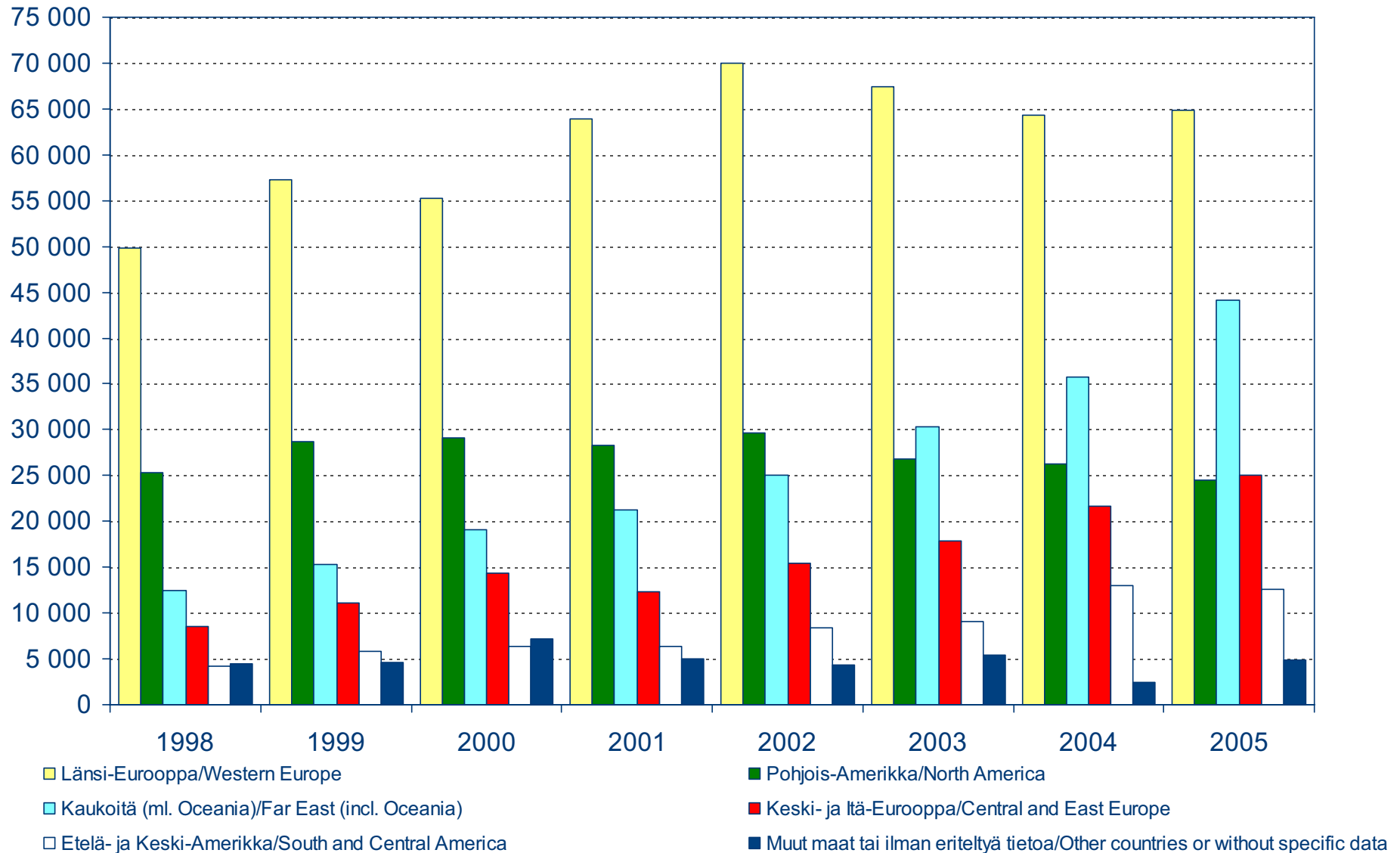
Number of employees in the Finnish technology industries



- Henkilöstö Suomessa (keskimäärin vuoden aikana)/Employees in Finland (an average during the year)
- ▨ Henkilöstö Suomessa (31.3.2006)/Employees in Finland (31.3.2006)
- Henkilöstö tytäryrityksissä ulkom. (vuoden lopussa)/Employees in foreign subsidiaries (at the end of the year)

