



EUROJÄRJESTELMÄ  
EUROSYSTEMET

## *Economic Outlook*

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**Member of the Board**  
**2.7.2009**

## *Facts about Finland*

- ◆ Population

- 2007: 5.3 millions (Euro area: 325.9 millions)

- ◆ GDP

- 2.0 % of the Euro area GDP

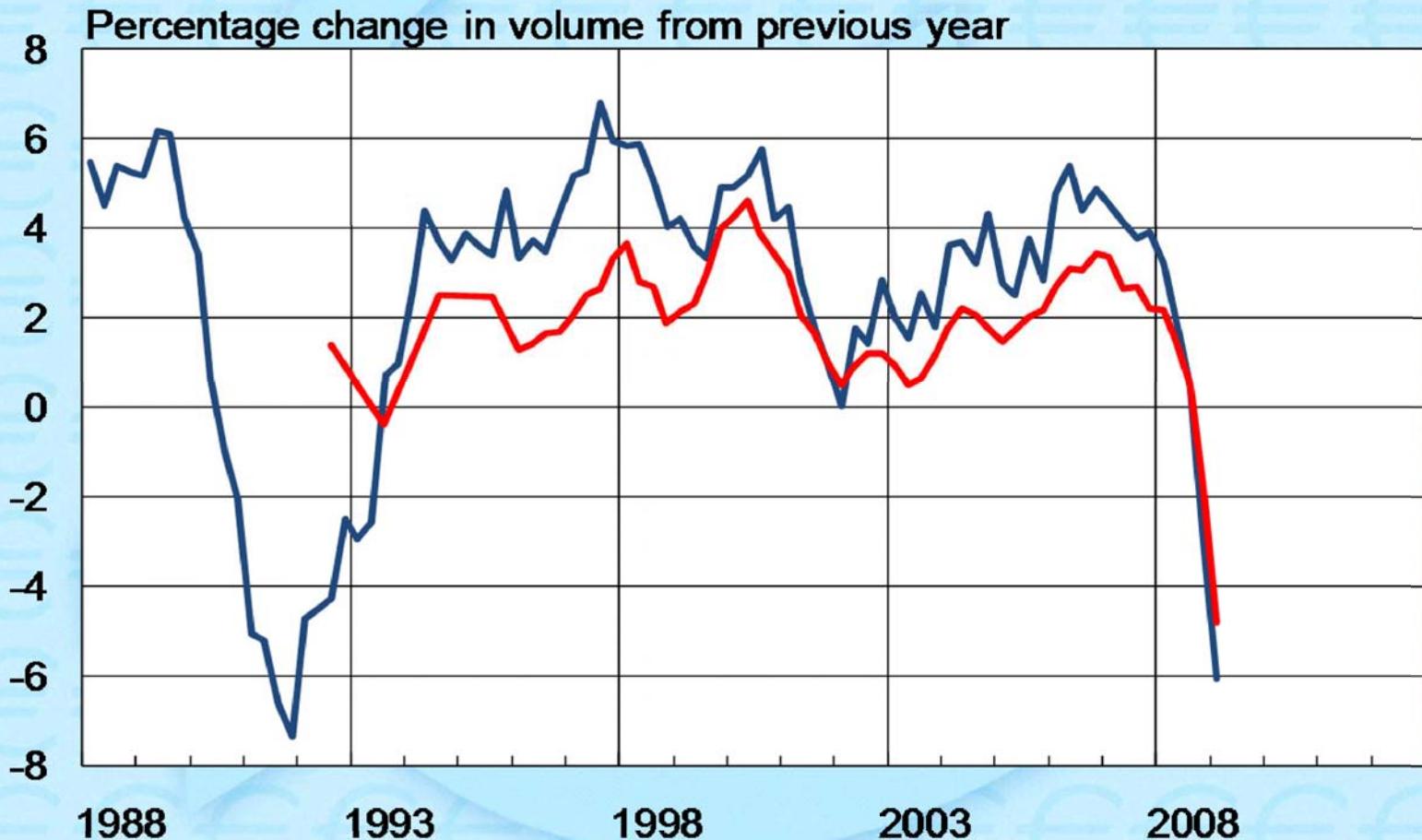
- ◆ Gross value added (percentages of total)

- 3.2 % agriculture, hunting, forestry and fishing (Euro area: 1.9 %)
  - 32.6 % industry including energy and construction (26.9 %)
  - 64.1 % services (71.3 %)

