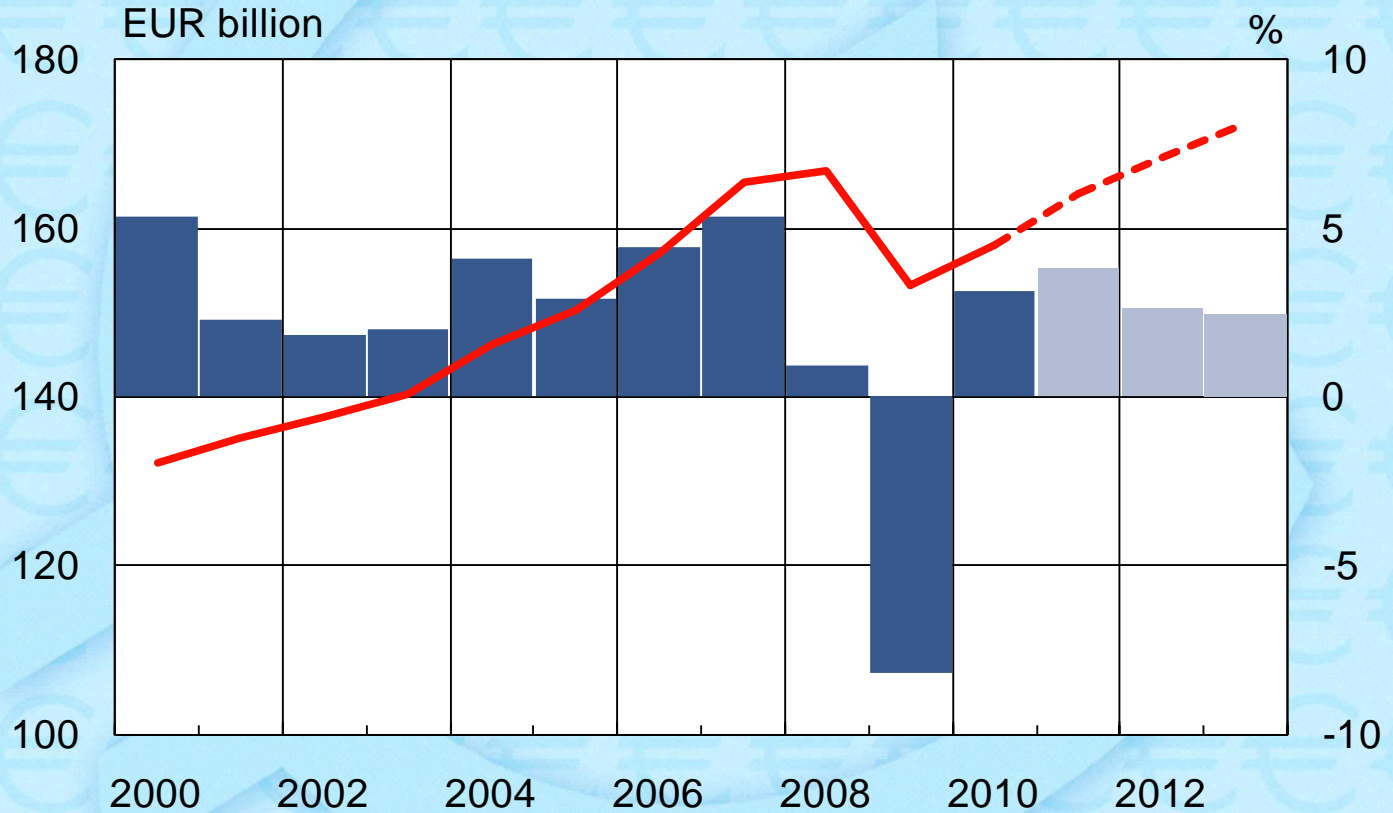




Growth rates high, but GDP not yet at its
2008 level

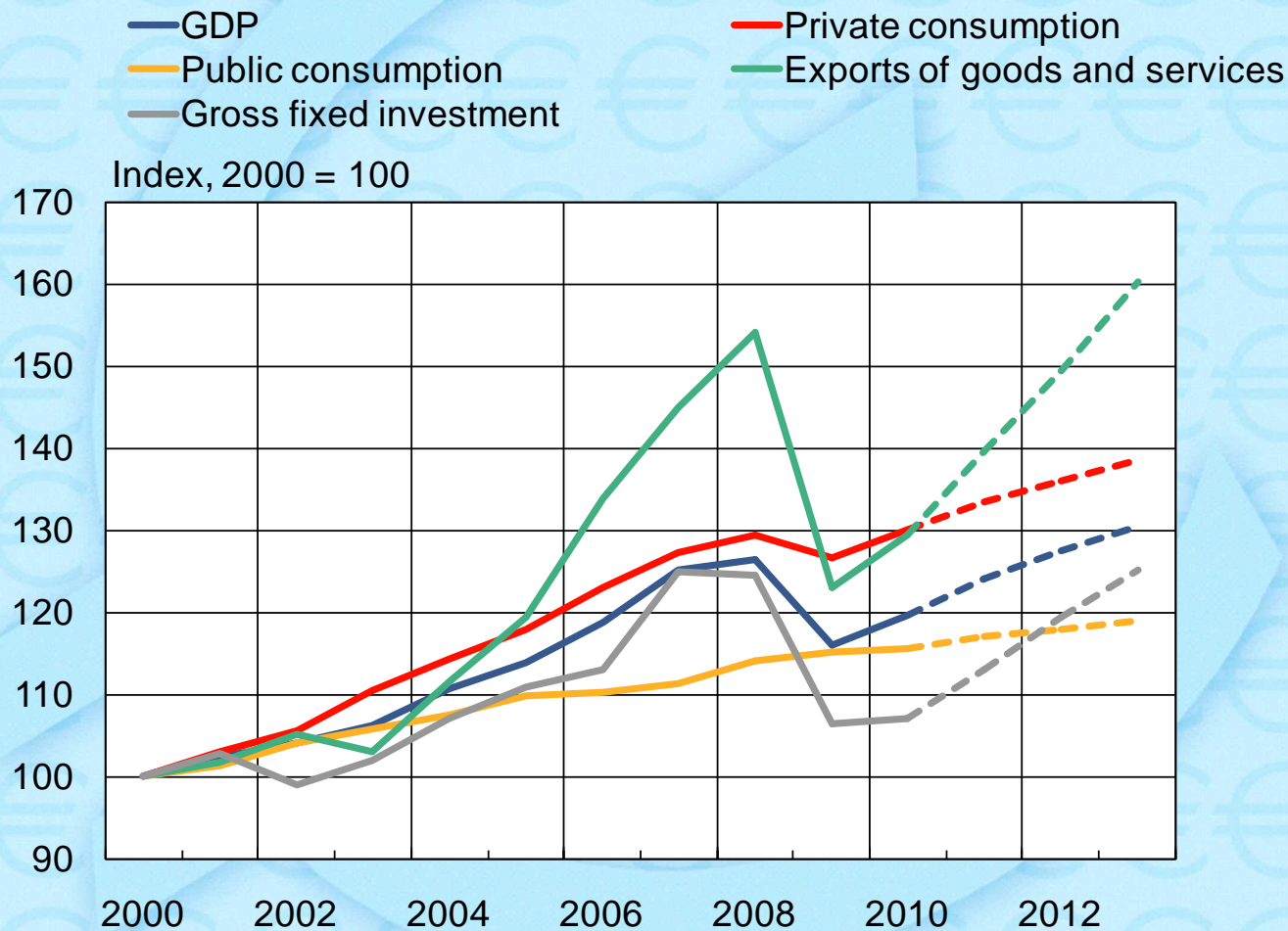
Finnish economy in the process of recovery

■ % change on previous year (right-hand scale)
— At reference year (2000) prices (left-hand scale)



Sources: Statistics Finland and Bank of Finland.

