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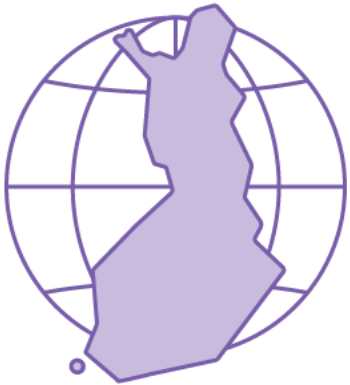
# Finnish economy on verge of stronger growth

Forecast for the Finnish economy, 12 June 2026

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# Finland's economy at a turning point



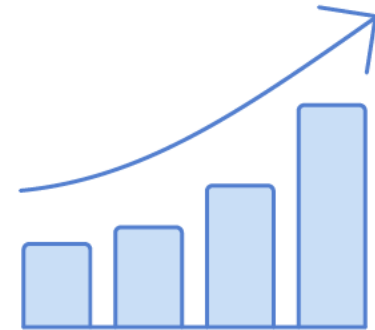
Economy on verge of stronger growth despite external challenges

1



Inflation will rise temporarily due to energy shock

2



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

3

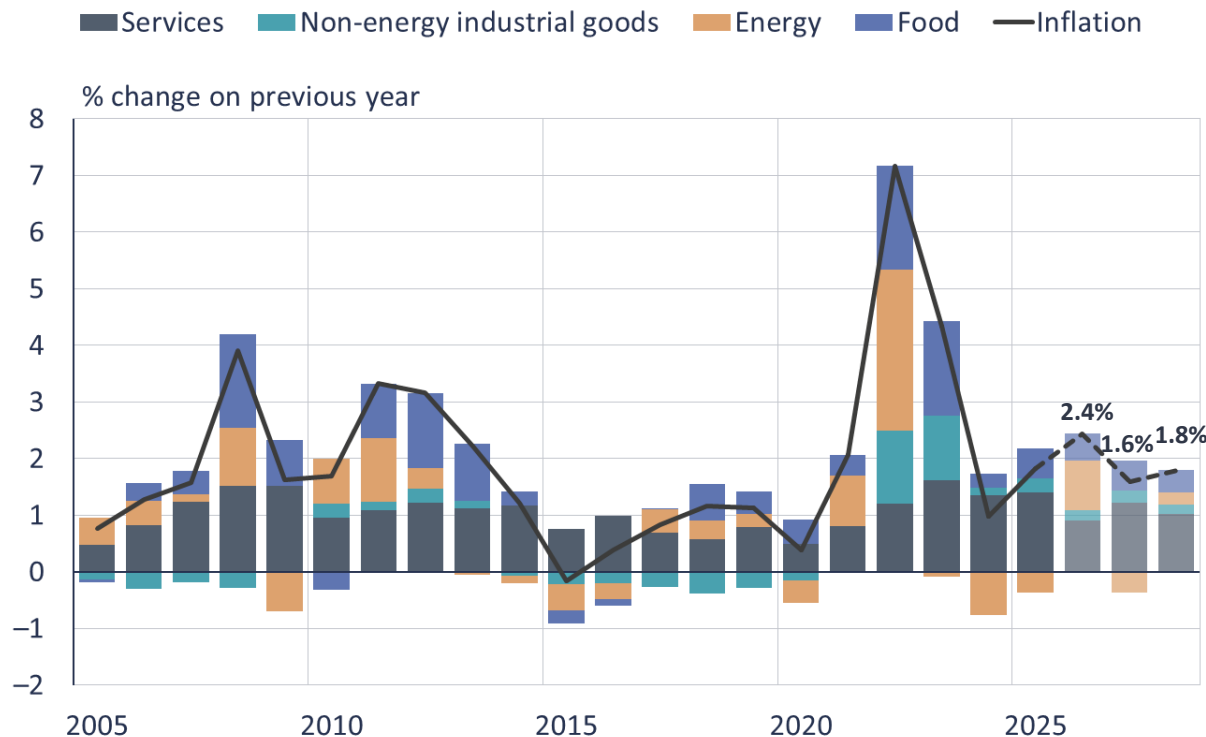
# Finnish economy on verge of stronger growth



Sources: Statistics Finland and Bank of Finland.  
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- 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

