



KAUPAN LIITTO

Commerce sector outlook 2022

Jaana Kurjenoja



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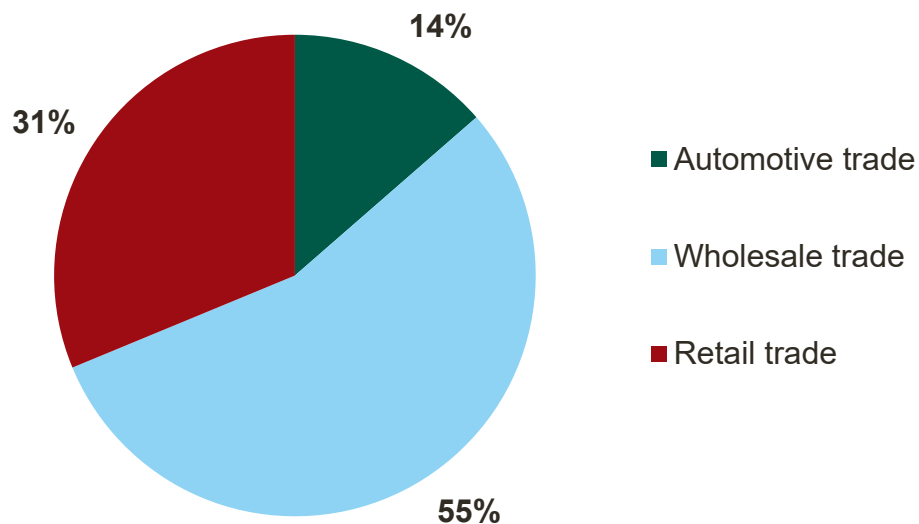
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General information about commerce



Commerce sector sales 2019

Turnover 2019 totalled EUR 127 billion (excluding VAT)

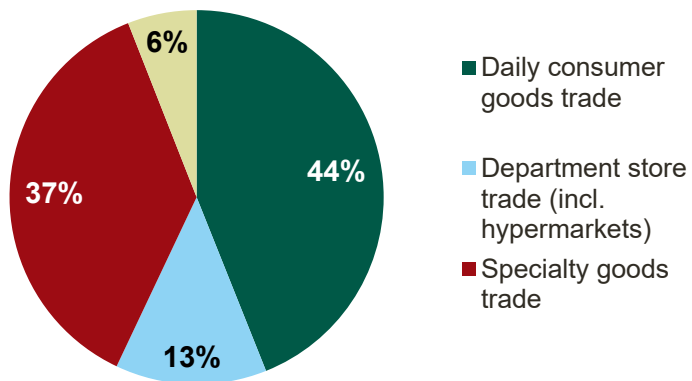


Source: Trade estimates in euros, Statistics Finland.

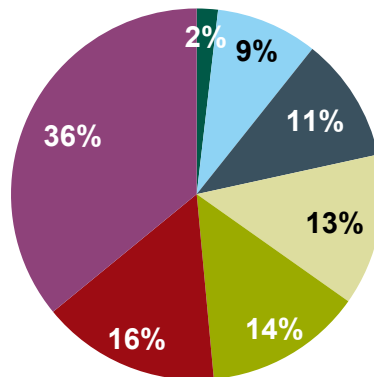
Retail and wholesale turnover

Excluding VAT, excluding car sales

Retail trade turnover 2019
total EUR 39.8 billion



Wholesale turnover 2019
Total EUR 70.3 billion



- Wholesale of agricultural primary products and live animals
- Wholesale of ICT equipment
- Other wholesale (non-specialised wholesale trade, general wholesale trade)
- Wholesale of household goods
- Wholesale of other machines, equipment and materials

Source: Trade estimates in euros, Statistics Finland.

Retail categories

Retail trade total turnover EUR 39.8 billion (excluding VAT) in 2019
 EUR 1,000



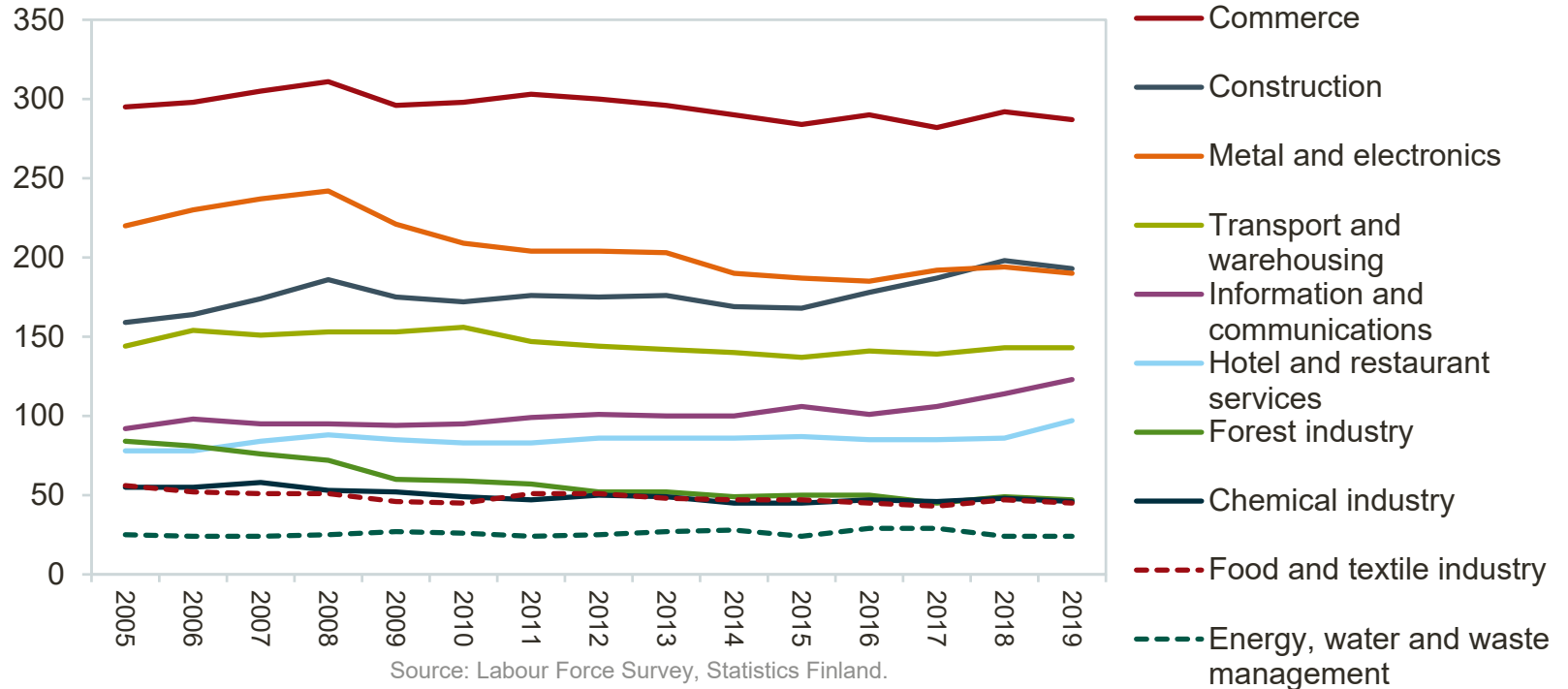
*Retail in specialty goods trade.

Note! The details of turnover in the optical sector and for books, newspapers etc. differ slightly from the data by the relevant trade associations, the Finnish Association of Vision and Eyecare (NÄE ry) and the Booksellers' Association of Finland.

Source: Trade estimates in euros, Statistics

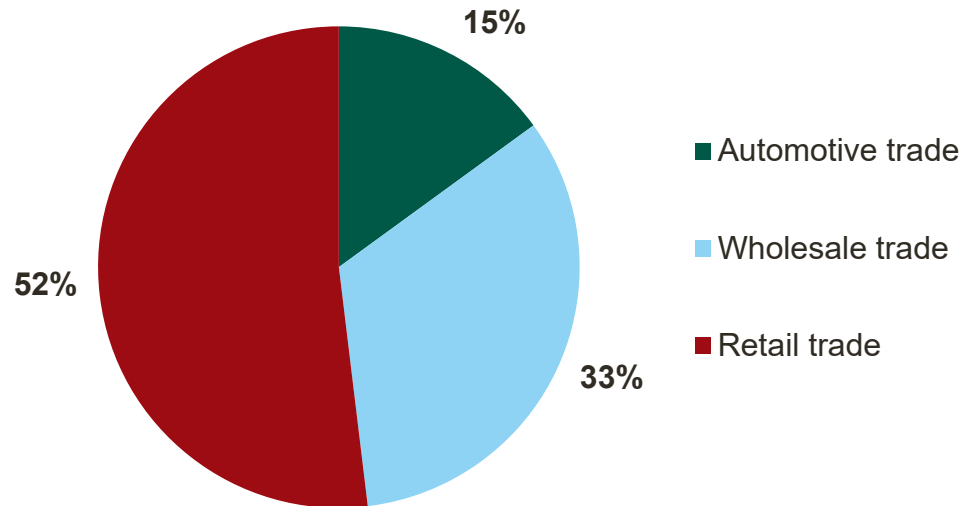
Commerce is the largest employer in the economy

1,000 people



Persons employed in commerce in 2019

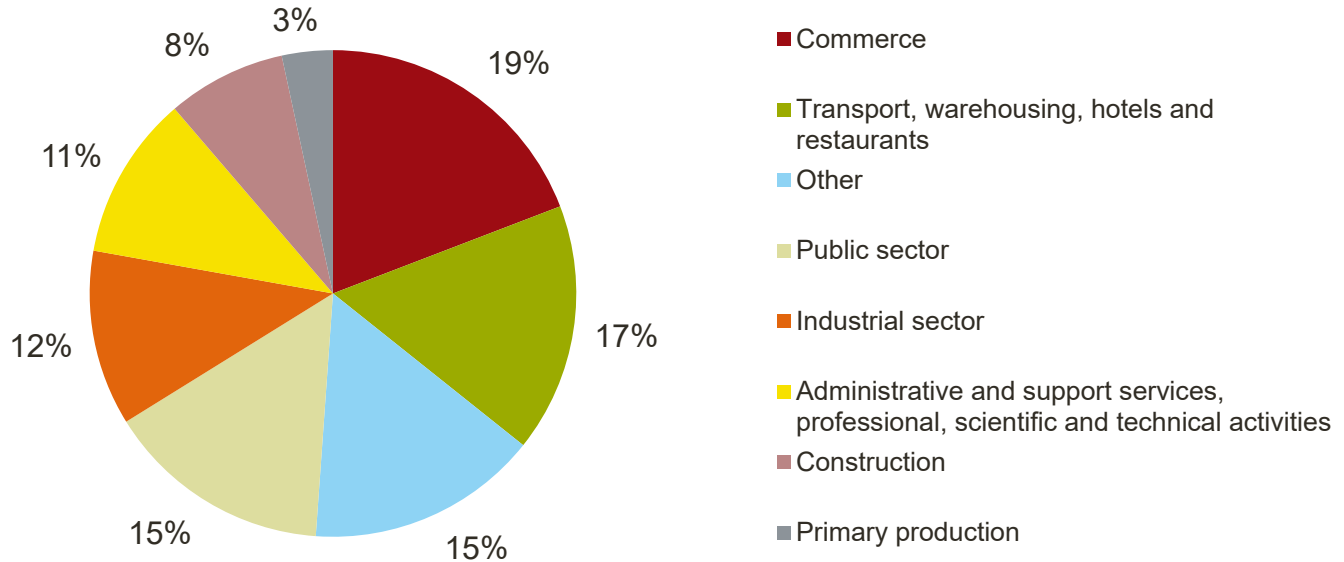
287,000 employees in total



Source: Labour Force Survey, Statistics Finland.