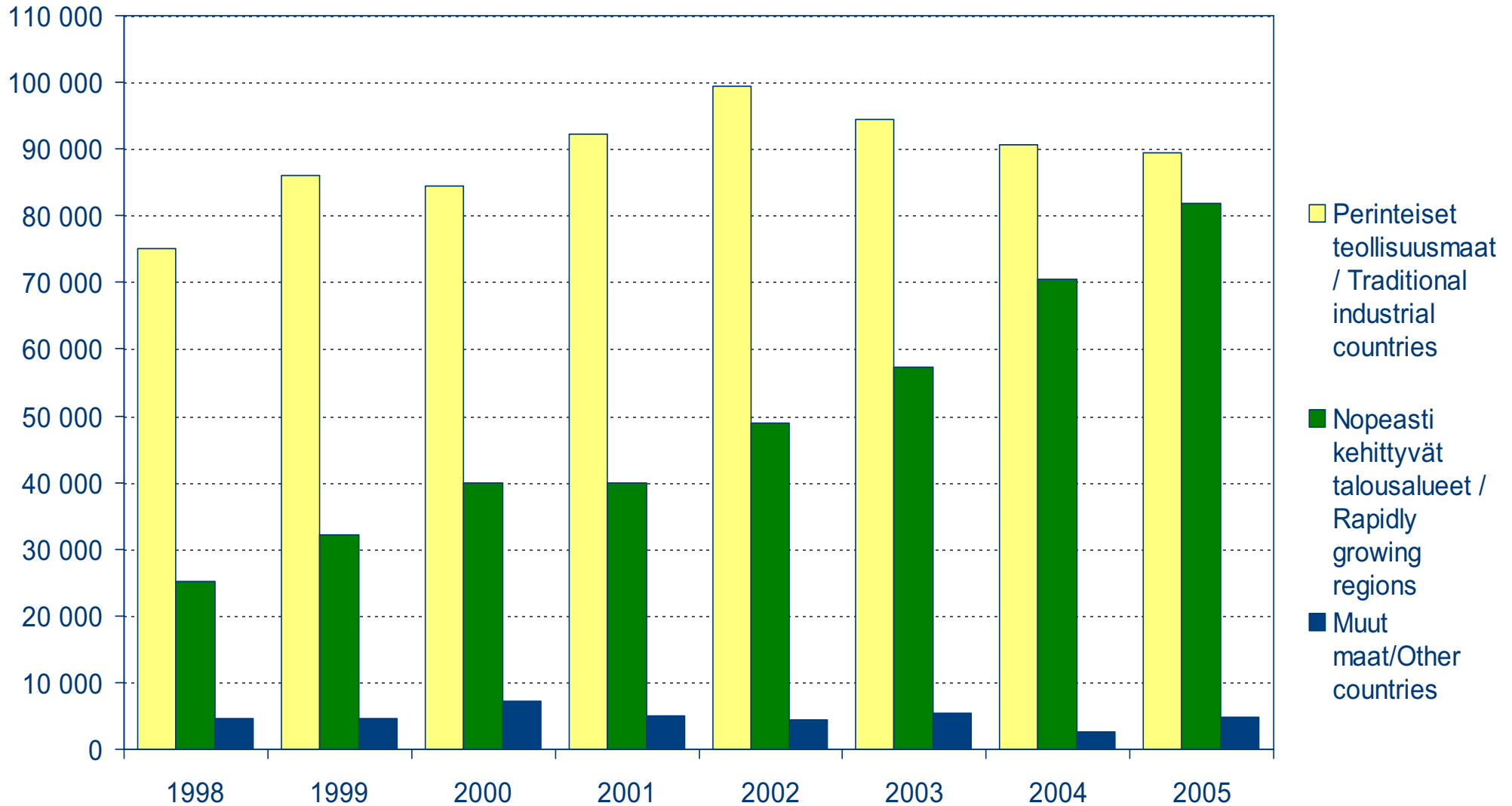
Suomalaisen teknologiateollisuuden henkilöstö ulkomaisissa tytäryrityksissä alueellisesti

Number of employees in foreign subsidiaries of Finnish technology industry companies by areas