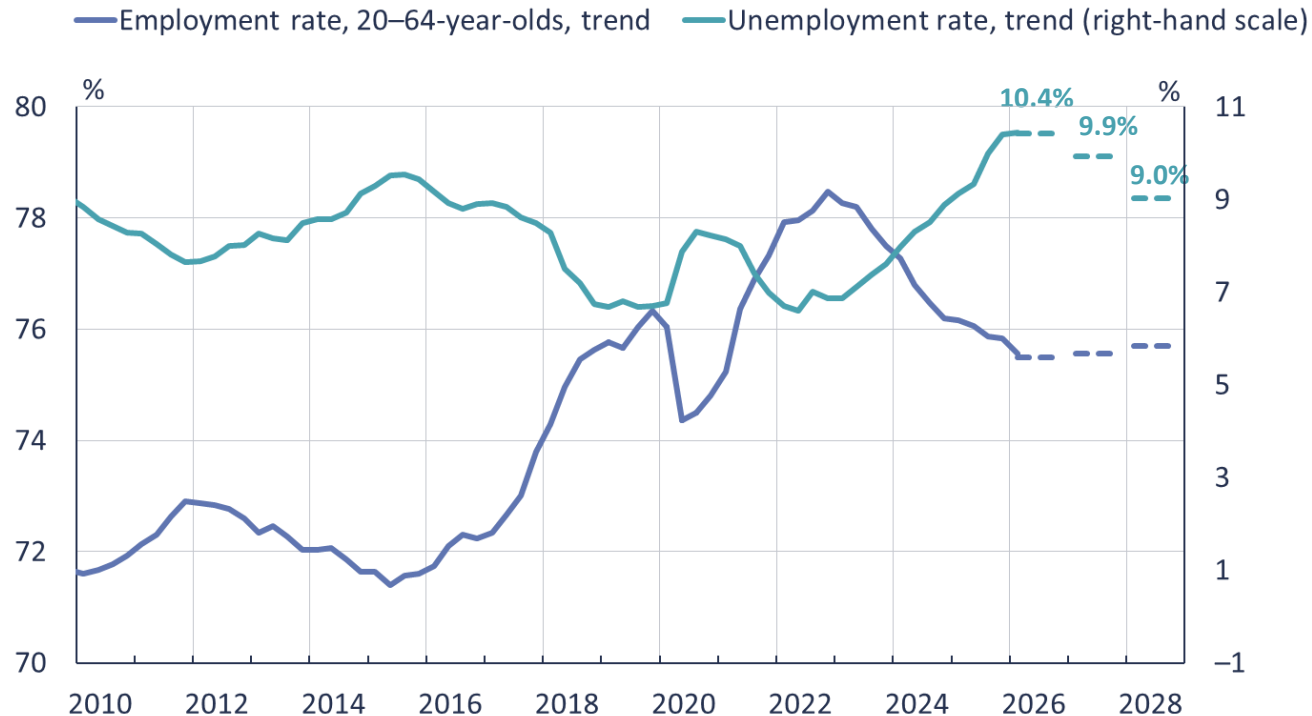


Sources: Eurostat and forecast by the Bank of Finland.

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- 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

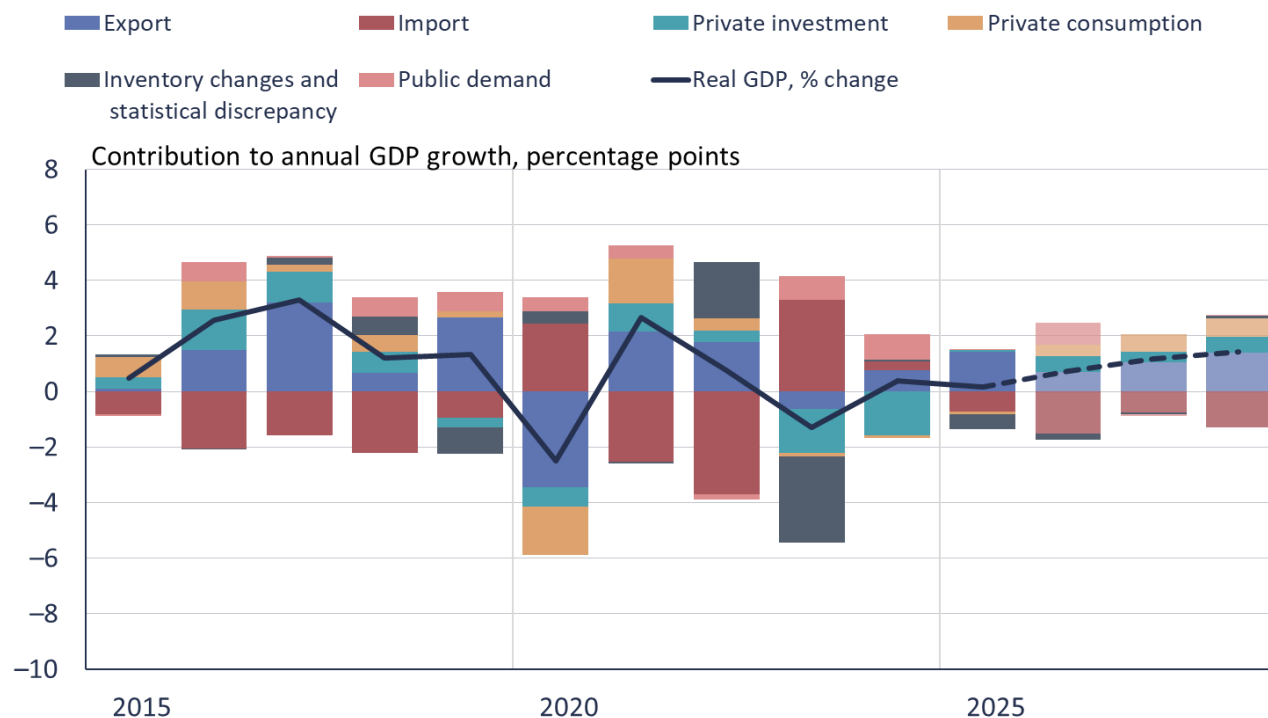


Sources: Statistics Finland's Labour Force Survey and Bank of Finland.

