

SUOMEN PANKKI
EUROJÄRJESTELMÄ



FINLANDS BANK
EUROSYSTEMET

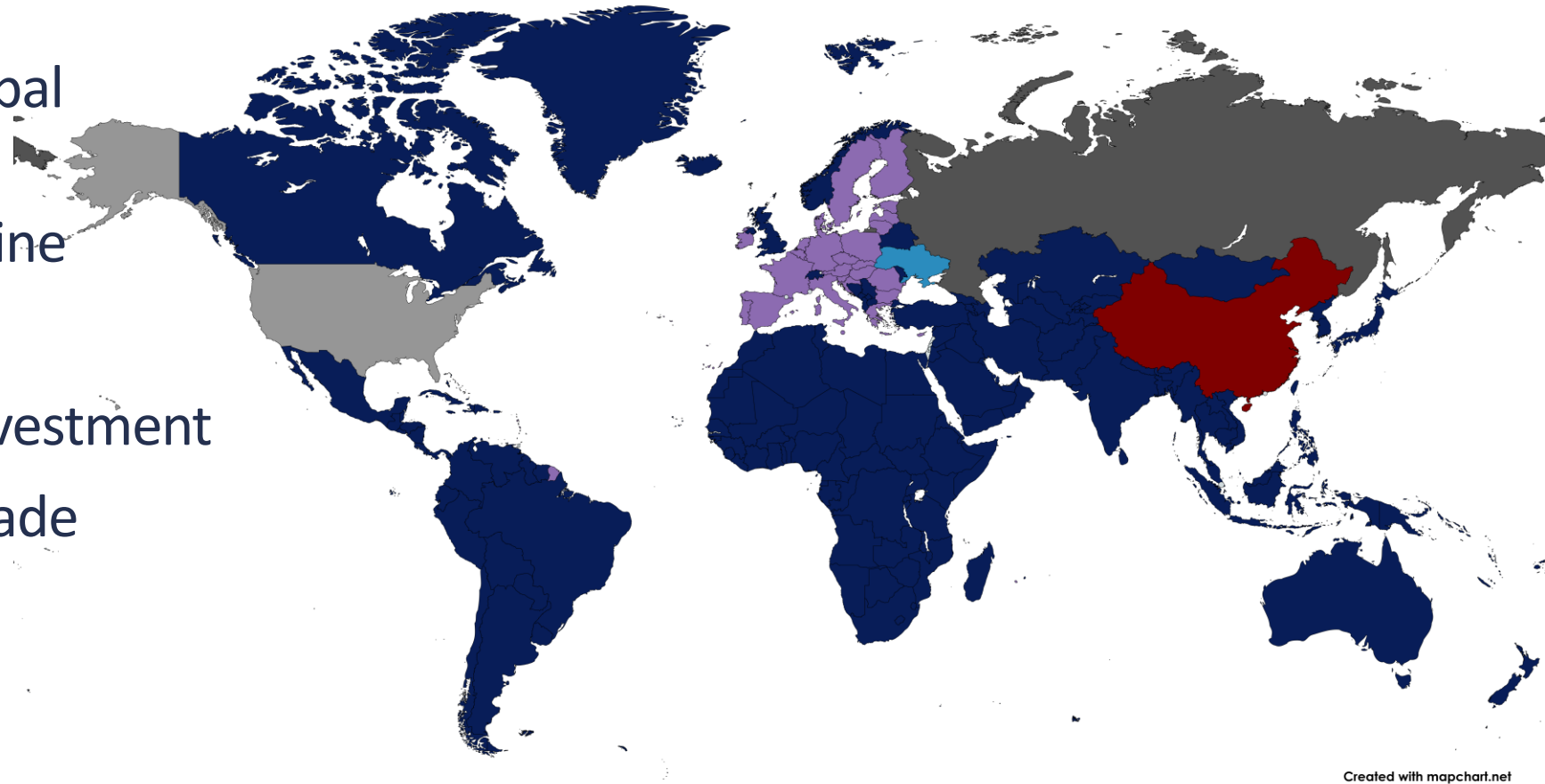
Geopolitical turmoil and the Eurozone

Washington Economic Festival: Global Macro Sessions
by Reinventing Bretton Woods Committee
April 16, 2026

