



KAUPAN LIITTO

Commerce sector outlook 2022

Jaana Kurjenoja

Excerpts from the forecast.

The full text is available to members of the Finnish Commerce Federation on the members' pages at [Kauppa.fi](https://www.kauppa.fi), in the Research section.

Strong growth in retail sector turnover in 2019

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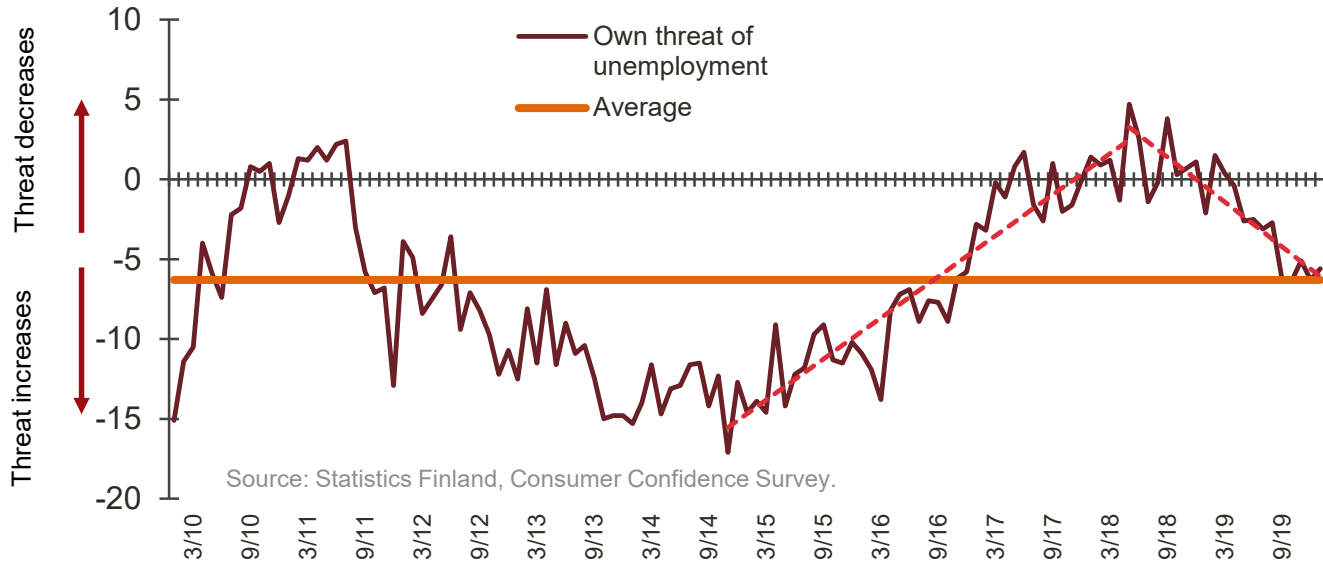
Strong retail sector growth in autumn 2019

- The euro-denominated turnover of the retail sector grew 2.3 per cent and turnover volume by 2.4 per cent.
 - Retail trade growth was especially strong from July to October when most holiday bonuses and tax refunds were paid.
 - The spike in sales over late summer and autumn was especially visible in the sales of home electronics, sporting goods as well as in the specialty goods trade of interior decoration and household goods. The specialty goods trade in clothes also had a very good autumn after a slow start to the year.
 - Department store trade turnover declined in December, but the specialty goods trade continued moderately.
 - The strict price competition in the specialty goods trade is still evident in falling prices: in 2019, the euro-denominated turnover increased at a slower rate than the volume of turnover.
 - Especially when it comes to household appliances, the price level is influenced not only by the price competition but also by the ongoing technological advancements.
 - Unlike in the specialty goods trade, the turnover growth in the trade of daily consumer goods (two per cent annually) is almost solely due to price increase, as the annual turnover growth was just 0.1 per cent.
- For wholesale trade, both the euro-denominated turnover as well as turnover adjusted for price fluctuations declined slightly last year.
 - The wholesale prices of domestic goods increased and those of foreign goods decreased.

* Turnover adjusted for price fluctuations.

Even though the employment rate has improved, consumers are experiencing an increased threat of unemployment

Consumers' own experience of the threat of unemployment, Balance figure



Expectations regarding consumers' own experience of the threat of unemployment have experienced a worsening trend over the last eighteen months, regardless of employment rates improving. The experience of the threat of unemployment shows no signs of improved expectations regarding personal finances.