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- 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

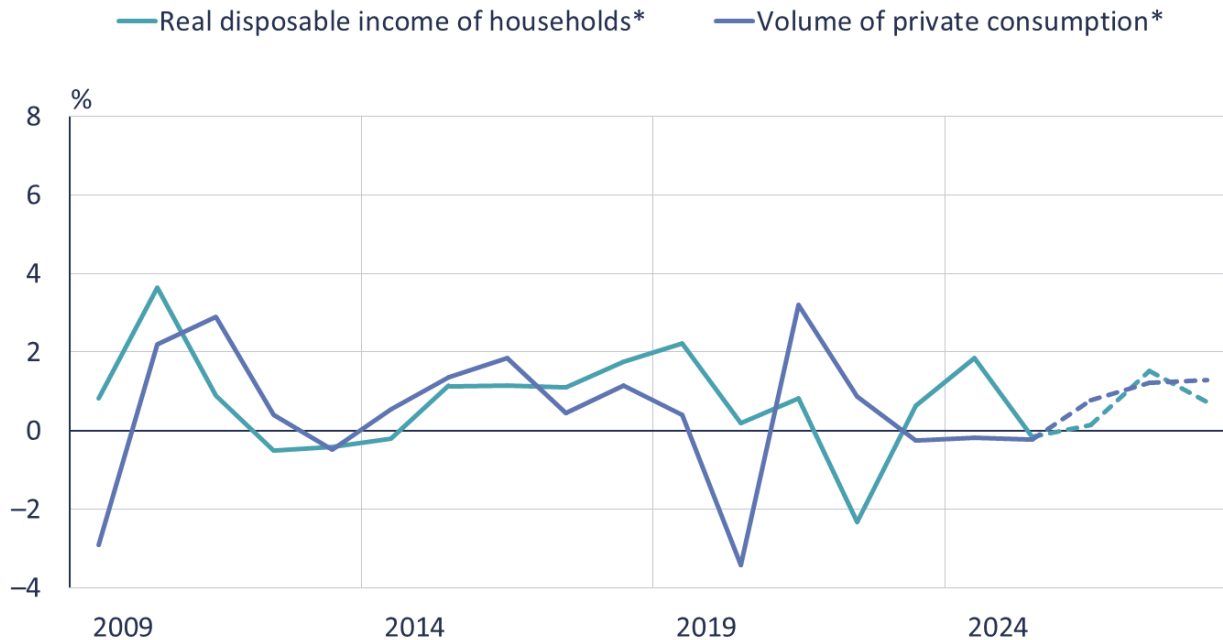


- Growth supported especially by increase in non-residential investment and exports
- Private consumption will gradually pick up as incomes increase
- Defence spending (procurement of fighter jets) will boost public investment and imports

Sources: Statistics Finland and Bank of Finland.

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# 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.