Governor Olli Rehn
Bank of Finland

Geopolitics is overshadowing the world economy

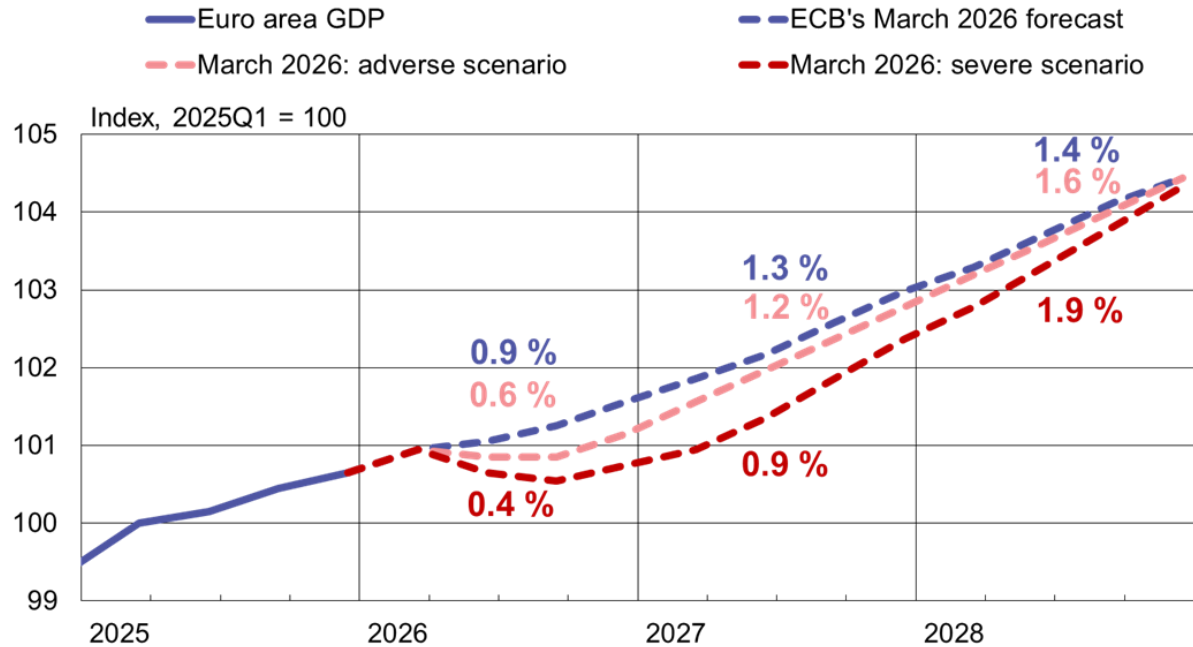
- Middle East and global energy markets
- Russia's war in Ukraine
- Greenland
- Europe's defence investment
- US economic and trade policy
- China and Taiwan



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War in the Middle East is slowing euro area GDP growth and pushing up inflation – the ECB's scenarios

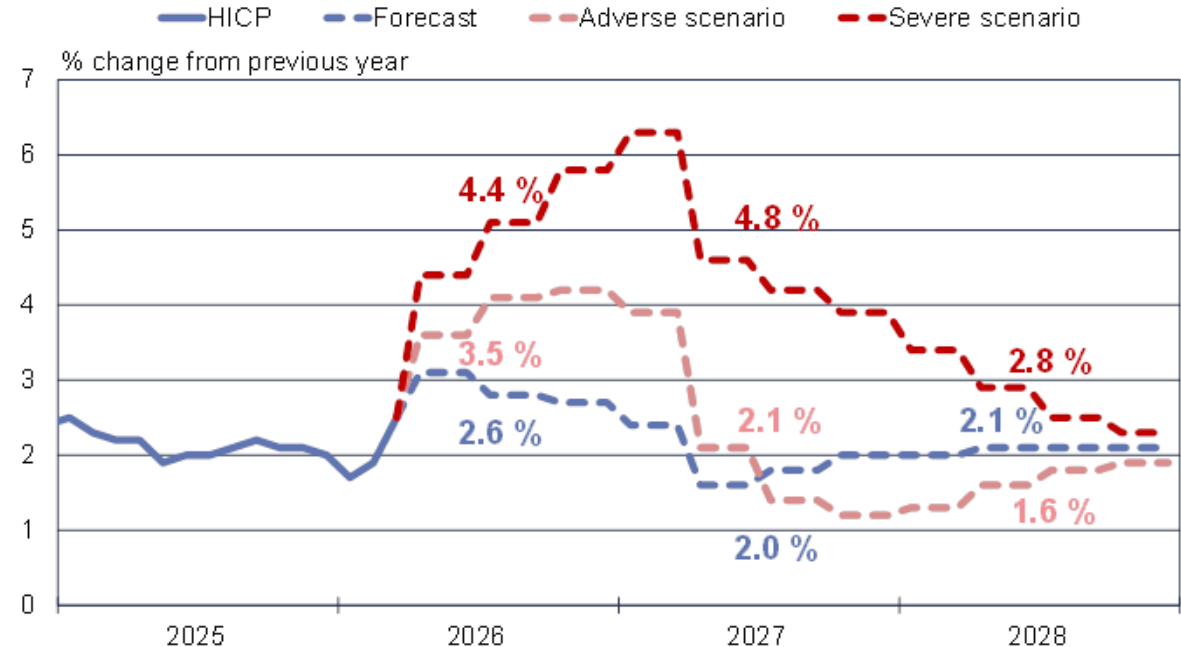
ECB's March 2026 macroeconomic projections