Commerce provides employment for young people

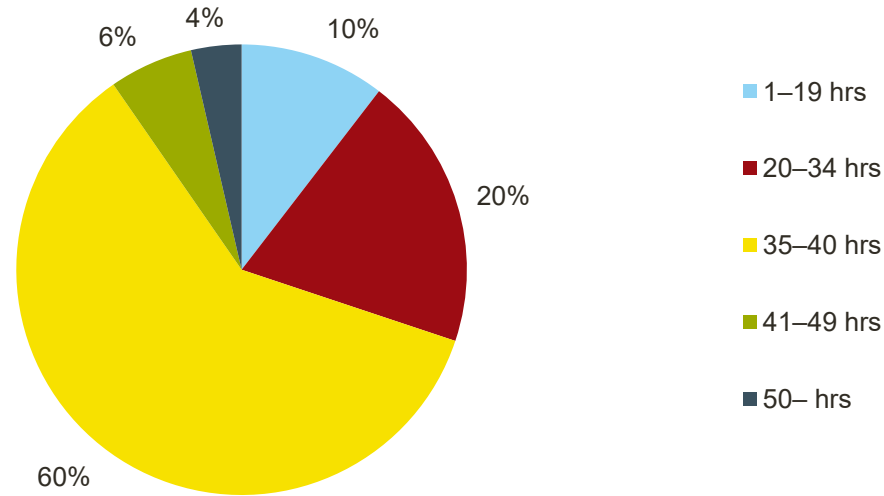
Employees under 25 years of age by sector, 2019



Source: Employment and unemployment 2019, Labour Force Survey,
Statistics Finland.
Jaana Kurjenoja

Distribution of wage earners' working hours in the commerce sector in 2019

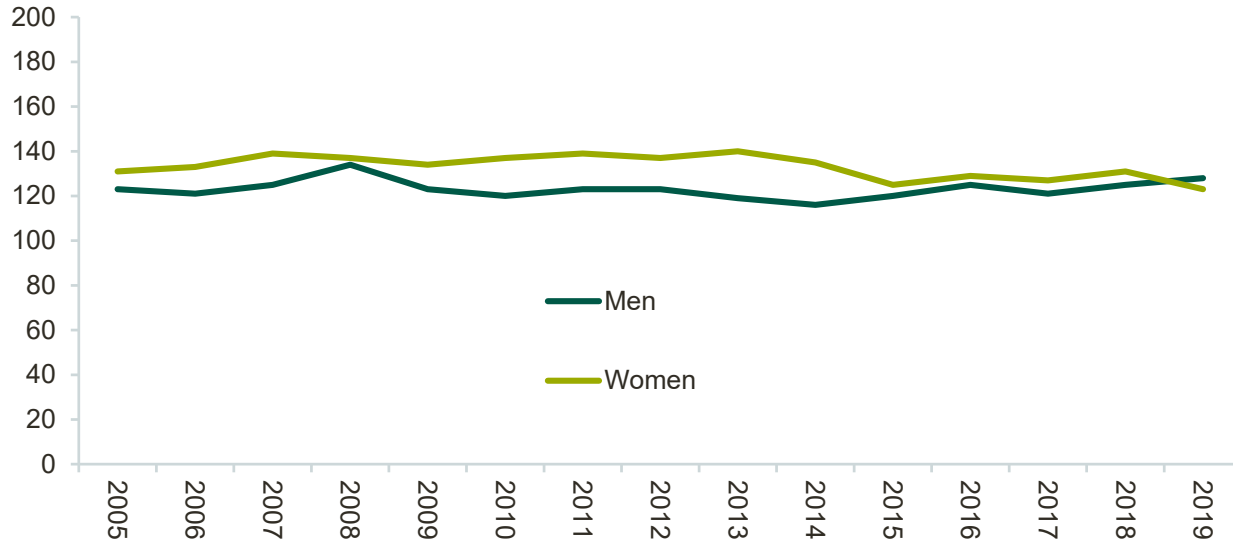
Based on regular weekly working hours in primary occupation



Source: Employment and unemployment 2019, Labour Force Survey, Statistics Finland.

- 70 per cent of the wage earners in commerce work at least 35 hours per week. The corresponding figure for all wage earners is 80 per cent.
- Slightly less than four per cent of employees in commerce and slightly less than five per cent of all employees also have a secondary job.

Gender distribution of wage earners in commerce

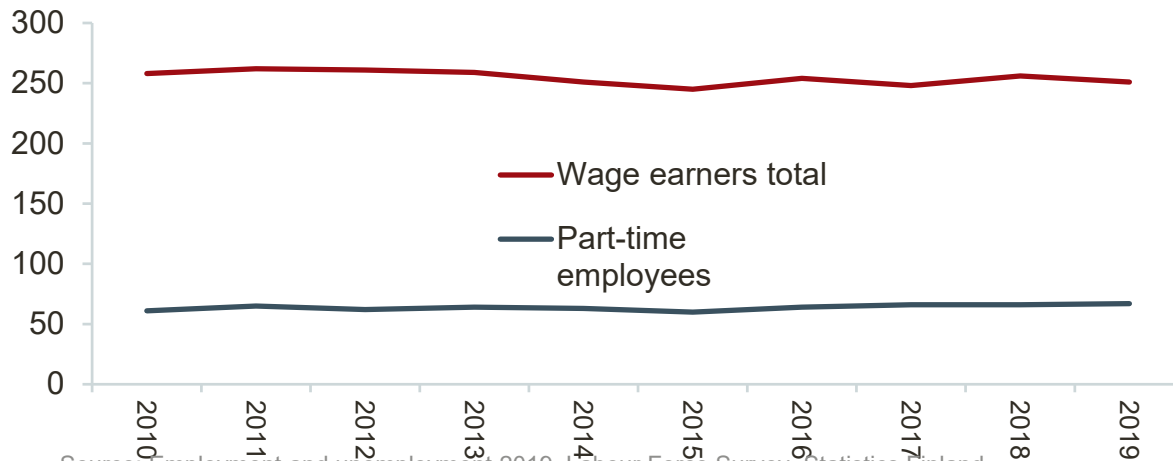


Source: Employment and unemployment 2019, Labour Force Survey, Statistics Finland.

- Women represent 49 per cent of wage earners in commerce and 51 per cent of all wage earners.
- Women represent 41 per cent of all private sector wage earners and 71 per cent of all public sector wage earners.

Commerce employs many part-time employees although the majority are full-time employees

Part-time* wage earners in commerce
in thousands

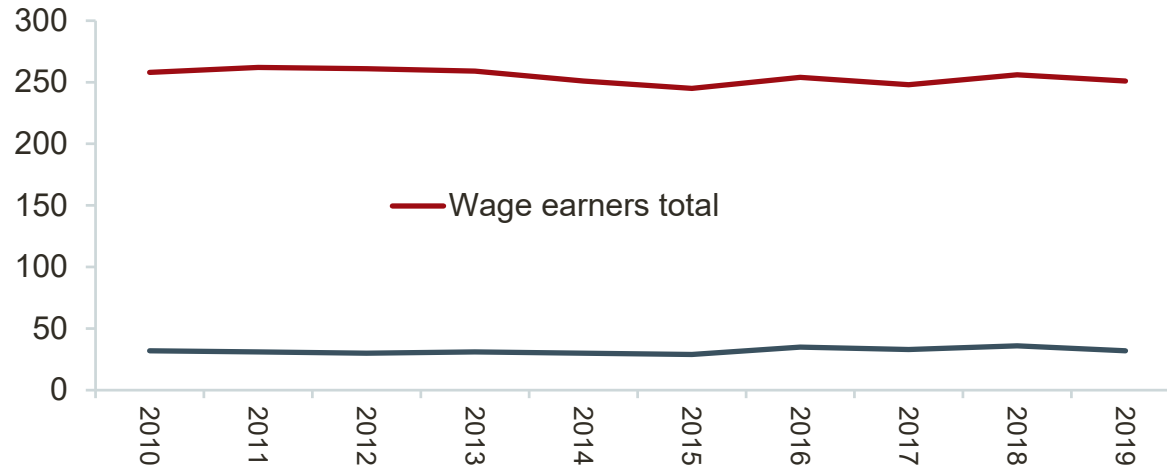


* Part-time employment as reported by the wage earner.

- Commerce employs 19 per cent of all part-time wage earners.
- Of all wage earners in commerce, 27 per cent are part-time employees.
- Of all wage earners in the private sector, 18 per cent are part-time employees.
- Of all wage earners, 16 per cent are part-time employees.

Employment in commerce is permanent

Non-permanent wage earners in commerce
in thousands



Source: Employment and unemployment 2019, Labour Force Survey, Statistics Finland.

- Commerce employs 9 per cent of all non-permanent wage earners.
- Of all wage earners in commerce, 13 per cent are non-permanent employees.
- Of all wage earners in the private sector, 13 per cent are non-permanent employees.
- Of all wage earners, 16 per cent are non-permanent employees.

Consumers' and retail trade's expectations for the immediate future

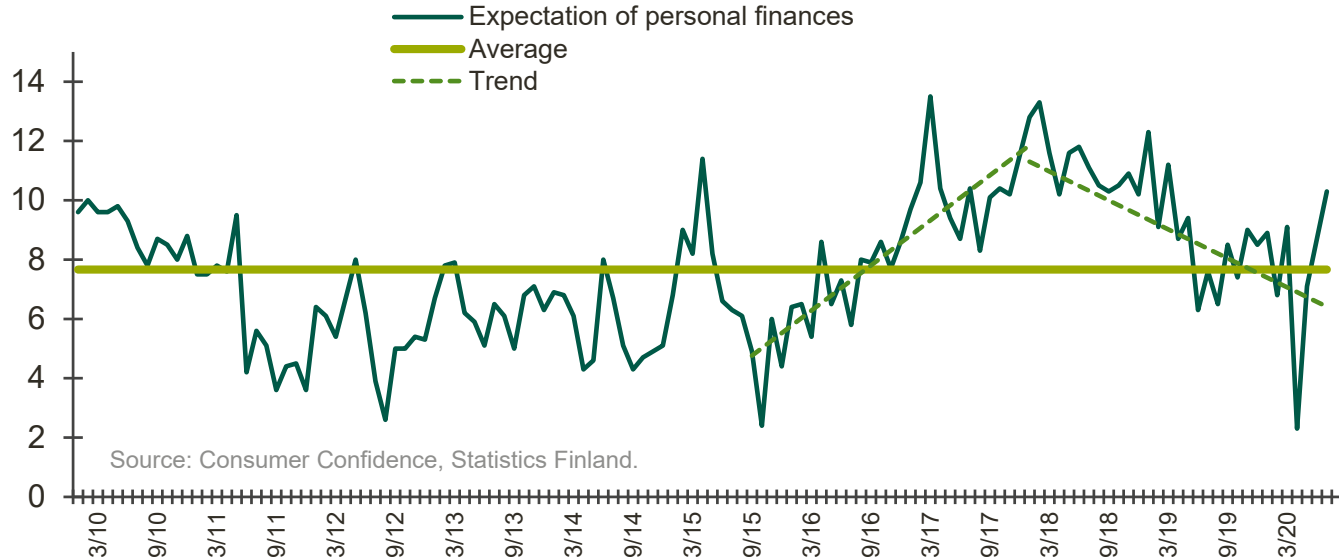


Consumers' expectations for the immediate future

- Consumer indicators essential for retail trade and wholesale trade sectors providing services for the consumer service sector include the consumers' expectations for their personal finances in the coming year, and for their employment situation. The indicator of the threat of unemployment is particularly important because uncertainty of employment may trigger saving as a preparation.
 - Consumers' expectations for their personal finances and employment declined dramatically in April. Now, the expectations for personal finances have recovered to a level at par with the first few months of the year, but the views about the threat of unemployment are still pessimistic.
 - Uncertainty about the future is clearly reflected in the experienced threat of unemployment. Even though people's views about their personal finances are relatively positive, the fear of personal unemployment is real.
 - If the epidemic starts to worsen again or the fear of that happening spreads, the impacts on consumption may be severe, even if lines of business and companies were not ordered to close, as in the spring.

Consumers' expectations for their personal finances restored

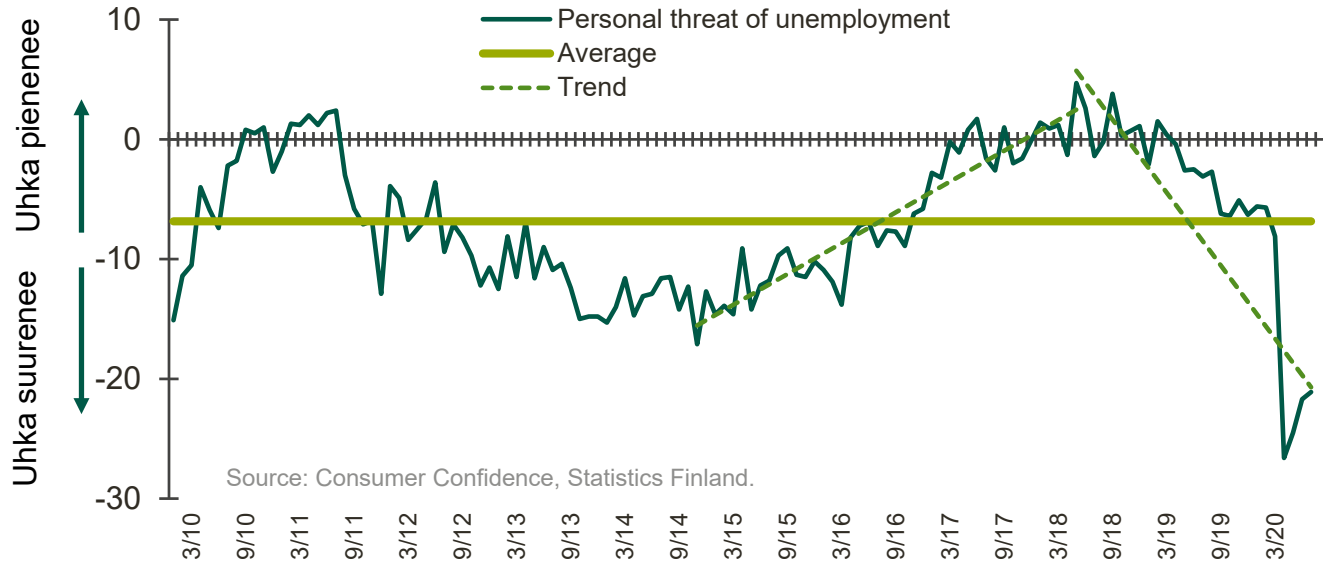
Consumers' expectations for their personal finances for the following year, balance figure



The declining trend of consumer expectations evened out and started to rise slightly after last summer. The incipient improvement in expectations was crushed in April, but has been restored again to the same level as at the turn of the year 2019–2020.

