

SM/01/288
Supplement 1
Correction 1

CONTAINS CONFIDENTIAL
INFORMATION

November 15, 2001

To: Members of the Executive Board

From: The Secretary

Subject: **Finland—Staff Report for the 2001 Article IV Consultation**

The attached corrections to SM/01/288, Supplement 1 (11/8/01) have been provided by the staff:

Page 1, para. 1, lines 4 and 5: “A revised Public Information Notice (PIN) is attached that reflects the changed outlook (Appendix I).” removed

Pages 5–7: “Appendix I” removed

Questions may be referred to Mr. Feldman (ext. 36317) and Ms. Daseking (ext. 37340).

Att: (1)

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INTERNATIONAL MONETARY FUND

FINLAND

**Staff Report for the 2001 Article IV Consultation
Supplementary Information**

Prepared by the European I Department

Approved by C. Maxwell Watson

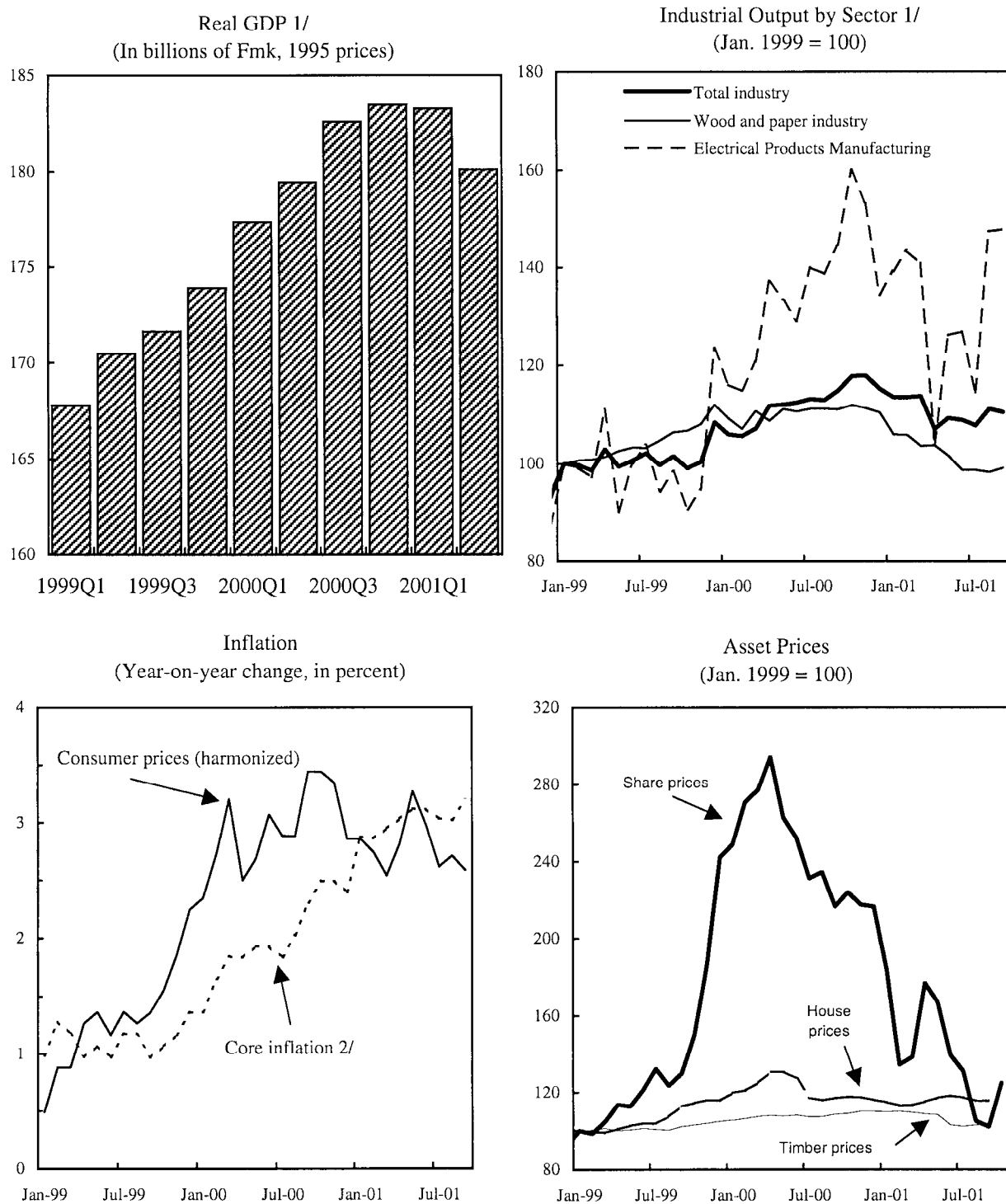
November 15, 2001

1. This supplement provides information on economic developments that has become available since the staff report for the 2001 Article IV consultation (SM/01/288) was issued. It reviews the economic outlook in light of newly released data on economic activity and the September 11 terrorist attacks on the United States. ~~A revised Public Information Notice (PIN) is attached that reflects the changed outlook (Appendix D).~~ The new information does not alter the thrust of the staff appraisal.

2. **Information that became available since the issuance of the staff report suggests that real growth will be lower than previously projected, while headline inflation continues to decline as expected (Figure 1).**

- Second quarter GDP (seasonally adjusted) fell by more than 1½ percent from its first quarter level, reflecting lower foreign demand and an unpredicted marked slowdown in private investment. This implied GDP growth in the first half of 2001 of about 1¾ percent on a year-on-year basis—1 percentage point weaker than expected.
- While the decline in industrial production (seasonally adjusted) was reversed in the third quarter, the rebound was mild: the level of production exceeded that of the second quarter by only about 1¼ percent, and was still more than 3¾ percent below the level in the third quarter of 2000. Capacity utilization in manufacturing (seasonally adjusted) followed a similar trend.
- Unemployment (seasonally adjusted), after having fallen for most of the year, picked up in September, bringing the 9-month average (unadjusted) close to 9½ percent.
- 12-month CPI inflation (harmonized) decreased slightly in September to 2.6 percent, continuing a broad downward trend that started in June. Meanwhile, core inflation remained around 3 percent, broadly unchanged since April.

Figure 1. Finland: Cyclical Indicators, 1999-2001



Sources: ETLA and staff estimates.

1/ Seasonally adjusted.

2/ HICP index, adjusted for prices of energy and seasonal food.