

SUOMEN PANKKI
EUROJÄRJESTELMÄ



FINLANDS BANK
EUROSYSTEMET

Monetary Policy in Testing Times: Power Politics and AI Investment

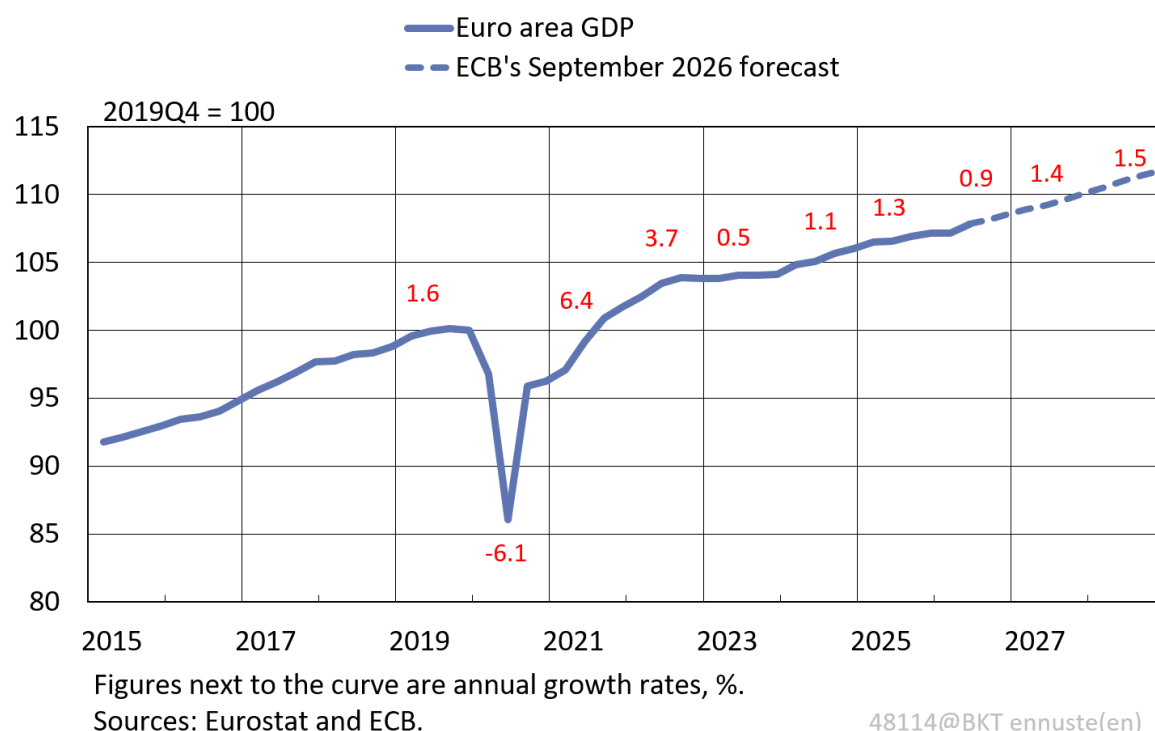
Citi Macro Forum, 14 October 2026

Governor Olli Rehn
Bank of Finland

Europe has shown resilience – but is under geopolitical and technological cross-pressures

- Europe faces a double political challenge: external geopolitical pressure and internal political polarisation.
- Two countervailing forces are shaping the global economy: on the one hand, strong growth in AI investment; on the other hand, the war in Iran and the broader Middle East conflict.
- In the euro area, energy drives inflation. Wage growth is moderate and second-round effects remain absent so far.

