

Economic outlook survey of Finnish design 2021

The report explains the near-future economic outlook and development of companies in the design sector, their internationalisation, and their management of the pandemic crisis.

The report was commissioned by Ornamo and conducted by Lith Consulting Group.



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Ornamo is Finland's largest multidisciplinary design community that increases the value of designer work in society and supports designers in their work. We bring designers together, develop professional expertise in the field, and act as a network of design sectors between industries. Founded in 1911, Ornamo has 2,600 members.

Key figures on Finnish Design 2021

Ornamo's annual Key figures on Finnish Design charts the state and trends of the Finnish design industry. The report explains the near-future economic outlook and development of companies in the design sector, their internationalisation, and their management of the pandemic crisis. The economic outlook survey was carried out amongst Ornamo's member companies between June and August 2021, with 103 companies responding. A special theme in this year's economic survey was how companies use design expertise across different industries. The thematic questions got responses from a total of 108 member companies of the Helsinki Region Chamber of Commerce operating in industry, construction and services.

According to the report, the economic outlook for the design sector has improved significantly since the drop in 2020. In the results, the pandemic crisis is reflected in the development of companies. Nearly half of the respondent companies have developed new services and products during the pandemic crisis, and about one third have renewed their digital channels. Significant growth in digital design is spurring the total turnover of the design industry, which reached nearly EUR 13,000 million in the statistical year of 2019.

According to the survey, the importance of design is growing strongly, and most design work is being done within companies. The majority of the member companies of the Helsinki Region Chamber of Commerce said that the need for design or demand for design services has grown over the past five years, and will continue to grow in the years to come.

This report summarises the main results of the economic outlook. The full report can be found [here](#).

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1. Finnish design sector

- The design field consists of manufacturing that makes strong use of design (the so-called design-intensive industry) as well as design service companies, art activities, digital design, and expertise in architecture and landscape management.
- According to Statistics Finland's Regional statistics on entrepreneurial activity, the total turnover of enterprises in the field of design was EUR 12,600 million in 2019. Digital design has grown strongly in recent years and accounted for 65 percent of total revenue.
- Design is widely used in various fields. Hence, the value of the design industry is significantly higher than its calculated size.

Impacts of design extending far and wide

Design creates added value for products, services and processes in different fields, in terms of usability, quality and visuals.

The impacts of design can be widely seen in society and business. Design means many things, from designing utility goods to urban planning, from designing forest machines to spatial design, and from service design to creating visual identities.

The areas of design include, for example, interior architecture, industrial design, furniture, textile and clothing design, packaging design, service design, design education, arts and crafts as well as digital design, which is a top concept for user experience and user interface design.

As an industry, design responds to changes in the economy and industrial structure. Modern design appears in design, design thinking and strategic design. The trend from goods production to services is clearly visible in the sector. In general, service production is currently responsible for more than two-thirds of gross value added in Finland.

Development of turnover and employment in the Finnish design sector, 2010–2019.