# *Gross domestic product*

— Finland

— Euro area



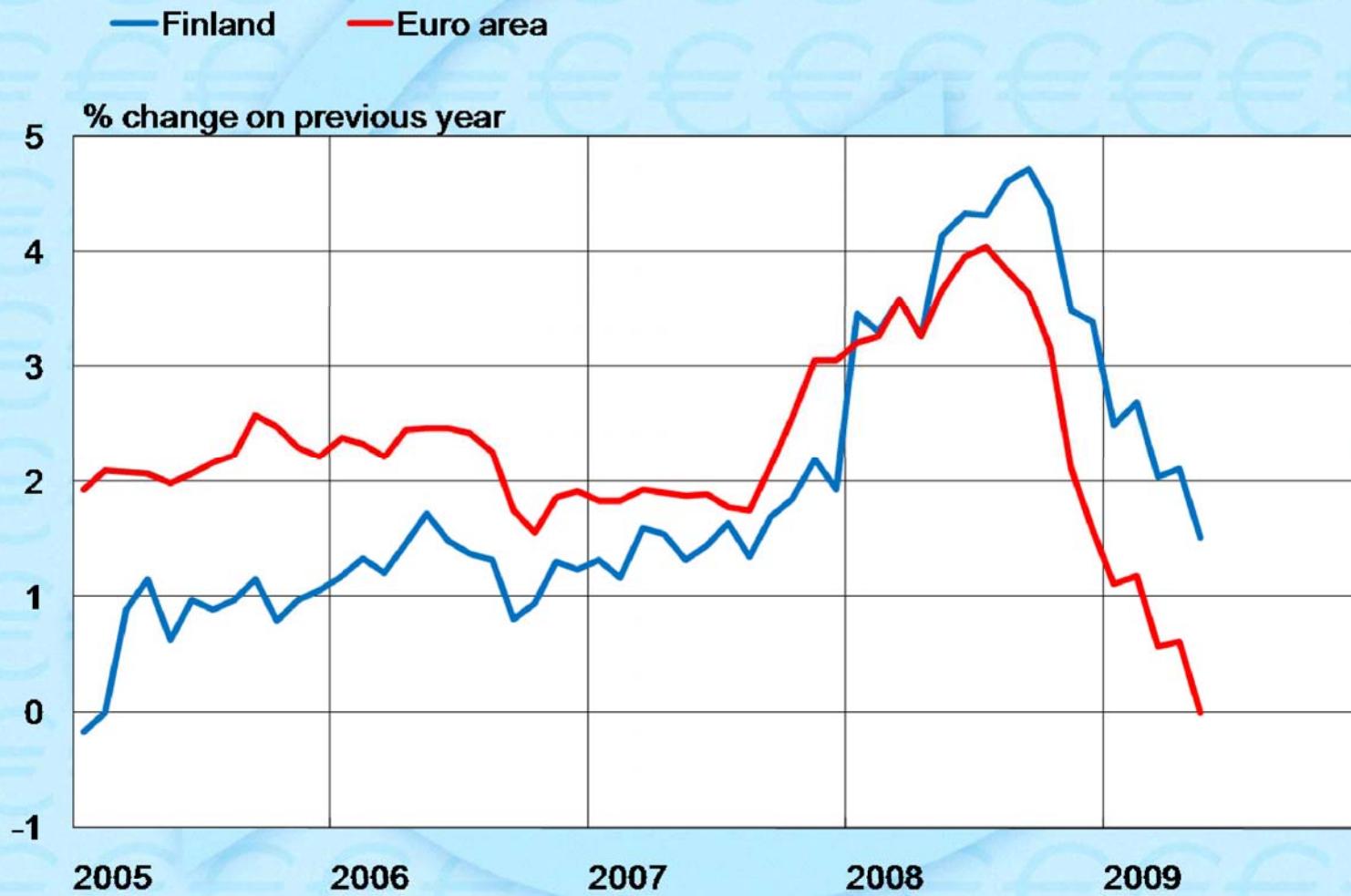
Sources: Statistics Finland and Eurostat.

## *Unemployment rate*



Sources: Statistics Finland and Eurostat.

## *Harmonised index of consumer prices*



Sources: Eurostat and Statistics Finland.



## *Finland has benefited greatly from globalisation*

- ◆ Openness of the economy
  - Exports: 45 % of GDP
- ◆ Internationally strong exporting companies
  - ICT
  - Machinery
  - Forest industries
- ◆ These companies rely heavily on global financial markets
  - Less dependent on domestic banks

