SUOMEN PANKKI EUROJÄRJESTELMÄ
FINLANDS BANK EUROSYSTEMET

# Finland’s economy at a turning point

## Forecast for the Finnish economy, 12 June 2026

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# Finland's economy at a turning point

Economy on verge of stronger growth despite external challenges

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Inflation will rise temporarily due to energy shock

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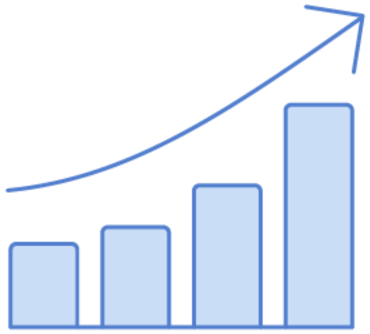
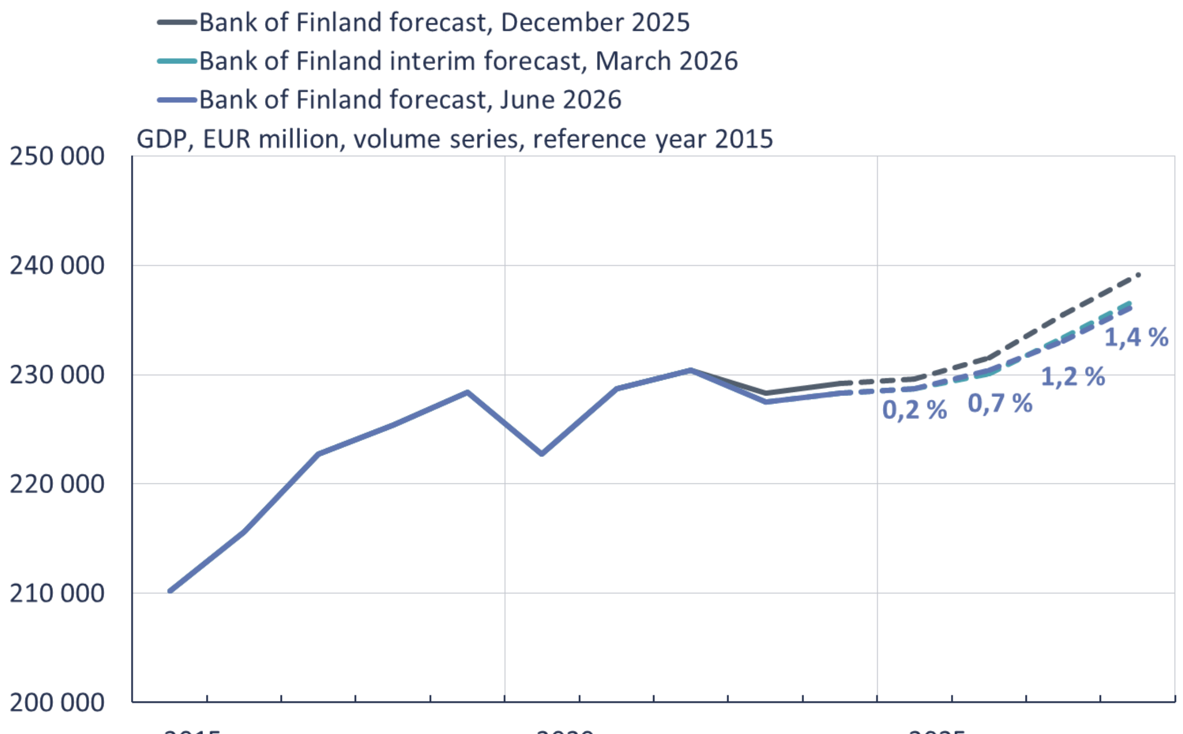


Growth in the economy will follow a rising path but will be slowed by Middle East conflict

3

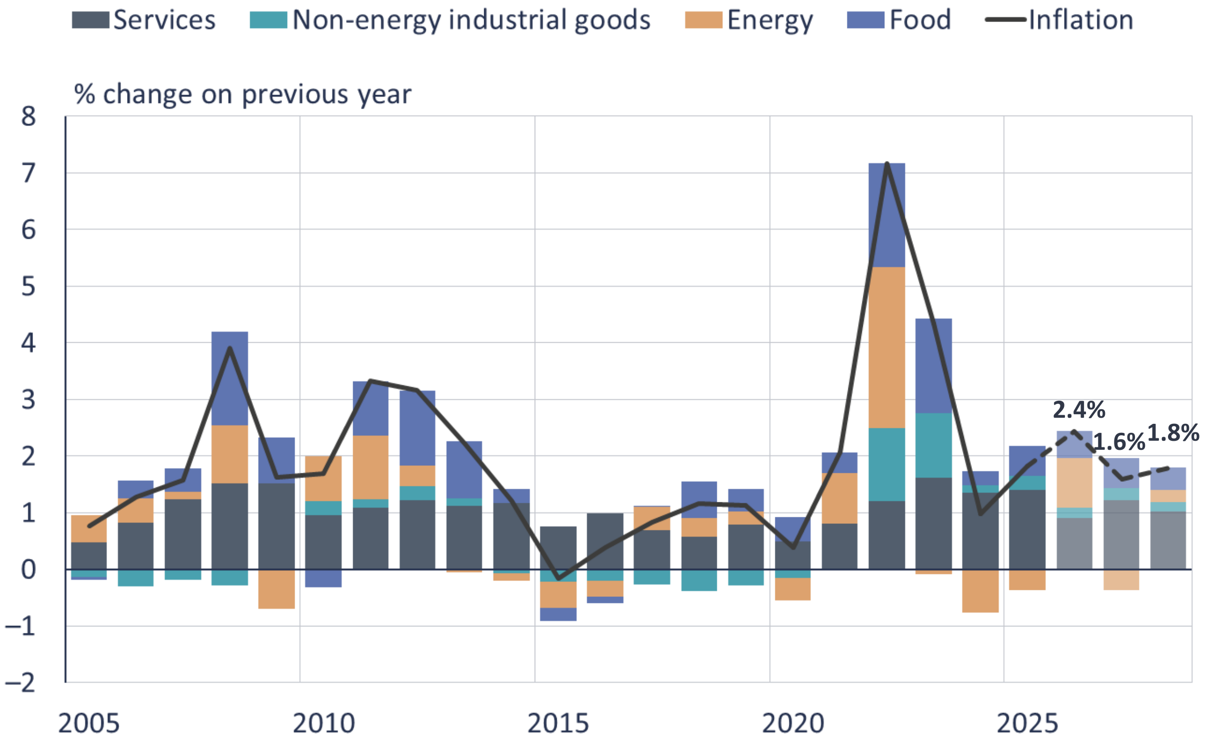
# Finnish economy on verge of stronger growth