Consumption to account for a larger share of the economy



Sources: Statistics Finland and Bank of Finland.

Supply and demand

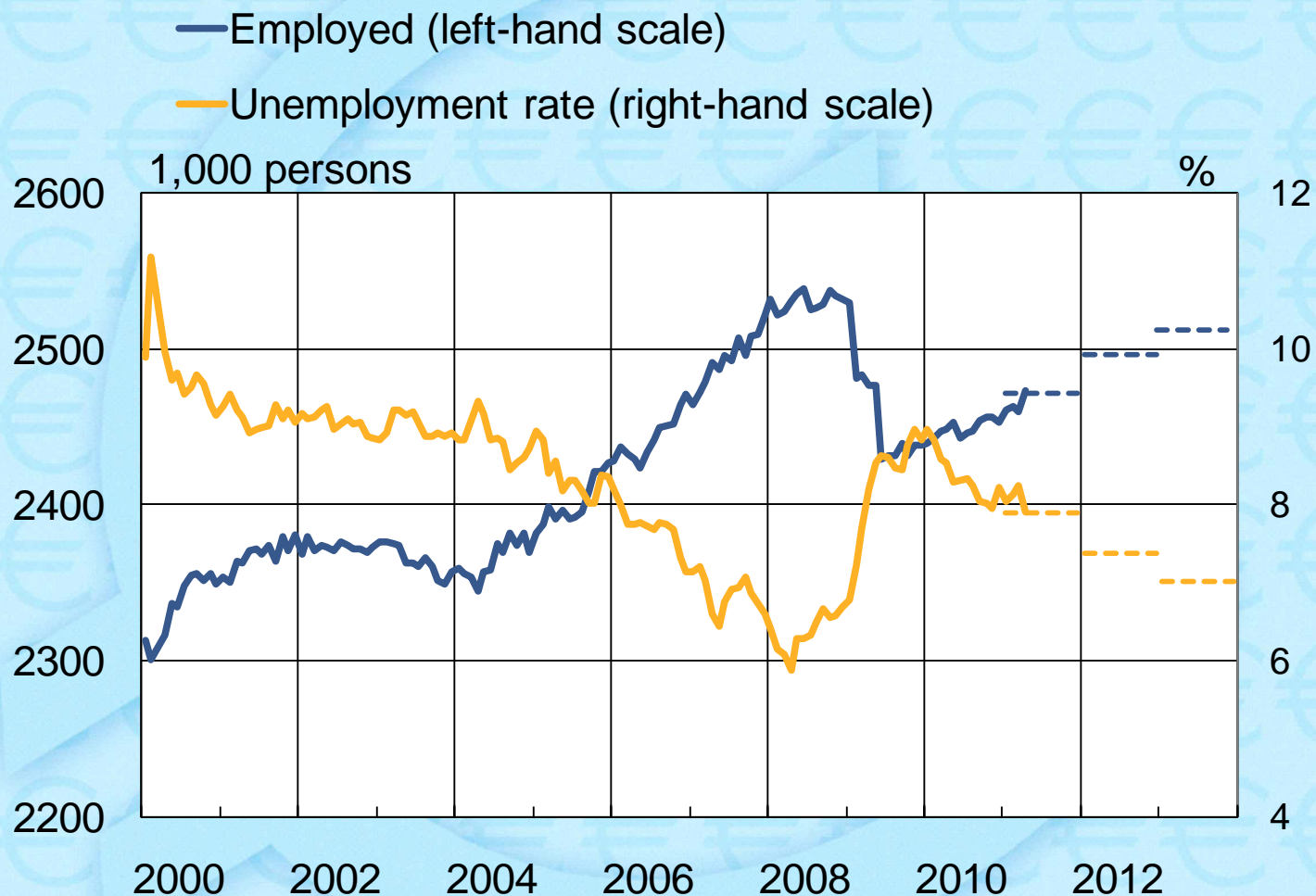
	2010*	2009	2010	2011f	2012f	2013f
	% change in volume on the previous year					
GDP	180,3	-8,2	3,1	3,8	2,6	2,4
Imports	65,2	-17,6	2,6	5,1	6,9	6,9
Exports	70,2	-20,1	5,1	8,0	7,0	7,2
Private consumption	97,3	-2,1	2,6	2,7	2,0	1,8
Public consumption	44,2	1,0	0,4	1,2	0,7	0,9
Private investment	28,5	-17,4	0,9	6,3	6,4	5,5
Public investment	4,9	6,2	0,1	0,8	0,2	0,1

* At current prices, EUR billion.