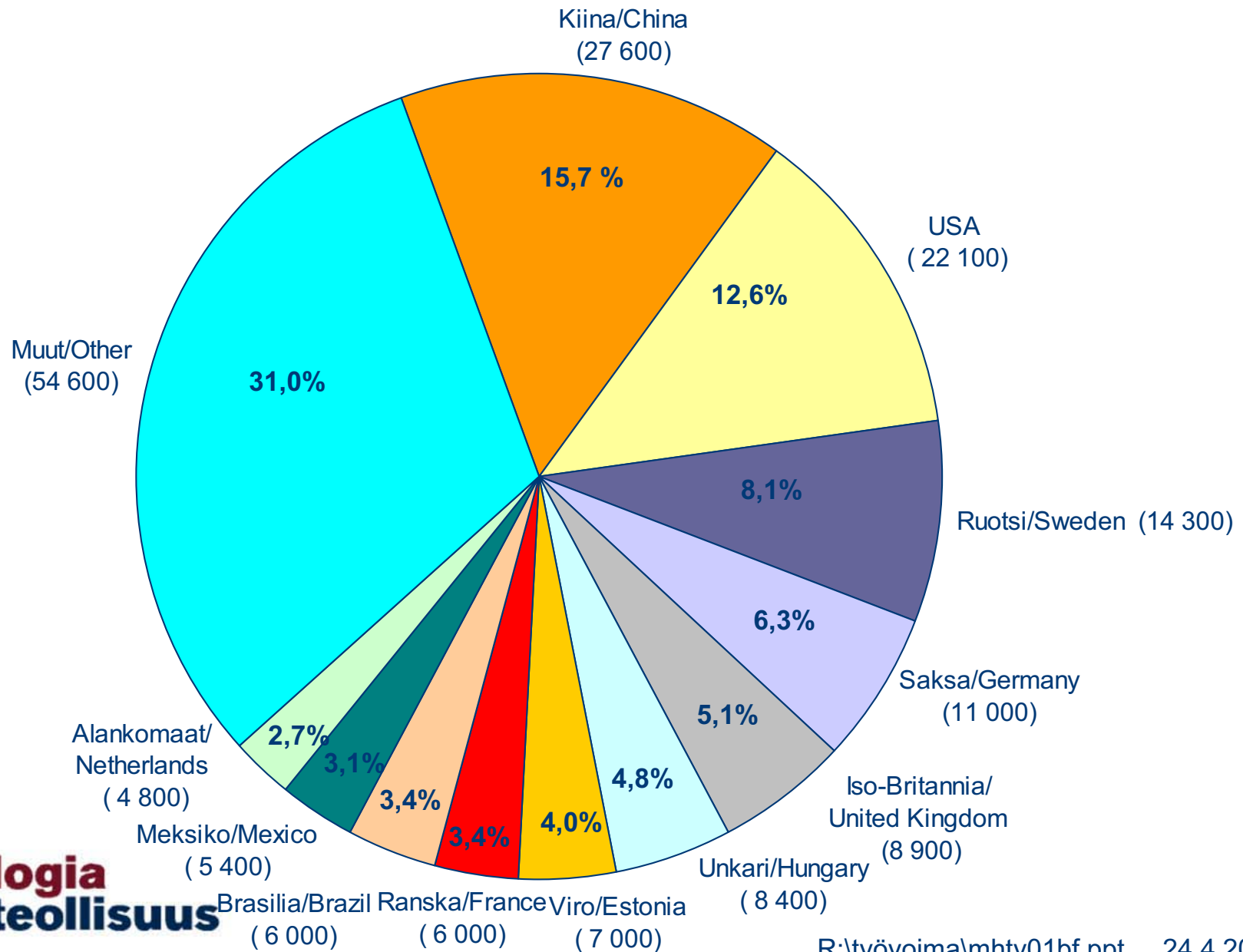
Suomalaisen teknologiateollisuuden henkilöstö ulkomaisissa tytäryrityksissä alueellisesti

Number of employees in foreign subsidiaries of Finnish technology industry companies by areas