Consumers' uncertainty reflected in fears for unemployment

Consumers' experience of their personal threat of unemployment, balance figure



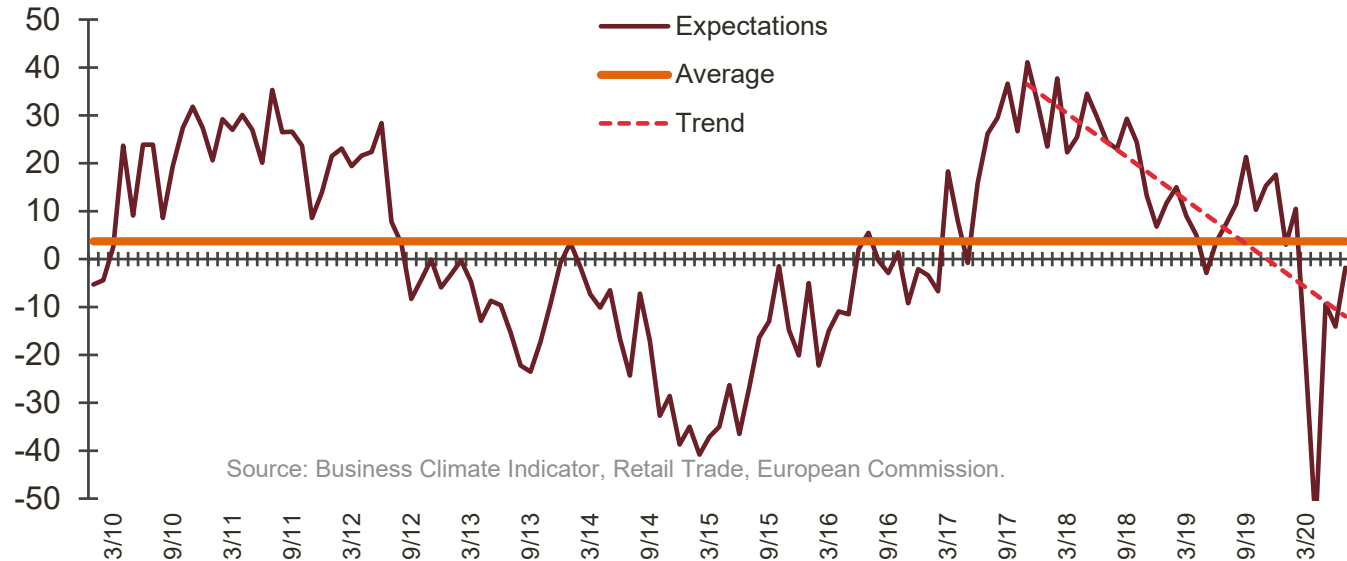
Consumers' expectations regarding the threat of unemployment experienced a worsening trend over the last two years, regardless of employment rates improving. The expectations worsened dramatically in April and have not been restored to a more positive note in the same way as the expectations for personal finances.

Retail trade sales expectations for the immediate future

- Retail trade sales expectations for the next three months declined back in March and weakened further in April. The sales expectations have now picked up after hitting rock bottom in April, but still remain at a clearly lower level than in late 2019.
 - The weakening trend in sales expectations had already begun late in 2017, when economic growth was only beginning to slow down.
 - Sales expectations have not dropped in the same way for daily consumer goods trade as for household goods and specialty goods trade. After the slump in March–April, daily consumer goods trade sales expectations have been restored to the level seen early in the year, and above the average for the 2010s.
 - The sales expectations for household goods trade have also recovered from the low in April, but still remain below average. In certain sectors of household goods trade, sales have increased during the spring and summer, while others have suffered great losses in turnover. The weak sales expectations also reflect the uncertainty of the situation in the autumn and the progress of the epidemic.
- Retail trade sales expectations in Germany, Sweden and Finland are below the level of the first months of the year, even though they have picked up from April.
 - In Germany, the sales expectations have been restored closest to the initial level in January–February.

Retail trade sales expectations over the next three months

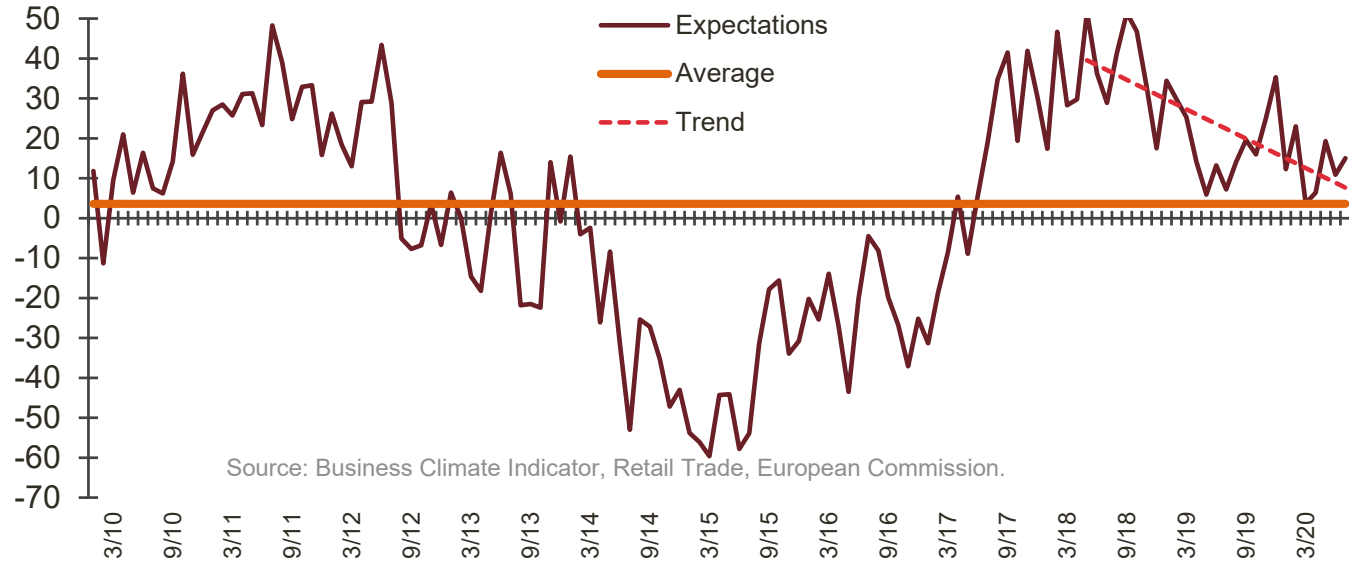
Retail trade companies' expectations for turnover over the next three months
Seasonally adjusted balance figure



The trend of retail trade companies' sales expectations has been declining since the end of 2017. After the drop in the spring, sales expectations have improved, but still remain below the average for the 2010s. Regardless of the positive sales figures in late spring and summer, the prevailing uncertainty over the development in the autumn is clearly causing concerns in the retail sector.

Daily consumer goods trade sales expectations over the next three months

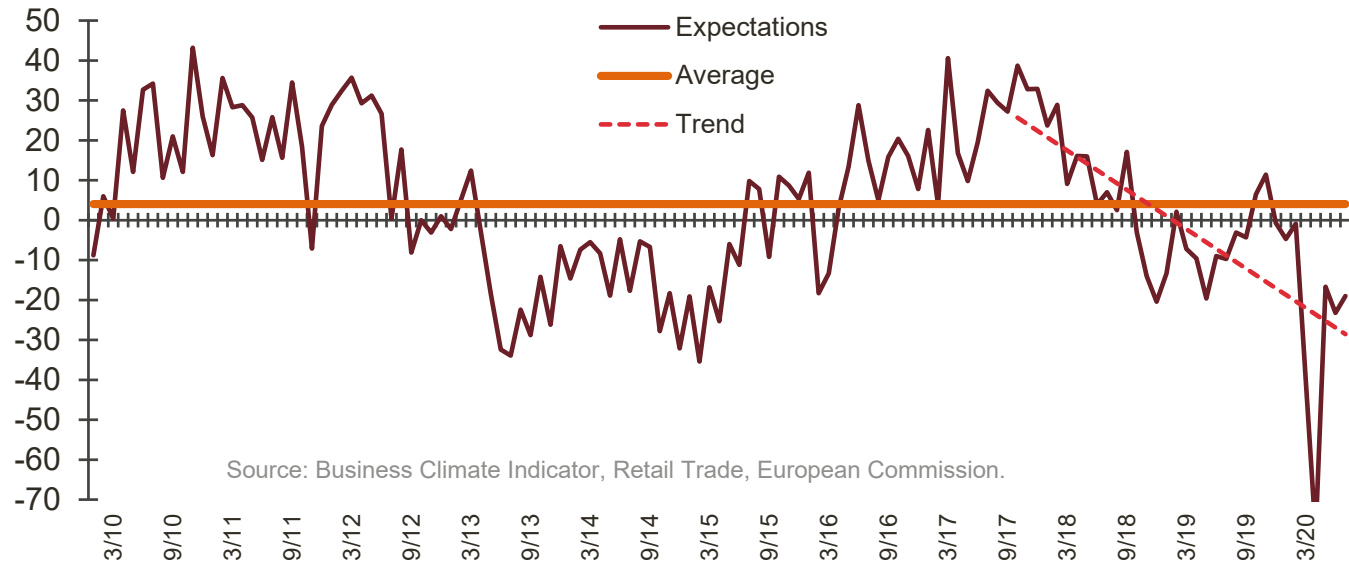
Daily consumer goods trade companies' expectations for turnover over the next three months
Seasonally adjusted balance figure



Daily consumer goods trade companies' sales expectations have seen a declining trend since the spring of 2018, but remain higher than average and have been restored to the level seen early in the year.

Household goods trade sales expectations over the next three months

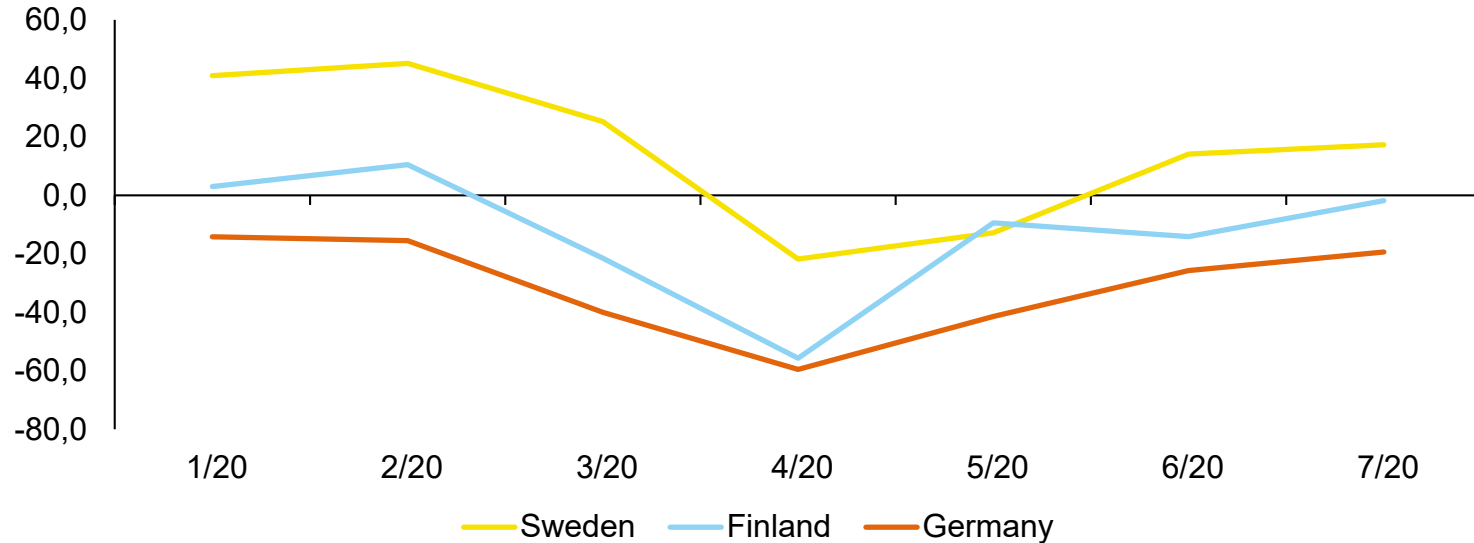
Household and specialty goods trade companies' expectations for turnover over the next three months
Seasonally adjusted balance figure



The trend of household and specialty goods trade companies' sales expectations has been declining since the end of 2018. Sales expectations have not recovered after the collapse in the spring as quickly as in daily consumer goods trade. Sales expectations still remain below the average for the 2010s and the level seen early in the year.