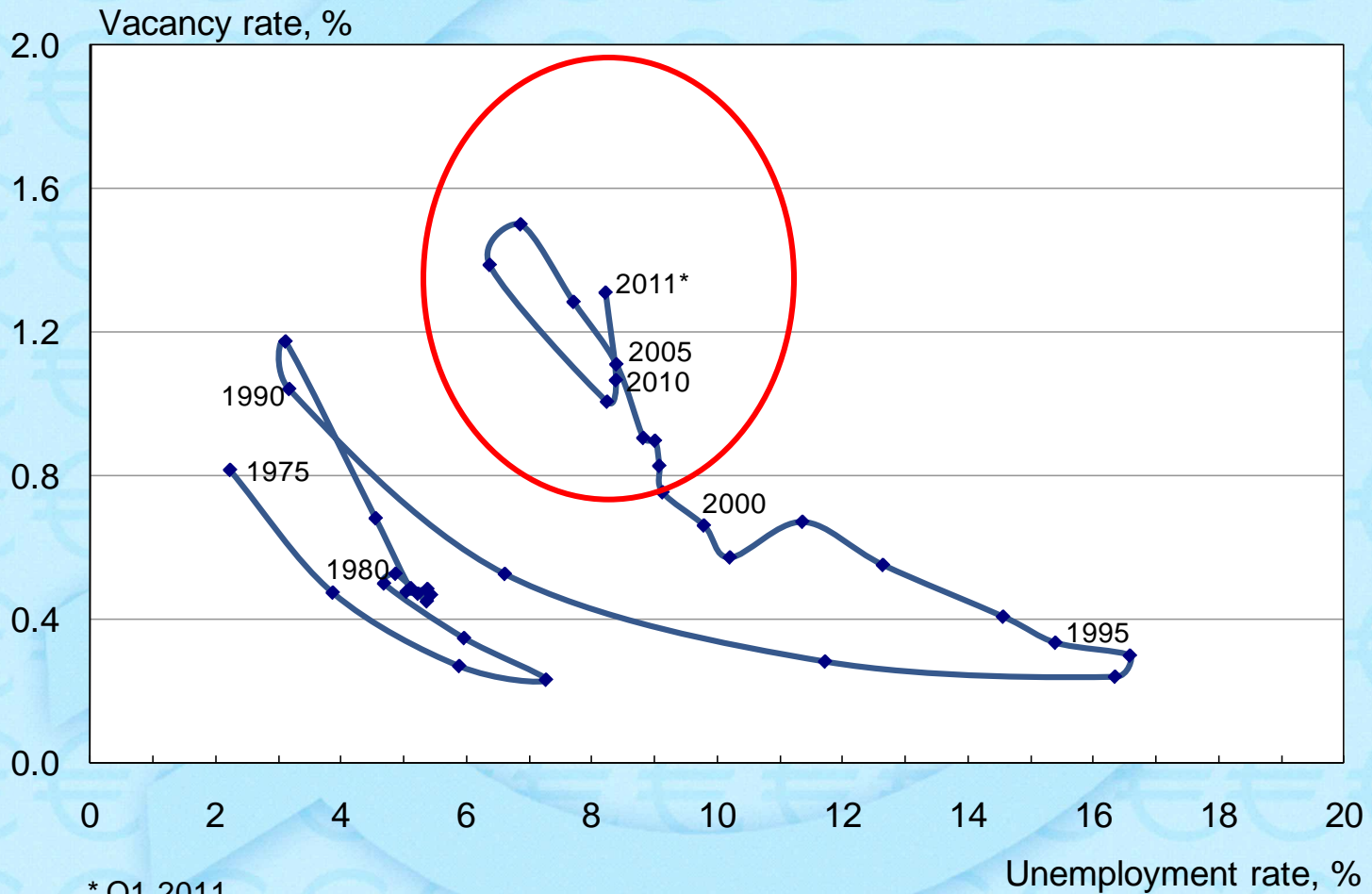
Labour markets to recover gradually

Unemployment to decline, albeit slowly



Bank of Finland's seasonally adjusted figures
Sources: Statistics Finland and Bank of Finland.

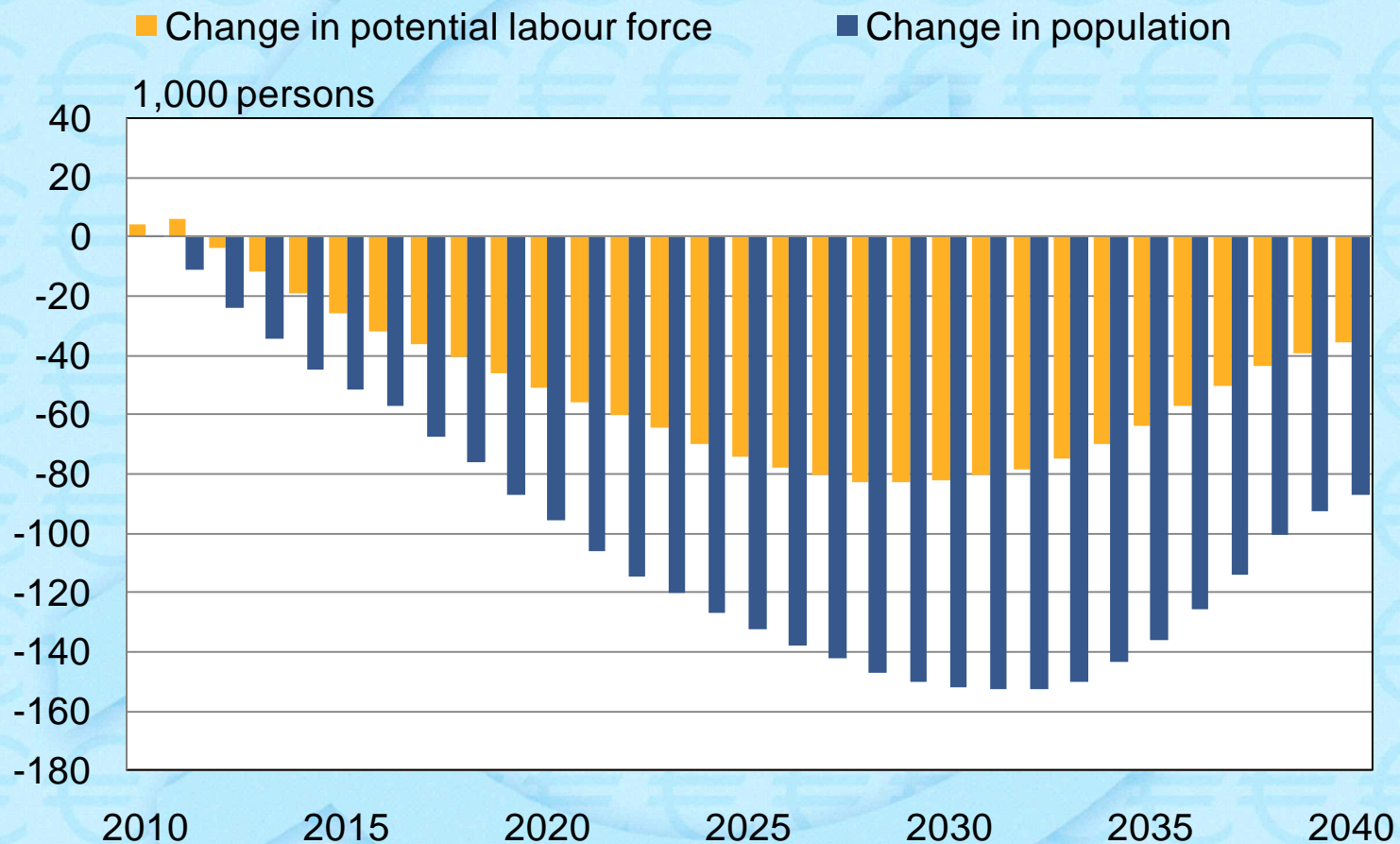
Labour market mismatch problems have not worsened



* Q1 2011.

Sources: Statistics Finland and Ministry of Employment and the Economy.

Labour supply to decline



*21–64-year-olds.