Sources: Statistics Finland and Bank of Finland.


- Growth in Finnish economy strengthened and became more broad-based in early part of 2026
- Uncertainty surrounding Middle East conflict is weakening the outlook
- Growth in the economy will follow a rising path, despite external challenges

# Energy shock driving up inflation in 2026

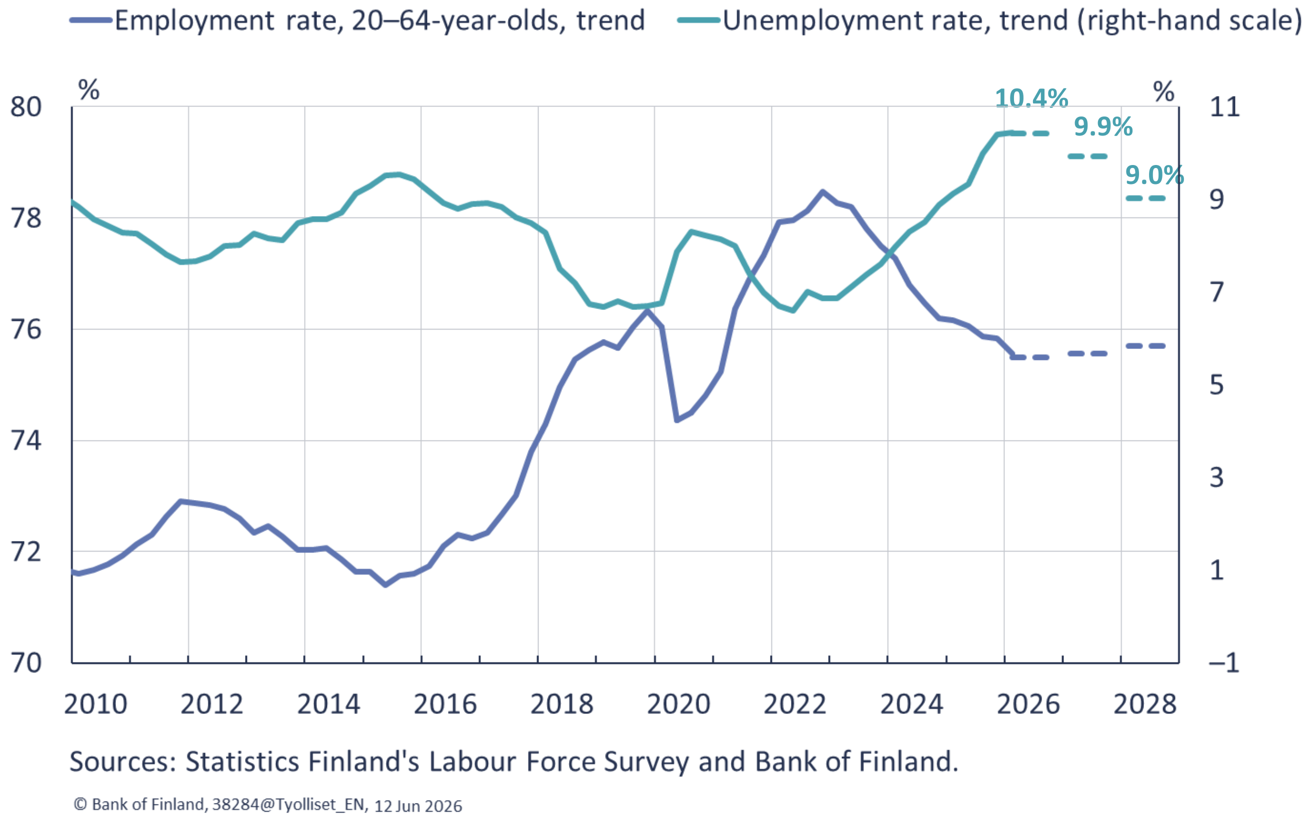



Sources: Eurostat and forecast by the Bank of Finland.



