



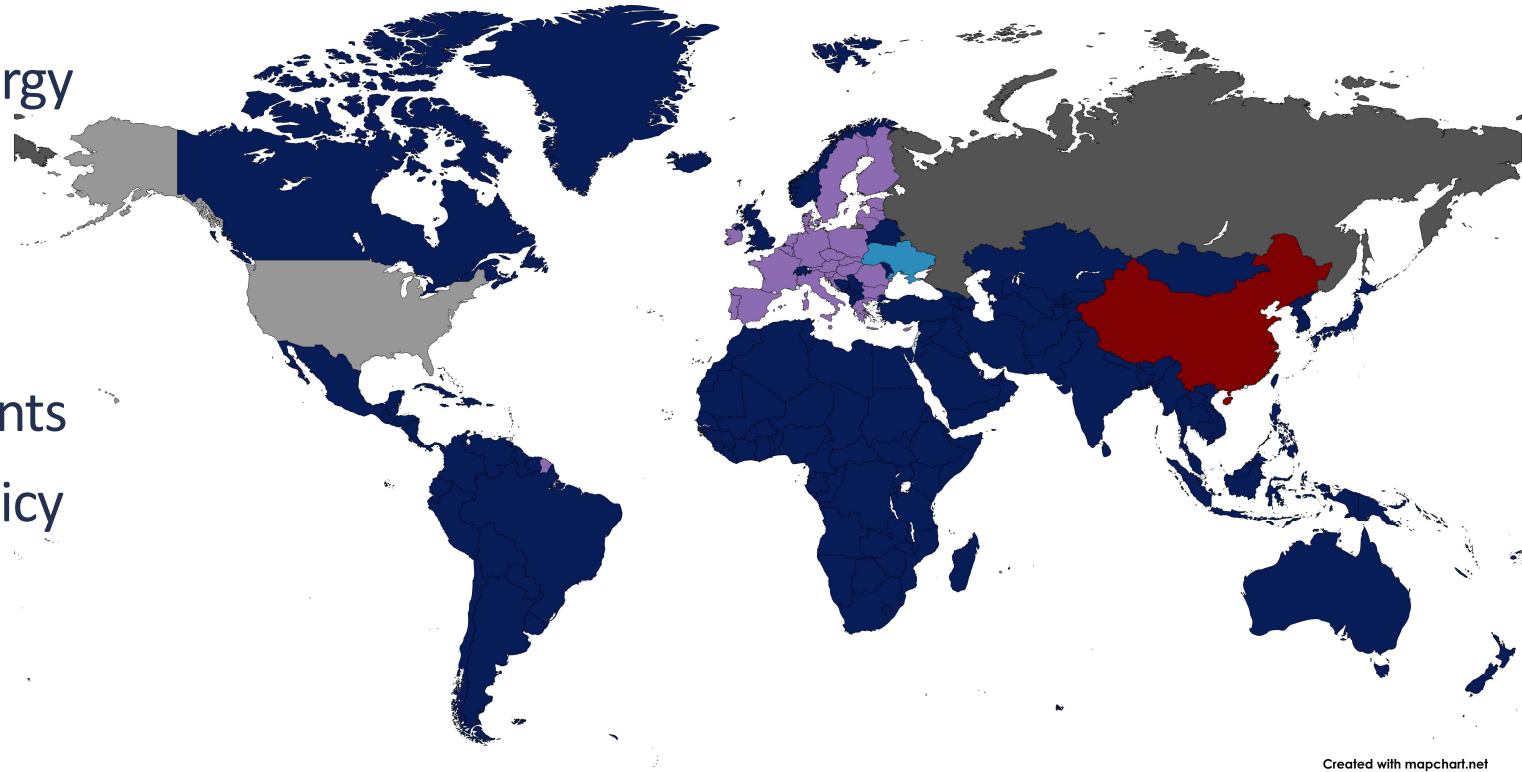
Heightened uncertainty for the euro area economy: Middle East crisis, inflation outlook and long-term growth challenges