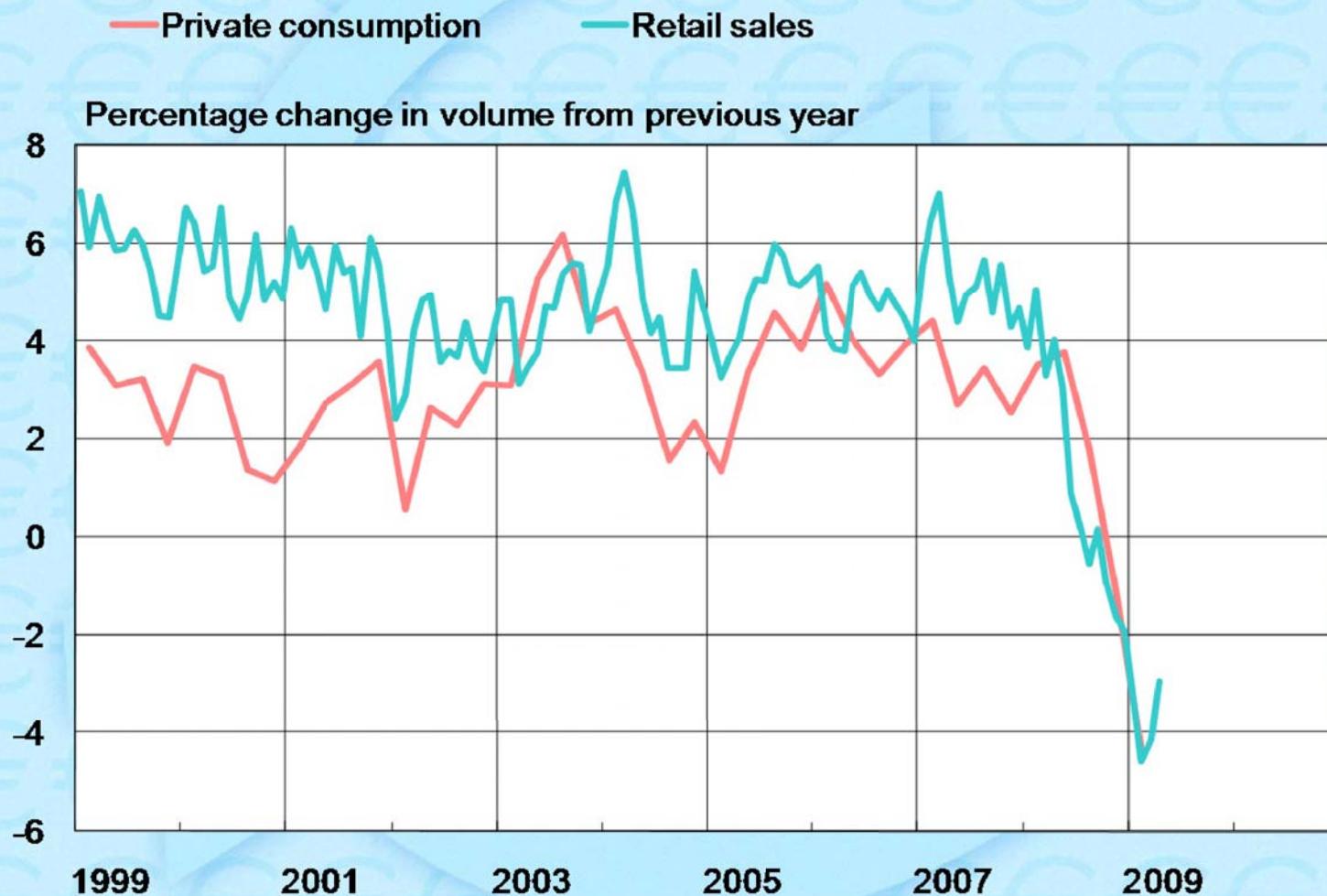
# *Finland suffers greatly from the back-steps of globalisation*

- ◆ Contraction of world trade has hit Finnish exports
- ◆ Global investment slump affects leading Finnish export companies
- ◆ Financing from overseas has become more difficult
  - Large companies turn to domestic banks to get financing
  - Access to financing has become more difficult for SMEs
- ◆ Foreign investors departing Finland
  - Also real estate investors