- Inflation will rise this year, but will fall in 2027 as energy prices decline
- Rise in energy prices is being transmitted moderately and with a lag to other prices
- Inflation will rise slightly in 2028, e.g. emissions trading system (ETS2) for fuel combustion

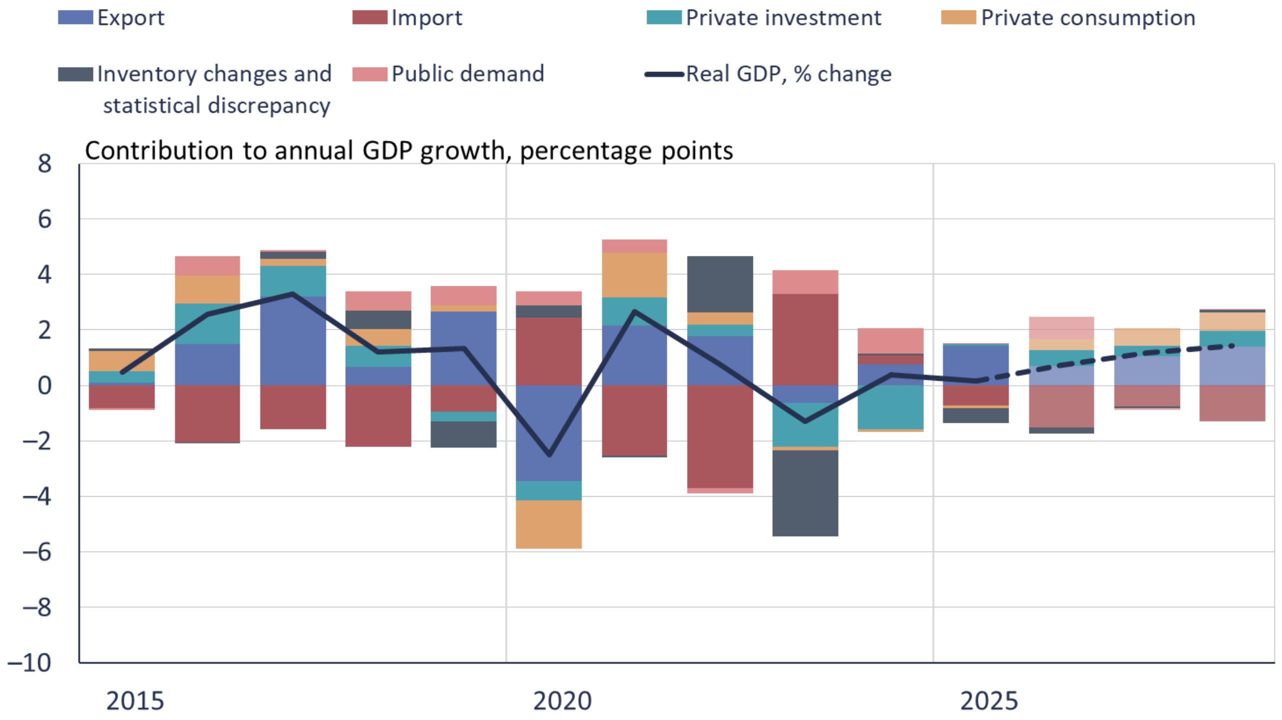
# Unemployment rate will fall slowly at first




- Unemployment persistent, falling slowly at first, clearer decline not until 2027

- Employment will improve steadily as demand recovers

# Economic growth driven by exports and domestic demand

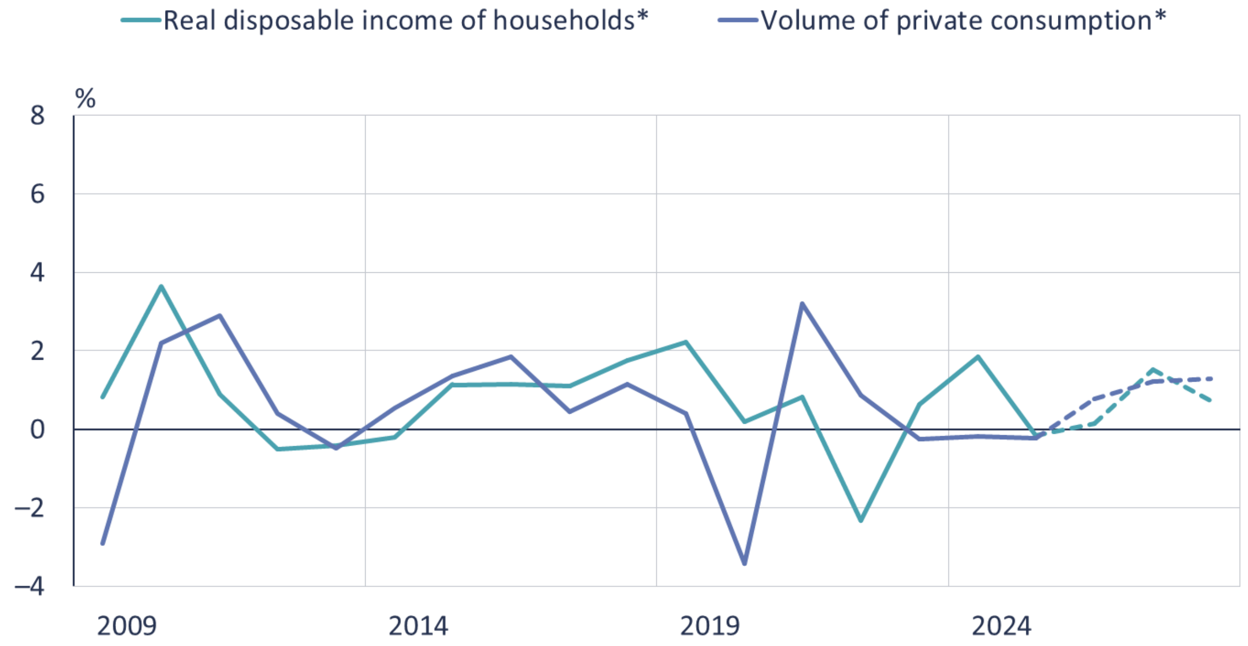


Sources: Statistics Finland and Bank of Finland.