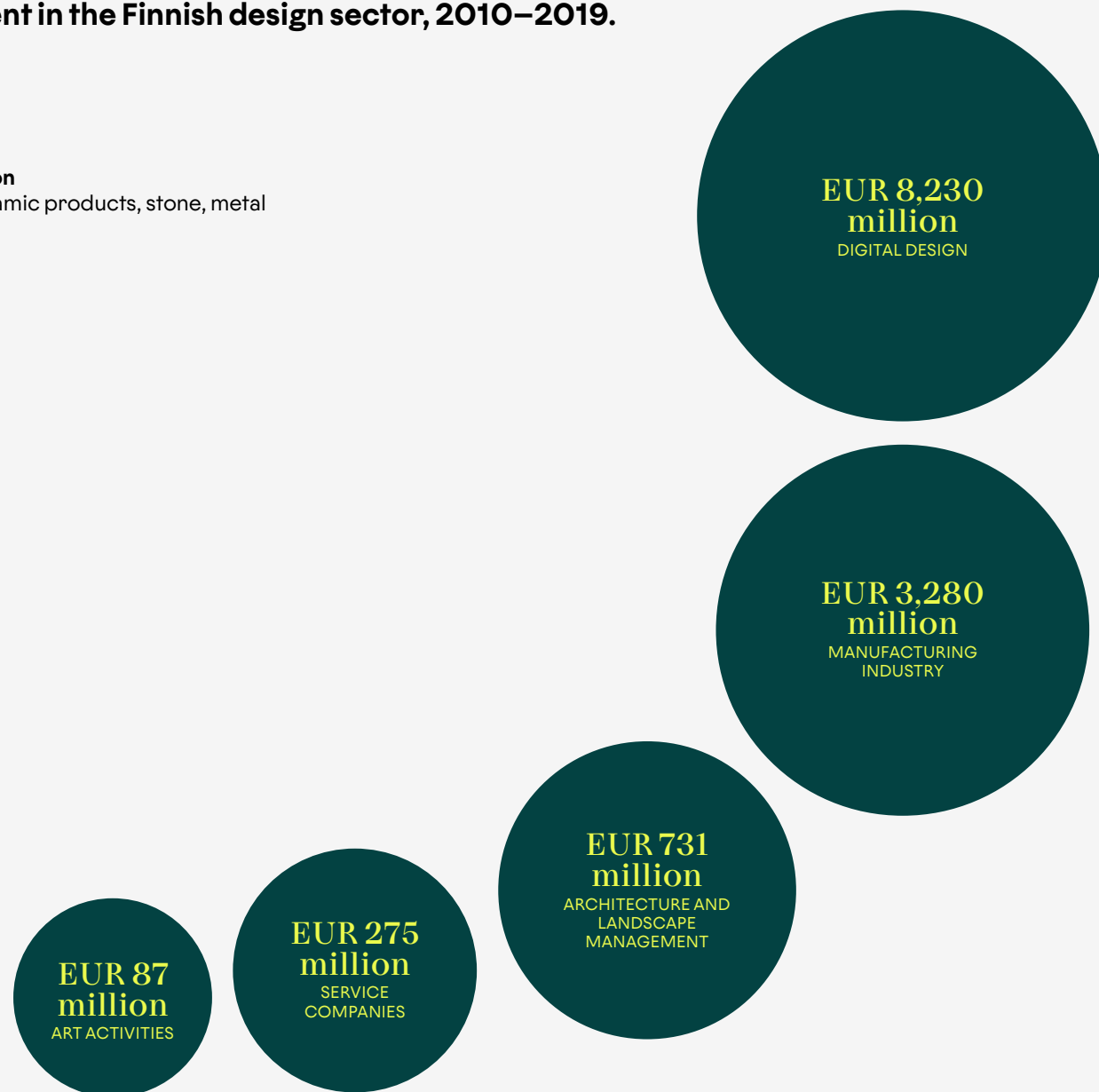
CORE SEGMENT EUR 3,640 MILLION

- **Manufacturing industry making strong use of design (design-intensive industries) EUR 3,280 million**
E.g., furniture, textile, clothing, leather, wood, glass, ceramic products, stone, metal
Decrease in net sales in 2010–2019: -2.2%
Employment 2019 total 15,578 persons, - 24.8%
- **Design service companies EUR 275 million**
Graphic design, interior architecture, industrial design
Increase in net sales 2010–2019: +59.5%
Employment in 2019 total 1,930 persons, +27.6%
- **Art activities EUR 87 million**
Increase in net sales 2010–2019 +31.5%
Employment in 2019 total 663 persons, -14.7%

BROAD FIELD OF DESIGN

- **Digital design EUR 8,230 million**
Increase in net sales 2010–2019: +121%
Employment in 2019 total 41,866 persons, +58.1%
- **Architecture and landscaping EUR 731 million**
Increase in net sales 2010–2019: +32.9%
Employment in 2019 total 5,856 persons, +12.6%

Source: Register of companies and locations (2010) and Regional statistics on entrepreneurial activity (2013–19), Statistics Finland



2. Turnover in design sector nearly EUR 13,000 million

- According to Statistics Finland's Regional statistics on entrepreneurial activity, the total turnover of design enterprises was EUR 12,600 million in 2019.
- In 2018–2019, total net sales in the design sector grew by about 2.9 percent and employment by 5.8 percent. The development was better than the average for the entire business field.
- Digital design accounts for a significant and strong increase in total net sales in the sector. In 2019, its value was EUR 8,200 million. The digital design industry includes companies involved in software design and manufacturing as well as software and game publishing.
- The strong growth in digital design has been reflected in the industry's overall growth figures throughout the 2010s. Between 2010 and 2019, net sales grew by 60 percent in the design industry. Growth was fastest in digital design (121 percent).
- The net sales of design service companies have also showed a vertical trend in the 2010s. Net sales growth accumulated to 59.5 percent between 2010 and 2021. From 2017 to 2019, growth has been moderate, at 5.9 percent. Growth has been rapid in industrial design and interior design, but the development of graphic design has also been quite positive. Net sales have also increased in the field of art activities.
- The traditional manufacturing industry utilising design accounted for 26 percent of the industry, and its net sales have decreased by a good two percent between 2010 and 2019. Net sales fell the most in the manufacture of glass and ceramic products. Net sales from the manufacture of stone products, goldsmiths' products and textiles also declined. The industrial design and clothing manufacturing industries have also grown, which can also be seen in the form of increased employment.

3. Economic outlook has improved considerably

- The economic outlook for the design sector has improved significantly since the drop in 2020. A total of 51 percent of enterprises believed that the general demand and economic outlook would improve over the next year. One year earlier, the corresponding share was exceptionally low – only 26 percent. At that period in the 2010s, the industry's expectations for the development of the coming year were, for the first time, more pessimistic than the actual development of the previous year.
- The design sector's views indicate the general economic outlook for the economy to be clearly better than the average for the entire SME sector when these expectations are compared with the SME Barometer published in spring 2021 by the Federation of Finnish Enterprises, Finnvera and the Ministry of Economic Affairs and Employment. In summer of 2021, 51 percent of design companies predicted an improvement in the general economic outlook over the next year. Of all SMEs, 26 percent were on the same page.