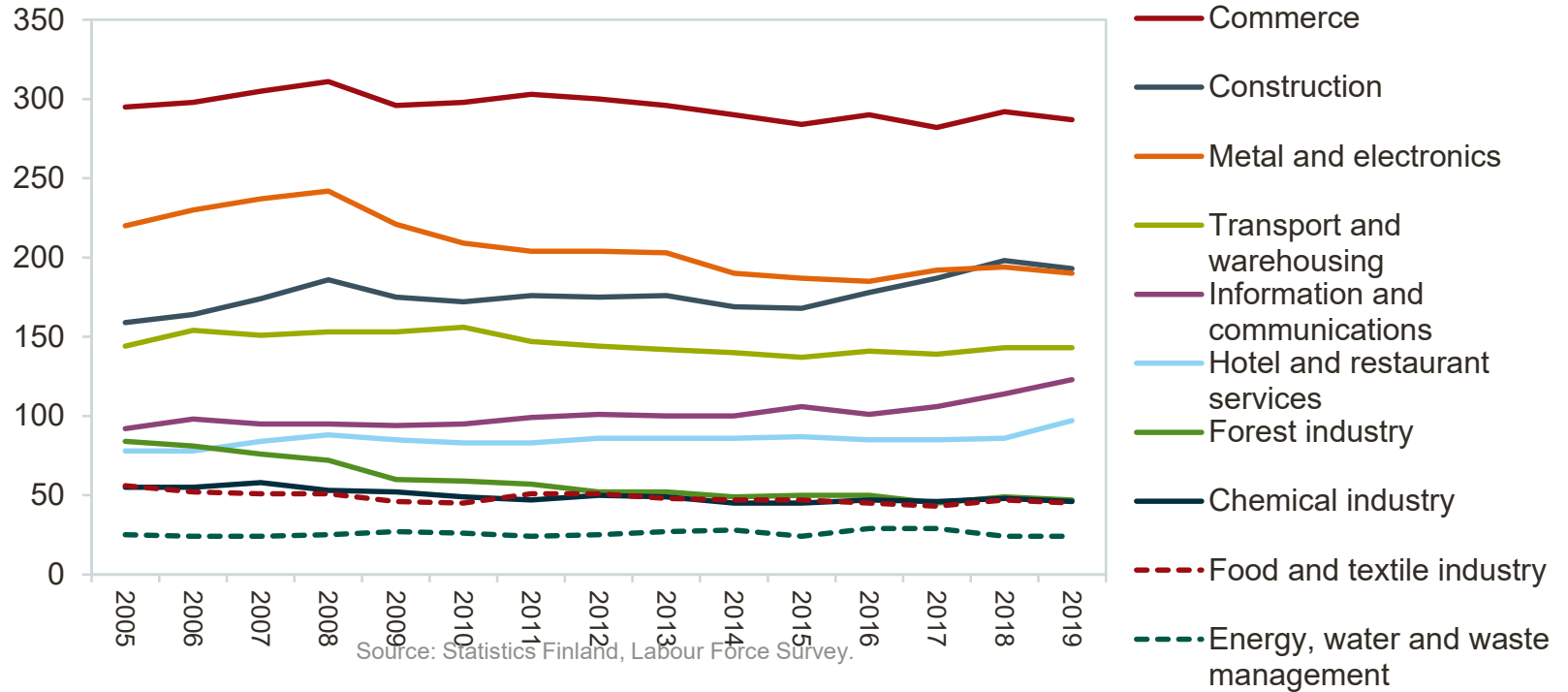
Retail sector employment declined

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Commerce is the largest employer in the economy in thousands



The declining trend of employment in the retail sector continues

The number of employees and wage-earners in the retail sector according to the Annual National Accounts by Statistics Finland, in thousands



Tighter domestic and international competition in both the brick-and-mortar and online channels, along with the need to increase cost-efficiency, are reducing the demand for labour in the long run.

According to the Annual National Accounts by Statistics Finland, employment was at its lowest in the last quarter of 2018 and the first, third and final quarter of 2019 compared to the corresponding quarters since 2005, and second-lowest in the second quarter of 2019.

Retail sector turnover and employment 2020–2022

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Commerce sector outlook – background

- This year, economic growth continues slower than last year, at about one per cent. During a couple of the following years the rate of growth will increase only slightly and will not reach the growth of 2019.
- Global trade grows moderately as acute trade conflicts wind down and the threat of a no-deal Brexit recedes. Finnish exports get a boost from service exports.
- Despite new building slowing down, it still remains fairly lively, and rebuilding grows. In addition to rebuilding, wholesale trade gets a boost from increased rentals of machines and devices especially in some service industries such as logistics and ICT.
- During this year and the next, the income level will rise faster than last year, accelerating inflation. Returning holiday compensations for the public sector speeds up the increase in wage levels. On the other hand, a slightly higher rate of inflation compared to last year chips away at real purchasing power.
- Employment growth continues to slow down. However, for commerce it is important that the number of employed does not start to decline. Employment trends are directly reflected in actual amount of wages, to the growth of purchasing power in the entire national economy and thus also trade.
- The increase in available earnings will be only partly directed at the retail sector: a little over half of private consumption comprises other than retail trade products.
- The growing savings ratio of households slows down retail trade growth.

Commerce sector outlook – background

- This forecast contains no assumptions regarding taxation apart from the tax and payment decisions already issued.
- Growth this year and in the next few years involves downward risks.
 - *Downward risks include, among others, problems related to Brexit, problems in the Eurozone banking sector, and protectionist financial policy spreading and escalating into trade wars.*
 - *Different strikes can impact purchasing power, employment, private consumption and, for example, investments and as such also trade.*
 - *Global epidemics can have surprising consequences.*
 - *Population ageing and urbanisation are changing the structures of trade.*
 - *The costs arising from the ageing population and public sector reforms, such as the reform of the Finnish social welfare and health service system, create pressures for increased taxation, particularly taxes on consumption. If implemented, higher taxes would erode purchasing power and increase costs in the commerce sector.*
- There may also be positive risks regarding growth this year and in the next few years.
 - *The growth of private consumption could be stronger than forecasted.*



Further information:

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