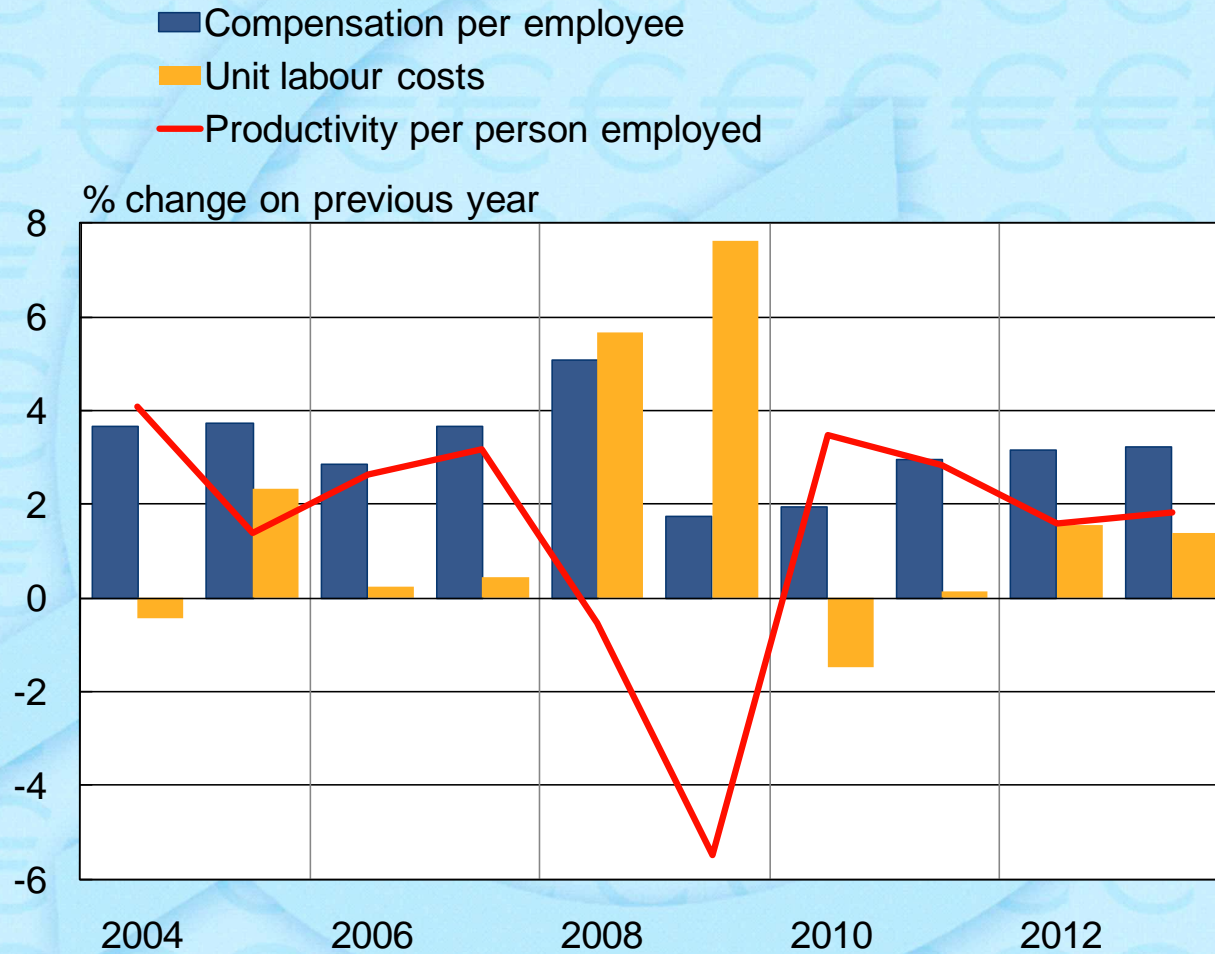
Source: Statistics Finland.

Productivity growth to slow below 2%




Sources: Statistics Finland and Bank of Finland.

Rise in labour costs to accelerate



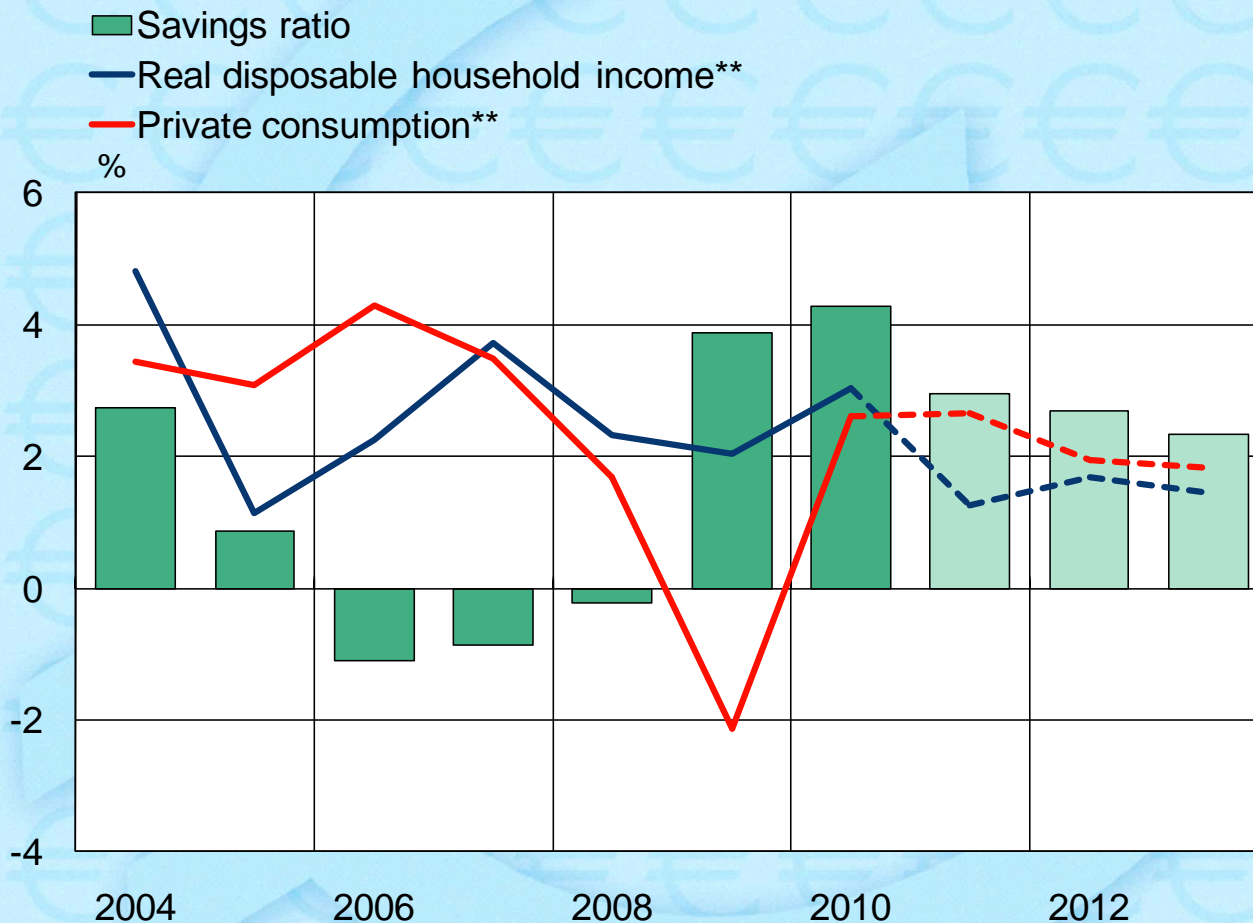
2011–2013 figures are forecasts.

Sources: Statistics Finland and Bank of Finland.