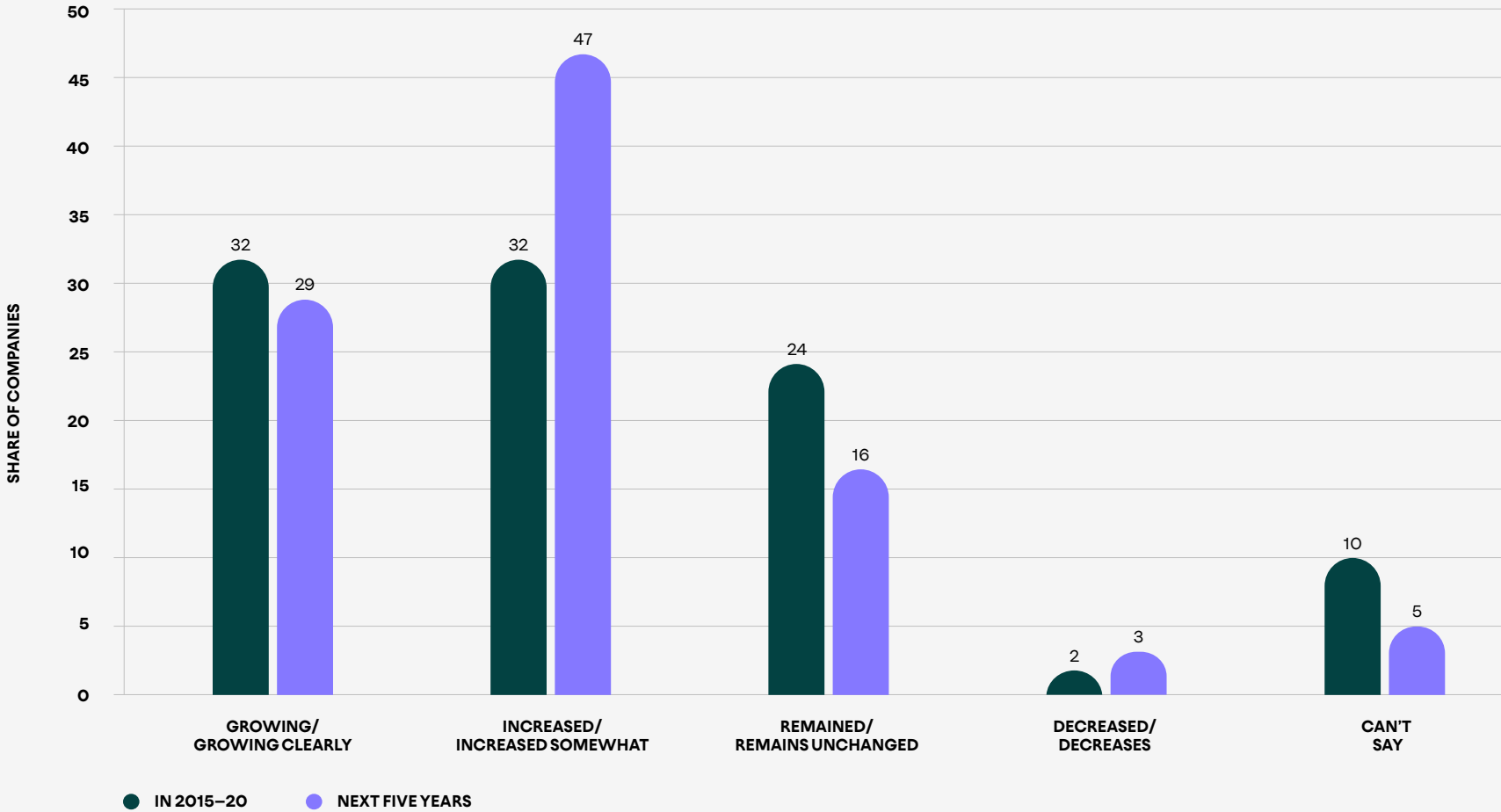
	Better, %	Will remain unchanged, %	Worse, %	Balance number, %
Net sales:				
2015-16	68,8	16,1	15,2	53,6
2016-17	72,4	20,3	7,3	65,0
2017-18	78,7	14,9	6,4	72,3
2018-19	70,4	20,4	9,2	61,0
2019-20	62,5	33,0	4,5	58,0
2020-21	40,0	20,0	40,0	0,0
2021-22	55,9	32,4	11,8	44,0
Profitability:				
2015-16	59,1	28,2	12,7	46,4
2016-17	69,7	23,0	7,4	62,3
2017-18	70,7	28,3	1,1	69,6
2018-19	60,4	34,4	5,2	55,2
2019-20	60,2	31,9	8,0	52,2
2020-21	38,7	25,5	35,8	2,8
2021-22	45,6	47,1	7,4	38,2

Growth expectations in the net sales and profitability of design companies over the next year compared to the current situation, percentage from 2015 to 2022.