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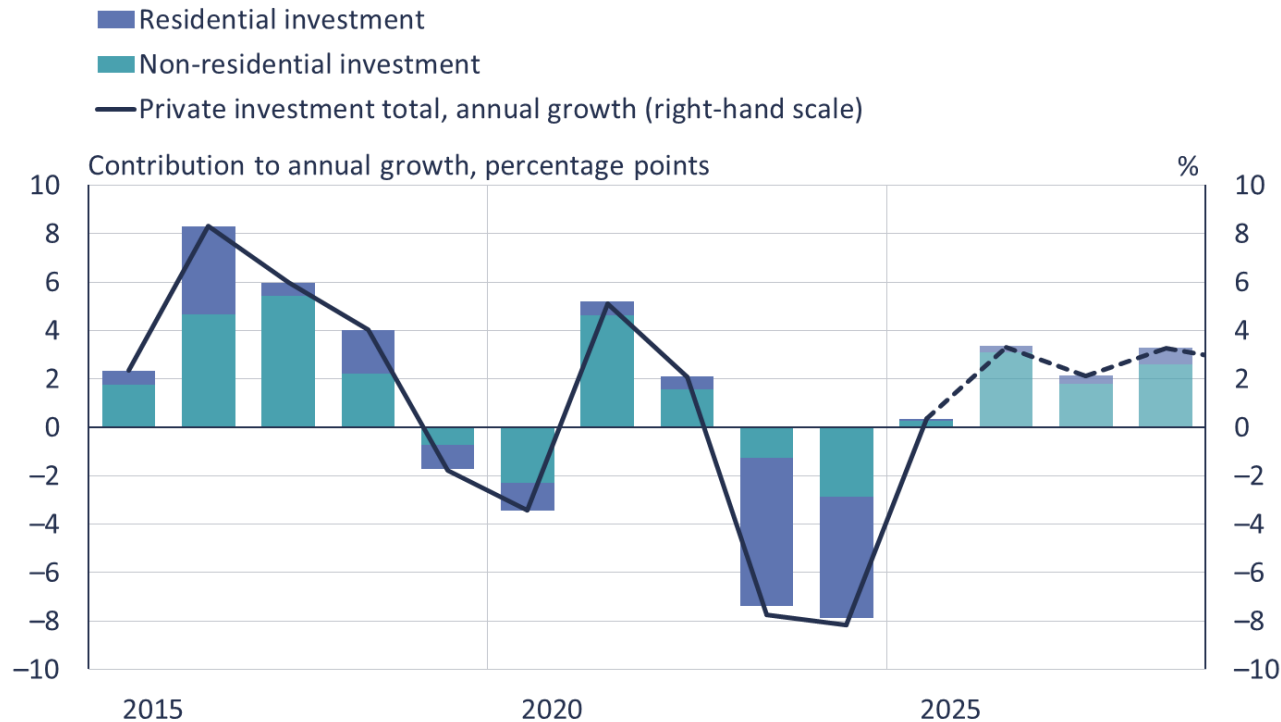
- Private consumption has started to grow and will strengthen during the forecast years
- Consumption will be underpinned by e.g. the favourable earnings growth to date and a gradual improvement in employment
- Consumption will be weighed down by slower growth in purchasing power, higher energy prices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

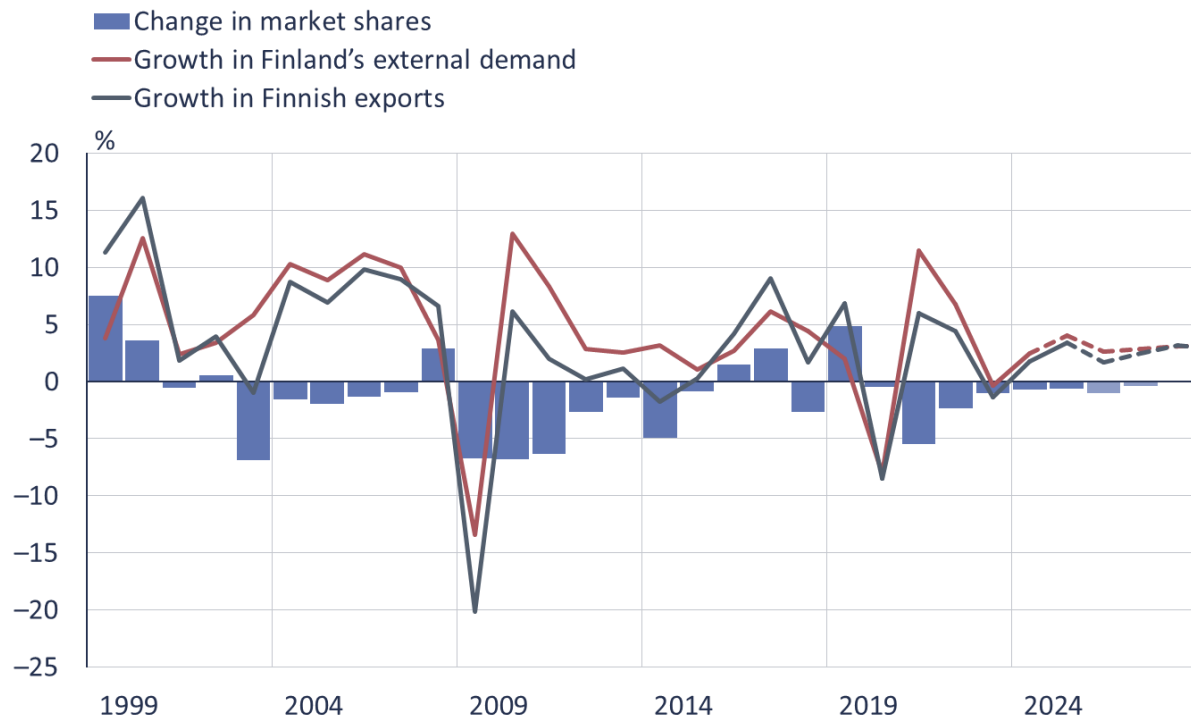


Sources: Statistics Finland and Bank of Finland.