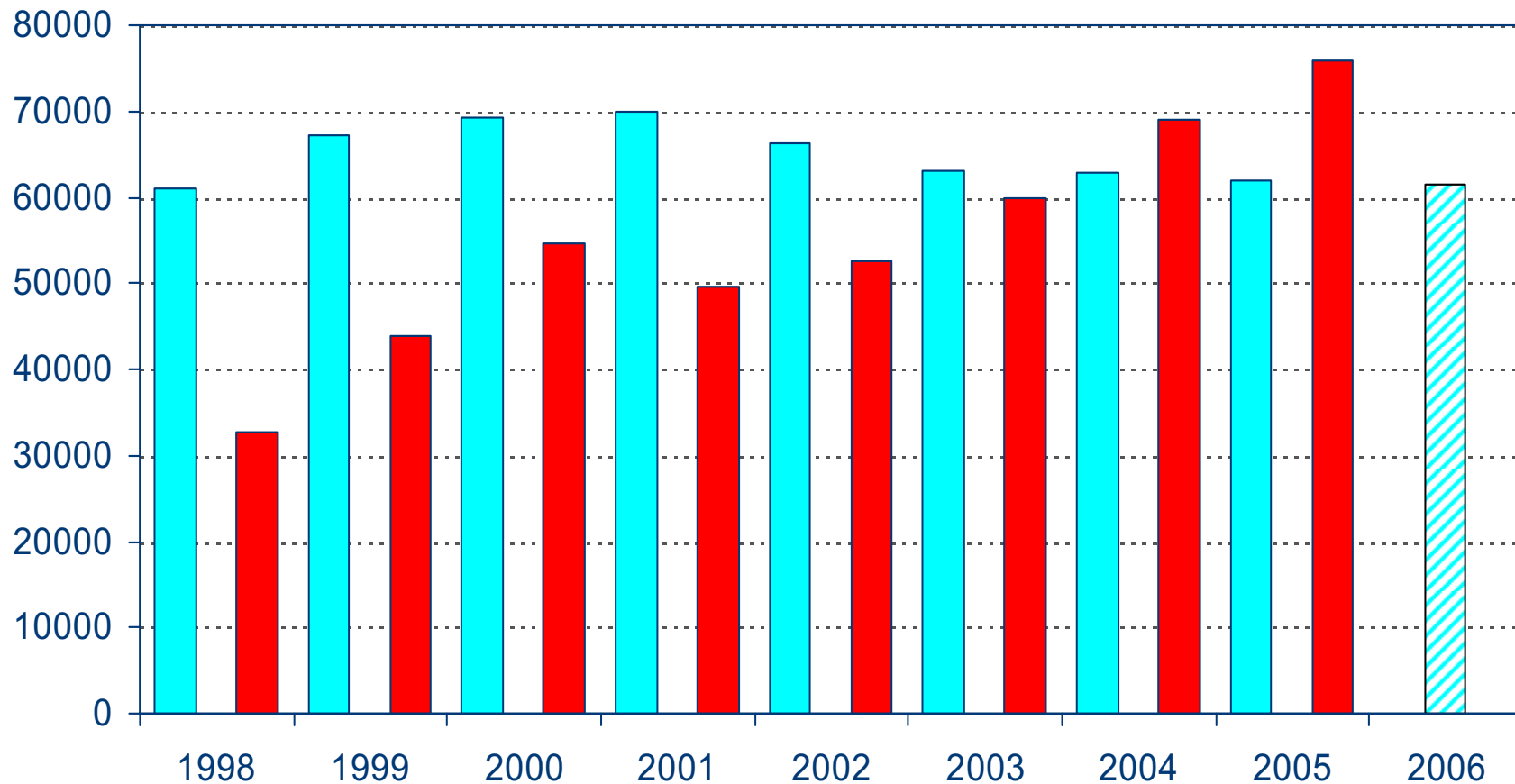
Suomalaisen teknologiateollisuuden henkilöstöjakauma maittain vuoden 2005 lopussa

Number of employees by country in Finnish technology industries' foreign subsidiaries at the end of 2005