4. Growing importance of design

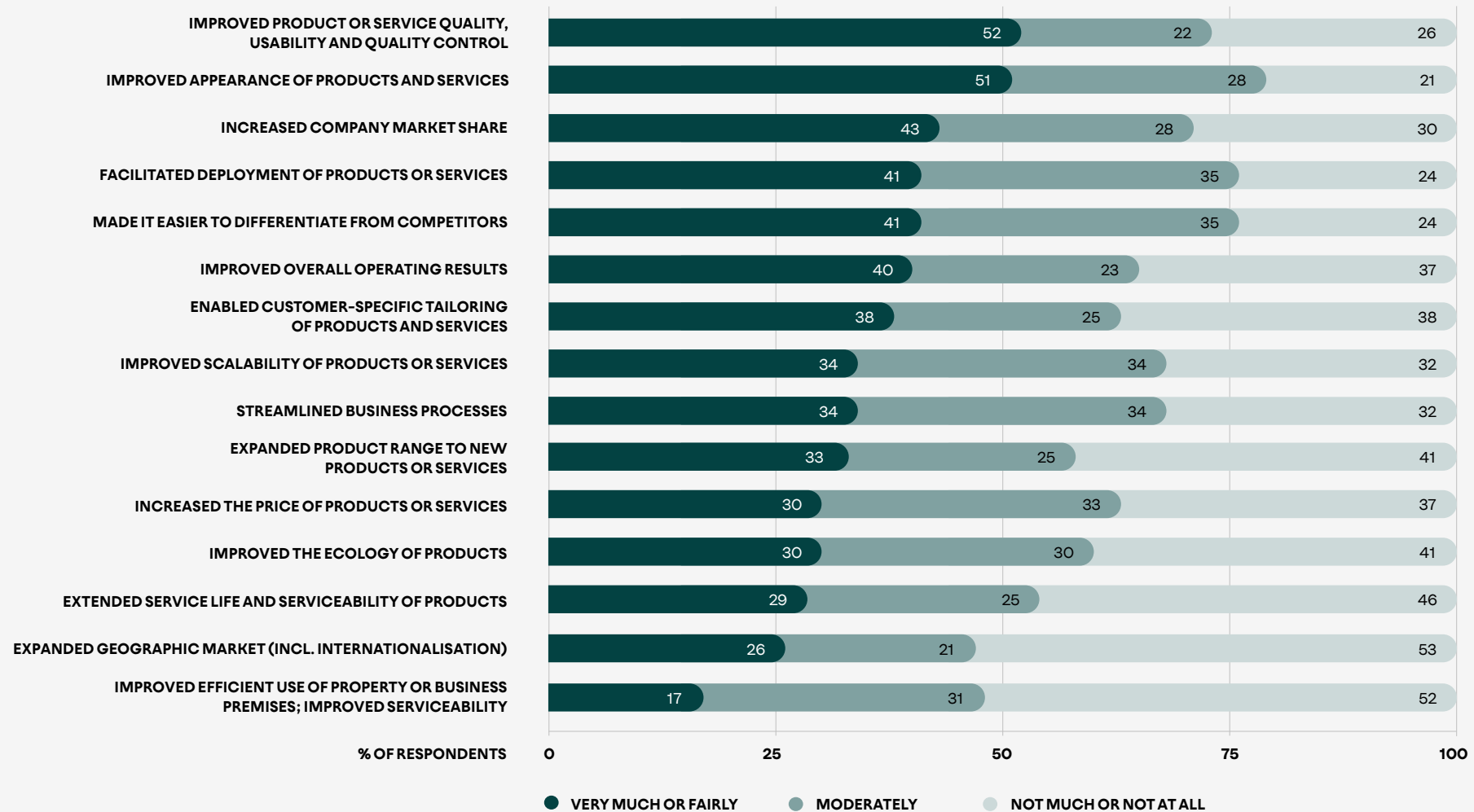
- Design is becoming increasingly important and more integrated into business operations. Most of the design work is done within companies.
- The result comes from a survey conducted in May–June 2021 that canvassed member companies of the Helsinki Region Chamber of Commerce; the survey was part of the Key figures on Finnish Design for the first time. The survey examined how companies use design expertise across different industries. A total of 108 companies operating in industry, construction and services responded to the questionnaire.
- Most respondents said that the need for design or the demand for design services has increased over the past five years. In addition, a significant number of companies anticipate that growth will continue over the next five years. Only a few enterprises believed demand would fall.
- According to the respondents, the main benefits of design concern improved quality, usability and quality control of products and services, as well as appearance.
- Design has exerted a major positive impact on the company's competitiveness, which has made it possible to increase market share.

Past development of the need for design and demand for design services in 2015–2020 and projected development in 2021–2025 in the example companies operating in industry, construction and services



Percent of respondents. Source: Helsinki Region Chamber of Commerce Survey, 2021.

Benefits and impacts of design in the business operations of example companies operating in industry, construction and services