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- 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

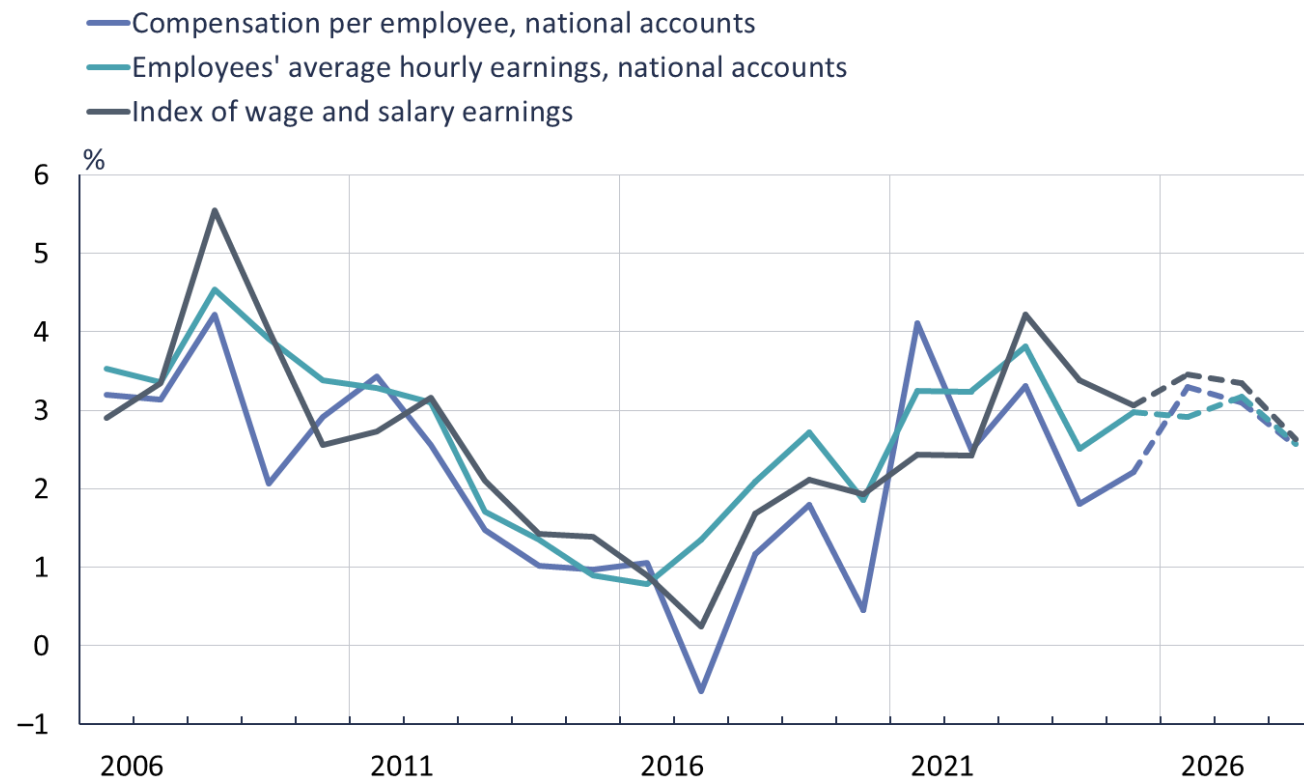


Sources: Statistics Finland and Bank of Finland.

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- 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

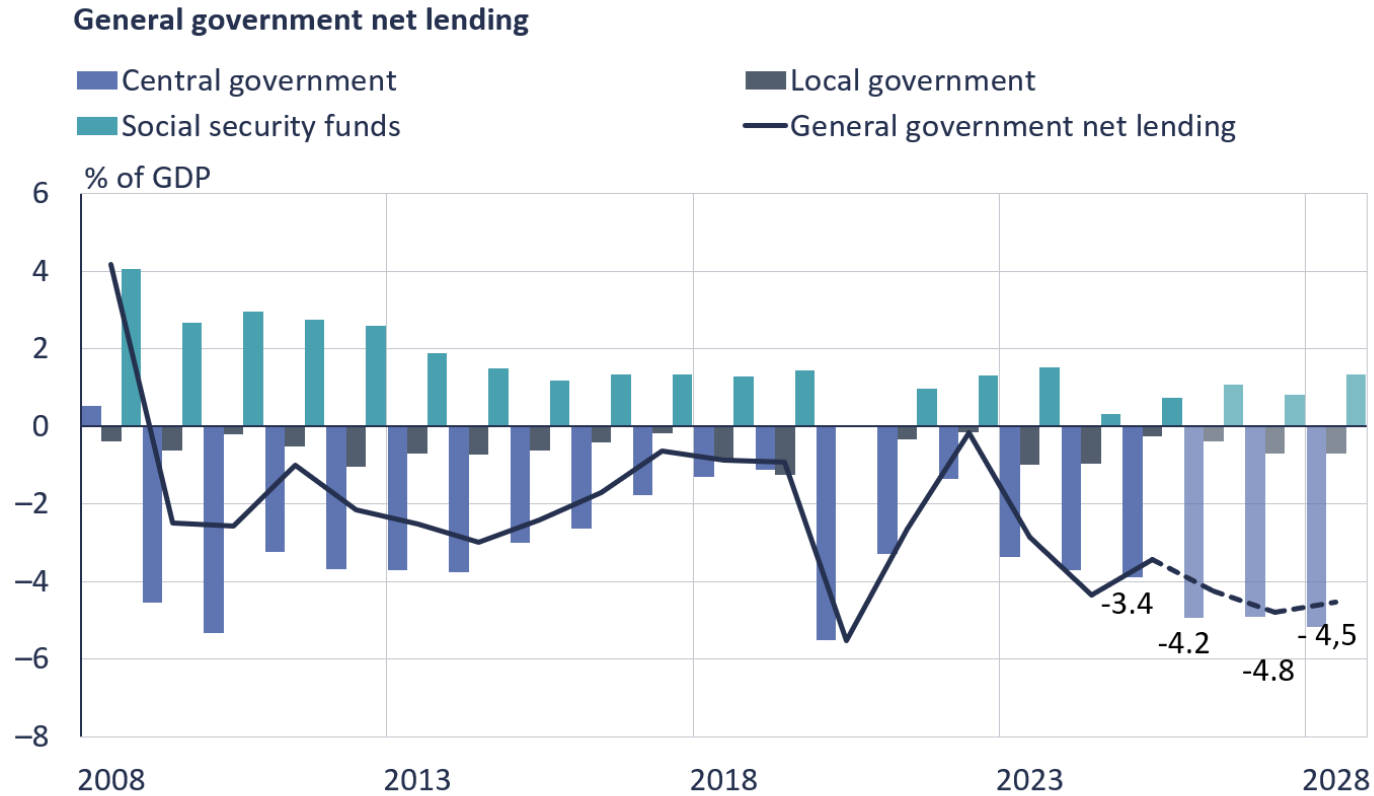
# Wage growth higher than inflation in the immediate years ahead