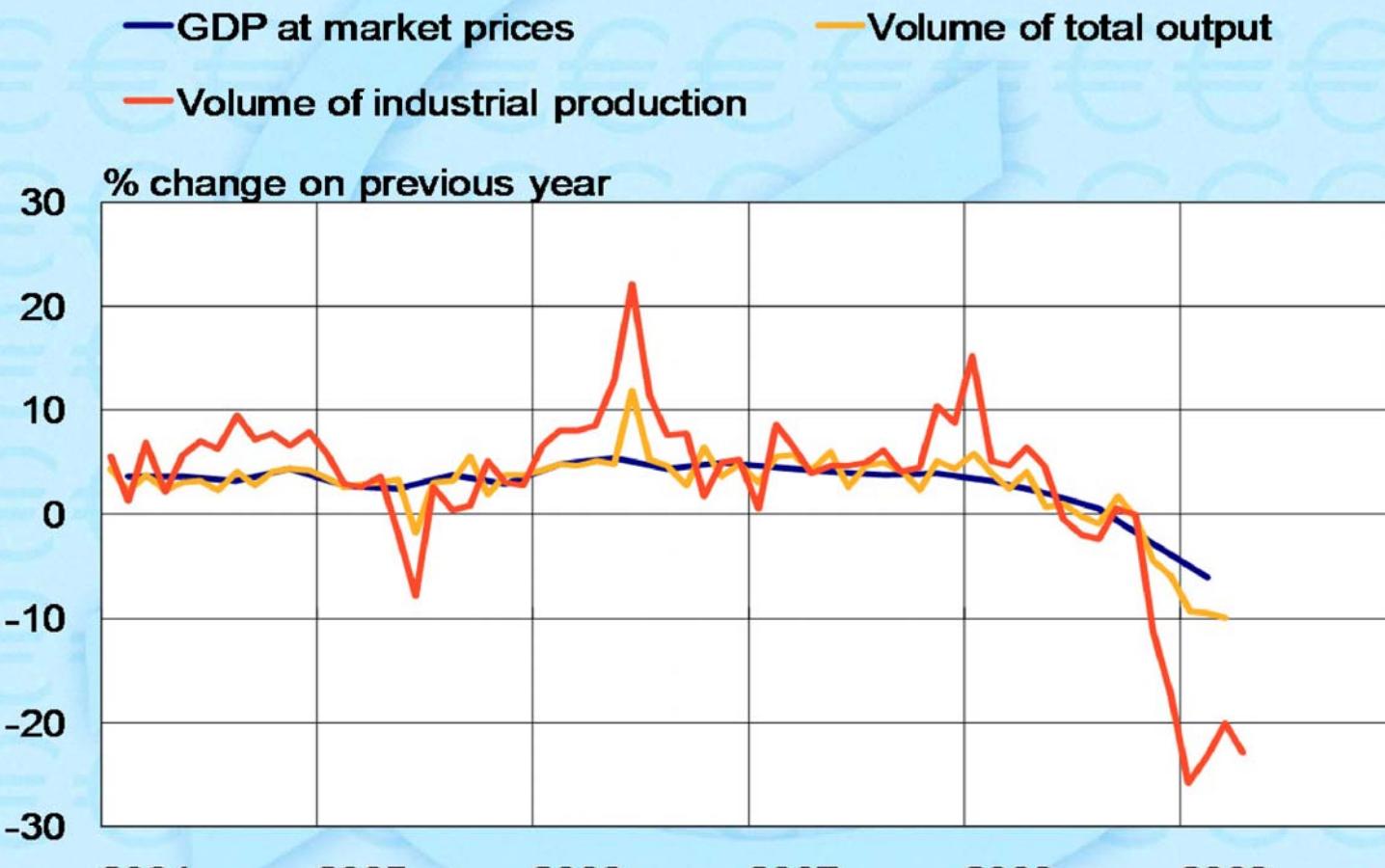
## *Current state of the Finnish economy*

## *Private consumption slowing down*



Sources: Bank of Finland and Statistics Finland.