Retail trade sales expectations in Germany, Sweden and Finland

Retail trade companies' expectations for turnover over the next three months
Seasonally adjusted balance figure



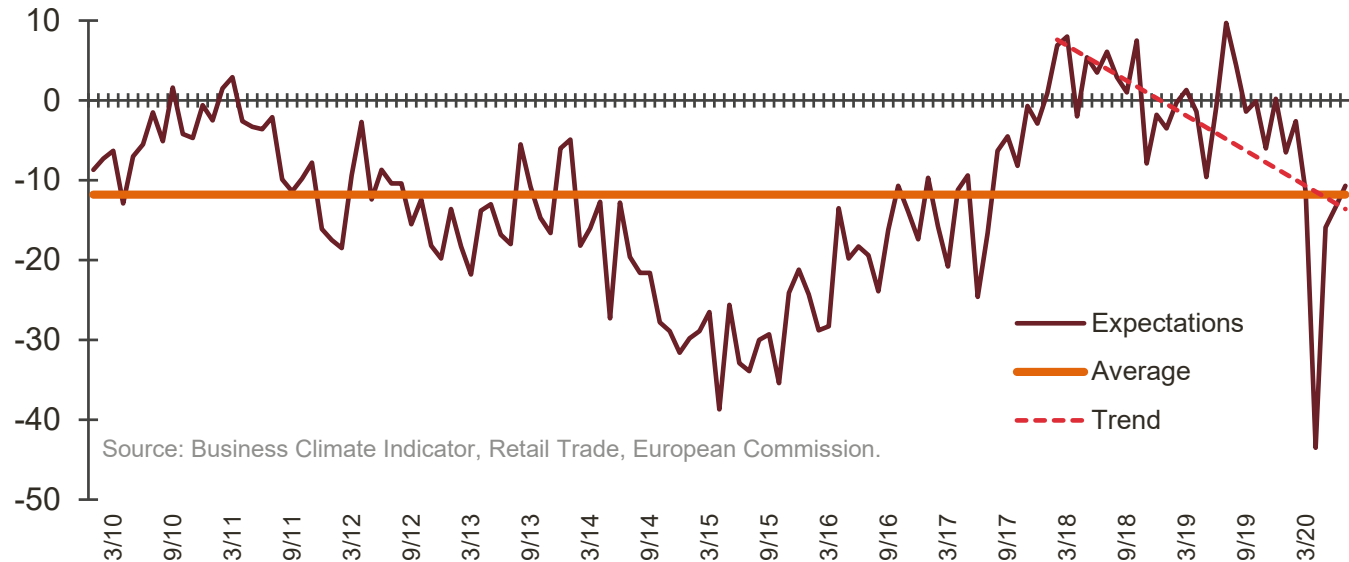
Uncertainty over the autumn is reflected in the sales expectations of Germany, Sweden and Finland. The pessimism that prevailed in April is over, but the expectations are still below those seen early in the year.

Retail trade employment outlook for the immediate future

- Even though the employment outlook of retail trade has recovered from the slump in April–May, it remains below the expectations for January–February.
 - The employment outlook has remained very stable in daily consumer goods trade and has not suffered to any significant degree even in March–April. The outlook is above long-term average.
 - In household and specialty goods trade, the outlook began to dim already early in 2018, but became dismal in April. The positive sales figures in certain household goods trade sectors in late spring and early summer improved the employment outlook over the worst situation, but the outlook is still extremely poor.
- Retail trade employment outlook for the next three months has seen highly similar development in Germany, Sweden and Finland.
 - The expected employee numbers still remain below the initial level for January–February in all three countries.
 - In Finland, the employment outlook has recovered closest to the initial level seen in the early part of the year.

Retail trade employment outlook for the next three months

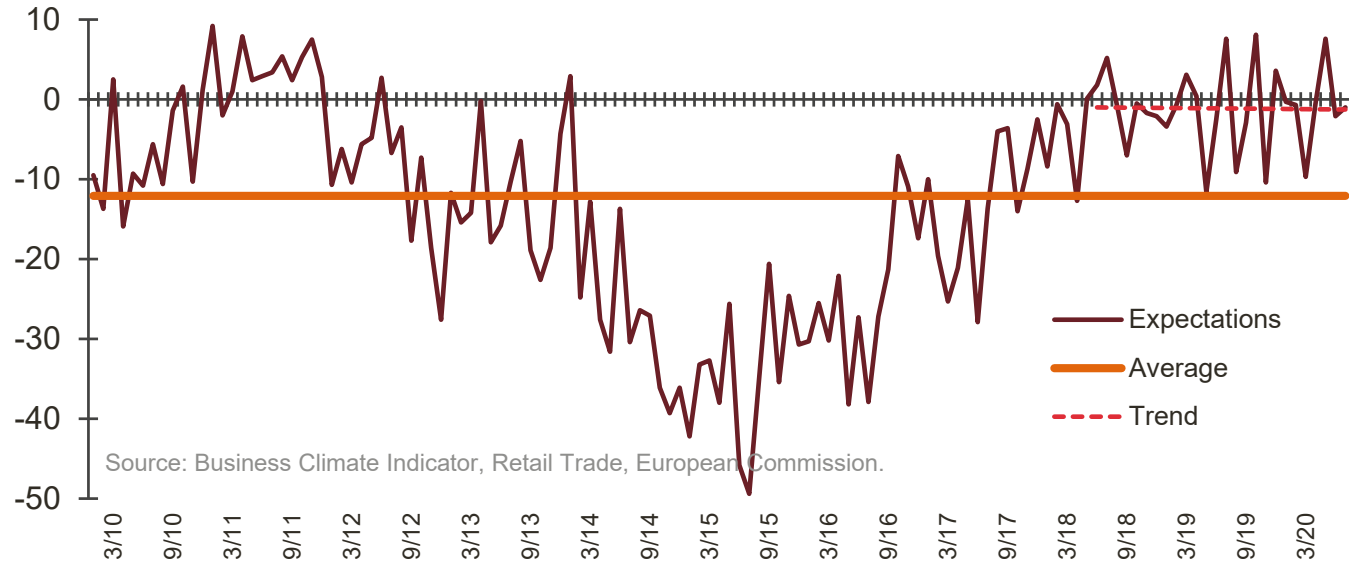
Retail trade companies' expectations for employee numbers over the next three months
Seasonally adjusted balance figure



Retail trade companies' expectations for employee number growth have recovered from the slump in the spring, but remain lower than in 2018–2019.

Daily consumer goods trade employment outlook for the next three months

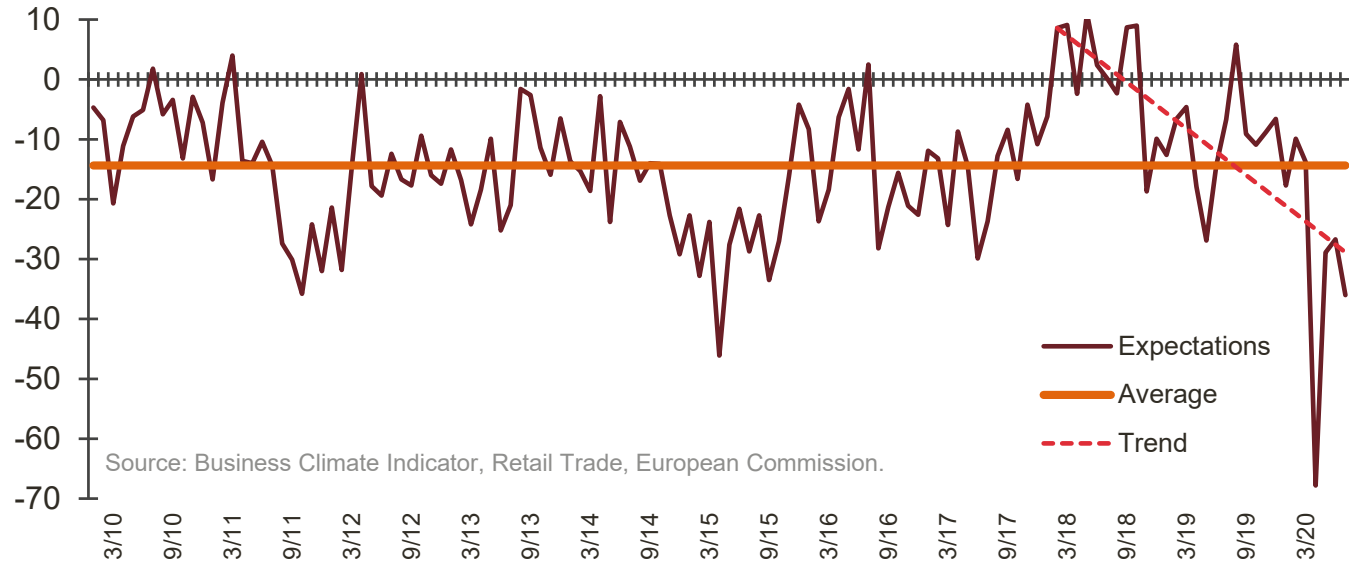
Daily consumer goods trade companies' expectations for employee numbers over the next three months
Seasonally adjusted balance figure



Daily consumer goods trade companies' expectations for employee numbers have remained very steady over the past two years.

Household goods trade employment outlook for the next three months

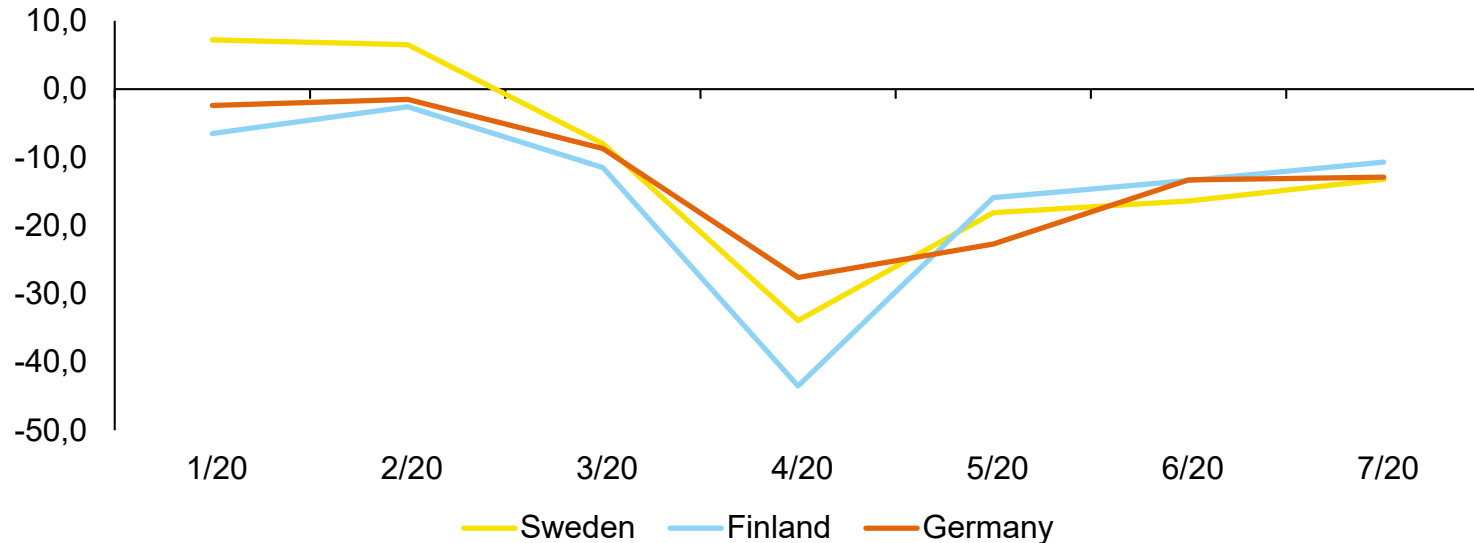
Household and specialty goods trade companies' expectations for employee numbers over the next three months
Seasonally adjusted balance figure



Household and specialty goods trade companies' expectations for employee numbers have weakened since early 2018. They remained poor even in June–July, despite having improved since the figures in April.

Retail trade employment outlook in Germany, Sweden and Finland

Retail trade companies' expectations for employee numbers over the next three months
Seasonally adjusted balance figure



In Germany, Sweden and Finland, retail trade companies' expectations for employee numbers are weaker than early in the year, even though they have recovered from the slump in April.

Development of turnover in the first part of 2020



Retail trade had an ambivalent spring

- The annual growth of the retail sector's euro-denominated turnover came to 2.5 per cent in January–May, while the amount of turnover* increased by 2.3 per cent.
 - Growth was particularly intense in the following retail trade sectors: daily consumer goods trade (6.5%), home electronics (8.2%), hardware stores (9.2%) and specialty goods trade of flowers, plants and gardening (9.7%).
 - The exceptional growth began in hardware stores as early as in February, and continued throughout the spring. The growth was boosted both by the weather conditions and people staying at home and in their summer cottages more than before. The same factors spurred growth in gardening stores as well, resulting in a record-high growth in turnover at 24%.
 - Sales of home electronics have grown for a long time now. Remote working and studying, and less movement in general during the coronavirus crisis, boosted growth in the sales of electronics.
 - The growth in daily consumer goods trade began immediately in January, and continued throughout the spring. In May, the annual growth in daily consumer goods trade (8.6%) was the fastest it has been in ten years.
 - Preliminary data indicates a 3.4 per cent growth in turnover and a 3.2 per cent growth in turnover volume for January–June.
 - According to unofficial preliminary data, healthy growth has continued in July, too, in the retail trade sectors which grew briskly already in spring.
- March and April were devastating in many sectors of specialty and household goods trade, and for some, the torment continued in May.
 - The optical sector received a hard blow in March, but in April–May, turnover in the sector plummeted by more than 60% year-on-year. Likewise, bookshops and jewellery stores experienced an intense decline in turnover in March–May.
 - In March and May, turnover in specialty goods trade of clothing and footwear was cut by almost one half and in April, by almost 70%. Last year, before the coronavirus, the sector saw positive turnover development for the first time since 2012.
 - Turnover in interior decoration and household goods trade and sporting goods trade fell clearly in March–April, but grew again in May.

