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Chemical Industry Federation of Finland

## **Deterioration in world economy and Finnish chemical industry**

**Production in the Finnish chemical industry increased in 2006 by almost 4%. Still, the differences between sub-sectors were remarkable. In global economy year 2006 seems to remain the peak year of the recent business cycle. So far the change downward is expected to be a minor one, claims The Economic Outlook of the Finnish chemical industry.**

### ***Modest growth in basic chemicals***

There was no significant growth trend in the Finnish pulp and paper industry in 2006. The figures concerning year 2006 are somewhat misleading because the object year of comparison 2005 was exceptional due to labour market disputes. In 2006 growth in the sales of pulp and paper chemicals depended mostly on increasing chemical intensity of production processes and increases in chemical prices. The demand of paper is growing slowly in Europe and USA but fast in Asia where Finnish chemical companies have followed their clients. The chemical intensity of paper production is steadily increasing so the demand for pulp and paper chemicals is expected to stay better than for paper itself.

### ***Paints and colouring materials: the long-lasting rise over?***

The Finnish production of chemical products increased rapidly during the first half of 2006, then sharply declined. Production of paints and colouring materials has been supported by strong demand in exports, especially to Russia, for years. There are some signs of slower growth in building construction in Finland which would have an impact on demand of paints. In the metal industry the demand for industrial coatings has developed favourably.

### ***Weakened prospects in plastic products industry***

According to Statistics Finland, production in the Finnish plastic products industry has declined sharply since autumn 2005. This is at least partly due to statistical problems but the fact is the producers of plastic components for electronics industry have been expanding their operations abroad and reducing them in Finland. Excluding those companies, production in the Finnish plastic products industry has been growing steadily. Recent forecasts project more than 2% growth for building construction which would keep the demand for plastic construction materials at a good level. Growth in consumption and trade is expected to slacken which would cut the demand for plastic packaging materials.

*The outlook is based on the material of the Finnish Outlook dated March 22nd, 2007.*

*The Finnish chemical industry covers chemicals, chemical products, petroleum and coal products, rubber products and plastic products.*

**Further information:**

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