## *Industrial production falling rapidly*



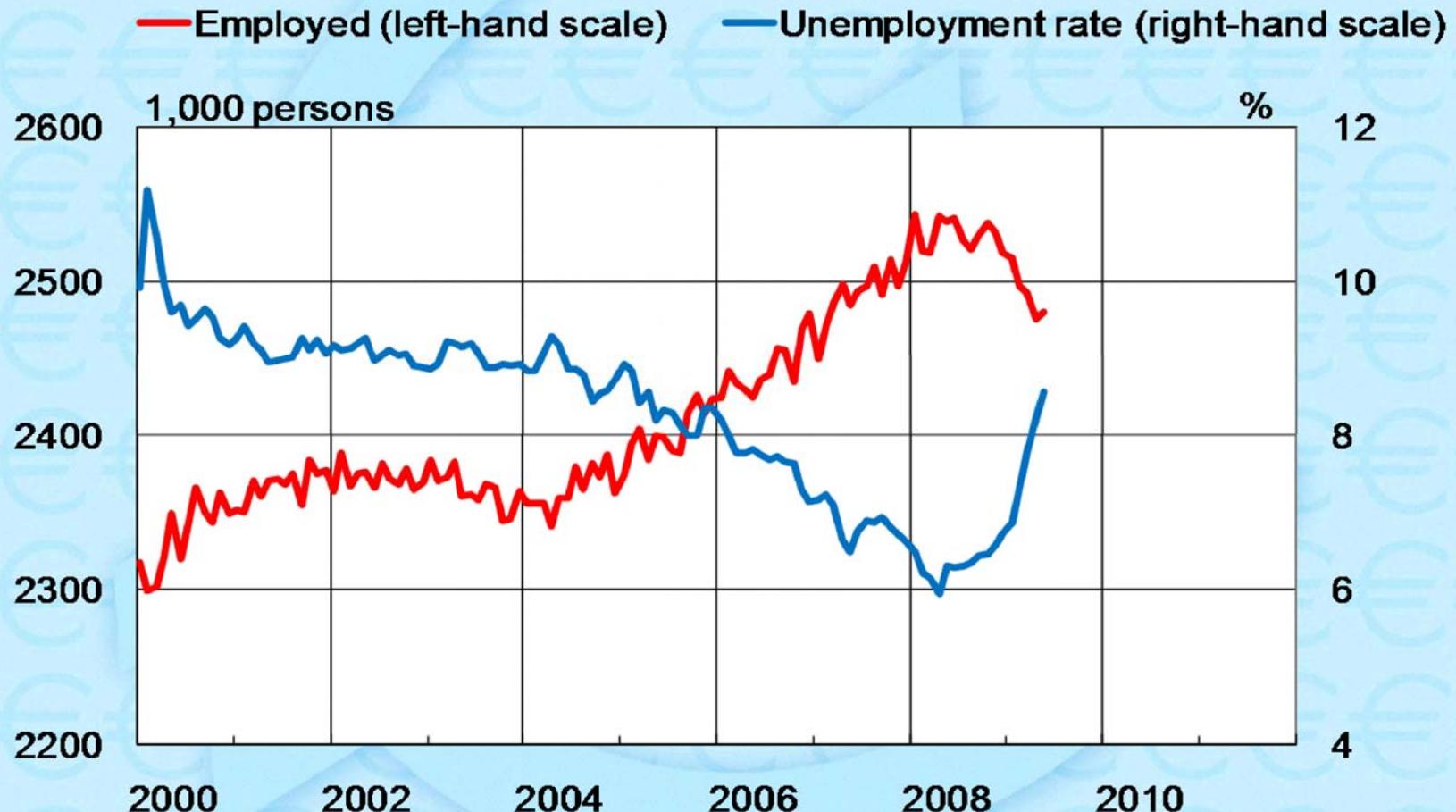
**Seasonally adjusted figures.**  
Source: Statistics Finland.

## *Exports declining*



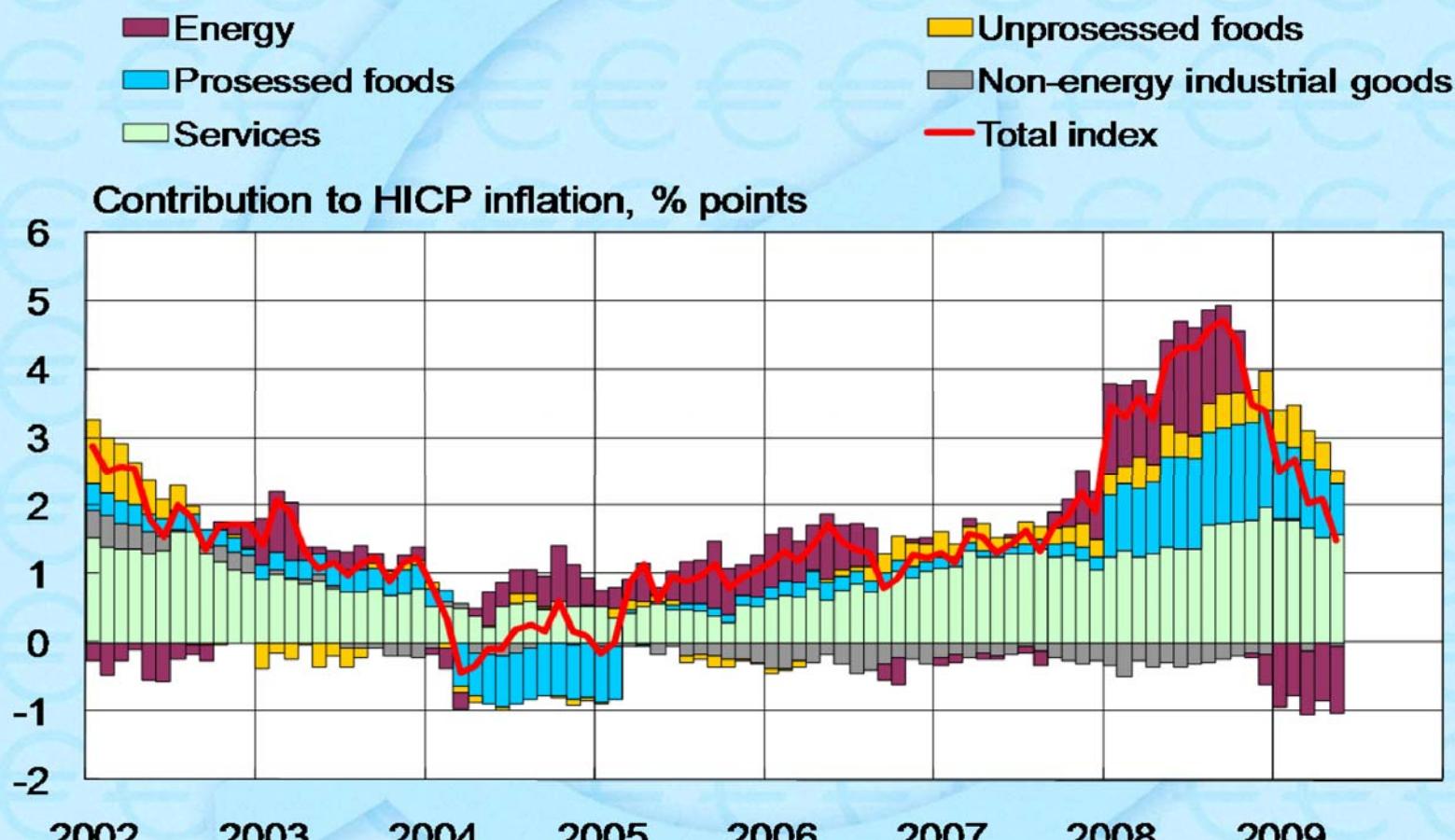
*Figures seasonally adjusted  
Source: Customs.*