- Growth supported especially by increase in non-residential investment and exports
- Private consumption will gradually pick up as incomes increase
- Defence spending (procurement of fighter jets) will boost public investment and imports

# Private consumption will gradually pick up



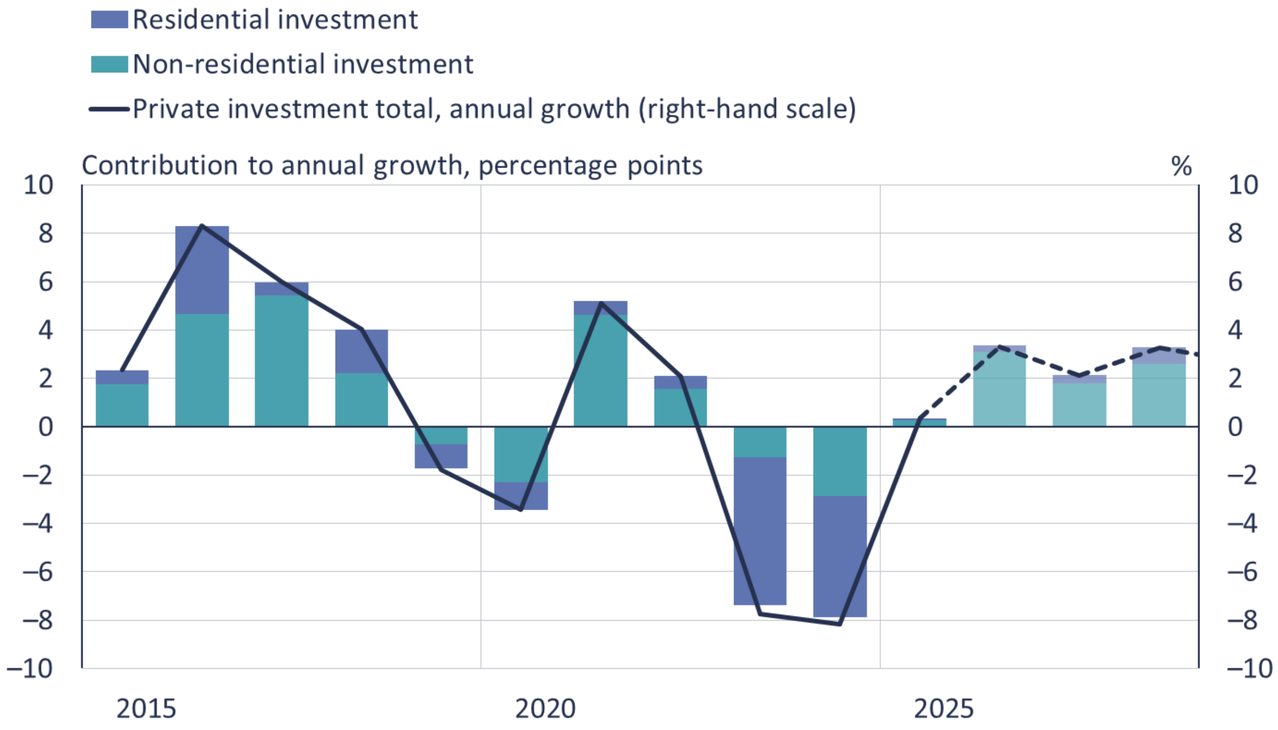

Households = households and non-profit institutions serving households (NPISH).
*Percentage change from previous year.
Sources: Statistics Finland and Bank of Finland.



- Private consumption has started to grow and will strengthen during the forecast years
- Consumption will be underpinned by e.g. the favourable earnings growth to date and a gradual improvement in employment
- Consumption will be weighed down by slower growth in purchasing power, higher energy prices and uncertainty about the economy
- Savings rate will remain elevated

Feature article:
Household confidence and the news
Joni Heikkinen and Petri Mäki-Fränti

# Non-residential investment increasing, only a limited improvement in residential construction

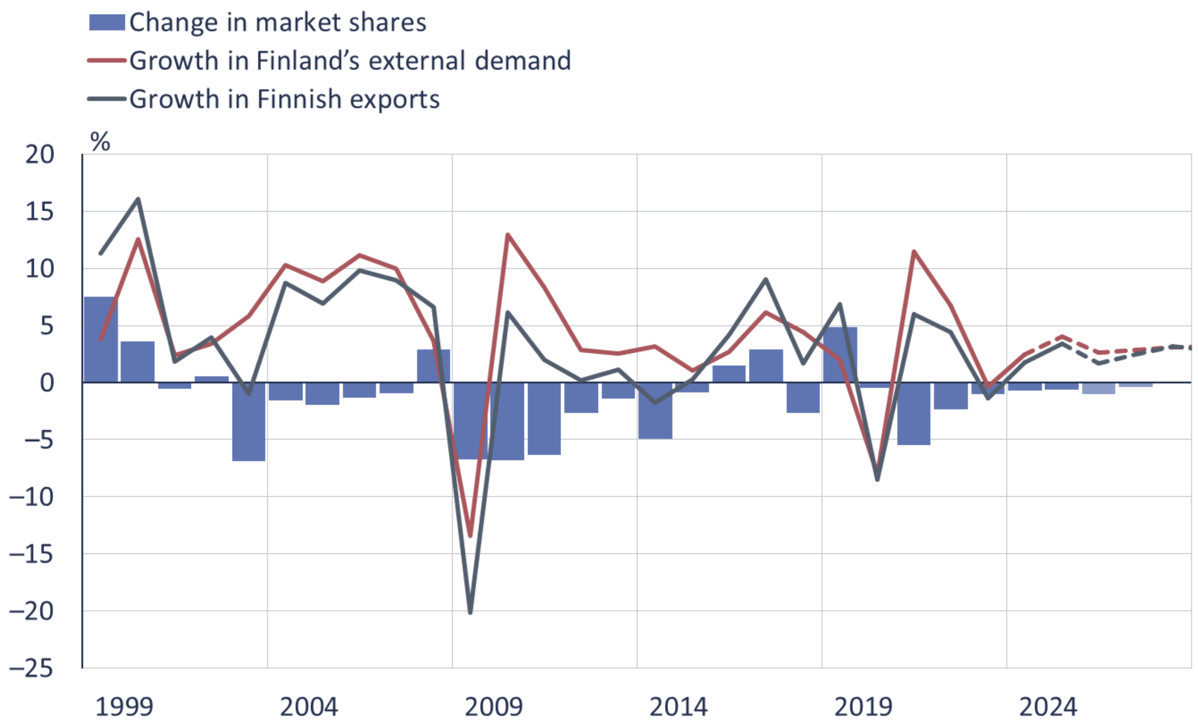



Sources: Statistics Finland and Bank of Finland.