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

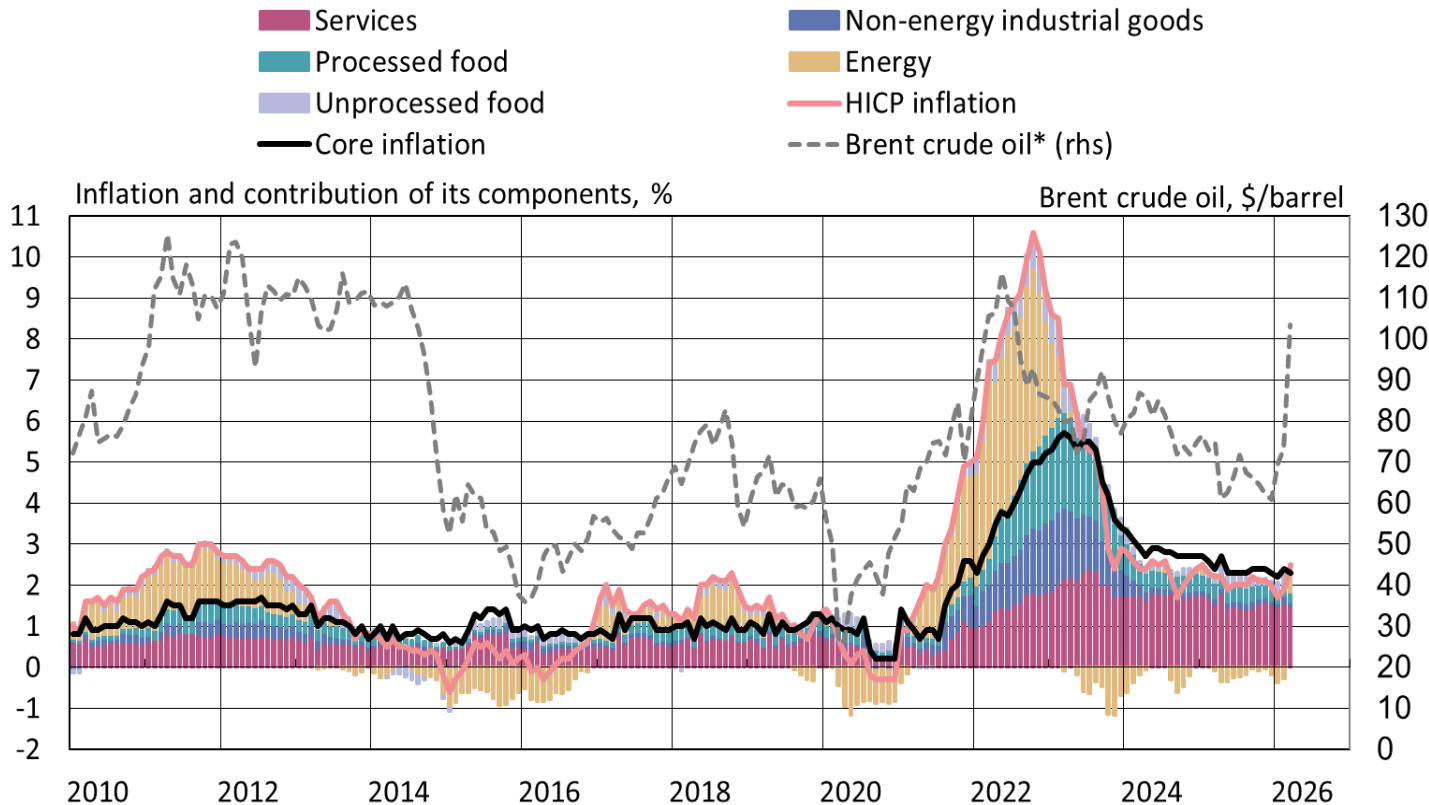
35781@EKP_BKT_skenaariot 2026

Euro area inflation, ECB's March 2026 forecast



Sources: Eurostat and ECB.