Suomalaisen elektroniikka- ja sähköteollisuuden henkilöstön kehitys

Number of employees in the Finnish electronics and electrotechnics industry

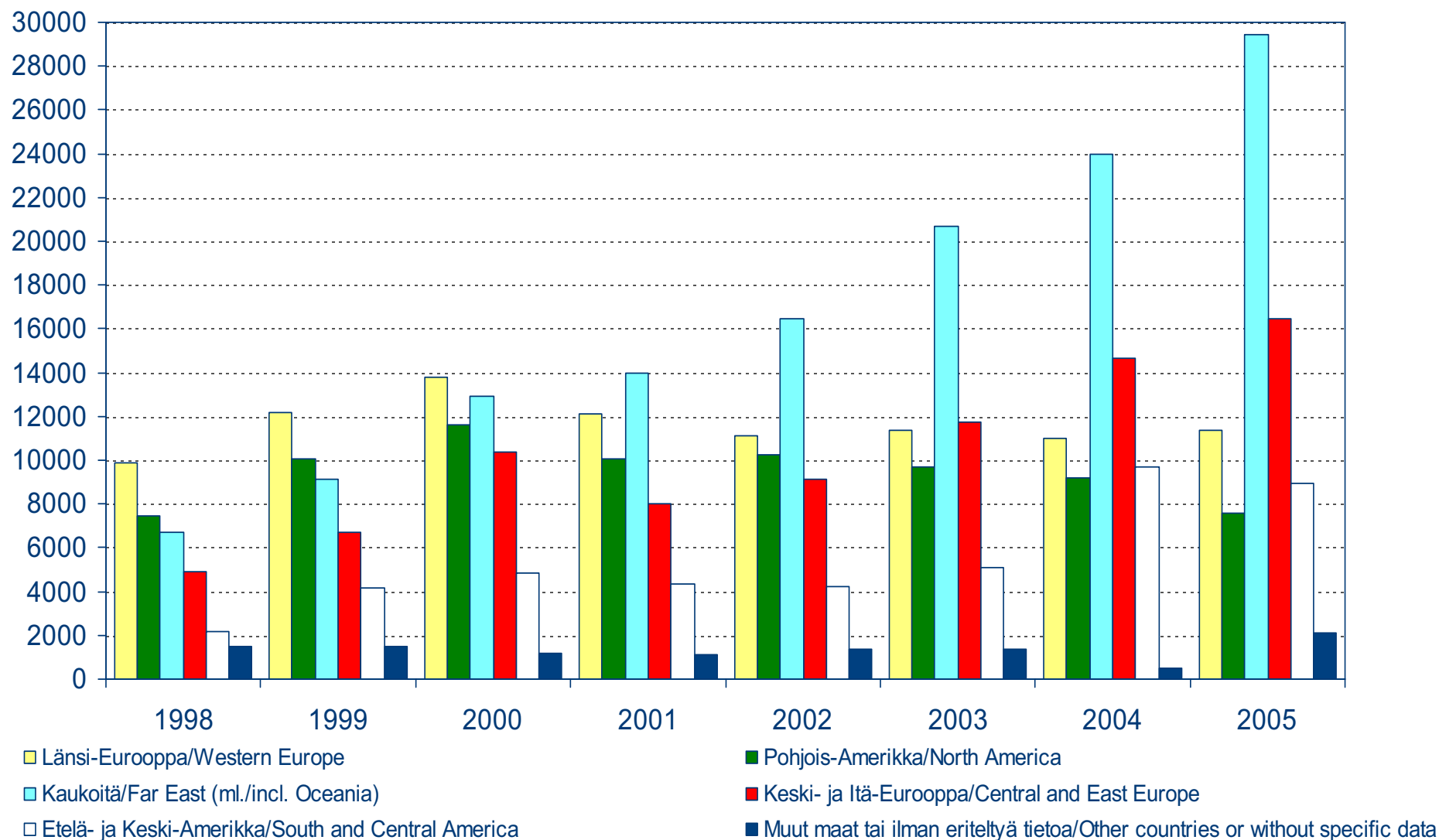


- Henkilöstö Suomessa/Employees in Finland (keskim. vuoden aikana/an average during the year)
- Henkilöstö Suomessa (31.12.2006)/Employees in Finland (31.3.2006)
- Henkilöstö tytäryrityksissä ulkomailla/Employees in foreign subsidiaries (vuoden lopussa/at the end of the year)

Lähde: Tilastokeskus, Teknologiateollisuus ry / Statistics Finland, Technology Industries of Finland