## *Labour markets deteriorating*



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

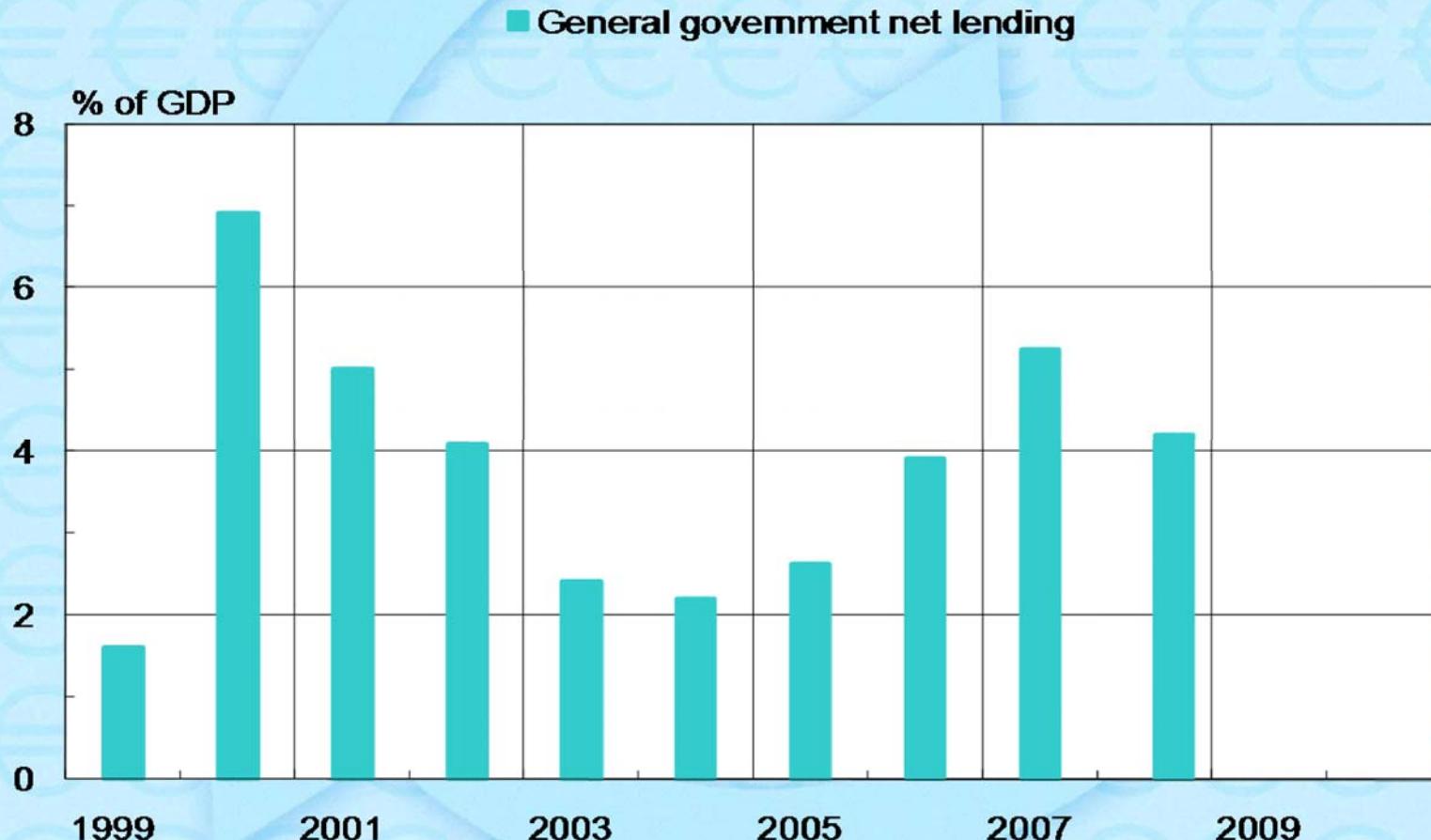
