CBI MARKET SURVEY

THE CHEMICALS MARKET IN FINLAND

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the chemicals market in Finland. The information is complementary to the information provided in the CBI market survey covering the EU chemicals market. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

1. Market description: consumption and production

Consumption

- Finland is a relatively small consumer of chemicals, accounting for 1.4% of the total EU chemicals market.
- In 2005, Finnish industrial demand for chemicals amounted to € 8 billion, representing an annual average growth rate of 6% between 2001 and 2005 (European Chemical Industry Council (CEFIC), 2006).
- Finland's heterogeneous chemical industry covers the basic chemical industry, the various fields of chemical product industries (incl. pharmaceutical industry) as well as oil refining and the manufacturing of plastic and rubber products (Chemical Industry Federation (Chemind), 2006).

Table 1.1 Industrial demand for chemicals in the EU and Finland, 2001-2005, in € million

	2001	2003	2005	Average annual growth
EU25	496,581	507,835	564,598	3.3%
Finland	6,224	6,593	7,957	6.3%

Source: European Chemical Industry Council (CEFIC) (2006)

Production

- Finland has a relatively small chemical industry, accounting for 1.1% of total EU turnover.
- In 2005, the turnover of the Finnish chemical industry amounted to € 6.6 billion, representing an annual average growth rate of 5% during the review period (CEFIC, 2006).
- In Finland, the chemical industry is one of the three major industries, with the most important customers being the forestry, electronics and transport industries. The importance of the forestry sector is reflected, amongst others, in the relatively large demand for chemicals for the paper and pulp industry. Generally, the majority of production is supplied as intermediate products for use in other areas of industry.
- The most recent key application area is biotechnology, which is considered one of the most promising areas of high technology in Finland.
- In 2005, the gross value of chemical production totalled € 14.8 billion, accounting for 13.8% of total industrial output. This signifies an increase of only 1% since 2004. According to industry sources, this is reflective of certain non-structural causes, such as labour issues. Of this, 38% concerns petroleum products, 29% base chemicals, 15% plastic products, 6% pharmaceutical materials, 4% rubber products, 3% paints and inks and 5% other products (Chemind, 2006).
- According to industry sources, the Finnish chemical market is currently not very dynamic. There only is a modest growth in the trade of chemicals. The disappointing performance of the pulp and paper industry in Finland is partly the explanation for this.

Trends

- The financial position of chemical industry companies was solid in 2005, and the profitability of the industry is high.
- According to industry sources, the enlargement of the EU had little effect on the Finnish chemical industry.
- Close cooperation in innovation is a key asset of the Finnish chemical industry. Significant investment is made in R&D (Chemind, 2006).
- In 2006, the growth of the Finish chemical industry was expected to accelerate, as the industry was recovering from 2005. The largest risks for positive development are oil prices relating to the situation in the Middle East.

Opportunities and threats

- The outlook for the industrial demand for chemical products is still positive in both domestic and export markets, also for the expanding Finnish pharmaceutical industry.
- However, according to industry sources, future growth will taper off, and the sector might even decline in size, due to increasing outsourcing of production to cheaper locations. This mostly concerns the production of chemicals requiring less advanced production processes.

Useful sources

- For more information on Finland, please refer to the trade associations mentioned in section 6, also the Finnish statistical agency (http://www.stat.fi/index_en.html) can be a source of information. The European Federation CEFIC (http://www.cefic.org) is also of interest.
- Two reports are especially interesting, namely http://report.chemind.fi/finchemicalindustry and The Economic Outlook of the Finnish Chemical Industry, also available through http://www.chemind.fi. Choose English in the top-right corner and select 'What's new' → 'Economic Outlook'.
- ChemIndustry.com, (http://chemindustry.com/index.html) is also of interest, both for chemical information and finding companies in Finland.

2. Trade channels for market entry

- In general, the trade channels in Finland do not differ from the trade channels which have been mentioned in the CBI market survey covering the EU chemicals market. The traditional approach of contacting traders, intermediate processing companies, agents and wholesalers (either with or without processing capacity, dependent on the chemical) remains the most effective method.
- One of the more interesting companies in Finland is KemFine OY in Helsinki, which is a leading producer of fine chemical intermediates for agrochemicals and pharmaceuticals.
- The Chemical Industry Federation of Finland has comprehensive listings of member companies of its constituent organisations (http://www.chemind.fi/home -> go to associations).
- ChemIndustry.com (http://chemindustry.com/index.html) is also of interest for finding chemical companies in Finland.
- Finally, there is the Association of Finnish Technical Traders: http://www.tkl.fi/fi/In+English/

3. Trade: imports and exports

Imports

- Finland is a small importer of chemicals, accounting for 0.9% of total EU imports.
- In 2006, Finland imported € 498 million / 599 thousand tonnes of chemicals, representing an annual average decrease of 7% during the review period.
- Finnish imports of chemicals consisted of organic chemicals (49%), oleo chemicals (30%), dyes and pigments (16%) and inorganic chemicals (5%).

- Leading suppliers of chemicals to Finland are Russia (22%), Germany (18%), The Netherlands (13%) and Sweden (10%).
- In 2006, developing countries supplied 2% of all imports by Finland, which is a small amount compared to the EU average. Imports from developing countries increased by an annual average rate of 28% in the period reviewed, amounting to € 11 million / 3.7 thousand tonnes in 2006. India is the main supplier of chemicals to Finland, accounting for 1% of total Finnish imports.

Exports
- Finland is one of the smaller EU exporters of chemicals. Its exports decreased by 5% annually, amounting to € 237 million / 147 thousand tonnes in 2005.
- Only exports of oleo chemicals increased during the review period. Finland's export of inorganic chemicals on the other hand, showed a severe decrease by an annual rate of 59%.
- According to the Chemical Industry Federation of Finland, the three leading export products in 2006 were oil products (36%), basic chemicals (29%) and pharmaceuticals (10%).

Opportunities and threats
- Finland is a small EU trader in chemicals. Based on these figures, Finland is not especially interesting for developing country suppliers, as developing countries hold a negligible import share in Finnish small chemical imports.
- According to industry sources, imports from developing countries come mainly from China and India, where importers find reliable and good quality sources.
- Nevertheless, Finland's imports from developing countries are increasing, by 17% annually.

Useful sources
- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int
- Eurostat, the official statistical office of the EU - http://epp.eurostat.cec.eu.int

4. Price developments

- The CBI market survey covering the EU chemicals market, presents general information on prices. These price indications do not differ from those in Finland.
- The prices of most commodity chemicals can be found relatively easily. Useful sources are http://www.cnionline.com (subscription site with information on companies, markets, products, strategies, mergers, acquisitions, capacity expansions, forecasts and trends in the chemical industry) and http://www.icislor.com (subscription site for prices on the petrochemical and oil markets).
- However, the prices of fine and specialty chemicals are more difficult to obtain. They are not published and can vary widely from one application area to another. Obtaining reliable price information in these segments often requires asking a distributor, or asking a producer for a quotation.

5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country's government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.
- For more information go to 'Search CBI database' at http://www.cbi.eu/marketinfo.

6. Business practices

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Finland, visit the following websites:

Trade Associations
- The Chemical Industry Federation of Finland - http://www.chemind.fi/home

Trade Fairs
- ChemBio Finland (exhibition for chemistry and biotechnology) - http://www.chembiofinland.fi

Trade Press
- Pharma Industry Finland Situation Letter - http://www.pif.fi/page.php?page_id=120
- No specific chemical trade press was found.

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