* Turnover adjusted for price fluctuations.

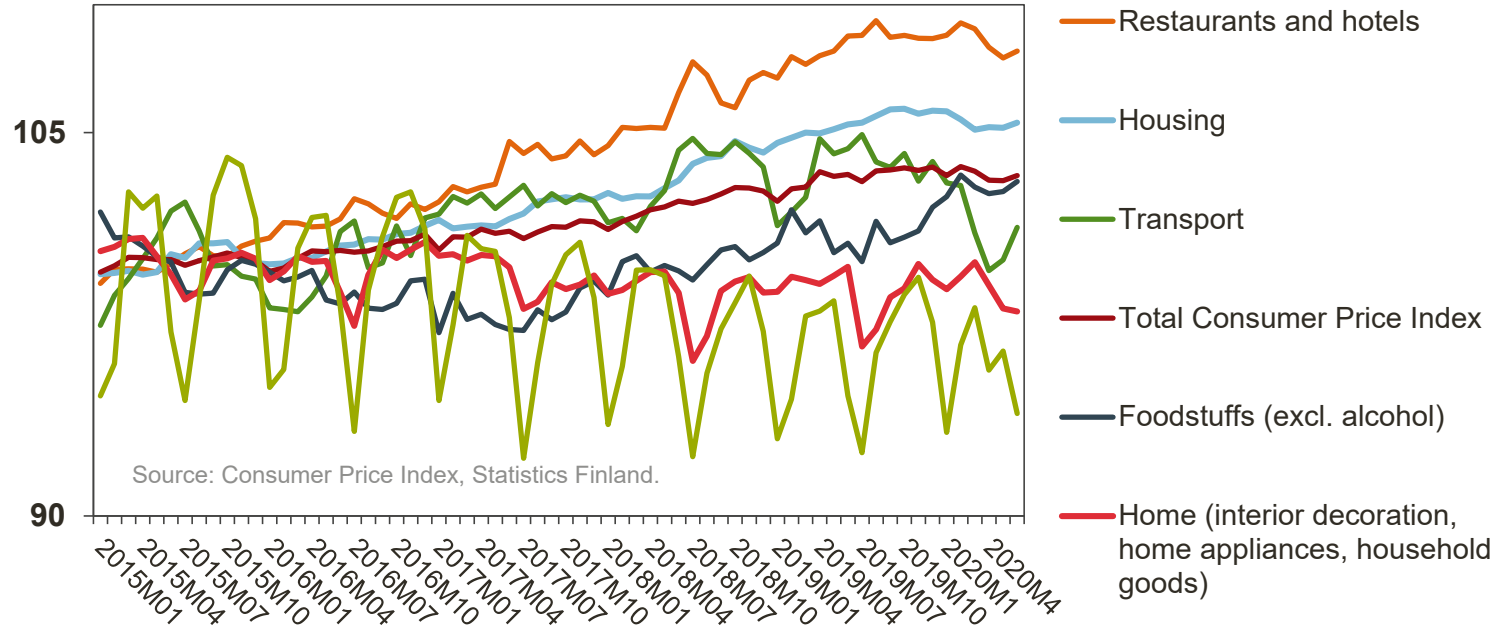
In parts of the wholesale trade, the worst may still lay ahead

- In wholesale trade, the annual change in euro-denominated turnover was –4.6 per cent in January–May, and in turnover volume*, –1.9 per cent.
 - The reduction in new orders from industry has begun to be reflected in the late spring figures for wholesale trade. In May, the turnover shrank by a total of 14% year-on-year.
 - The slump in wholesale trade turnover has been spurred by the fall in both domestic and imported goods' wholesale prices during the spring.
 - Regardless of the loss in turnover of wholesale trade providing services for the industrial sector and restaurants, in the construction sector, daily consumer goods trade and for example IT, wholesale trade has grown.
- The darkening outlook for industry is reflected in wholesale trade with delay, and may not become truly visible in wholesale trade turnover until the autumn.
- The total amount of wages and salaries in wholesale trade started to decline in April–May after the growth seen in the early part of the year.

* Turnover adjusted for price fluctuations.

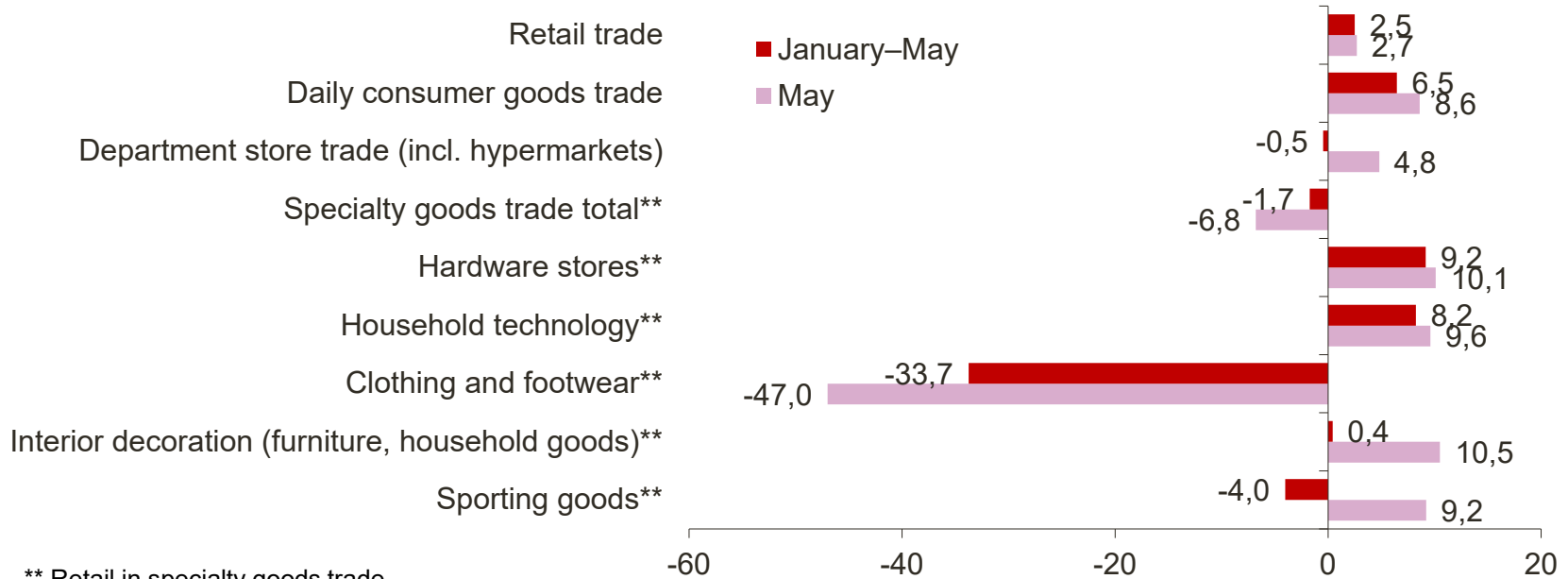
Price increases in other sectors have reduced growth in many retail trade sectors – For the time being, the impacts of the coronavirus crisis on prices is temporary

Consumer Price Index 2015 = 100



Annual change in turnover in the largest retail trade sectors

Cumulative annual change for January–May and the annual change for May 2019–2020, %



** Retail in specialty goods trade.

Source: Turnover of trade, Statistics Finland.

Annual change in sum of wages and salaries in the largest retail trade sectors

Cumulative annual change for January–May and the annual change for May 2019–2020, %



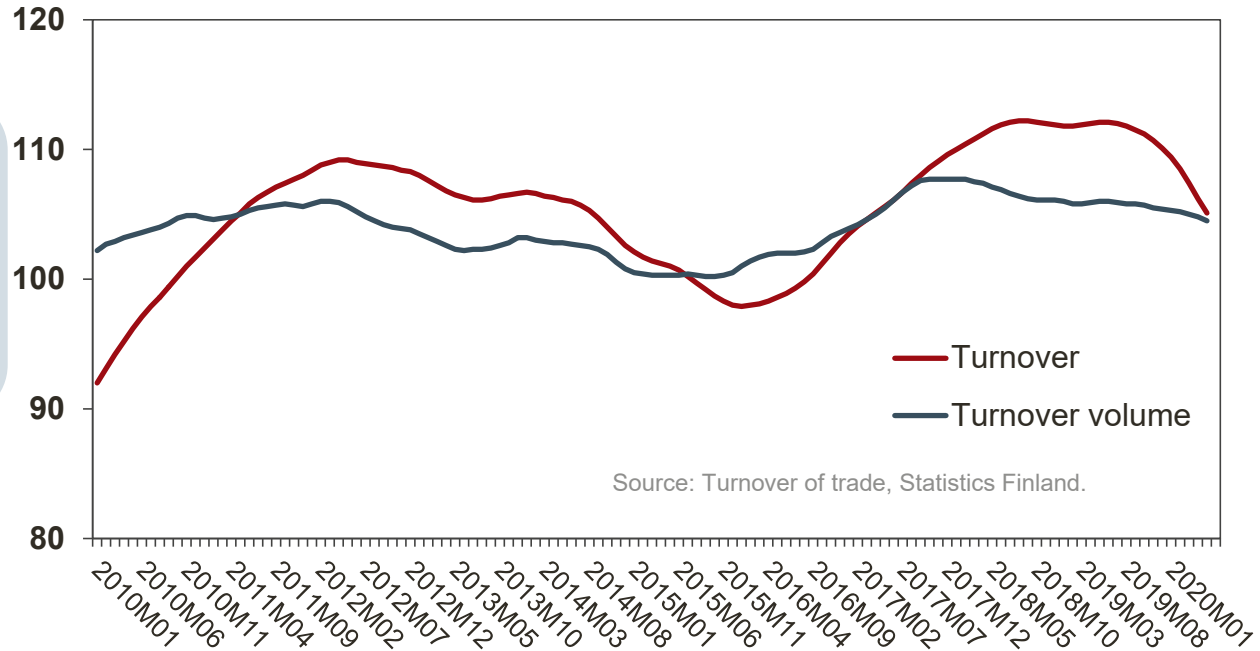
** Retail in specialty goods trade.

Source: Wage and salary indices in different industries, Statistics Finland.

Wholesale trade turnover and volume index trends

Indices at the annual level, 2015 = 100

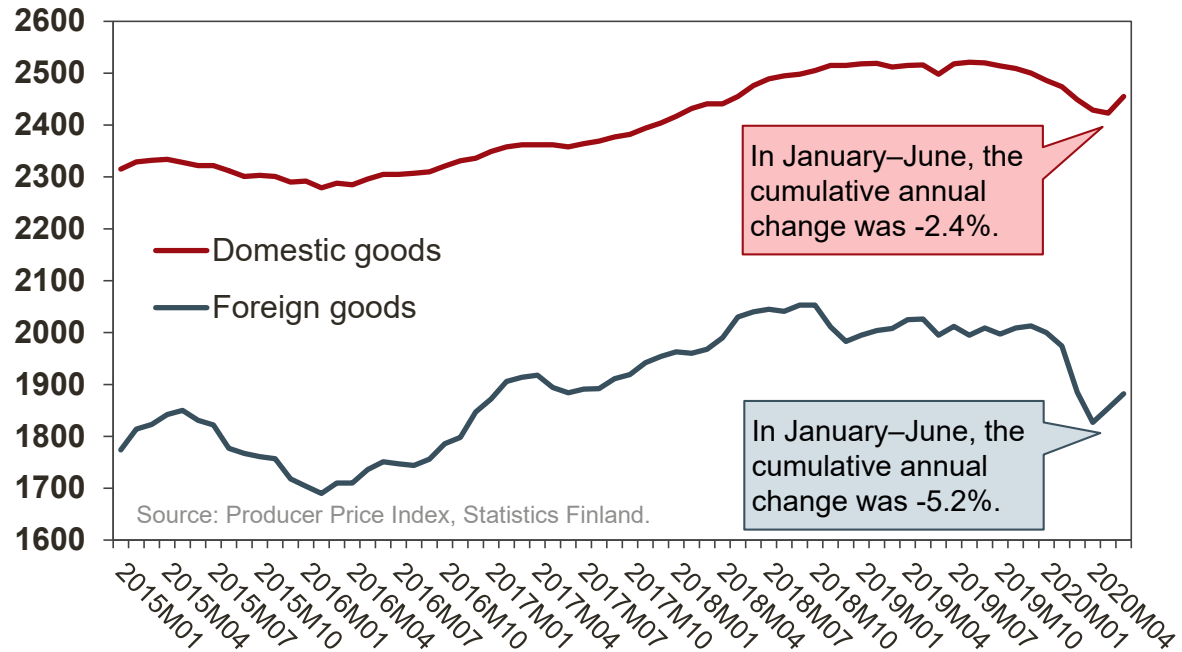
The declining trend in wholesale trade turnover started already towards the end of last year, but it has gained momentum during the spring.