Bank of Finland Bulletin press briefing
14 April 2026

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Suomen Pankki

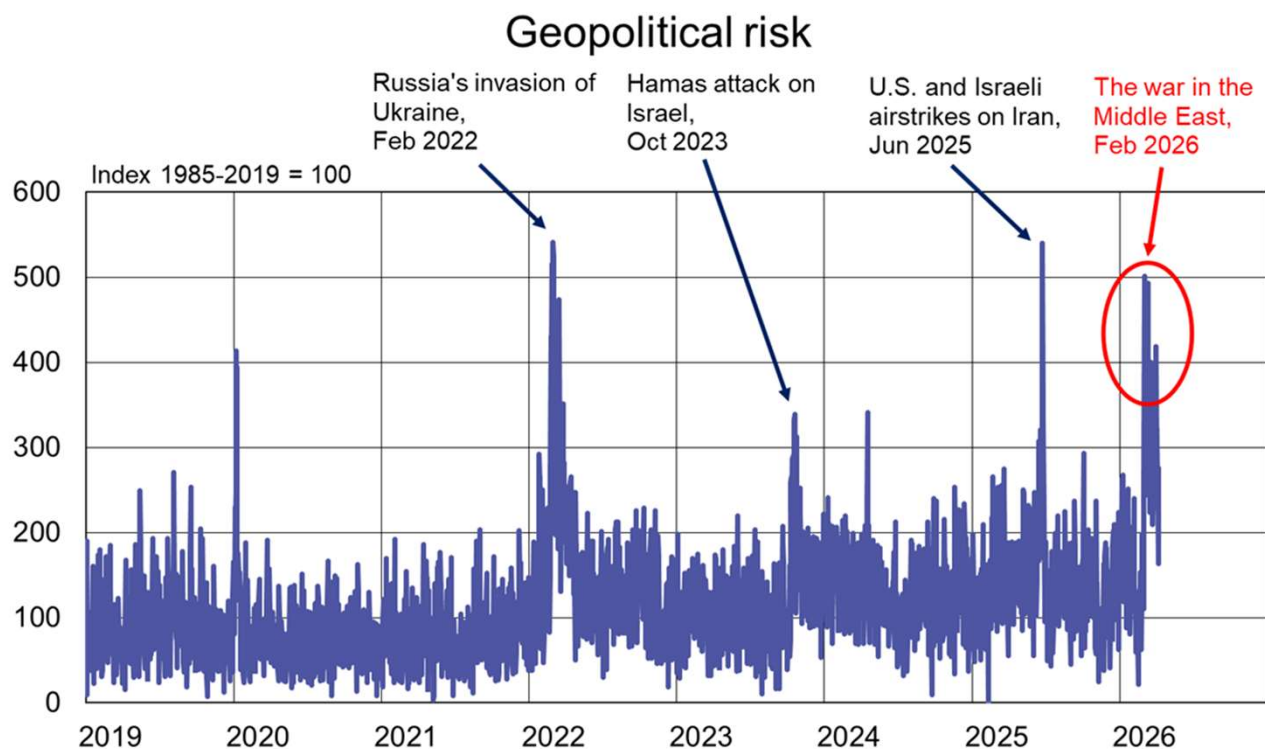
Geopolitics overshadowing Europe's economic performance

- Middle East and global energy markets
- War in Ukraine
- Greenland
- Europe's defence investments
- US economic and trade policy
- China and Taiwan



Created with mapchart.net

Uncertainty has increased again – Middle East conflict's economic impact will be determined by duration of war and extent of damage