- Clear pick-up in non-residential investment
  - Construction of data centres
  - Green transition projects
  - Defence industry investments
- Only a limited improvement in residential construction
  - New-build housing construction in difficulty
  - Growth in renovation work

# Exports will grow despite challenges

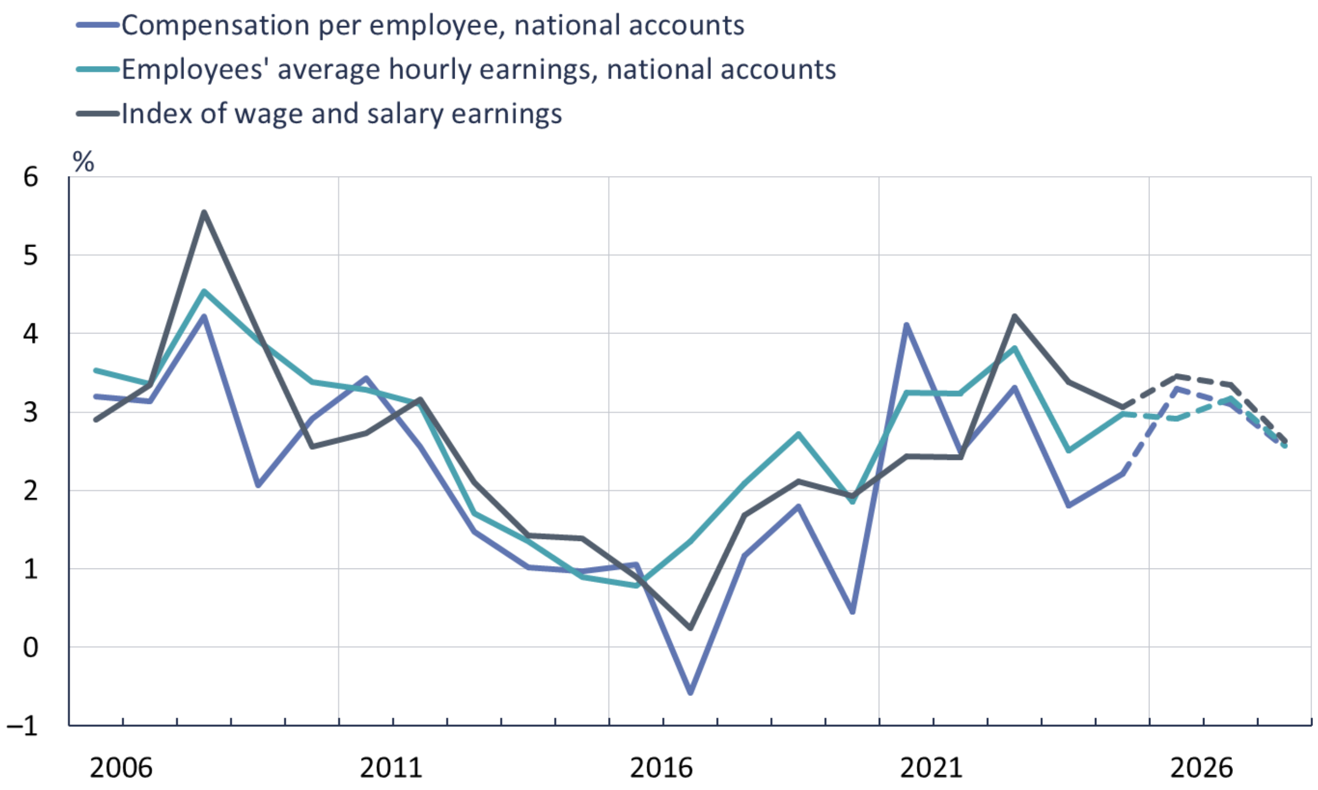



Sources: Statistics Finland and Bank of Finland.