Export demand strong, investments to recover gradually

Households to save more than before

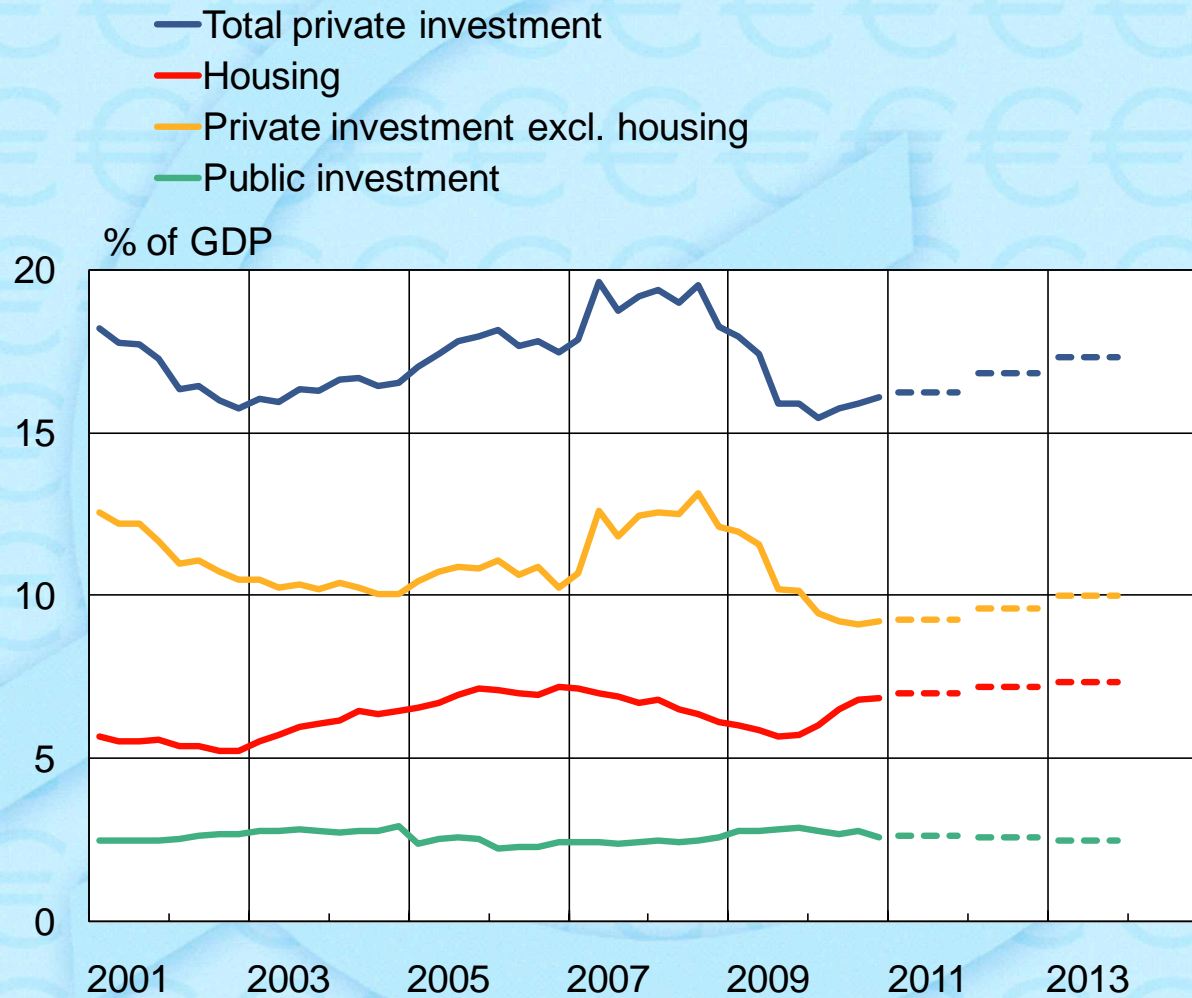


* Households and non-profit institutions serving households

** % change on previous year

Sources: Statistics Finland and Bank of Finland.

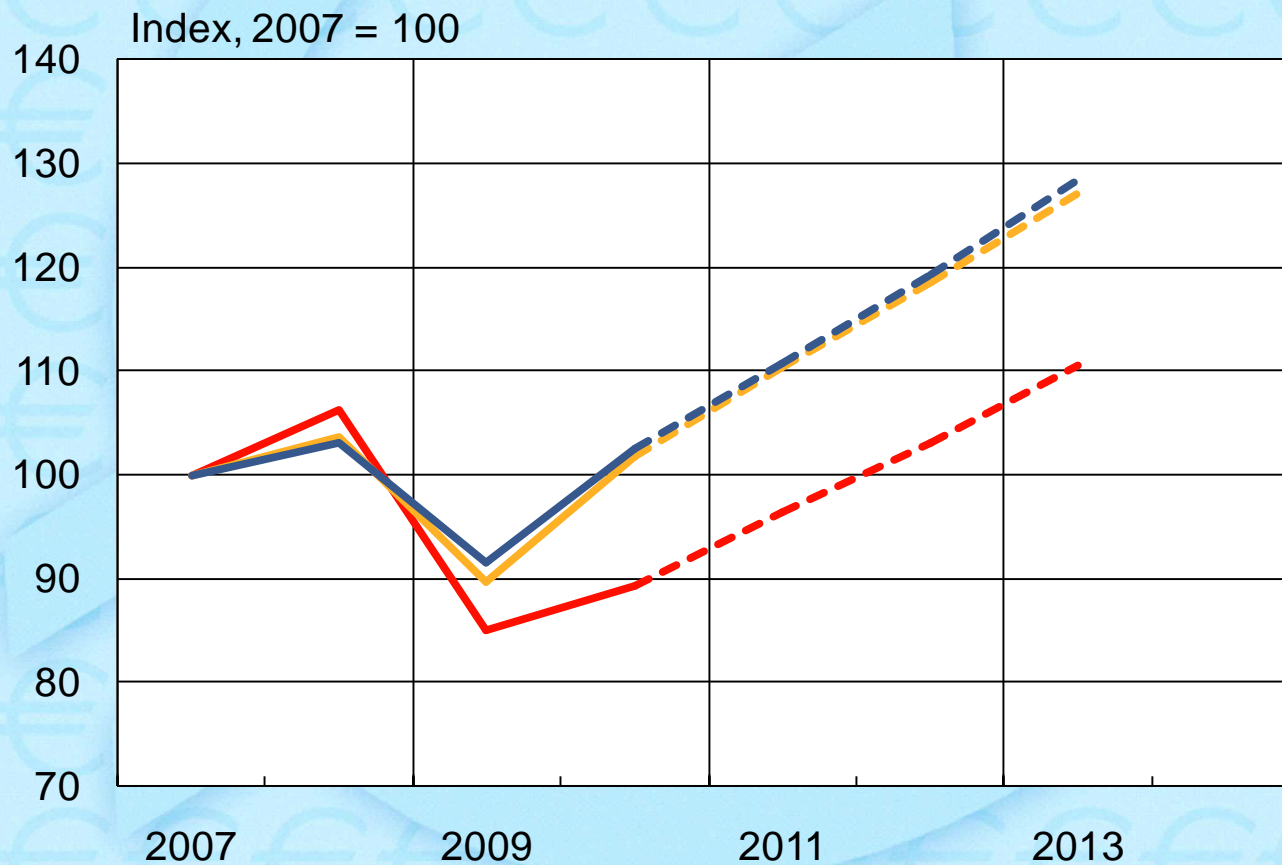
Investments to recover gradually



Investment ratios have been calculated on the basis of nominal figures.
Sources: Statistics Finland and Bank of Finland.