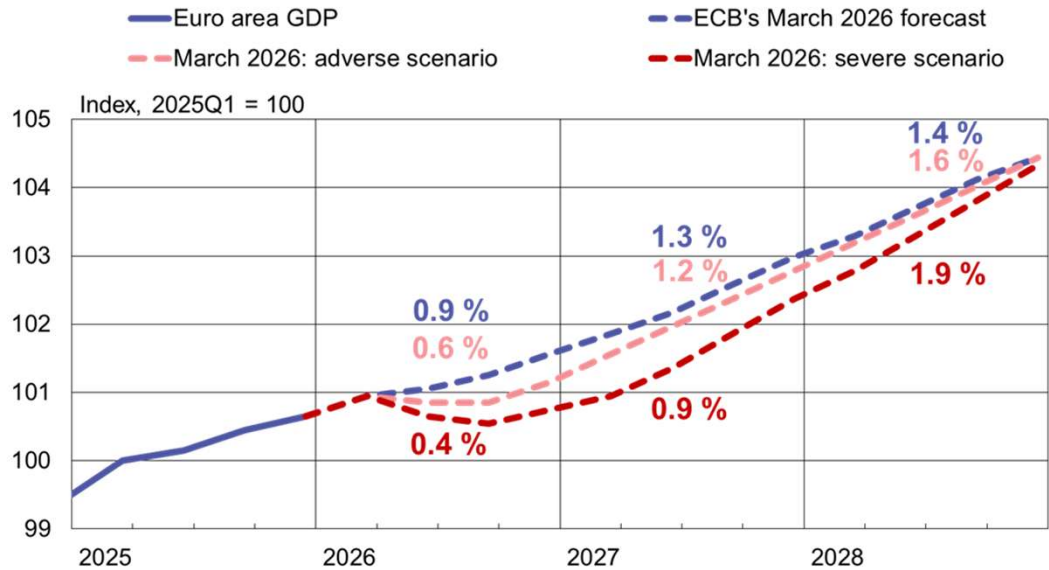


Source: Caldara and Iacoviello (2022), "Measuring Geopolitical Risk," American Economic Review.
Data: <https://www.matteoiacoviello.com/gpr.htm>, Apr 10, 2026.
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- Key questions now:
 - Will the ceasefire hold?
 - Will an agreement be reached?
- ECB and Bank of Finland: impacts interpreted with help of scenarios
- ECB Governing Council's next monetary policy meeting 29–30 April 2026

War in the Middle East is slowing euro area GDP growth and driving up inflation

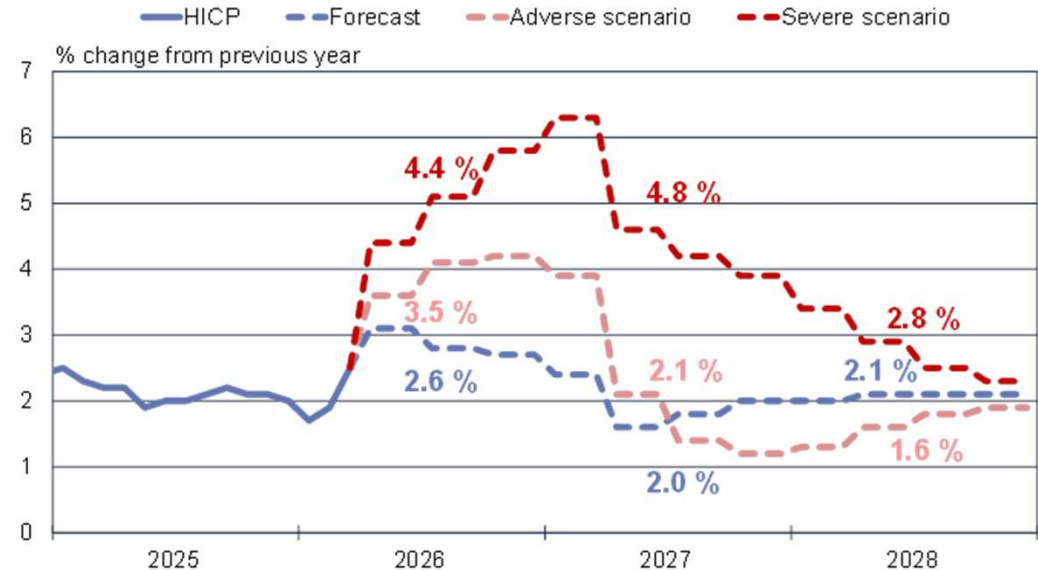
ECB's March 2026 macroeconomic projections



Figures next to the curve are annual growth rates, %.
Sources: Eurostat and ECB.