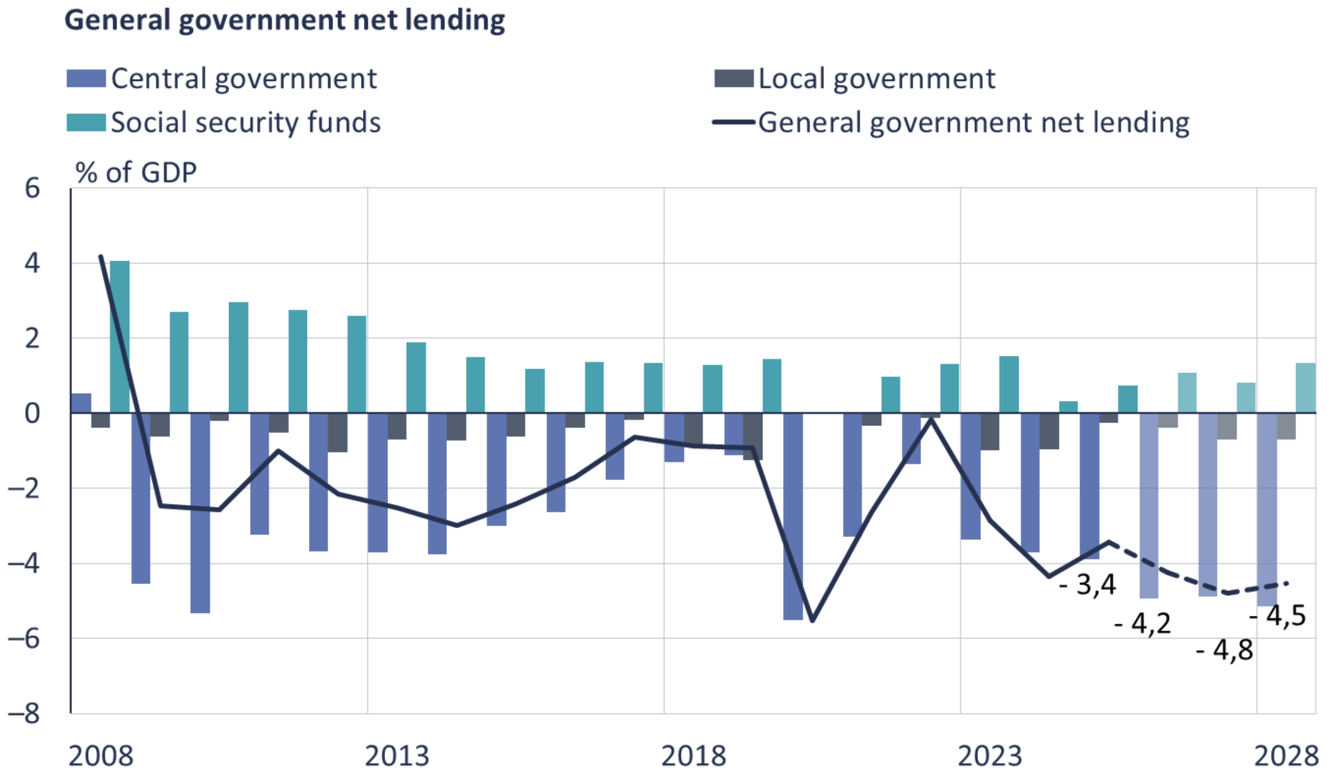
- Growth in exports in the immediate years ahead will almost match the growth rate of export markets
- International environment will remain challenging and growth in export markets will slow
- Export growth will be sustained by
  - Investment in AI and data centres globally
  - Defence investment in Europe

# Wage growth higher than inflation in the immediate years ahead



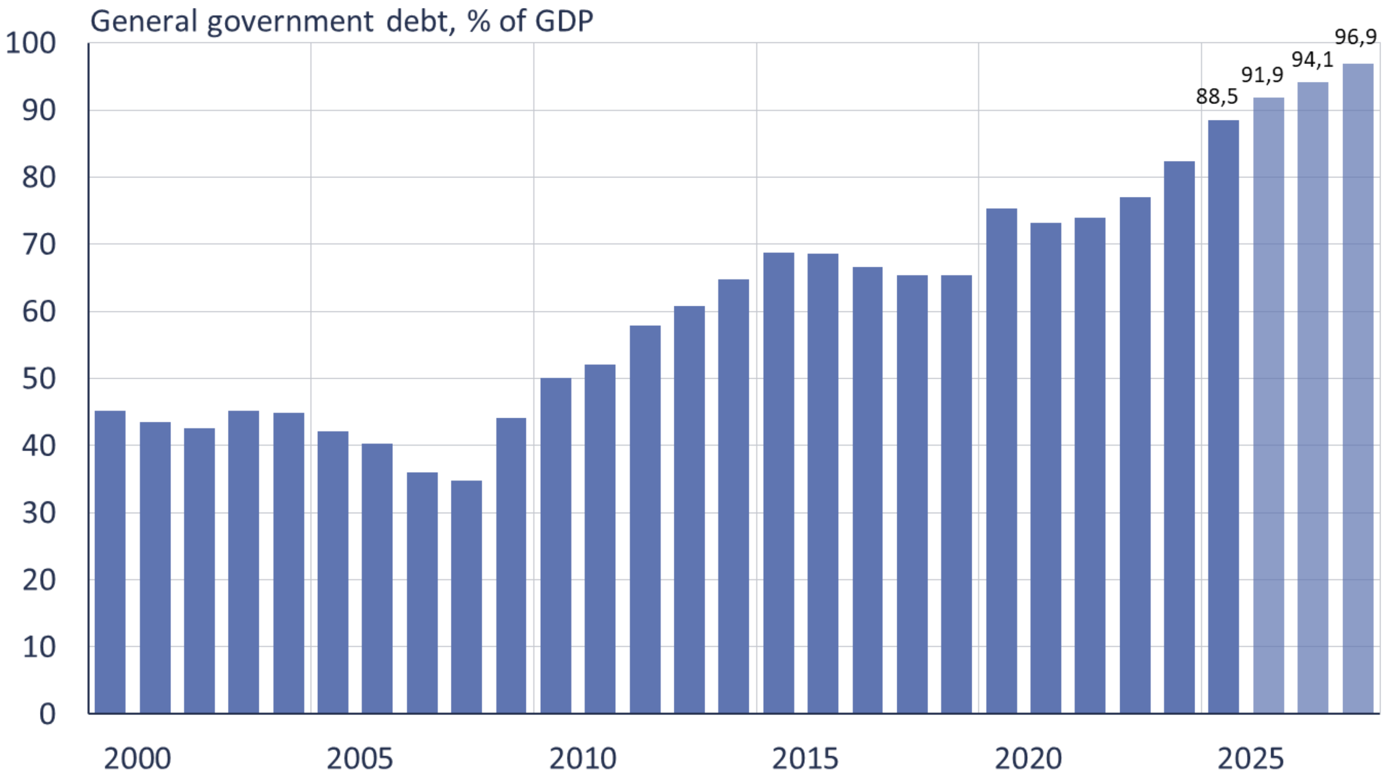

Sources: Statistics Finland and Bank of Finland.