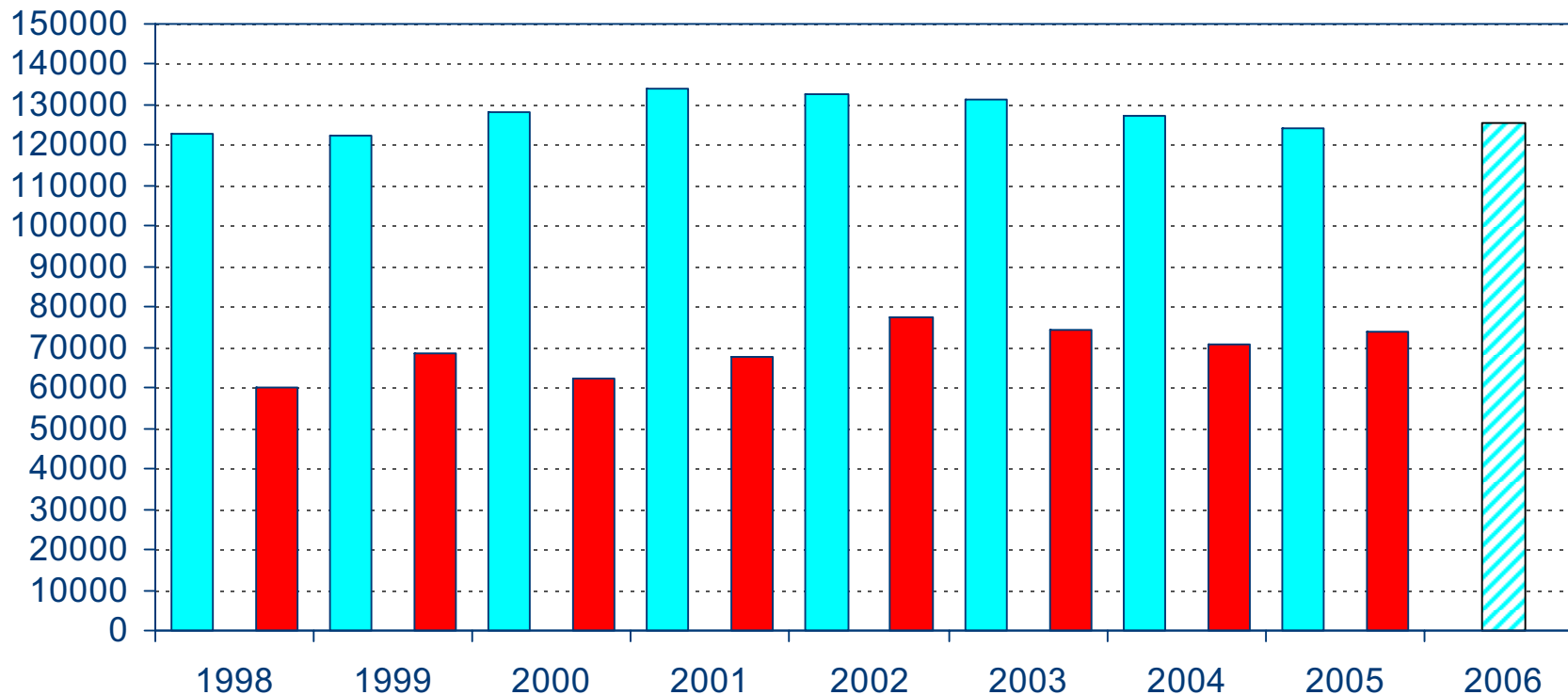
Suomalaisen elektroniikka- ja sähköteollisuuden henkilöstön kehitys ulkomaisissa tytäryrityksissä 1998-2005*

Development of employees in foreign subsidiaries of Finnish electronics and electrotechnics industry companies 1998-2005*