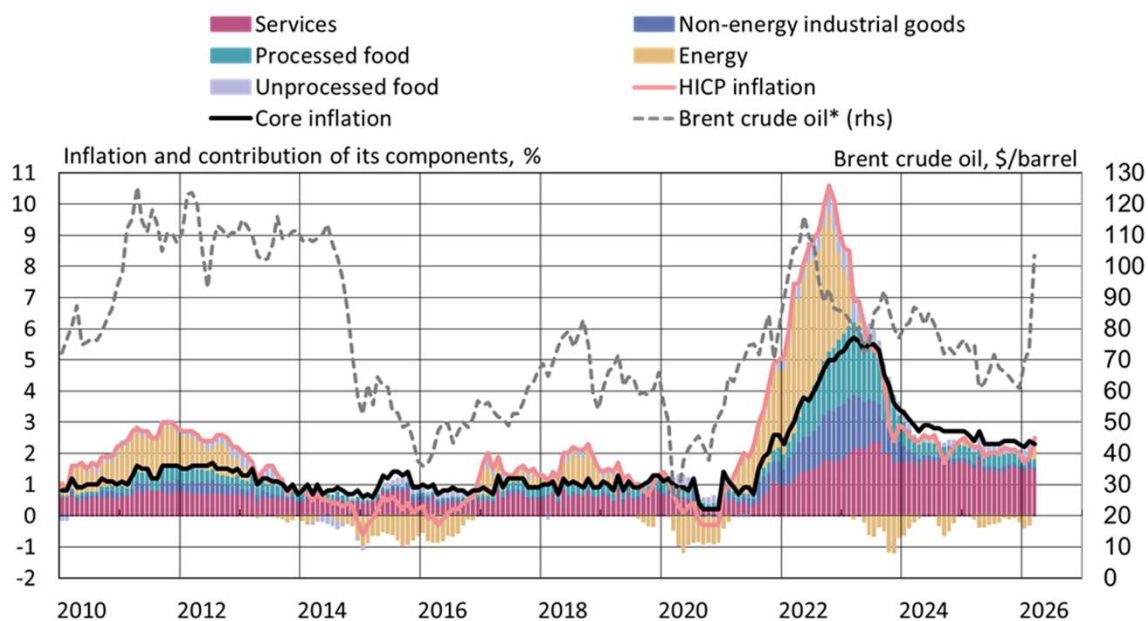
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Euro area inflation, ECB's March 2026 forecast



Sources: Eurostat and ECB.

Crises are not alike



*Monthly averages.