## *Inflation falling*



HICP = harmonised index of consumer prices

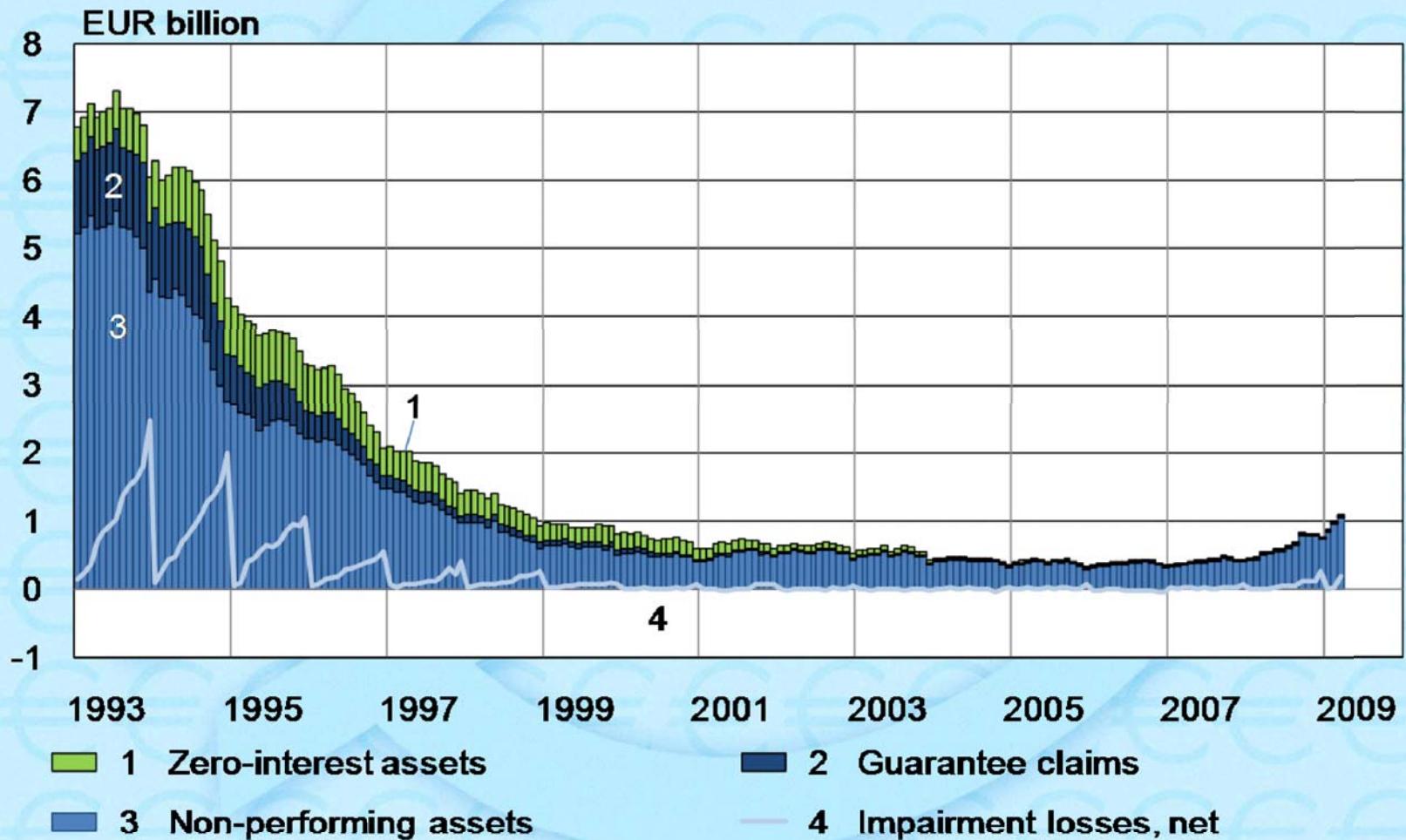
Source: Statistics Finland.