World trade growth to increase Finnish exports

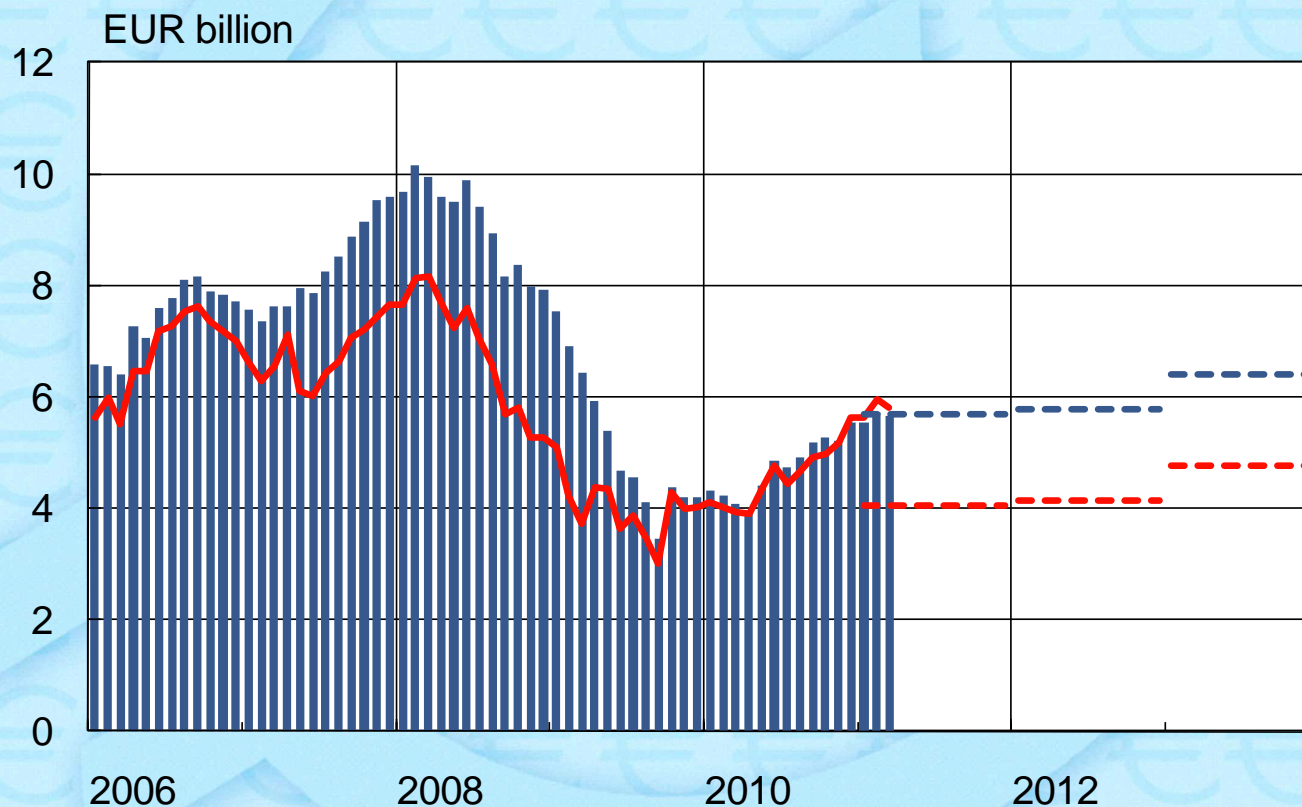
- Finland's exports of goods and services
- Finland's export markets
- World trade



Sources: Statistics Finland, Eurosystem and Bank of Finland.

Current account to remain in surplus

■ Goods and services balance — Current account

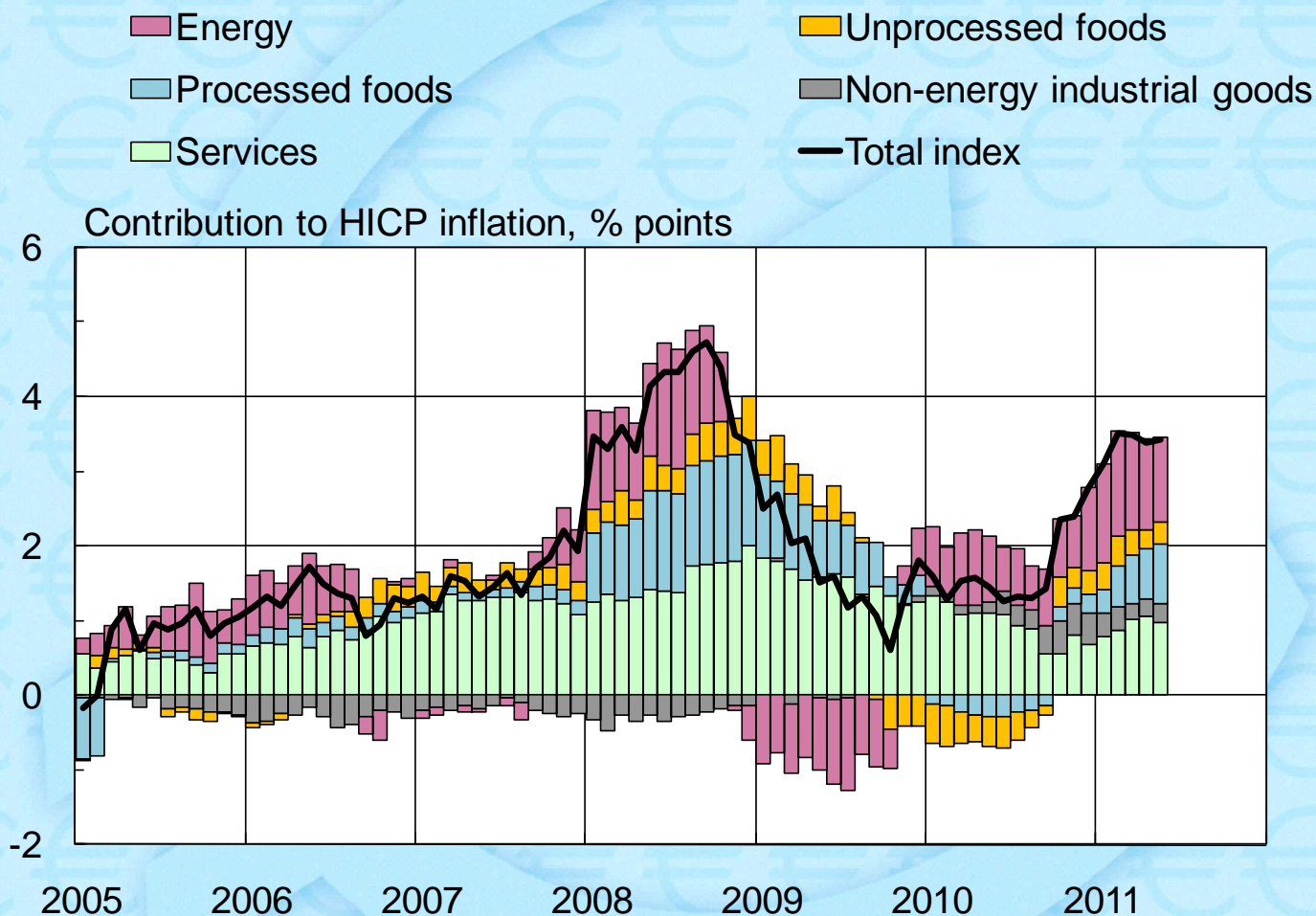


12-month moving total
Source: Bank of Finland.