Wholesale prices of domestic and foreign goods

Wholesale price index 1949 = 100

The annual change in wholesale prices in January–June was –3.5%. E.g. the wholesale prices of food products fell by about 0.7% and those of energy, about 19%.

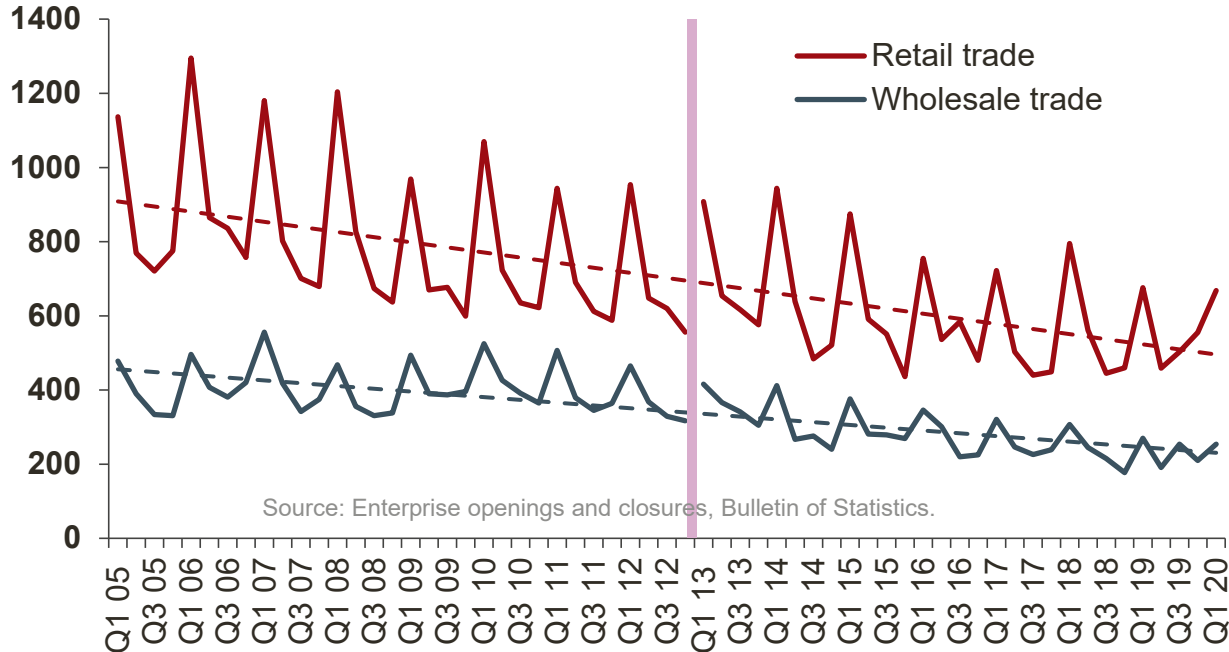


Development of employment in retail trade



The trend of fewer new companies started in the commerce sector has been going on for a long time – The coronavirus crisis may boost the trend

New enterprises by quarter



Source: Enterprise openings and closures, Bulletin of Statistics.

Compared to 2013, the number of new enterprises established in 2019 fell by 20 per cent in retail trade and by 35 per cent in wholesale trade. At the same time, the number of new enterprises in the economy as a whole increased by 27 per cent from 2013.

In January–March 2020, the number of new enterprises fell year-on-year by 6 per cent in wholesale trade and by one per cent in retail trade. In the economy as a whole, the number of new enterprises grew by 10%.

The lower number of new enterprises stagnates development and renewal in the sector.

Please note! There is a break in the statistics at 2013. Direct comparisons cannot be drawn on data from before 2013.

The declining trend of employment in the retail sector continues

The number of employees and wage earners in the retail sector according to the labour force survey by Statistics Finland, in thousands

Note! In statistics, employees laid off for less than three months are considered employed

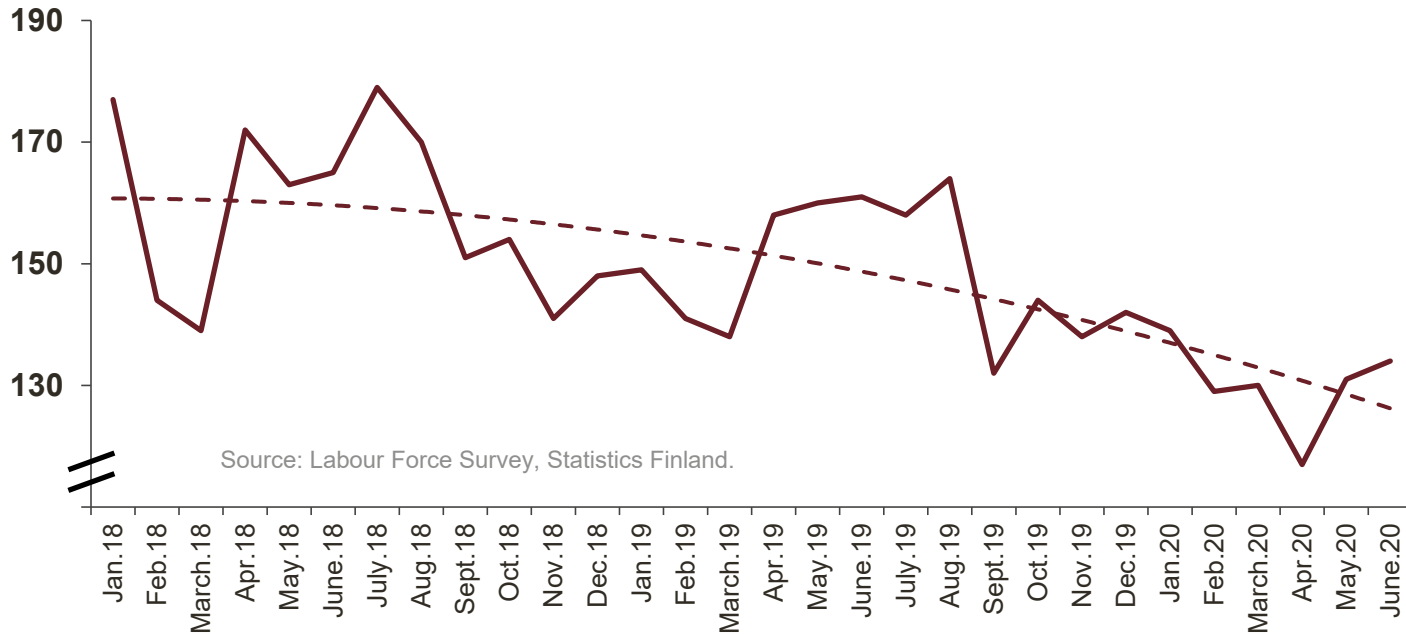


Tighter domestic and international competition in both the brick-and-mortar and online channels, along with the need to enhance the efficiency of operations and increase cost-efficiency, are reducing the demand for labour in the long run.

The declining trend of employment in retail trade began in 2012–2013, and last year, employment was the lowest it has been in 15 years, even though turnover grew.

In the first six months, the number of employees in retail trade was on average 21 500 less than at the same time last year

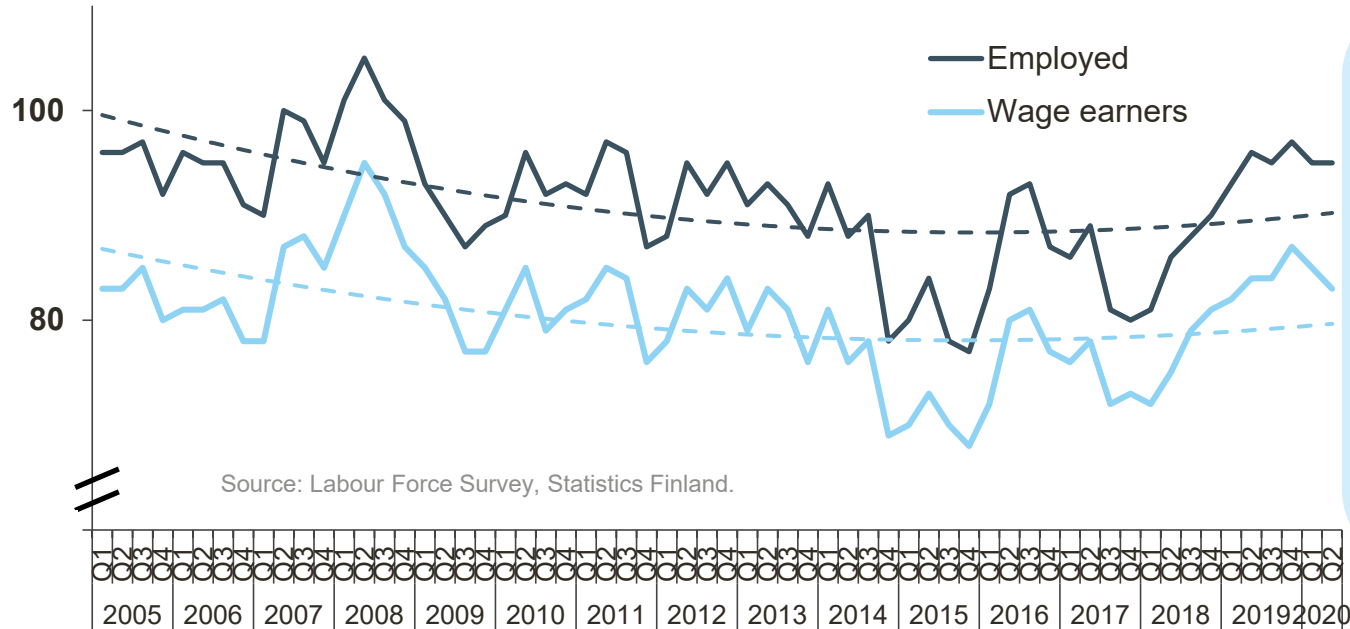
The number of employees in retail trade according to the Labour Force Survey in thousands



The coronavirus crisis is not yet reflected in wholesale trade employment – The high business cycle in construction has supported employment

The number of employees and wage earners in wholesale trade, according to Statistics Finland's Labour Force Survey
in thousands

Note! In statistics, employees laid off for less than three months are considered employed

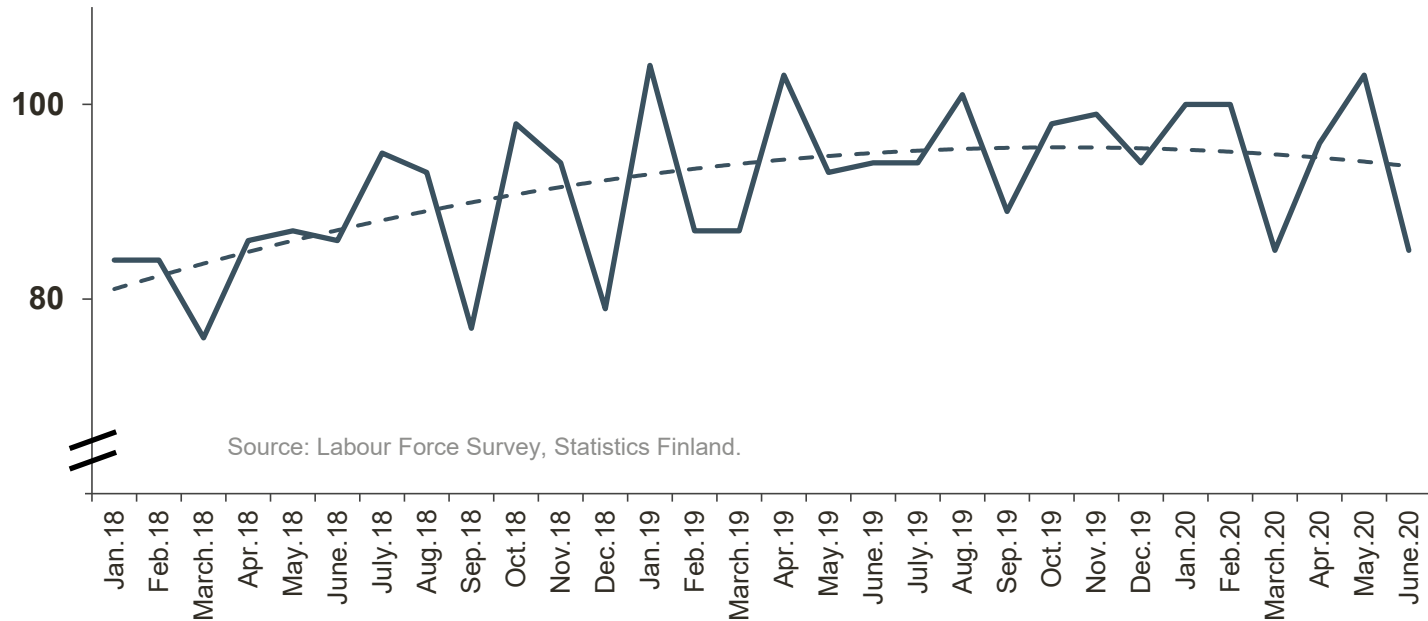


In the wholesale trade, digitalisation and international competition have expedited the decline in employment after the financial crisis. The upswing in the economy, and particularly the growth in construction started to turn the trend around and toward growth after 2016.

Most impacts of the coronavirus crisis will be seen later in industrial production, construction and investments.