Sources: Statistics Finland and Bank of Finland.

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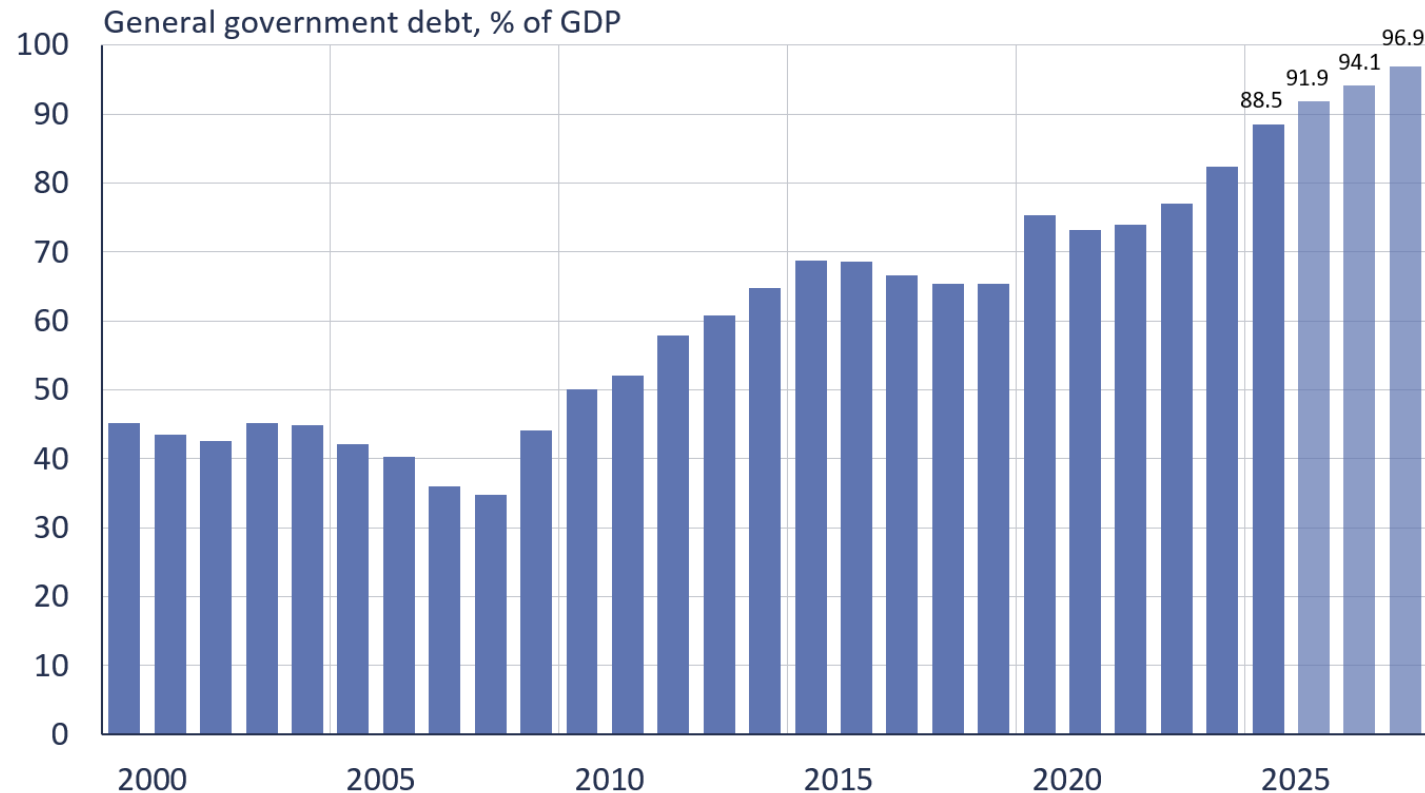
# Defence spending and tax cuts will slow the rebalancing of public finances