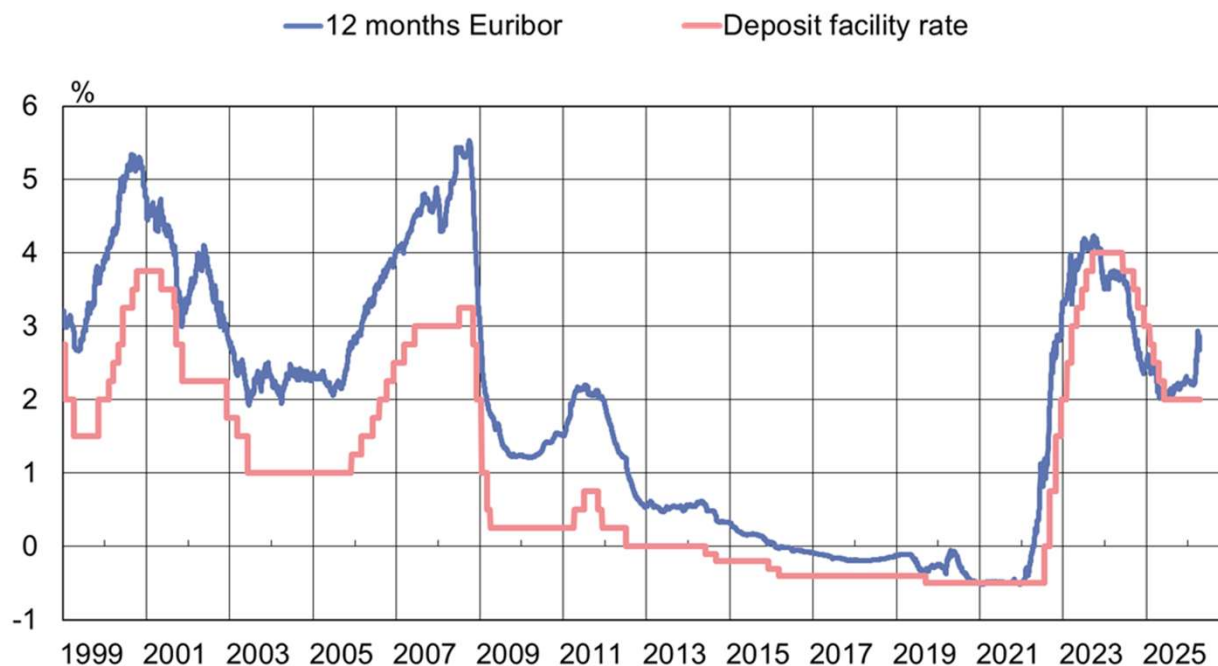
Sources: Eurostat, ECB, Intercontinental Exchange.

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- Geopolitical shocks are complex: they push up oil and gas prices, but also increase uncertainty, decrease demand and weaken economic growth.
- Whether the oil shock is now feeding longer term inflationary pressure depends partly on the overall economic and labour market situation.
- In line with its 2025 strategy, the ECB is analysing this uncertainty with the help of scenarios. Medium-term horizon.
- What are the lessons of the past, particularly the interest rate increases in 2022 and 2011?

ECB's deposit facility rate unchanged at 2.0%

– Euribor rates have risen in recent weeks



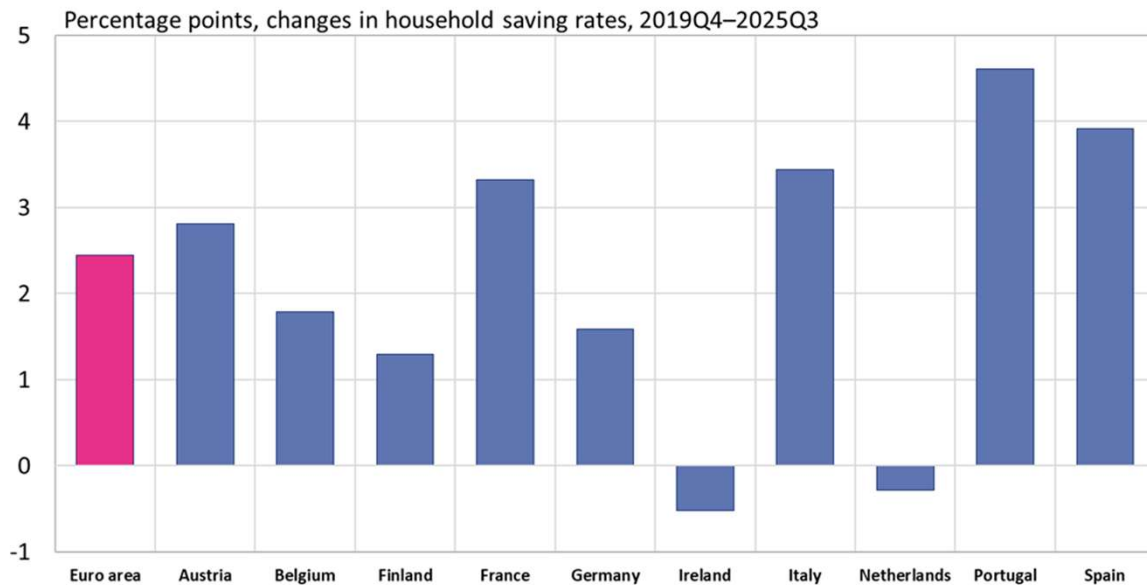
Sources: ECB and EMMI.