Inflation in Finland faster than in the euro area

Energy and food prices have accelerated inflation



HICP = Harmonised index of consumer prices

Source: Statistics Finland.

Forecast: Inflation to ease back to close to 2%

- Harmonised index of consumer prices, Finland
- Harmonised index of consumer prices, euro area



Sources: Statistics Finland, Eurostat and Bank of Finland.

Food and services prices to rise faster in Finland

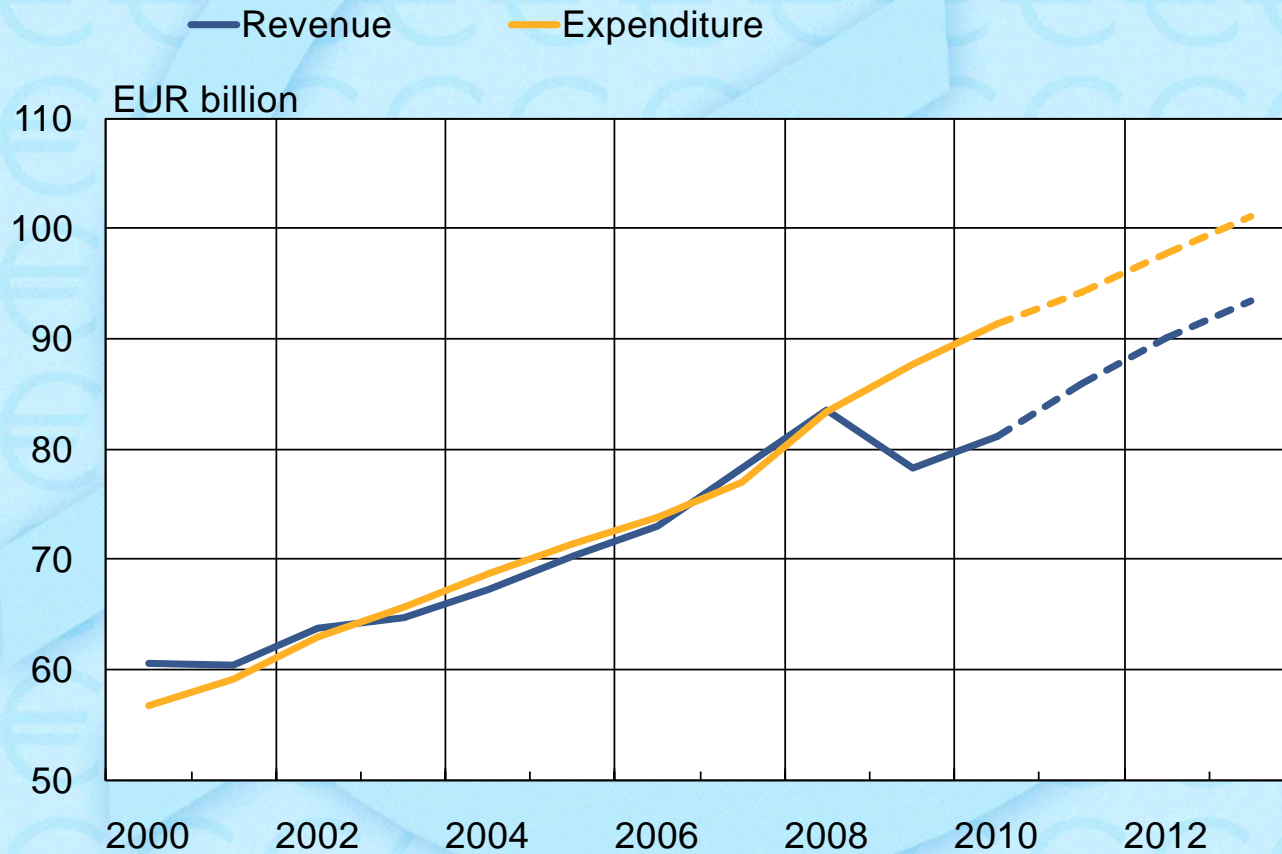
HICP inflation April 2011	Finland	Euro area
Energy	1,2	1,3
Services	1,1	0,8
Food incl. alcohol and tobacco	0,9	0,4
Non-energy industrial goods	0,2	0,3
Total	3,4	2,8



Public finances to face sizeable challenges

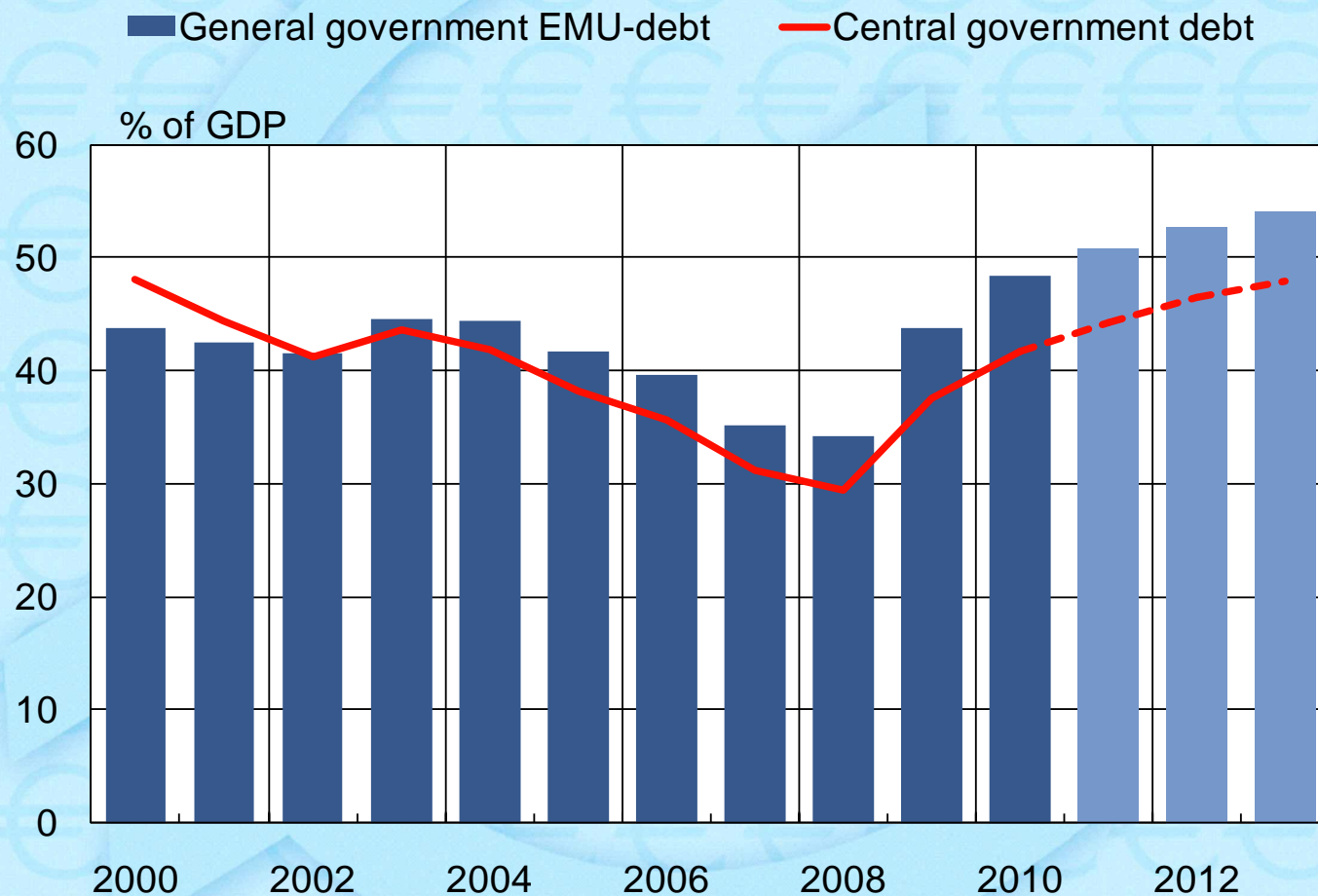
Long-term implications of the recession to be reflected in public finances