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

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

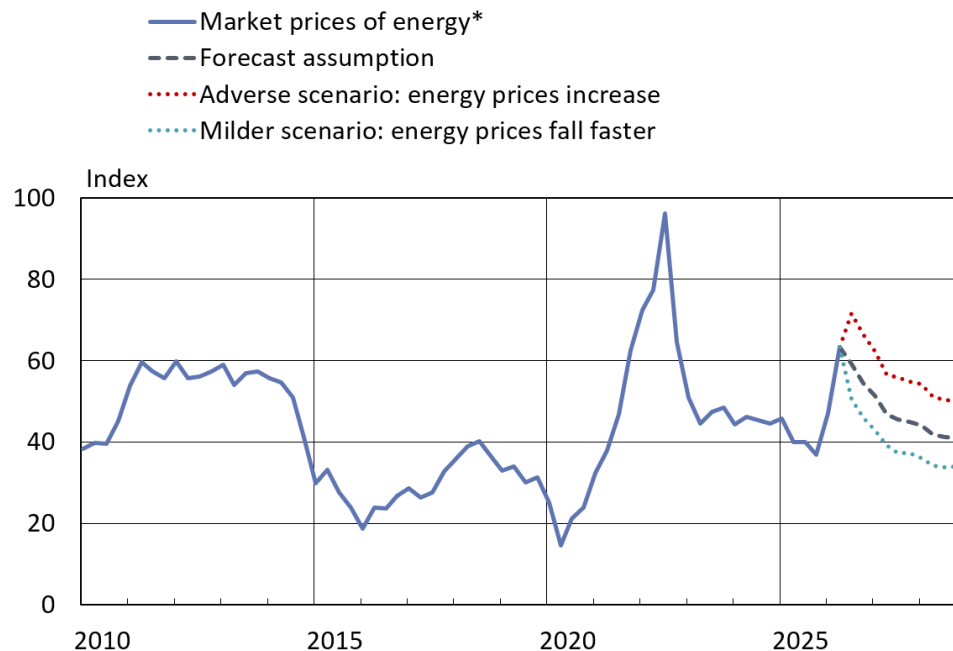


Sources: Statistics Finland and Bank of Finland (forecasts).

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

## Energy prices vary in the different scenarios



Sources: European Central Bank and calculations by the Bank of Finland.

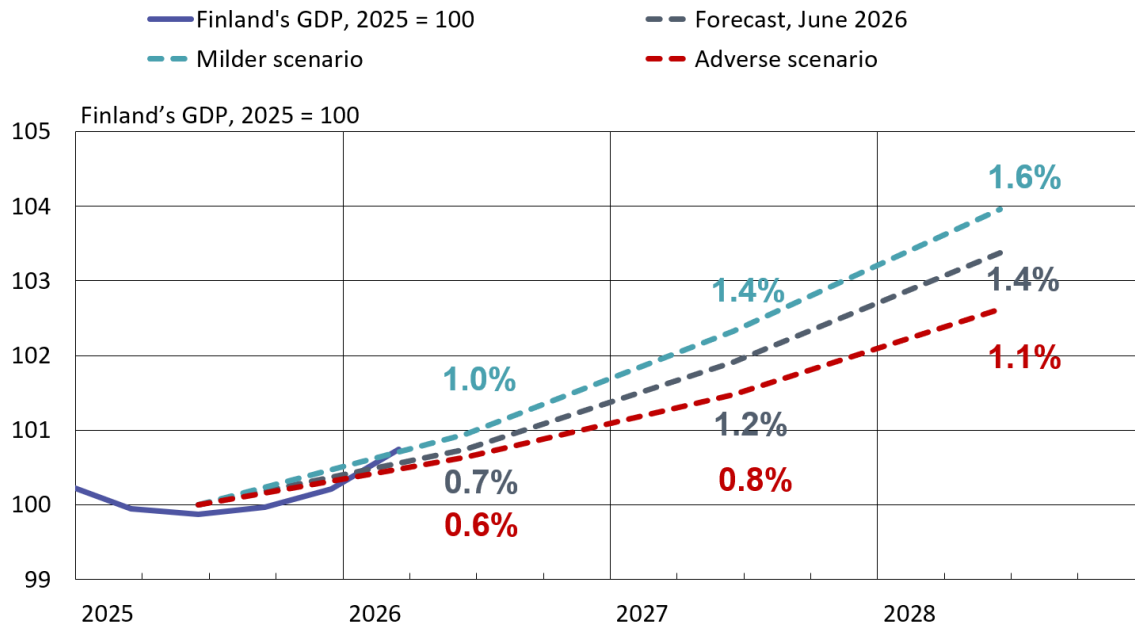
\* Composite index for oil and natural gas.