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- Market interest rates have risen in recent weeks, reflecting expectations about the direction of the ECB's main policy rate.
- The ECB's interest rate decisions are taken meeting by meeting, on the basis of incoming data.
- Interest rate decisions are based above all on the ECB's assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission.

Households cautious amid crises – savings have risen significantly

Household saving rates rise in several euro area countries

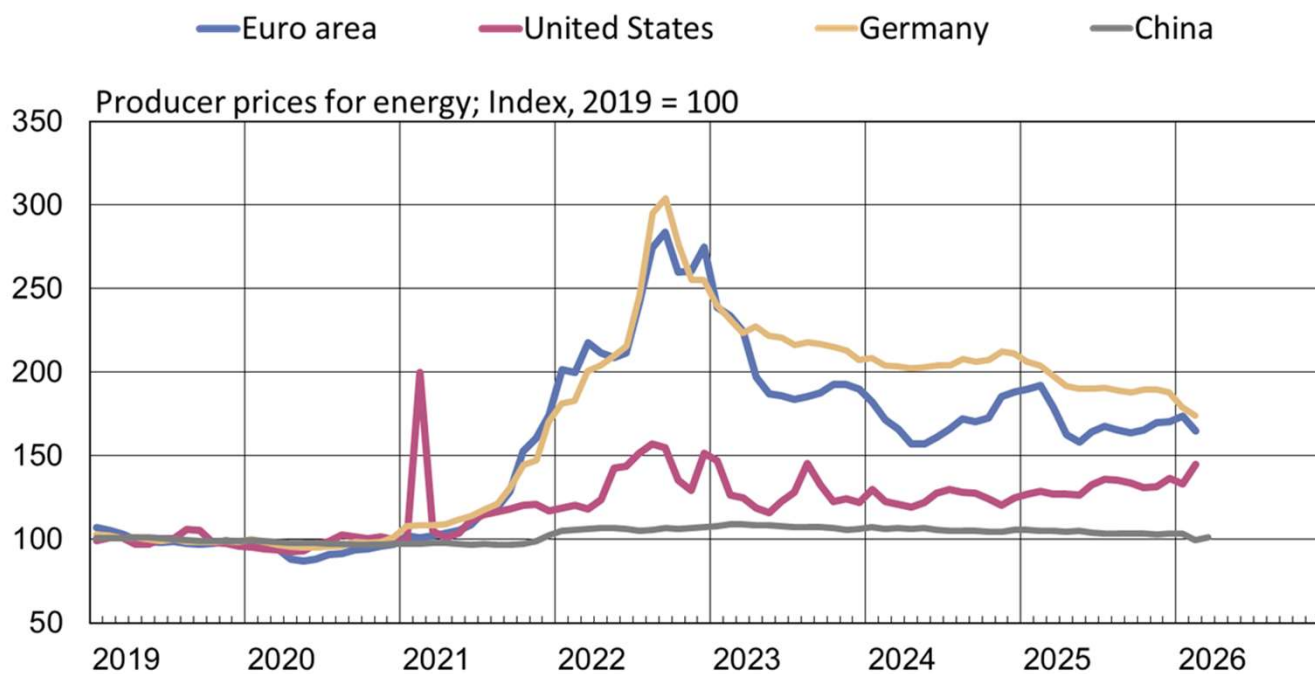


Source: Eurostat.