# Defence spending and tax cuts will slow the rebalancing of public finances




Sources: Statistics Finland and Bank of Finland (forecasts).

# Upward trend in debt ratio will not be reversed during the forecast period

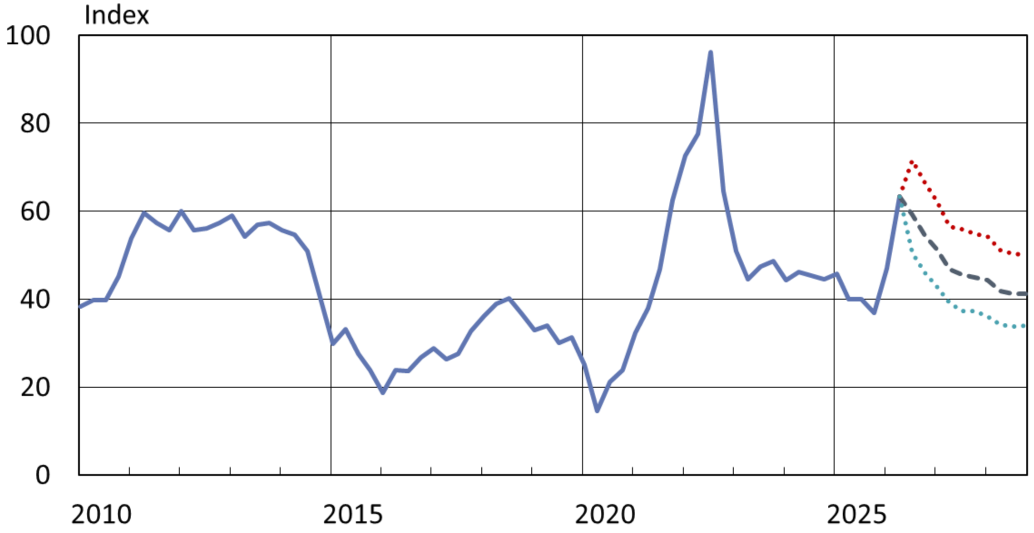



Sources: Statistics Finland and Bank of Finland (forecasts).

# Alternative scenario (Nelimarkka & Pönkä): Changes in energy prices have direct and indirect impacts on Finnish economy

**Energy prices vary in the different scenarios**

Market prices of energy*
Forecast assumption
Adverse scenario: energy prices increase
Mild scenario: energy prices fall faster



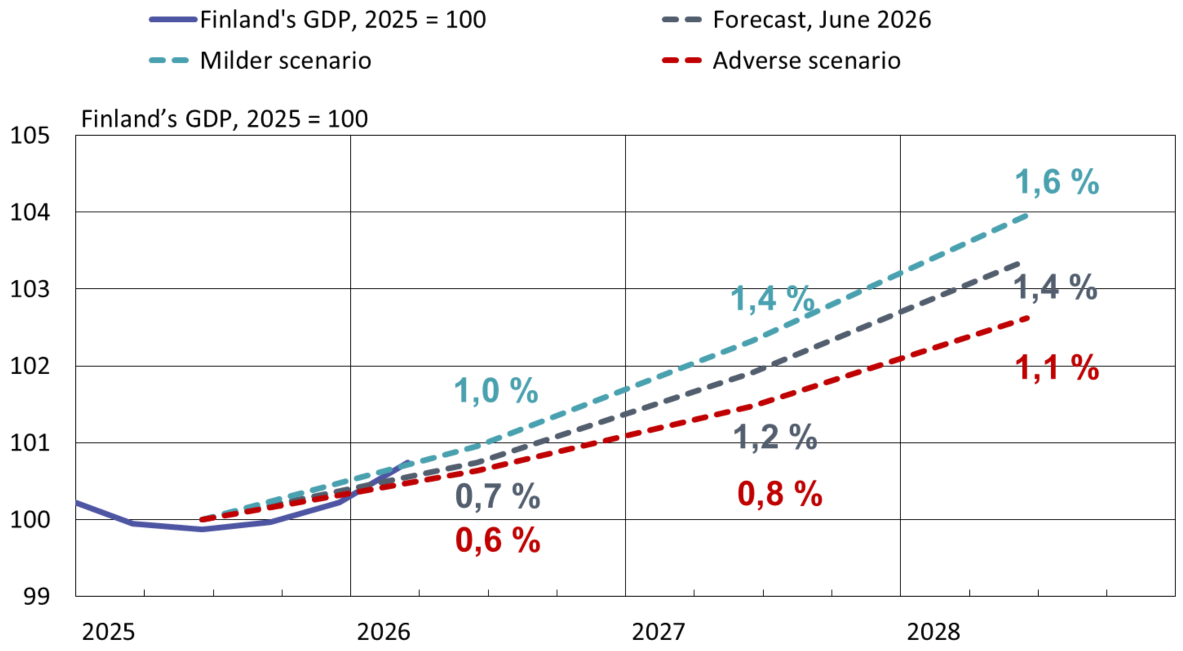

Sources: European Central Bank and calculations by the Bank of Finland.
* Composite index for oil and natural gas.