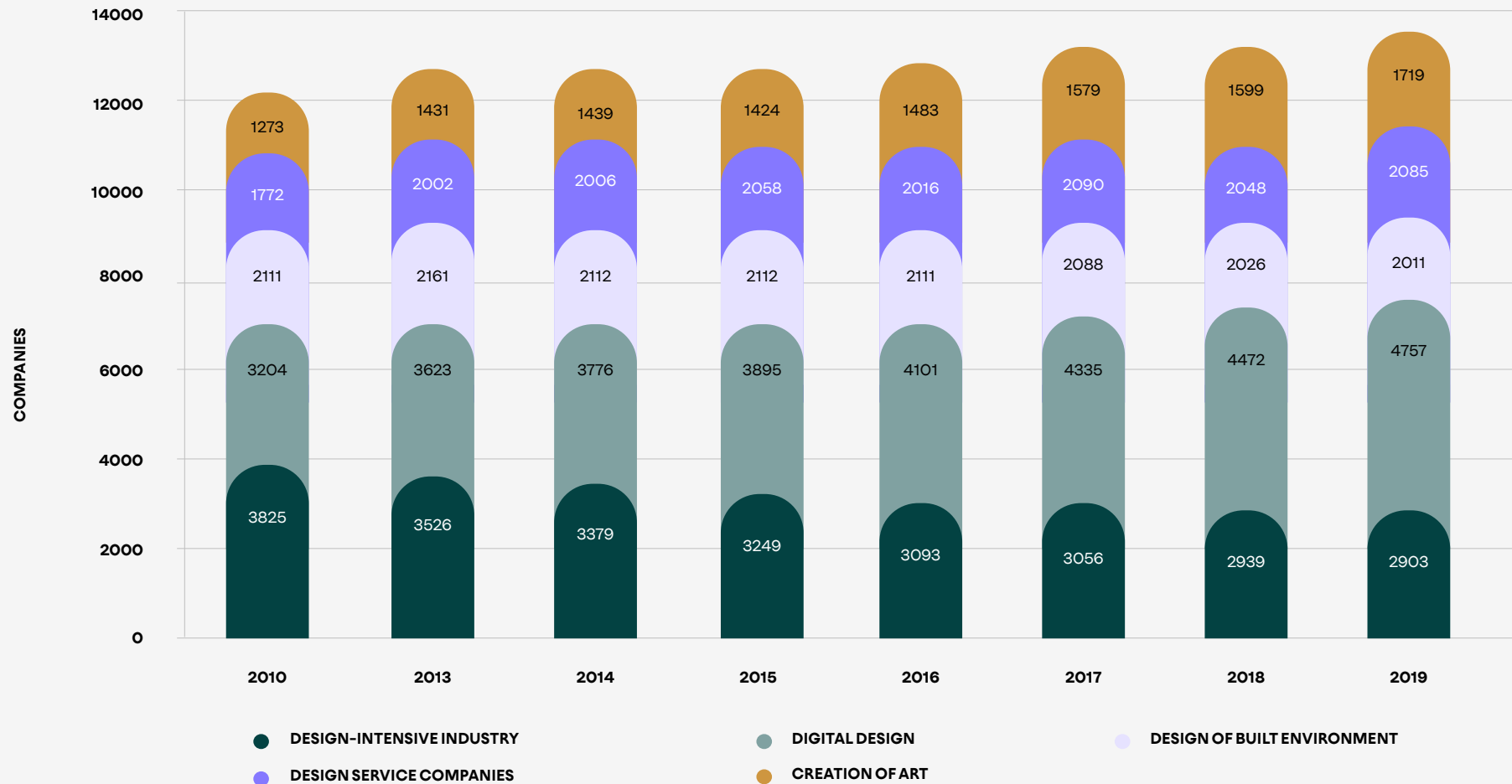


Percent of respondents. Source: Helsinki Region Chamber of Commerce Survey, 2021

5. Growing number of companies

- The number of design companies has grown by a good seven percent, i.e., by 1,290 from 2010 to 2019.
- Examined by main sector, the growth in the number of enterprises was greatest in digital design, the creation of works of art, and among design agencies.
- In the manufacturing industry of design-intensive products, the number of enterprises has decreased by about 920 enterprises (24 percent) in the 2010s.
- By industry, the number of enterprises has decreased most in the manufacture of textiles, wood products and furniture, as well as in architectural services. In relative terms, the fastest development has been in the manufacture of glass products, textiles and clothing.

Design companies in Finland by main area of expertise, 2010–2019.