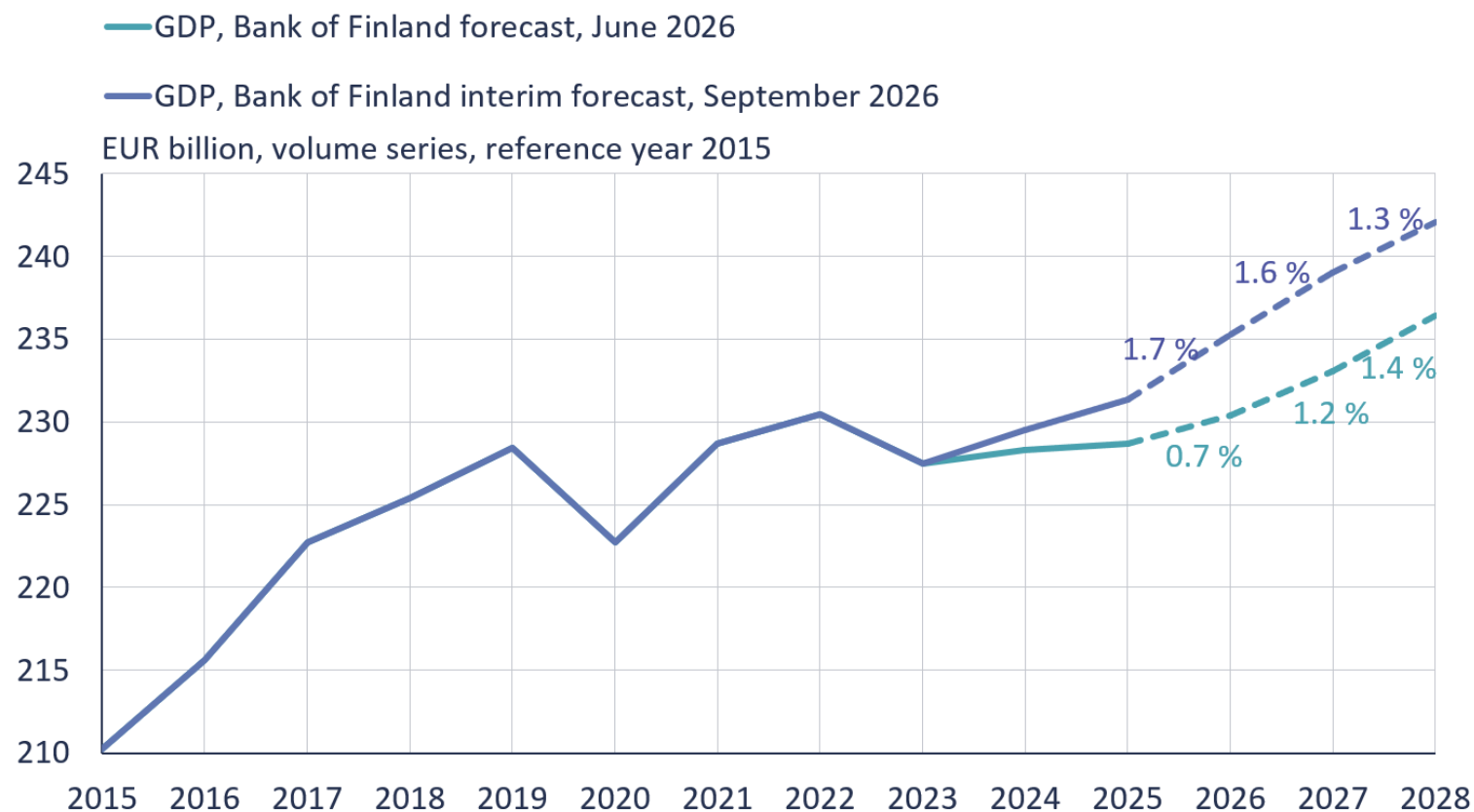
Euro area growth remains durable



- Defence and infrastructure investments are supporting growth.
- Consumer confidence is improving.
- Increased AI-related activity is visible in digital services, business investment and exports.
- Uncertainty remains elevated due to the conflict in the Middle East and volatile energy prices.