Crises are not twin sisters



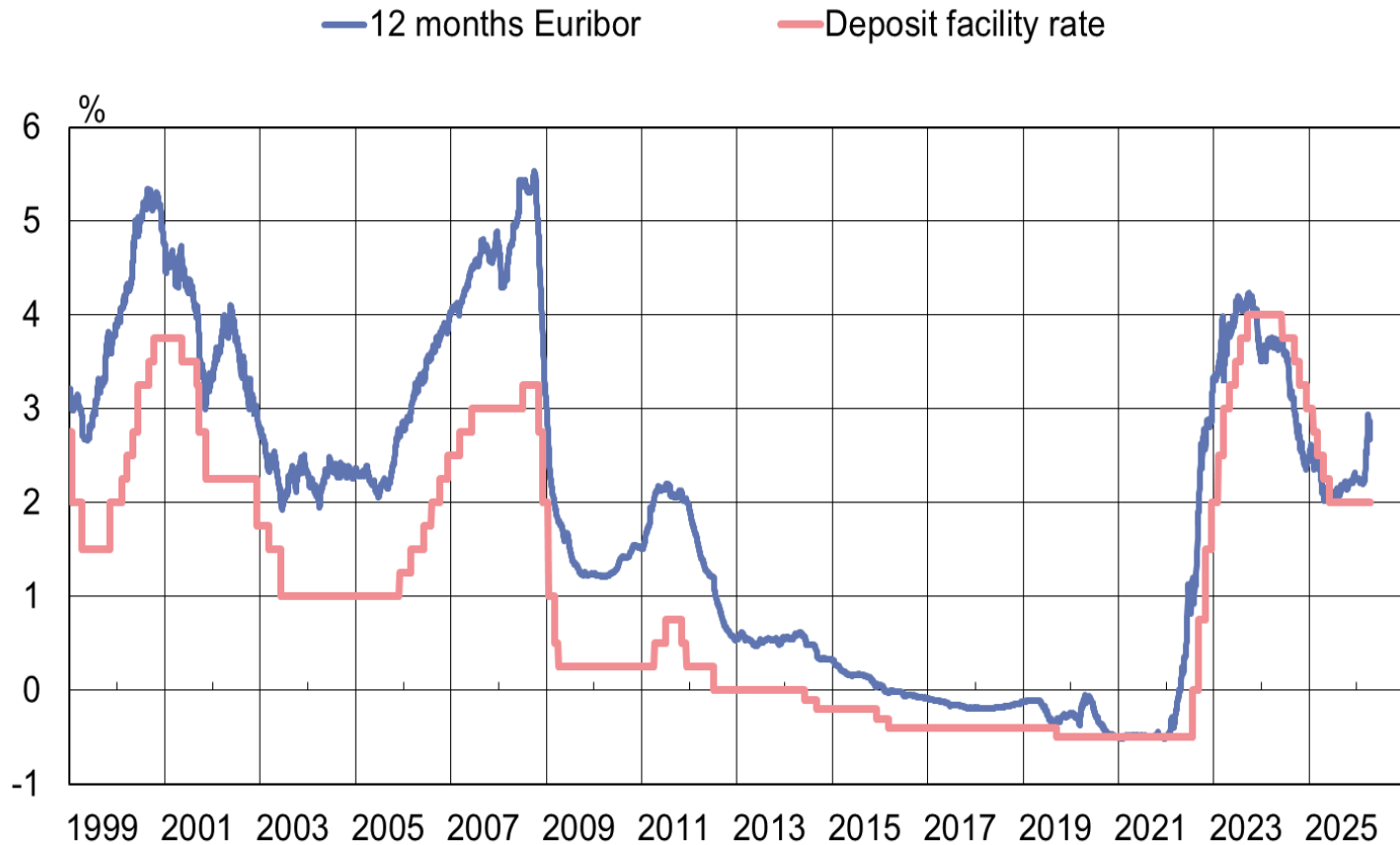
*Monthly averages.

Sources: Eurostat, ECB, Intercontinental Exchange.

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- Geopolitical shocks push up oil and gas prices, but also increase uncertainty, reduce demand and weaken economic growth.
- Whether the oil shock now feeds persistent inflationary pressure depends 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.