- As a result of the Iran war, oil and natural gas prices are considerably higher than in early 2026
  - Producer prices and consumer prices have already risen globally, which has been taken into account in the baseline scenario
- What would happen if
  1. the situation in energy markets and the war in Iran were to escalate? **(Adverse scenario)**
  2. the crisis were resolved and energy supply disruptions were to dissipate? **(Milder scenario)**

# Changes in energy prices have direct and indirect effects on the Finnish economy

**Higher energy prices would slow economic growth**

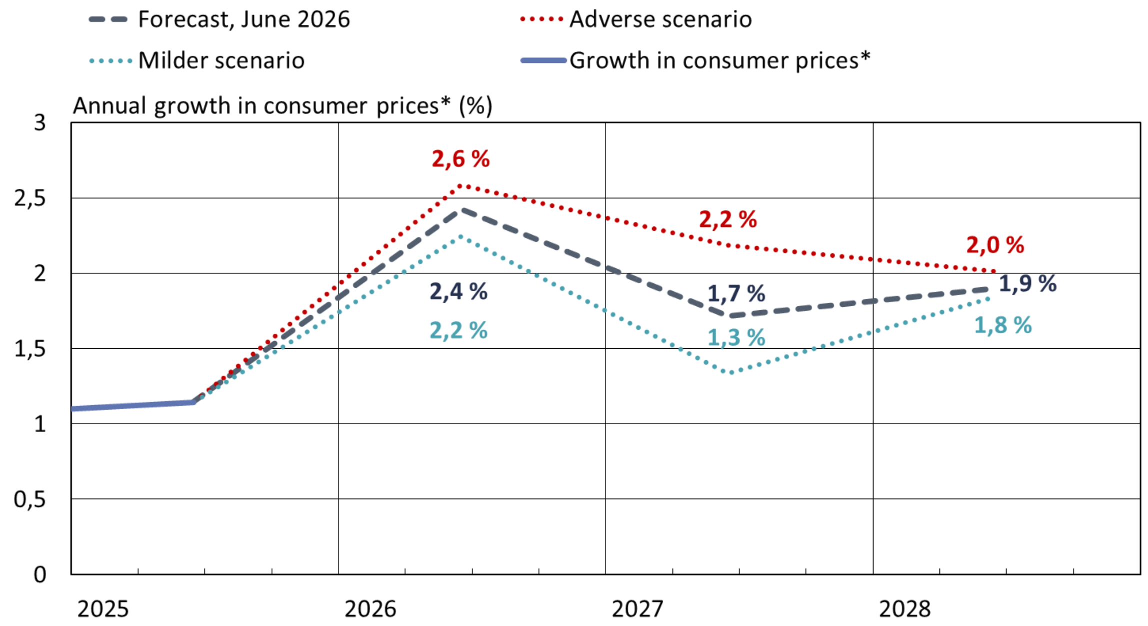



Figures next to the curves are annual growth rates, %.

Sources: Statistics Finland and calculations by the Bank of Finland.



**Inflation will depend on developments in energy prices**




Sources: Statistics Finland and calculations by the Bank of Finland.

* Annual growth rate of the private consumption deflator.



- Impact of higher energy prices on GDP particularly through foreign trade
- Inflationary impacts mainly in 2026 and 2027

# Forecast summary

**Forecast summary**

% change on previous year

| | 2025 | 2026f | 2027f | 2028f |
|---|---|---|---|---|
| **GDP** | 0,2 | 0,7 | 1,2 | 1,4 |
| Private consumption | -0,2 | 0,8 | 1,2 | 1,3 |
| Public consumption | -0,2 | 0,0 | -0,2 | 0,5 |
| Fixed investment | 0,8 | 6,3 | 1,5 | 2,0 |
| Private fixed investment | 0,4 | 3,3 | 2,1 | 3,3 |
| Public fixed investment | 2,4 | 17,9 | -0,4 | -2,5 |
| Exports | 3,4 | 1,7 | 2,4 | 3,1 |
| Imports | 1,7 | 3,7 | 1,8 | 3,0 |
| **Contributions to growth from components of demand** | | | | |
| Domestic demand | -0,0 | 1,8 | 0,9 | 1,3 |
| Net exports | 0,7 | -0,8 | 0,3 | 0,1 |
| Inventory change + statistical discrepancy | -0,5 | -0,2 | -0,0 | 0,1 |
| **Savings rate, households** | 4,4 | 3,8 | 4,1 | 3,5 |
| **Current account, % of GDP** | 1,3 | 0,3 | 0,1 | -0,0 |
| **General government, % of GDP** | | | | |
| General government balance | -3,4 | -4,2 | -4,8 | -4,5 |
| General government gross debt (EDP) | 88,5 | 91,9 | 94,1 | 96,9 |

| | 2025 | 2026f | 2027f | 2028f |
|---|---|---|---|---|
| **Labour market** | | | | |
| Hours worked | -1,2 | 0,2 | 0,6 | 0,7 |
| Employment rate (20–64-year-olds), % | 76,0 | 75,5 | 75,6 | 75,7 |
| Unemployment rate, % | 9,7 | 10,4 | 9,9 | 9,0 |
| **Unit labour costs** | 1,8 | 2,4 | 2,5 | 1,8 |
| Compensation per employee | 2,6 | 3,3 | 3,1 | 2,5 |
| Labour productivity | 0,7 | 0,9 | 0,6 | 0,7 |
| **GDP, price index** | 1,5 | 1,7 | 2,0 | 1,9 |
| Private consumption, price index | 1,1 | 2,4 | 1,7 | 1,9 |
| **Harmonised index of consumer prices** | 1,8 | 2,4 | 1,6 | 1,8 |
| Excl. energy | 2,4 | 1,7 | 2,2 | 1,8 |
| Energy | -3,8 | 9,6 | -4,0 | 2,2 |

32346##Taulukko vaaka e

f = forecast.

Sources: Statistics Finland and Bank of Finland.

# Thank you!

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