The growth in wholesale trade employment seems to have come to a stop at the monthly level

The number of employees in retail trade according to the Labour Force Survey, in thousands



Source: Labour Force Survey, Statistics Finland.

What has happened in the labour market in the commerce sector?

- The long-term trend in the labour market has begun to change: the link between the development of turnover and the demand for labour is not as strong as it used to be.
 - Internationally, companies are trying to more effectively manage supply chains in commerce and make them shorter. Economies of scale are being sought through chain formation, large central warehouses and cooperative purchasing, among other things.
 - The competition for customers is taking place in all channels, across boundaries.
 - International and domestic competition in both wholesale and retail trade has increased the need for higher efficiency of operations and for cutting costs, including in Finland.
 - Automation and digital development facilitate higher efficiency and productivity, and more personnel is not always needed to maintain or improve services.
- Even though retail trade turnover grew last year, 10,000 jobs were lost in the sector. The loss of jobs continued in the first quarter of this year, before the coronavirus crisis, and the trend was particularly strong in Q2. Employment has declined particularly in specialty goods trade.
- In wholesale trade, the high business cycle in construction in particular has supported employment in the past two years. Lay-offs and the reduced recruitment of seasonal workers and trainees brought about a downturn in the sum of wages and salaries in wholesale trade already in April. The growth in employment seems to be coming to a halt now and a downturn is likely during the summer and autumn, as the reduced order volumes by industry will be reflected in wholesale trade, too.

Commerce sector investments

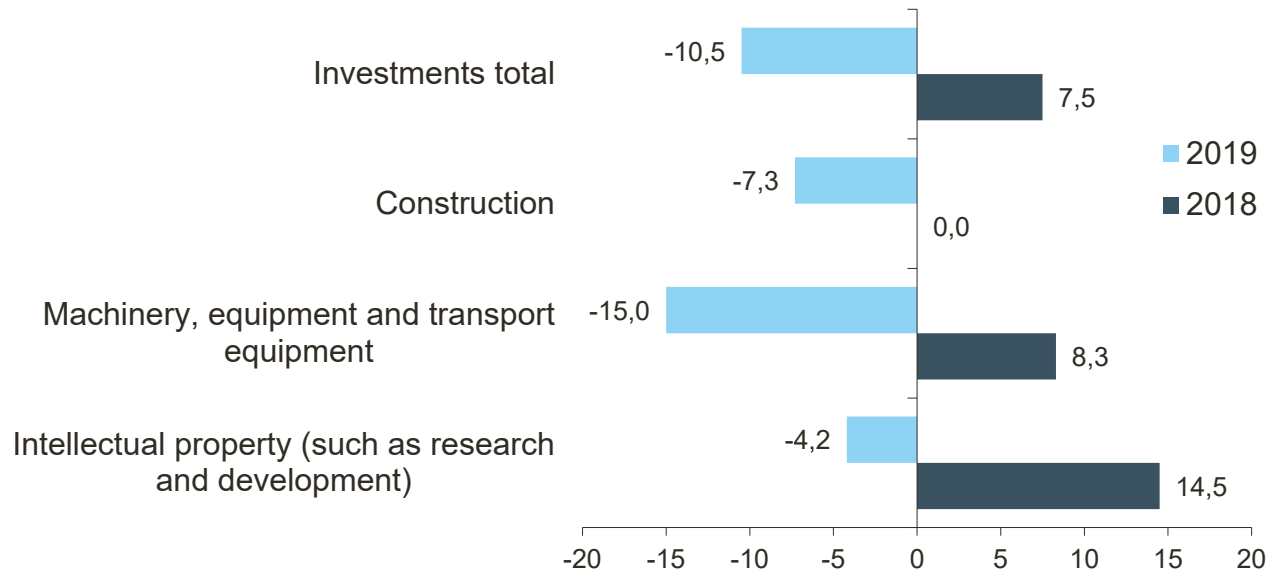


Commerce is one of the largest sources of investment in the economy – After the coronavirus crisis, many enterprises are postponing their investment plans

- Year after year, commerce is one of the largest sources of investment in the business sector, investing significantly for example in research and development.
- Investments by the commerce sector are also reflected in employment, investments and turnover in other sectors.
- As international competition and digitalisation in commerce gained momentum in the 2010s, the commerce sector in Finland increased its investments in research and development. In 2014, the investments in intellectual capital products were already 78 per cent higher than in 2010.
- The investments in intellectual capital products have since declined, which is not desirable in terms of the international competitive strength of the Finnish commerce sector.
- The coronavirus crisis severely destabilised the profitability and investment potential of many commerce sector enterprises. Many companies are now delaying their investments and investment plans, which undermines the productivity of specialty goods trade in particular, as well as the international competitiveness of Finnish companies.
- If COVID-19 spreads again in Finland and Europe later in the year, commerce sector investments will become even fewer and be postponed still further, which will contribute to weakening the outlook of other sectors, such as the construction industry.

Commerce sector investments declined last year – In the aftermath of the coronavirus crisis, many companies will postpone investments

Gross fixed capital formation, annual change in volume 2018 and 2019, %

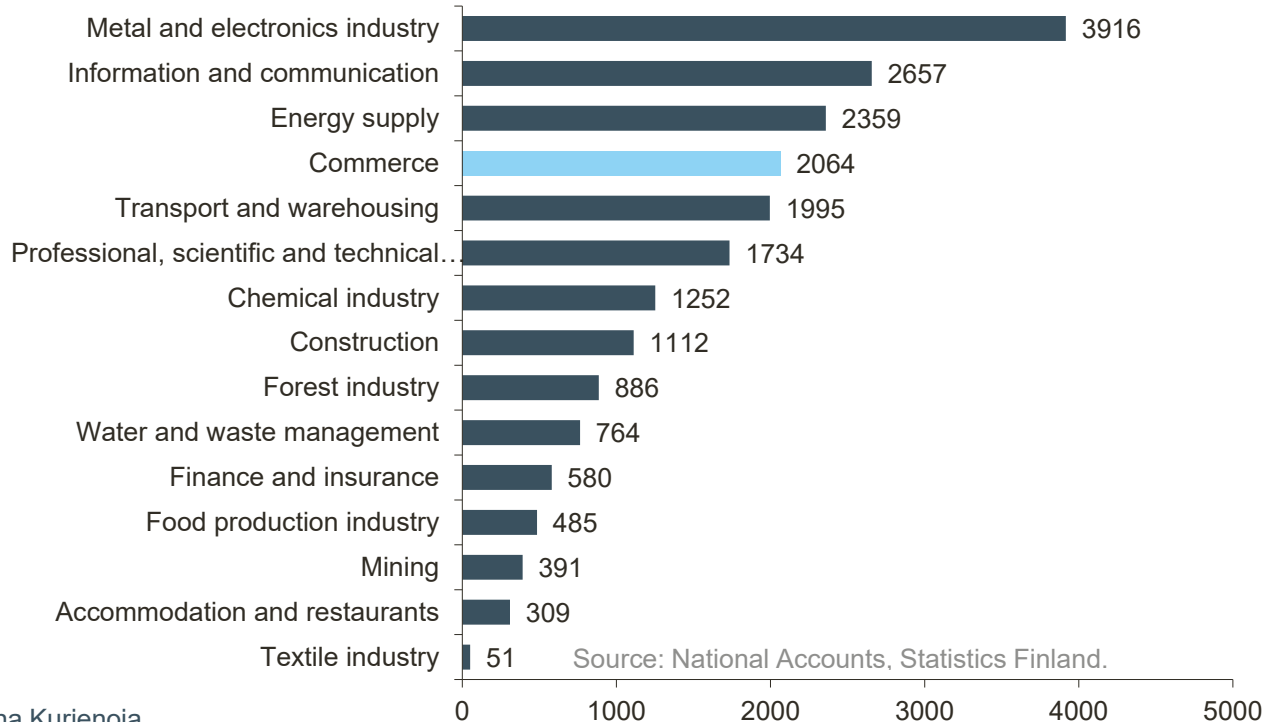


Source: National Accounts, Statistics Finland.

Commerce creates growth by investing in Finland

Gross fixed capital formation as expenditure, total, EUR million 2018*

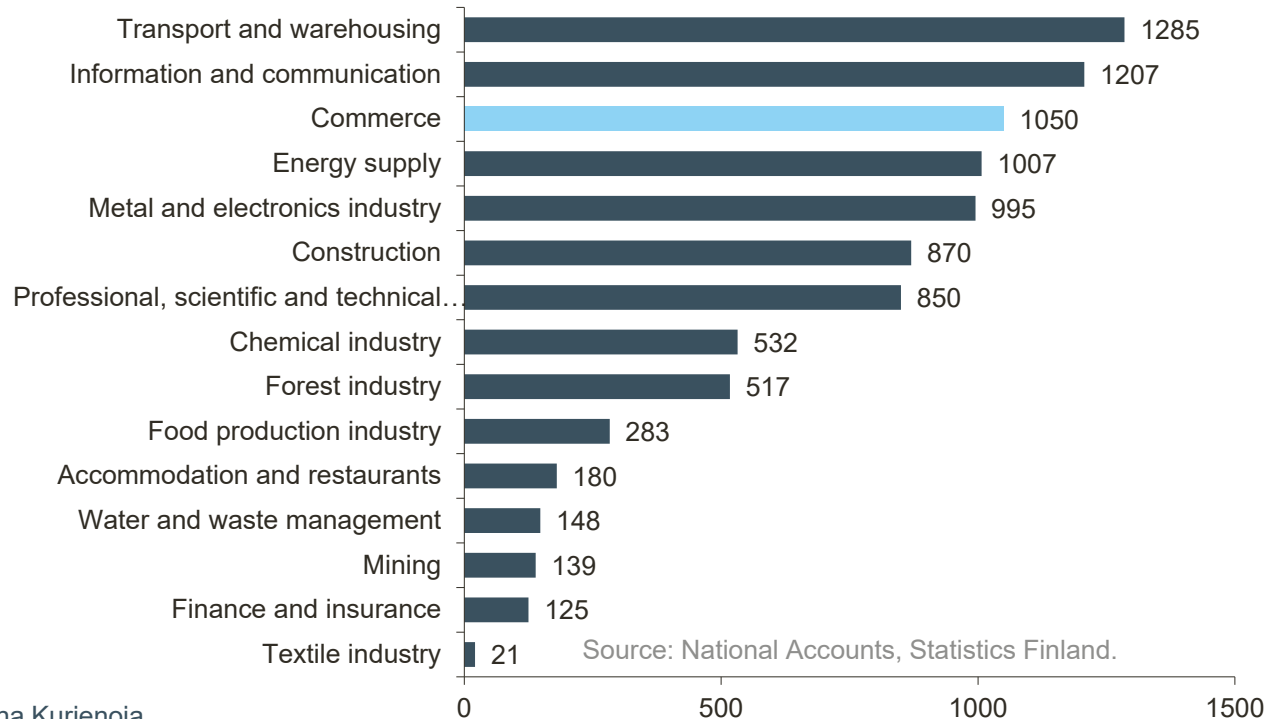
* Sector-specific or euro-denominated 2-digit level data for 2019 have not been published by 20 July 2020



The commerce sector makes significant investments in machinery and equipment

Gross fixed capital formation, machinery, equipment and transport equipment, EUR million 2018*

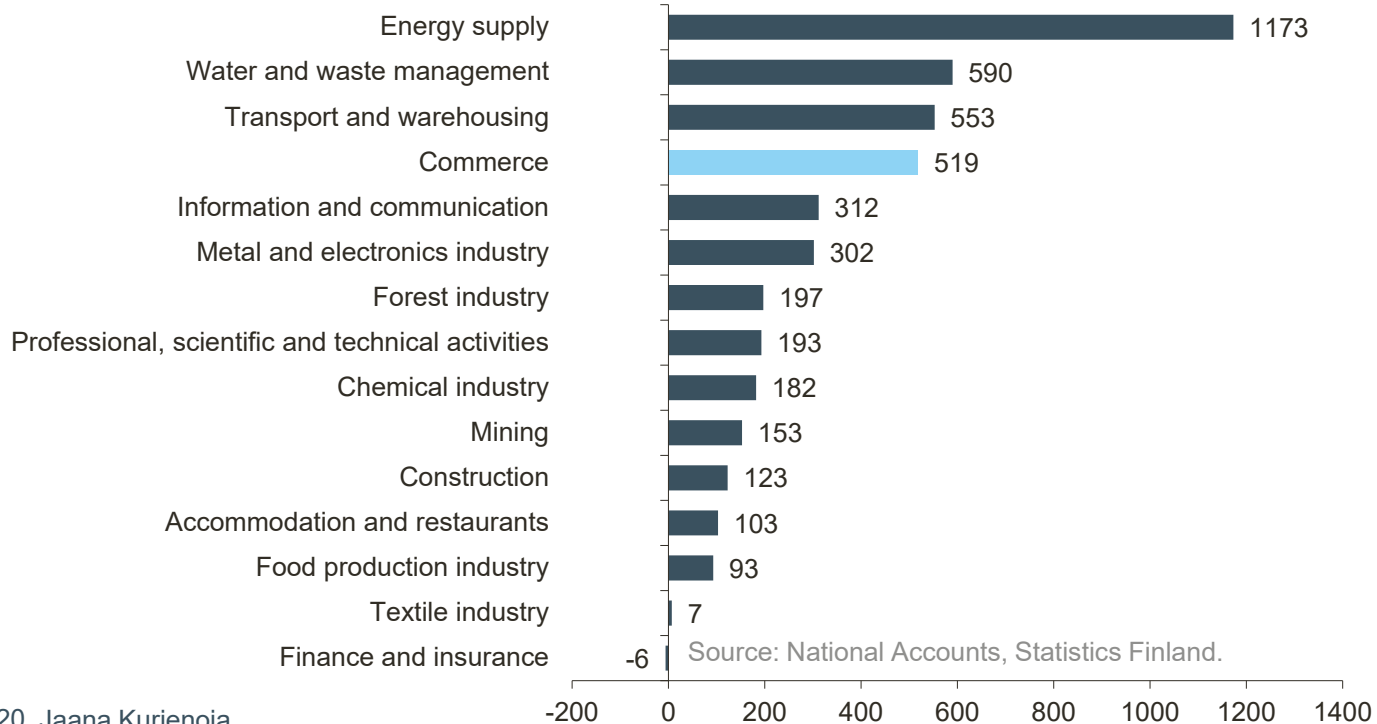
* Sector-specific or euro-denominated 2-digit level data for 2019 have not been published by 20 July 2020