The ECB's key interest rate steady at 2.0 percent – short-term market rates spiked in recent weeks

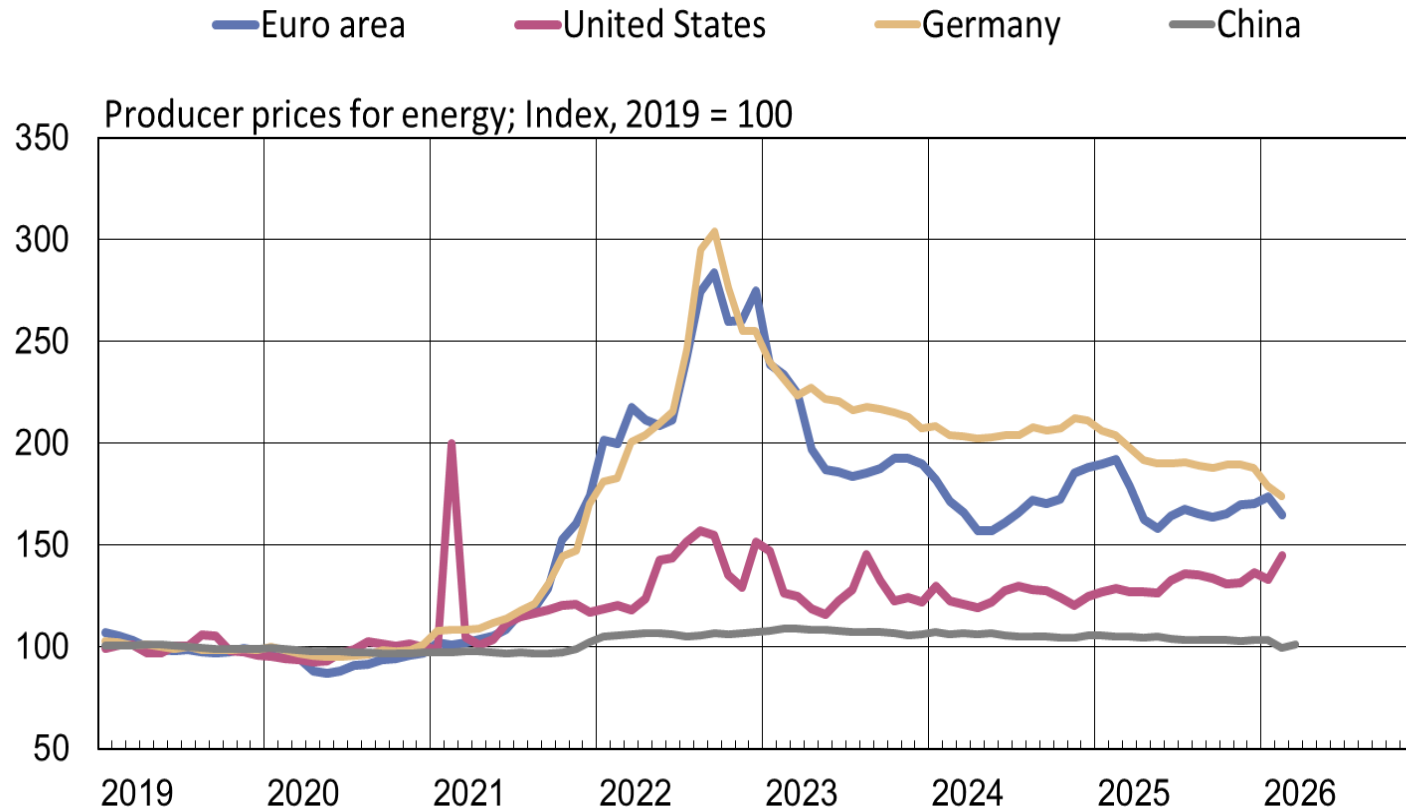


Sources: ECB and EMMI.

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- Market interest rates have risen, reflecting expectations about the direction of the ECB's policy rate.
- The ECB's interest rate decisions are taken meeting by meeting, on the basis of incoming data and analysis, with comprehensive judgment.
- Based on the ECB's assessment of (1) the inflation outlook and the risks surrounding it, (2) the dynamics of underlying inflation (=minus energy + food,) and (3) the strength of monetary policy transmission.

Energy costs burden euro area manufacturing – increased vulnerability, weaker competitiveness



Sources: Eurostat, BLS and China NBS.

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Europe's strategic triple test

- **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.



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**Securing stability,
in science we trust.**