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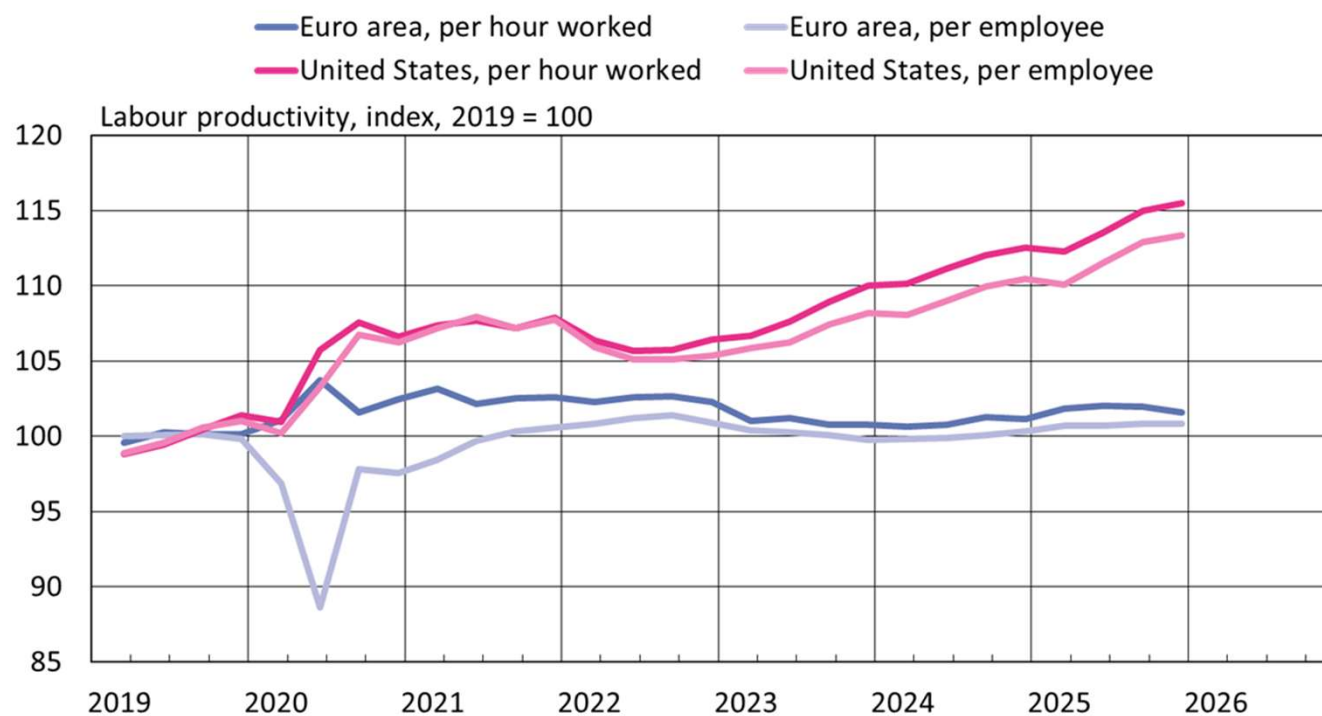
- Household savings rate has risen significantly in many euro area countries since 2019.
- Bank of Finland analysis shows key drivers to be the rise in interest rates since the zero-rate period, the decline in real net wealth, and the existence of public deficits.
- Uncertainty also plays a role: the ongoing Middle East conflict may add to the rise in the savings rate.

Energy costs are burdening euro area manufacturing – increase vulnerability to disruptions, weaken competitiveness



Sources: Eurostat, BLS and China NBS.
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Weak productivity growth is the Achilles heel of the euro area



Sources: Eurostat and U.S. Bureau of Labor Statistics (BLS).

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Europe's triple challenge

- **Common defence** → Europe must take more responsibility for its own defence and promote joint European investments and procurements.
- **Green transition** → The latest energy crisis again shows that Europe must further strengthen the resilience and competitiveness of its energy sector.
- **Productivity** → Investments in human capital, deepening of capital markets, removing regulatory barriers, promoting innovation.
- Measures taken by the EU and its Member States in these three areas will shape the economic future and strategic autonomy of Europe.
- Monetary policy will operate with a steady hand in an uncertain world.



” **Vakauden puolesta,
tutkitun tiedon pohjalta.**

*Securing stability,
in science we trust.*