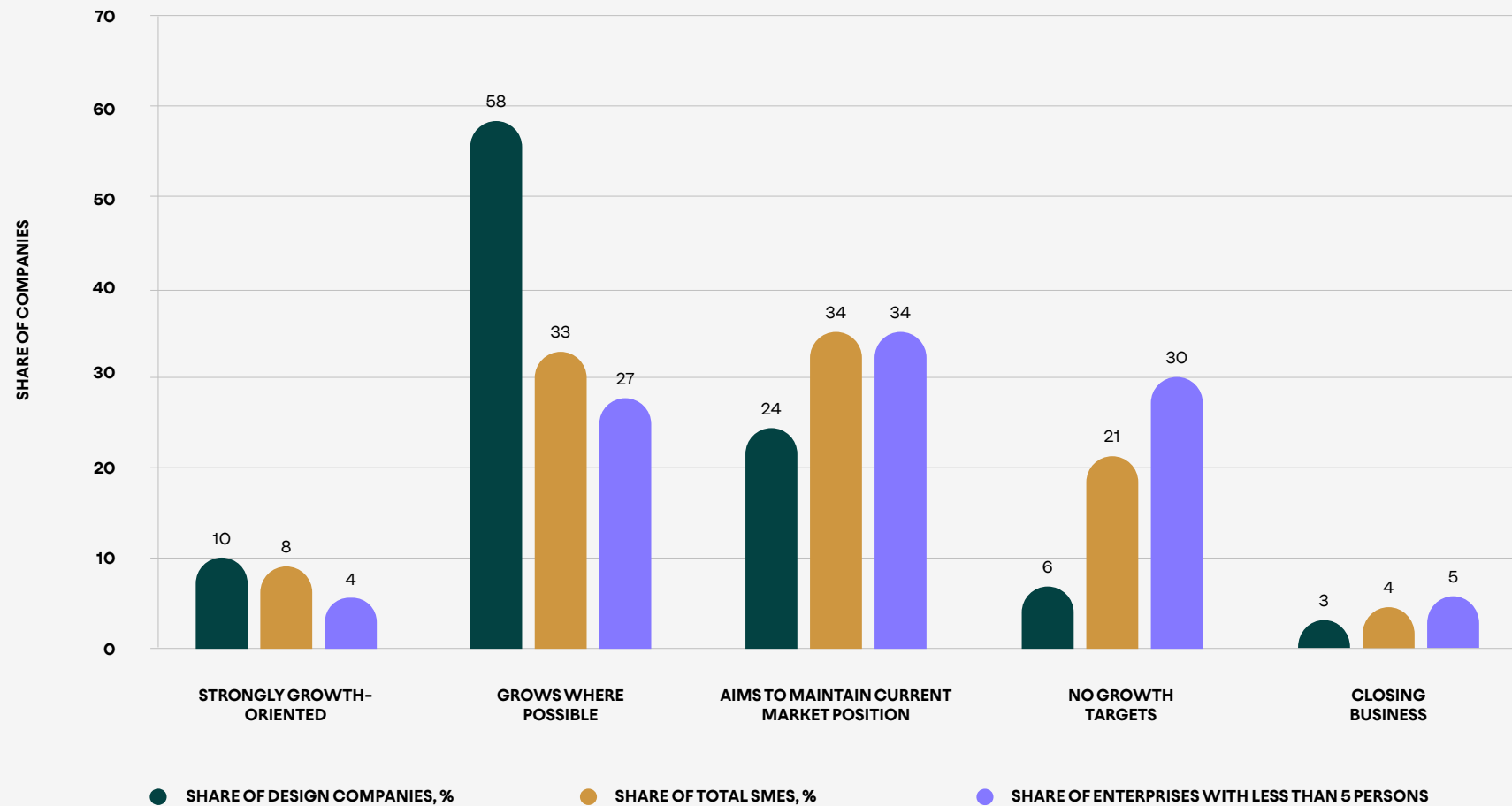


Source: Register of enterprises and locations (2010) and Structural business and financial statement statistics (2013–2019), Statistics Finland.

6. Many small businesses, growth companies on the rise

- Design companies are small. 70 percent of enterprises employed fewer than two persons in the statistical year of 2018.
- However, concerning the amount of growth companies, 10 percent of the respondents to the 2021 survey were strongly growth-oriented companies. The share of these companies rose by a couple of percentage points from the previous year. For companies growing wherever possible, the growth was 58 percent, i.e., five percentage points more than in 2020.
- The sector's willingness to grow is higher than the average in the Finnish SME field.
- Design companies finance their growth mainly through their own cash flow financing and secondly with grants. The situation has remained unchanged compared to previous years. Only five percent reported partially using bank financing or a financial company alongside their internal financing. Approximately seven percent had a private personal investor as well as private crowdfunding.

Growth-orientation in design companies and the entire SME field in Finland in 2021

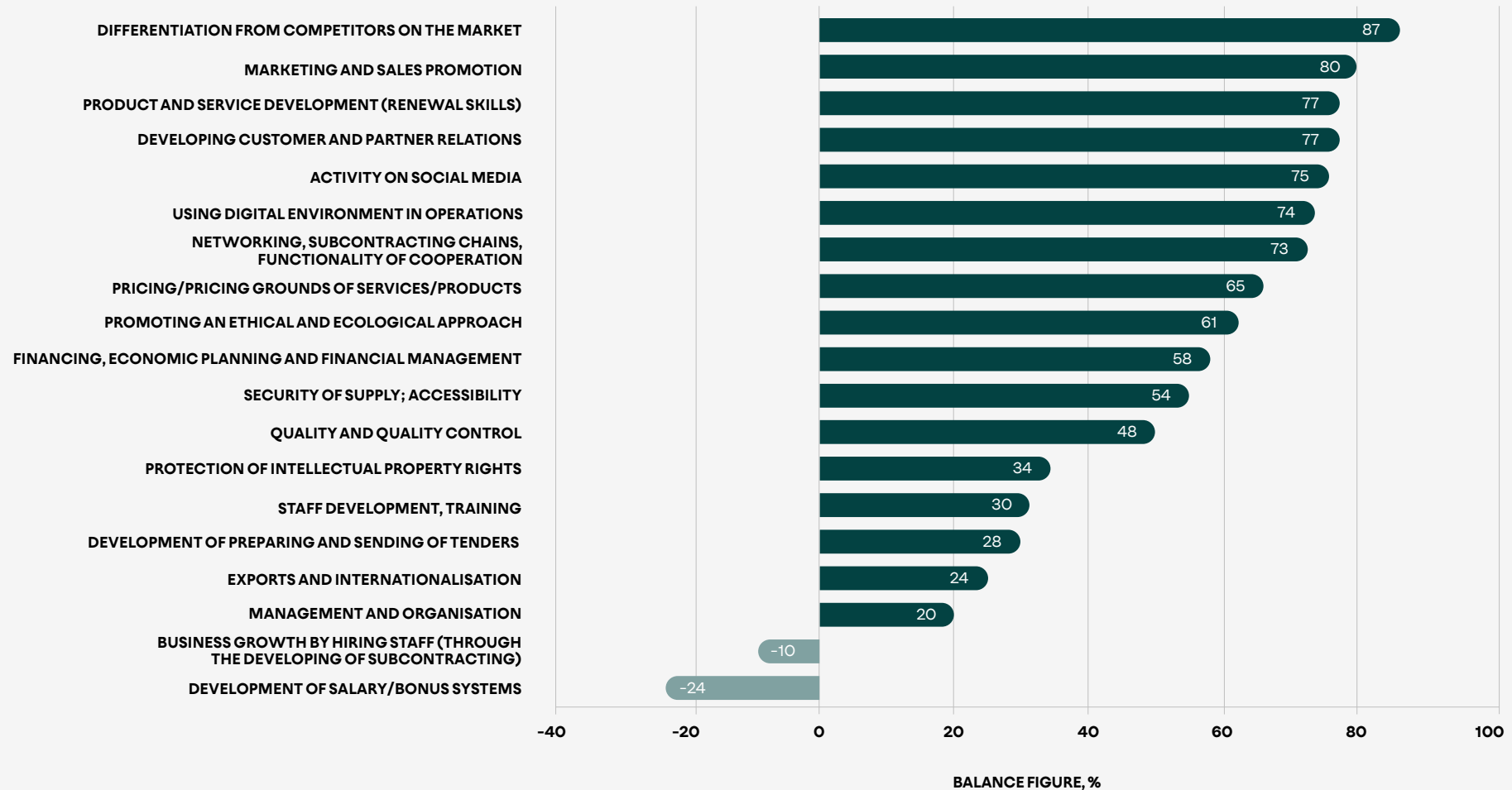


Percent of enterprises. Source: SME Barometer Spring 2021 and Ornamo's economic outlook survey 2021.