Suomalaisen kone- ja metallituoteteollisuuden henkilöstön kehitys

Number of employees in the Finnish mechanical engineering industry

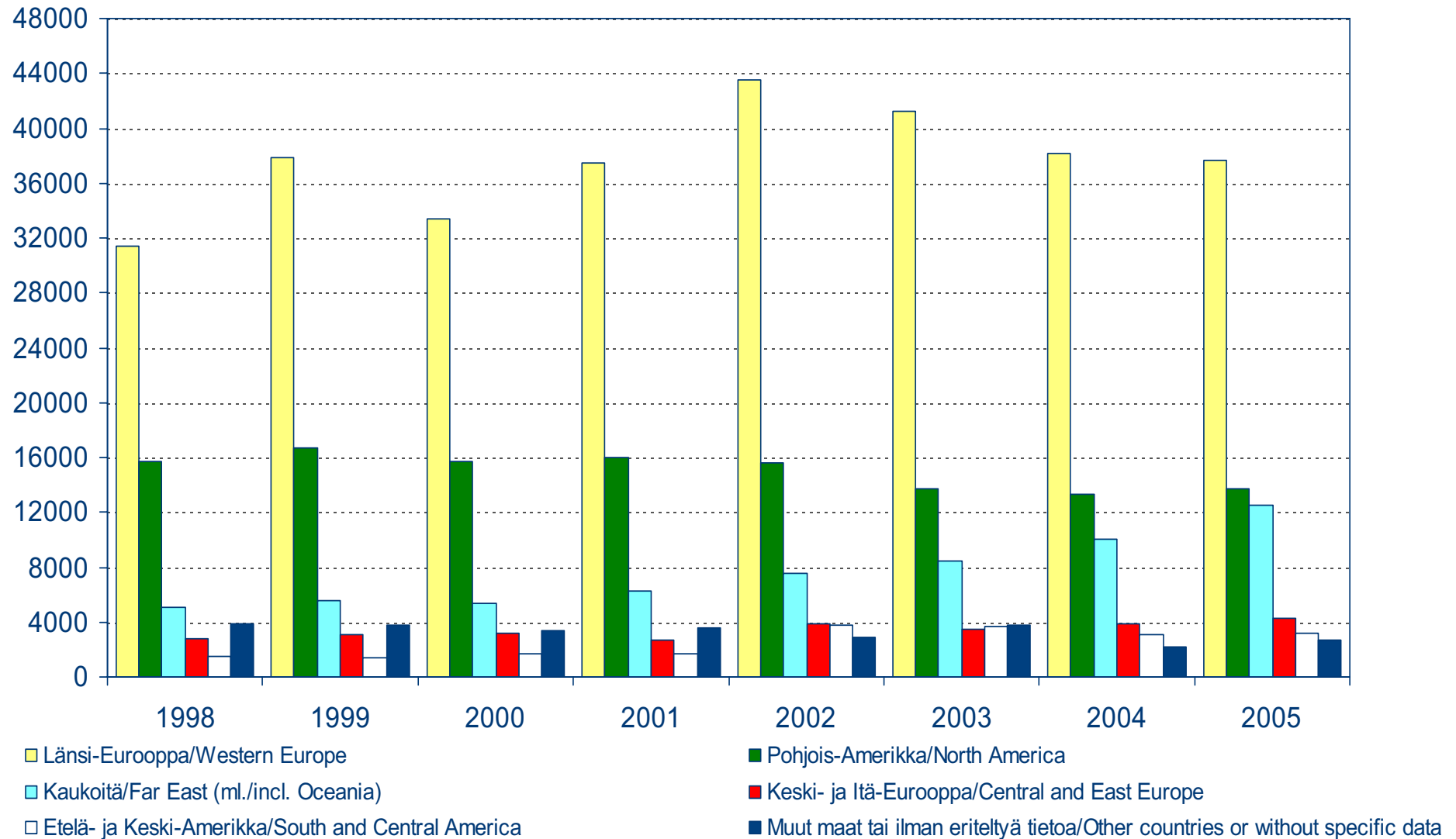


- Henkilöstö Suomessa/Employees in Finland (keskim. vuoden aikana/an average during the year)
- ▨ Henkilöstö Suomessa (31.3.2006)/Employees in Finland (31.3.2006)
- Henkilöstö tytäryrityksissä ulkomailla/Employees in foreign subsidiaries (vuoden lopussa/at the end of the year)

Lähde: Tilastokeskus, Teknologiateollisuus ry / Statistics Finland, Technology Industries of Finland