The commerce sector's construction activity creates jobs in Finland

Gross fixed capital formation, buildings and structures, EUR million, 2018*

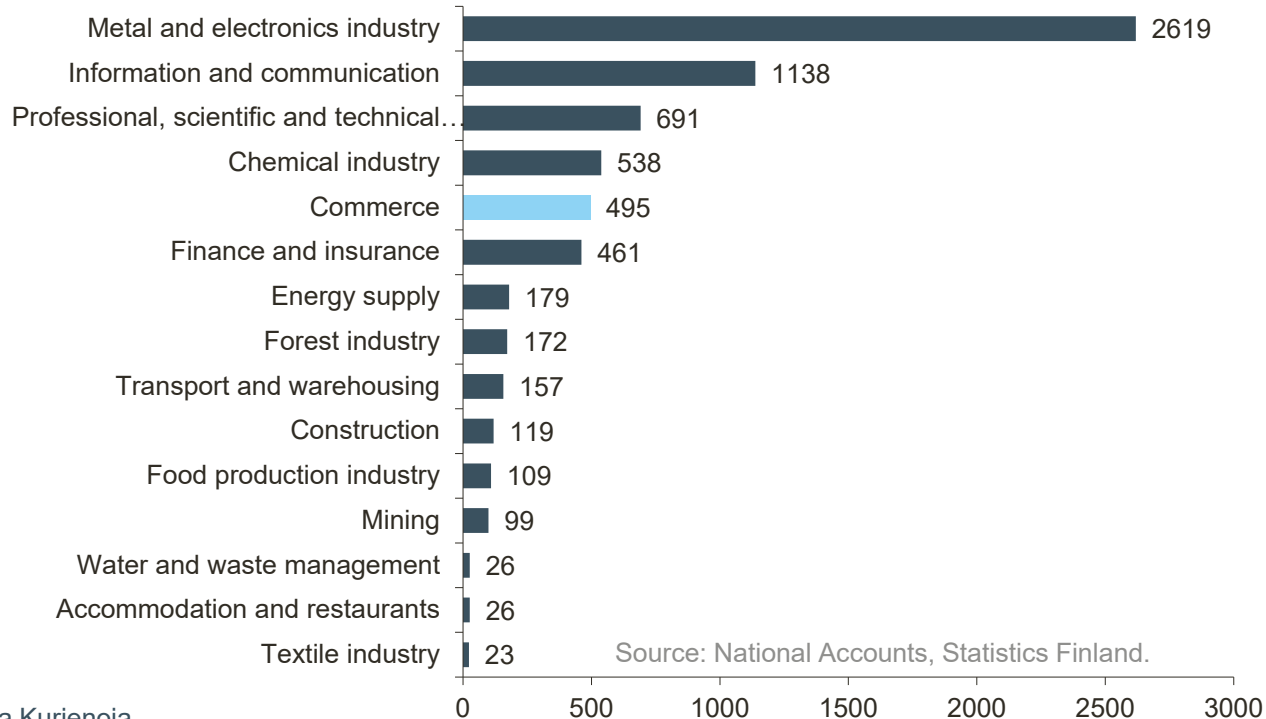
Sector-specific or euro-denominated 2-digit level data for 2019 have not been published by 20 July 2020



The commerce sector makes considerable investments in research and development

Gross fixed capital formation, intellectual property products, EUR million, 2018*

Sector-specific or euro-denominated 2-digit level data for 2019 have not been published by 20 July 2020



Retail sector turnover and employment 2020–2022



Commerce sector outlook – background

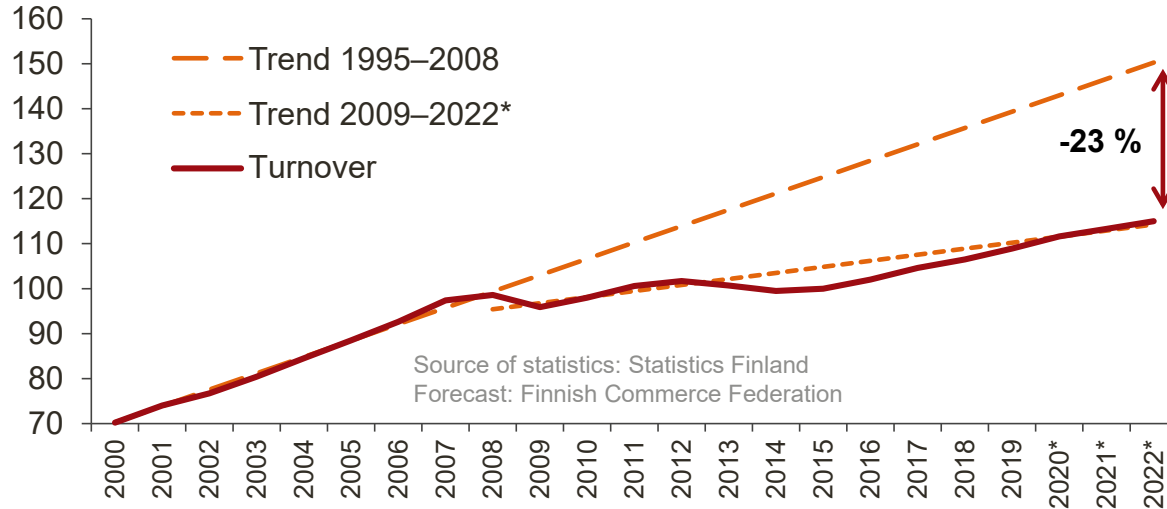
- This year, the economy will shrink by approximately 7 per cent. In the next couple of years, the rate of growth will pick up, to over three per cent next year and to a couple of per cent in the year after that.
- Even though private spending will begin to revive in the summer and autumn, it will shrink clearly at the annual level, by approximately five per cent.
 - The fact that the purchasing power of the employed and pensioner households will rise will support the revival of private spending,
 - while it will be undermined by continuing uncertainty and increasing saving by households.
 - The lower number of employed persons will slow down the growth of purchasing power at the level of the national economy. The number of employed persons will fall both this year and next.
 - The growth in unemployment will increase saving and that will reduce spending by households.
- Despite the growing volume of house construction in the first part of the year, housing construction will decline this year and next year. Many companies will postpone their construction investments, and this will affect the business of wholesale trade providing services for the construction sector, towards the end of the year and next year.
- Commerce sector companies have also postponed and cancelled investments, but have strived to continue with digitalisation in particular.
- The drop in export and import this year, and the slow recovery of global investments, will be reflected in the operating environment and turnover of wholesale trade.
- The periodic supply difficulties for commerce, experienced in the spring, are largely over even for Asia.
- Private spending and services are now pulling the economy up from recession.

Commerce sector outlook – background

- This forecast contains no assumptions regarding taxation apart from the tax and payment decisions already issued.
- The forecast does not contain any assumptions of the potential second wave of the coronavirus.
 - The assumption is that the virus will fade out this year.
- 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, protectionist financial policy spreading and escalating into trade wars, spreading and potential new waves of the coronavirus.
 - 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.
 - The indebtedness caused by managing the coronavirus crisis will also create pressure for, i.a., increased taxation.
- There may also be positive risks regarding growth this year and in the next few years.
 - The growth of private spending could be stronger than forecasted.
 - Global recovery from the coronavirus crisis may be faster than predicted. In that case, economic growth may be faster in Finland than generally predicted.

The coronavirus prodded growth in some retail trade sectors, decline in others – The rate will slow down next year

Retail sector turnover volume index**



*Turnover volume** will grow by approx. 2.5 per cent this year and about 1.5 per cent in the next few years, assuming that no second outbreak of the coronavirus epidemic occurs.*

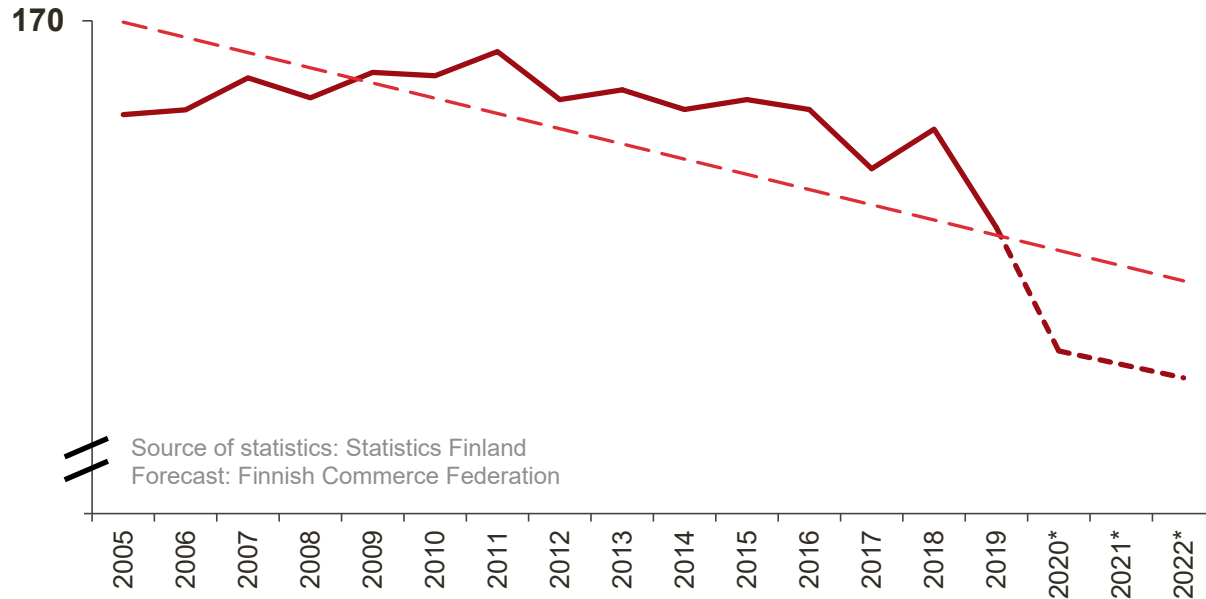
* According to the 2017 weight structure of the consumer price index, over 40 per cent of current private spending goes to retail products. The majority of private spending will be directed not at retail trade but for example housing and transport.

** Turnover adjusted for price fluctuations.

Last year, the number of employed persons in the retail sector fell by 10,000, this year, even more jobs will be lost

Retail trade employees*, 1,000 persons

*Wage earners, entrepreneurs and family members employed by entrepreneurs



Source of statistics: Statistics Finland
Forecast: Finnish Commerce Federation

Domestic and international competition and the increased efficiency of operations are reflected in the falling trend of employment in the retail trade. The number of people employed in retail will fall by over 8 per cent this year and will not grow in the next couple of years.

What if another wave of the coronavirus hits in the autumn?

- The forecast presented above is based on the assumption that COVID-19 will fade out in Finland and Europe towards the end of the year, and next year, the situation has returned close to normal (for example, a vaccine becomes available early next year).
- However, if a second wave of the virus spreads and intensifies in Finland and Europe, the impacts on commerce in Finland will be dramatic.
 - Some of the lay-offs in industry and services will turn into unemployment and unemployment will become structural. This would increase uncertainty, reducing purchasing power and households' spending.
 - The number of service sector companies would plummet and the jobs, competence and investments they provide, would be lost for many years.
 - The number of bankruptcies would grow, particularly in the household goods and specialty goods trades, and large international chains and digital shops would take over the market.
- The use of restaurants, entertainment and cultural services, sports and other personal services would decline, people would stay at home more and the consumption of related products, such as daily consumer goods, would increase. The growth impact would not, however, be as massive as before.
- All in all, a prolonged coronavirus crisis would cut the growth in retail trade next year and speed up the loss of jobs.
 - This year, retail sector turnover volume would only grow by one per cent, instead of the previously predicted 2.5 per cent. Next year, retail sector turnover volume would decline.
 - The loss of jobs in the retail sector would accelerate. As last year, 10,000 jobs were lost in the sector, and the number of employed was predicted above to reduce further by 13,000–14,000, the loss of jobs would accelerate up to 20,000.



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