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- 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**)

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

## Higher energy prices would slow economic growth

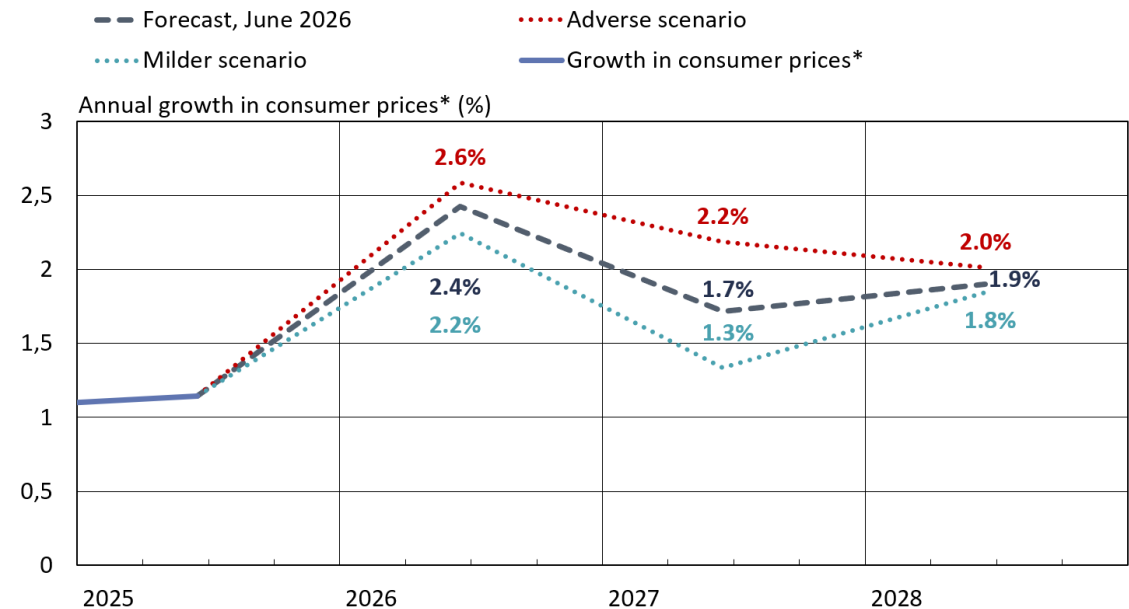


Figures next to the curves are annual growth rates, %.

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

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## 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.

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- 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	2026 <sup>f</sup>	2027 <sup>f</sup>	2028 <sup>f</sup>		2025	2026 <sup>f</sup>	2027 <sup>f</sup>	2028 <sup>f</sup>
<b>GDP</b>	0.2	0.7	1.2	1.4	<b>Labour market</b>				
Private consumption	-0.2	0.8	1.2	1.3	Hours worked	-1.2	0.2	0.6	0.7
Public consumption	-0.2	0.0	-0.2	0.5	Employment rate (20–64-year-olds), %	76.0	75.5	75.6	75.7
Fixed investment	0.8	6.3	1.5	2.0	Unemployment rate, %	9.7	10.4	9.9	9.0
Private fixed investment	0.4	3.3	2.1	3.3	<b>Unit labour costs</b>	1.8	2.4	2.5	1.8
Public fixed investment	2.4	17.9	-0.4	-2.5	Compensation per employee	2.6	3.3	3.1	2.5
Exports	3.4	1.7	2.4	3.1	Labour productivity	0.7	0.9	0.6	0.7
Imports	1.7	3.7	1.8	3.0					
<b>Contributions to growth from components of demand</b>					<b>GDP, price index</b>	1.5	1.7	2.0	1.9
Domestic demand	-0.0	1.8	0.9	1.3	Private consumption, price index	1.1	2.4	1.7	1.9
Net exports	0.7	-0.8	0.3	0.1					
Inventory change + statistical discrepancy	-0.5	-0.2	-0.0	0.1	<b>Harmonised index of consumer prices</b>	1.8	2.4	1.6	1.8
<b>Savings rate, households</b>	4.4	3.8	4.1	3.5	Excl. energy	2.4	1.7	2.2	1.8
<b>Current account, % of GDP</b>	1.3	0.3	0.1	-0.0	Energy	-3.8	9.6	-4.0	2.2
<b>General government, % of GDP</b>									
General government balance	-3.4	-4.2	-4.8	-4.5					
General government gross debt (EDP)	88.5	91.9	94.1	96.9					

32346##Taulukko vaaka e

f = forecast.

Sources: Statistics Finland and Bank of Finland.

# Thank you!

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