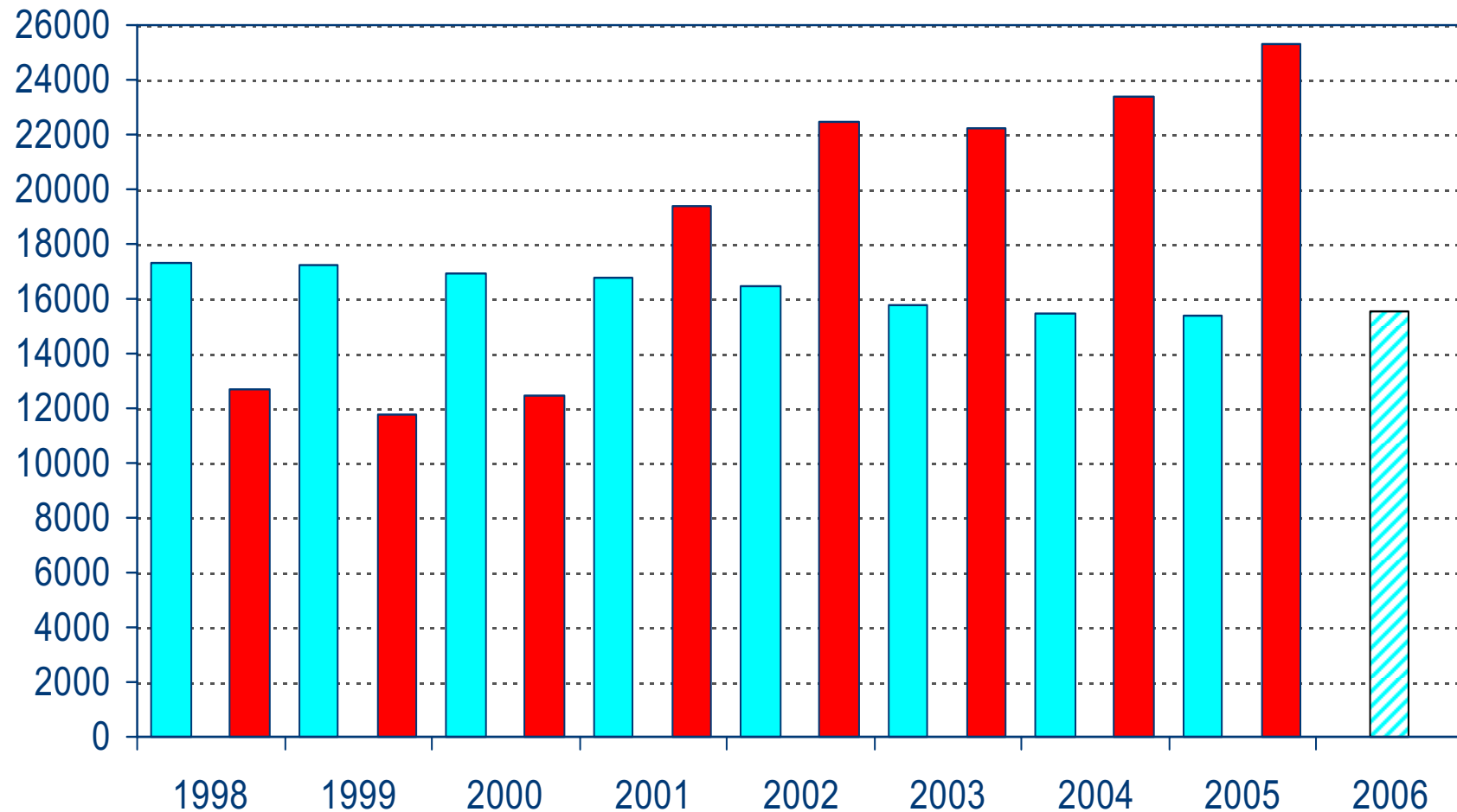
Suomalaisen kone- ja metallituoteteollisuuden henkilöstön kehitys ulkomaisissa tytäryrityksissä 1998-2005*

Development of employees in foreign subsidiaries of Finnish mechanical engineering industry companies 1998-2005*



Suomalaisen metallien jalostuksen henkilöstön kehitys

Number of employees in the Finnish metals industry



■ Henkilöstö Suomessa/Employees in Finland (keskim. vuoden aikana/an average during the year)

▨ Henkiöstö Suomessa (31.3.2006)/Employees in Finland (31.3.2006)

■ Henkilöstö tytäryrityksissä ulkomailla/Employees in foreign subsidiaries (vuoden lopussa/at the end of the year)

Lähde: Tilastokeskus, Teknologiateollisuus ry / Statistics Finland, Technology Industries of Finland

Suomalaisten metallien jalostajien henkilöstön kehitys ulkomaisissa tytäryrityksissä 1998-2005*

Development of employees in foreign subsidiaries of Finnish metals industry companies 1998-2005*