7. The pandemic crisis is reflected in the development of companies

- The pandemic crisis has affected the growth plans of design companies. For some companies, the crisis has accelerated development as well as forced changes and new practices, but it has also provided new business opportunities in the increasingly digitalised society.
- More than 40% of respondents say they have developed new products and services during the crisis, and 30% have created or developed new digital channels. More than a third replied that the new operating methods and products and services will remain part of the business.
- Research, development and innovation (RDI) contributions account for a high share of net sales, reflecting the innovativeness of the industry. A good one-fifth of design companies invested more than ten percent of their net sales on RDI in 2020.

The most important targets for developing internal operations in design companies in 2021

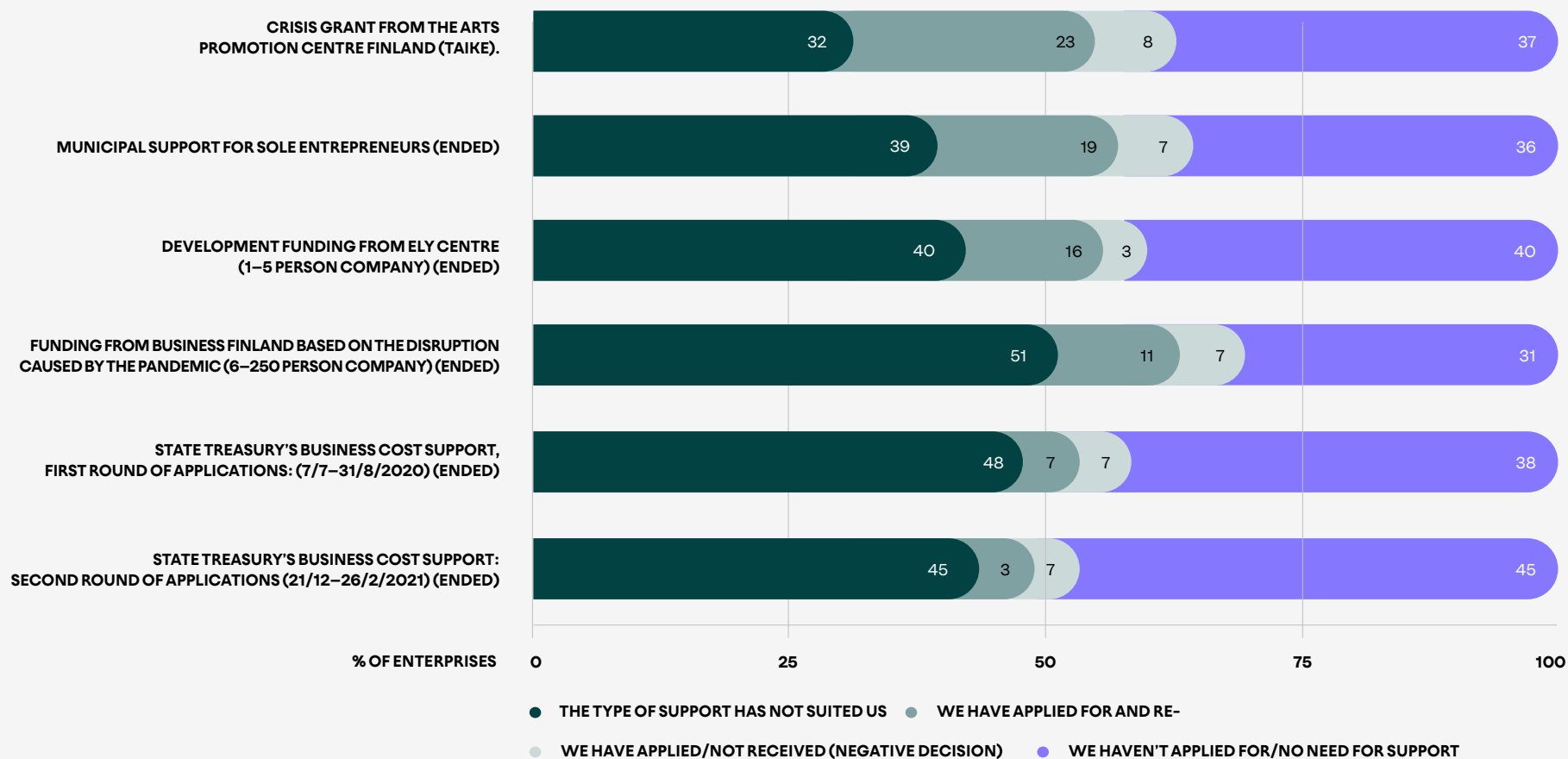


Balance figures (%). Source: Ornamo's economic outlook survey 2021.

8. Varying use of subsidies to companies in the coronavirus situation

- In 2020–2021, design companies made varying use of subsidies granted by the State and others.
- Nearly a quarter reported receiving a crisis grant from the Arts Promotion Centre Finland (Taite).
- Of companies employing 1–5 persons surveyed in 2021, 16 percent had received funding from an ELY Centre, while 11 percent had received funding from Business Finland based on the disruption caused by the pandemic.
- Applications for business cost support granted by the State Treasury were minimal in the design sector.
- In addition to financial subsidies, a good one-fifth of self-employed persons who responded to the 2021 economic surveys had applied for, or intended to apply for, temporary unemployment benefits for self-employed persons.
- Coronavirus grants are discussed more broadly in the Key figures on Finnish Design 2020.