Finland's growth outlook has improved

Economic growth will be faster this year and next year than in the June forecast

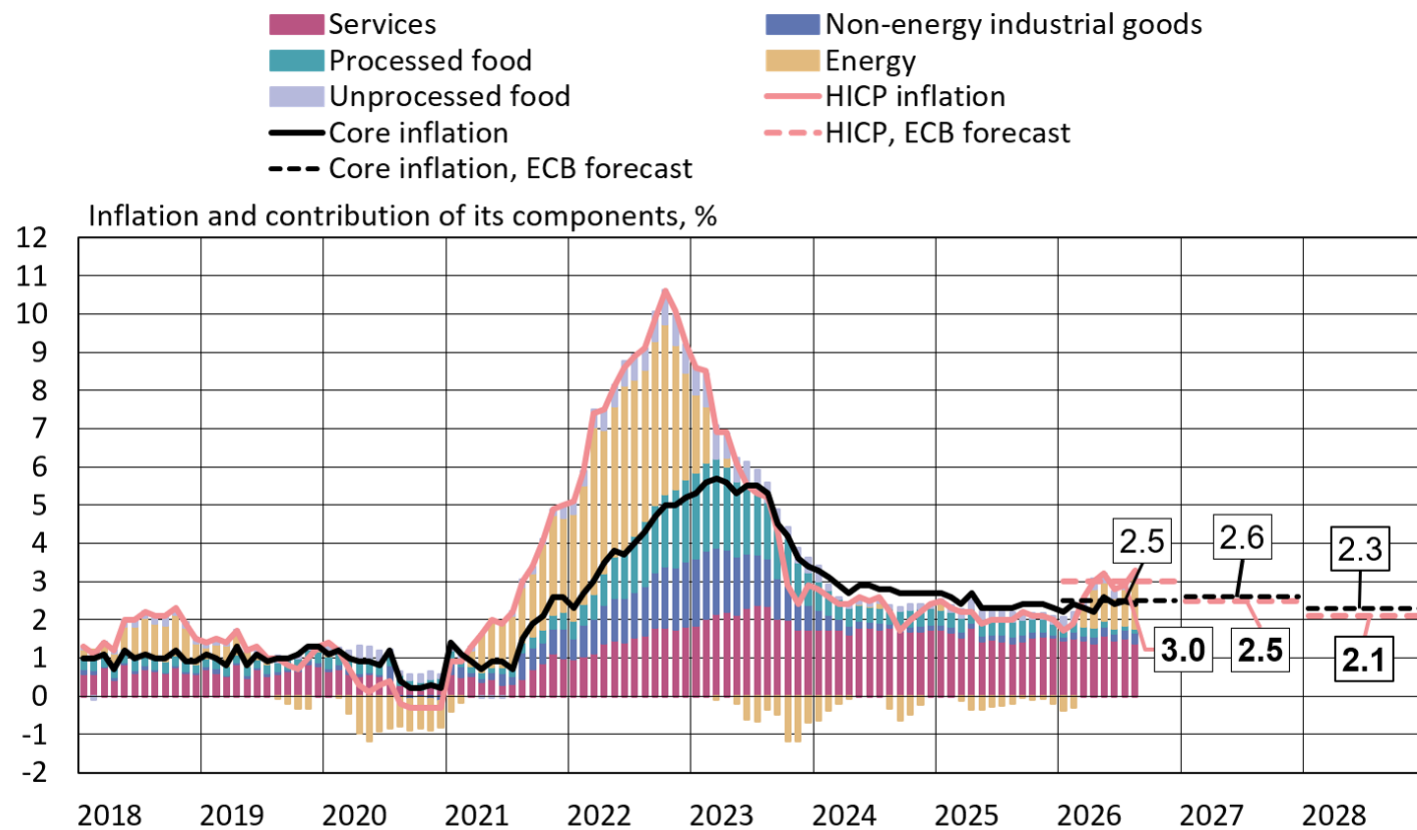


Sources: Statistic Finland and Bank of Finland.

AI adoption can lift Europe's productivity growth

- AI is now driving investment, innovation and global growth.
- Europe's opportunity is **adoption** across firms and industries.
- Skills, energy and digital infrastructure can enable Europe to convert AI investment into productivity and competitiveness.
- Risks of correction and repricing must be managed. But the technological transformation will nevertheless continue.

The energy shock keeps inflation above target



Sources: Eurostat and ECB.

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Europe is facing three strategic tests

01

Common defence

Take greater responsibility for Europe's security through joint investment and procurement.

SECURITY

02

Green transition

Build an energy system that is resilient, competitive and less exposed to shocks.

ENERGY RESILIENCE

03

Productivity growth

Lift long-term productivity growth through human capital, deeper capital markets, innovation and removing regulatory barriers.

GROWTH POTENTIAL

EU and national measures will shape Europe's economic future and autonomy.
The ECB will provide a steady hand amidst the uncertainty.



” *Securing stability,
in science we trust.*
– Bank of Finland