Central and local government revenue and expenditure



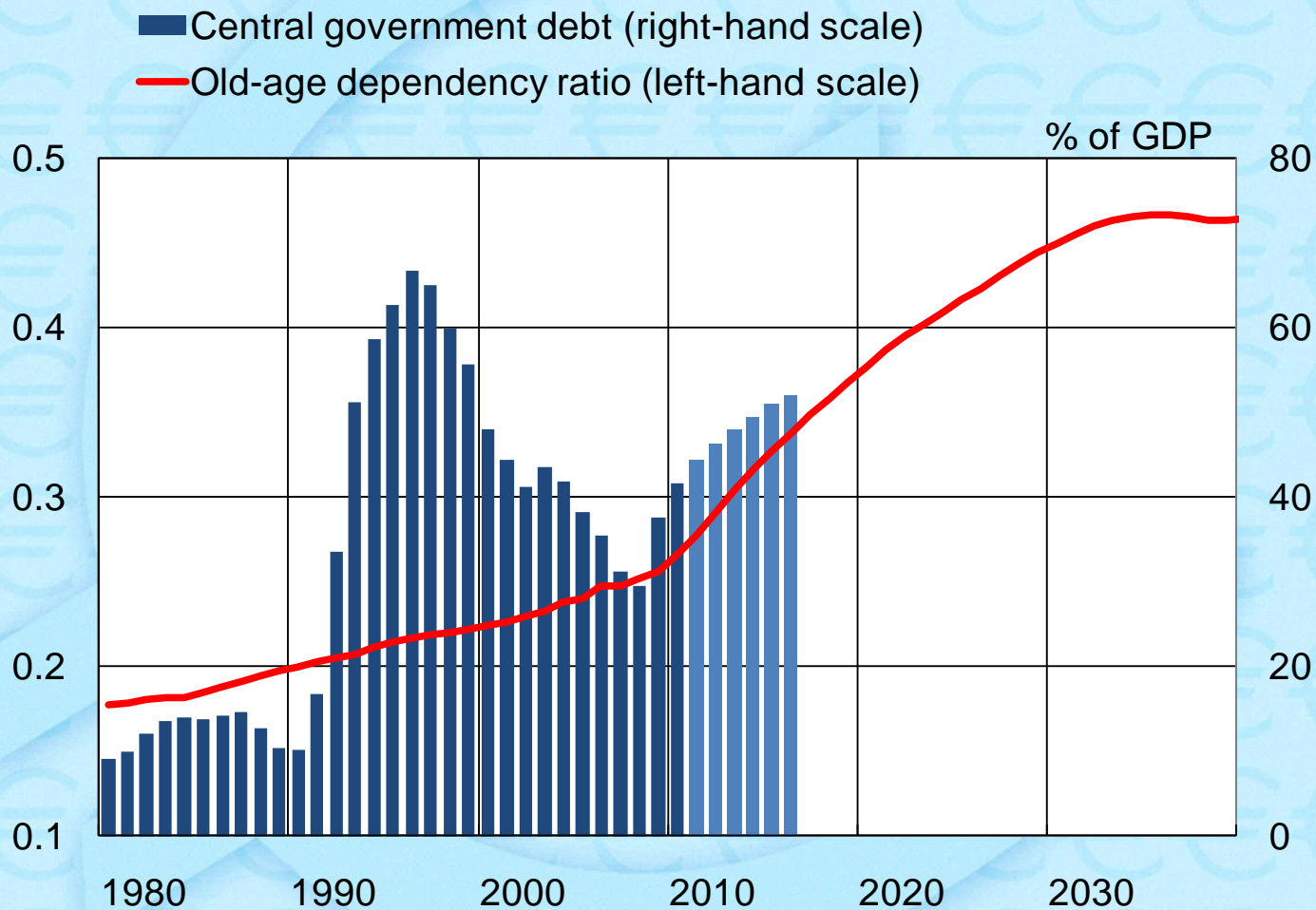
Sources: Statistics Finland and Bank of Finland.

Public debt accumulation to continue



Sources: Statistics Finland, State Treasury and Bank of Finland.

Central government indebtedness to remain on a sharp uptrend



Sources: Statistics Finland, State Treasury and Bank of Finland.

Fiscal consolidation

- ◆ Predictable and credible fiscal policy is needed
 - A long-term plan for fiscal consolidation
 - Rules-based approaches, such as limits for appropriations in budget policy, ensure a long-term perspective
 - Targets coordinated at EU level and internationally agreed procedures are of key importance
- ◆ Both structural reforms and reassessment of expenditure and revenue are necessary

Decisions are always made under uncertainty

Uncertainty argues for prompt decisions

If prompt action is taken

- **Positive surprises** → Public debt will decline, with room for manoeuvre to react to future crises
- **No positive surprises** → Possible to avoid emergency measures to restore public finances

Prompt action makes it possible to avoid the risk of emergency



Alternative scenario: Domestic wage and price pressures to strengthen

Wage/price spiral to dampen economic growth

	2011	2012	2013
Compensation per employee, % change	3,4	4,1	4,3
Change relative to the forecast	0,4	0,9	1,1
Private consumption deflator, % change	3,4	2,9	2,5
Change relative to the forecast	0,2	0,8	0,5
Real GDP, % change	3,7	2,0	1,8
Change relative to the forecast	-0,1	-0,6	-0,6
Unemployment rate, %	7,9	7,8	7,8
Change relative to the forecast	0,0	0,4	0,8

Threatening spiral of wages and prices

- ◆ ***The round of wage negotiations before the recession led to a clearly higher rise in wage costs than the euro area average***
 - Unit labour costs rose in Finland by 5% relative to the euro area average, from 2007 to 2010
- ◆ ***Inflation in Finland has risen faster than in the euro area***
- ◆ ***A new spiral of rising wages and prices would increase the threat of a painful process of adjustment in the years ahead***
- ◆ ***Wage formation needs flexibility at corporate and workplace level and coordination at macro level***



Thank you !