Use of public financial assistance for the epidemic crisis in the design sector 2020–2021



(does not include cost subsidies 3 and 4). Percent of companies. Source: Ornamo's economic outlook survey 2021.

9. Developing positive employment

- Measured by the concept of full-year employment, Finnish design companies employed around 65,920 persons in 2019. The number of employees grew by one-fifth (13,910 persons) in 2010 to 2019.
- The increase in personnel was highest in digital design (71 percent). Employment grew by 27 percent in design offices, and by 14 percent in the design of built environment.
- Employment fell in artwork creation and in all other fields of design-intensive industries, except for the clothing industry and production of metal products.

Development of personnel at design business offices by main industry, 2010–2019.

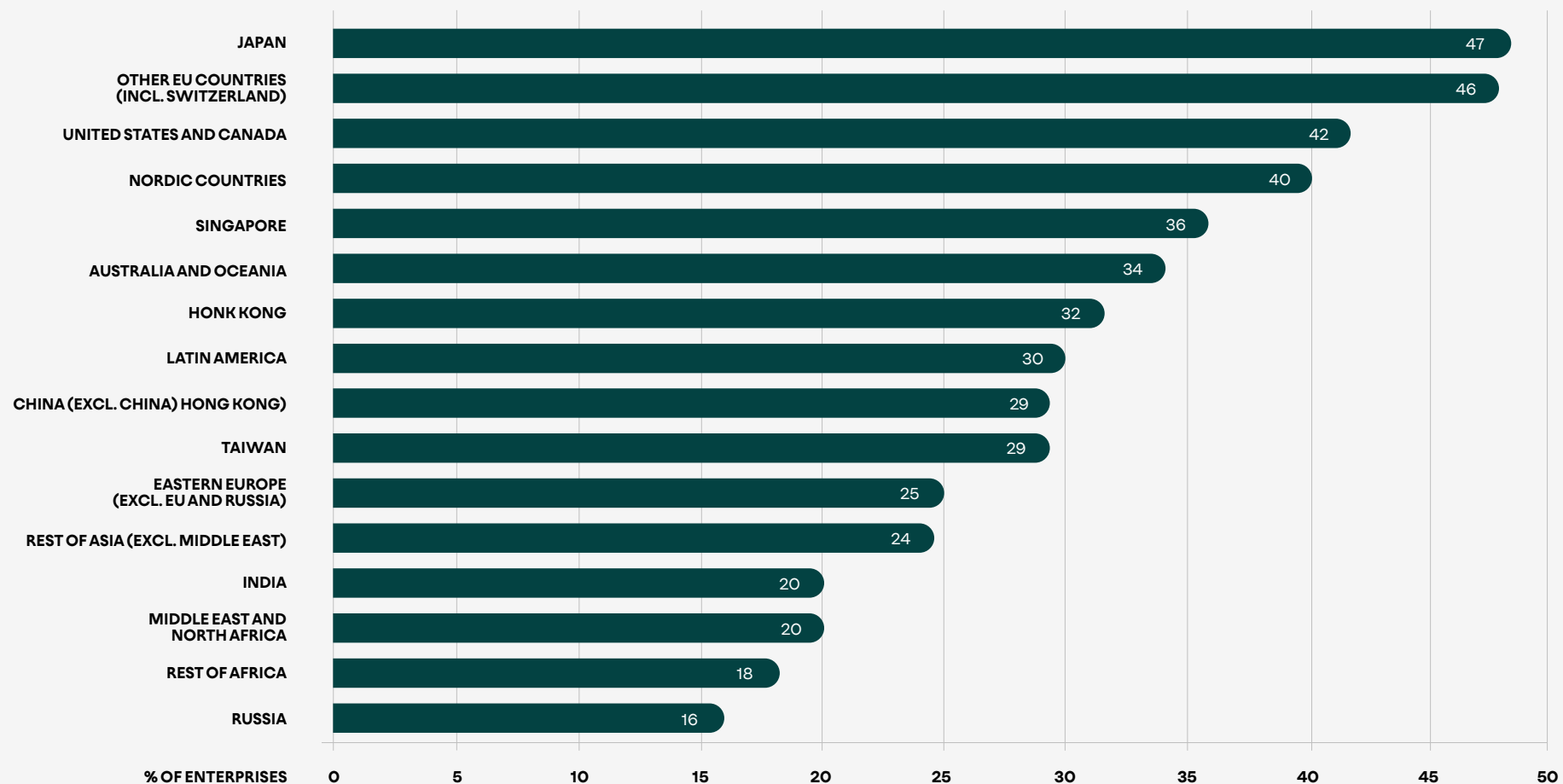


Totals. Source: Register of Enterprises and Establishments (2010) and Regional statistics on entrepreneurial activity (2013–2019), Statistics Finland.

10. Desire to internationalise

- According to the 2021 survey, foreign activity is well established in 13 percent of design companies. Approximately 30 percent of companies invest in internationalisation at least to some degree. The shares have remained unchanged during the pandemic crisis.
- The share of enterprises whose activities are mostly directed abroad (over 50 percent) grew during 2015 to 2020.
- According to the 2021 surveys, the Nordic and other EU countries are, by far, the largest main markets for companies engaged in foreign operations. More than 30% of exporters have been active in both regions.
- In potential markets where there is no foreign activity yet, the main interests are Japan and other EU countries (incl. Switzerland) and North America.

New potential export interests of design companies on the international market



Percent of companies. Source: Ornamo's economic outlook survey 2021.



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