# *Public finances in good shape but rapidly deteriorating*



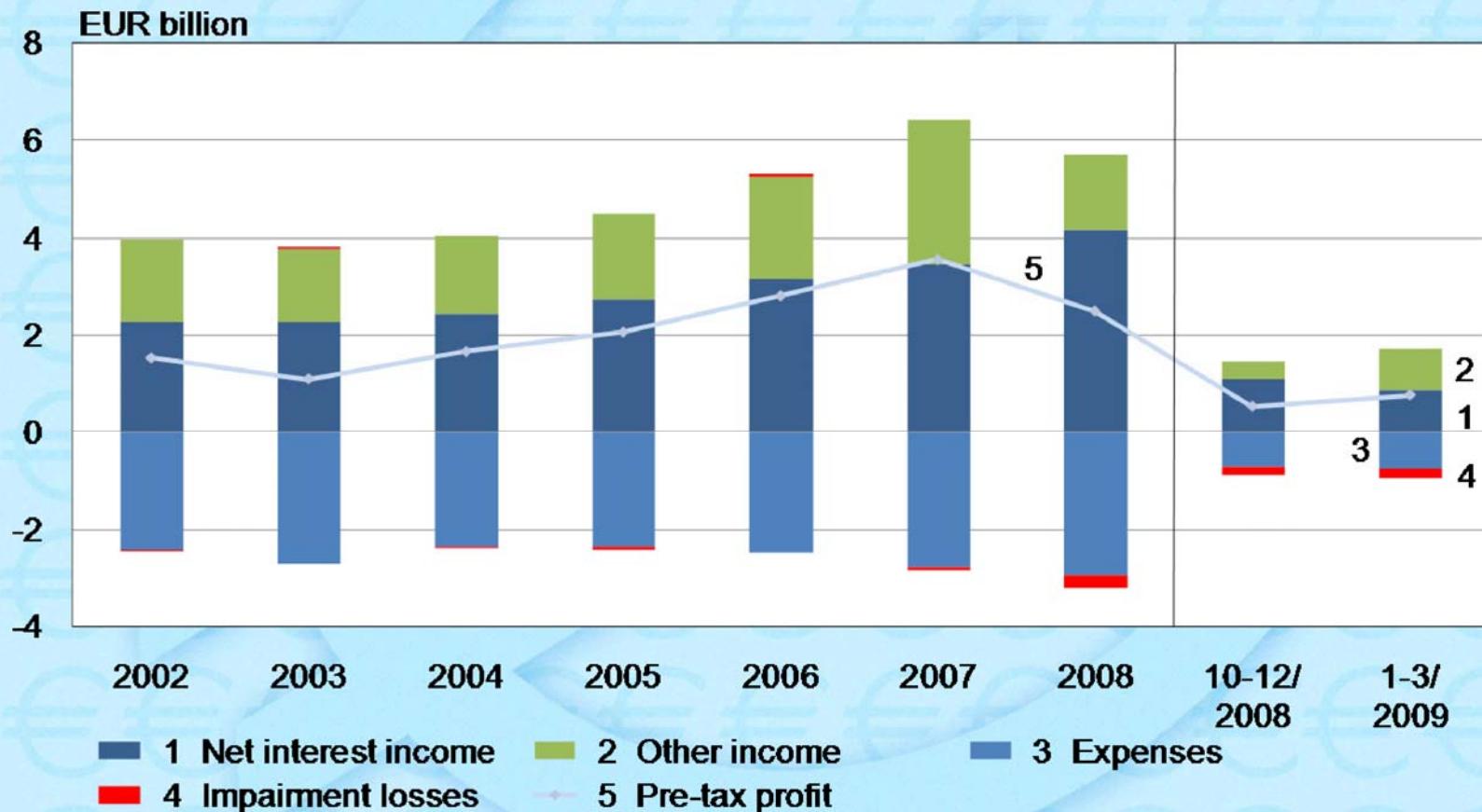
Sources: Statistics Finland and Bank of Finland.

# *Banking groups' non-performing assets and impairment losses*



Source: Financial Supervisory Authority.

# *Earnings development of banking activities in Finland\**



\*Finnish deposit banks (parent companies incl. branch offices operating in Finland and abroad) and subsidiary banks and branch offices of foreign credit institutions conducting deposit banking activities in Finland. Sources: Financial Supervision Authority and Bank of Finland.



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# *Economic Outlook for Finland 2009–2011*

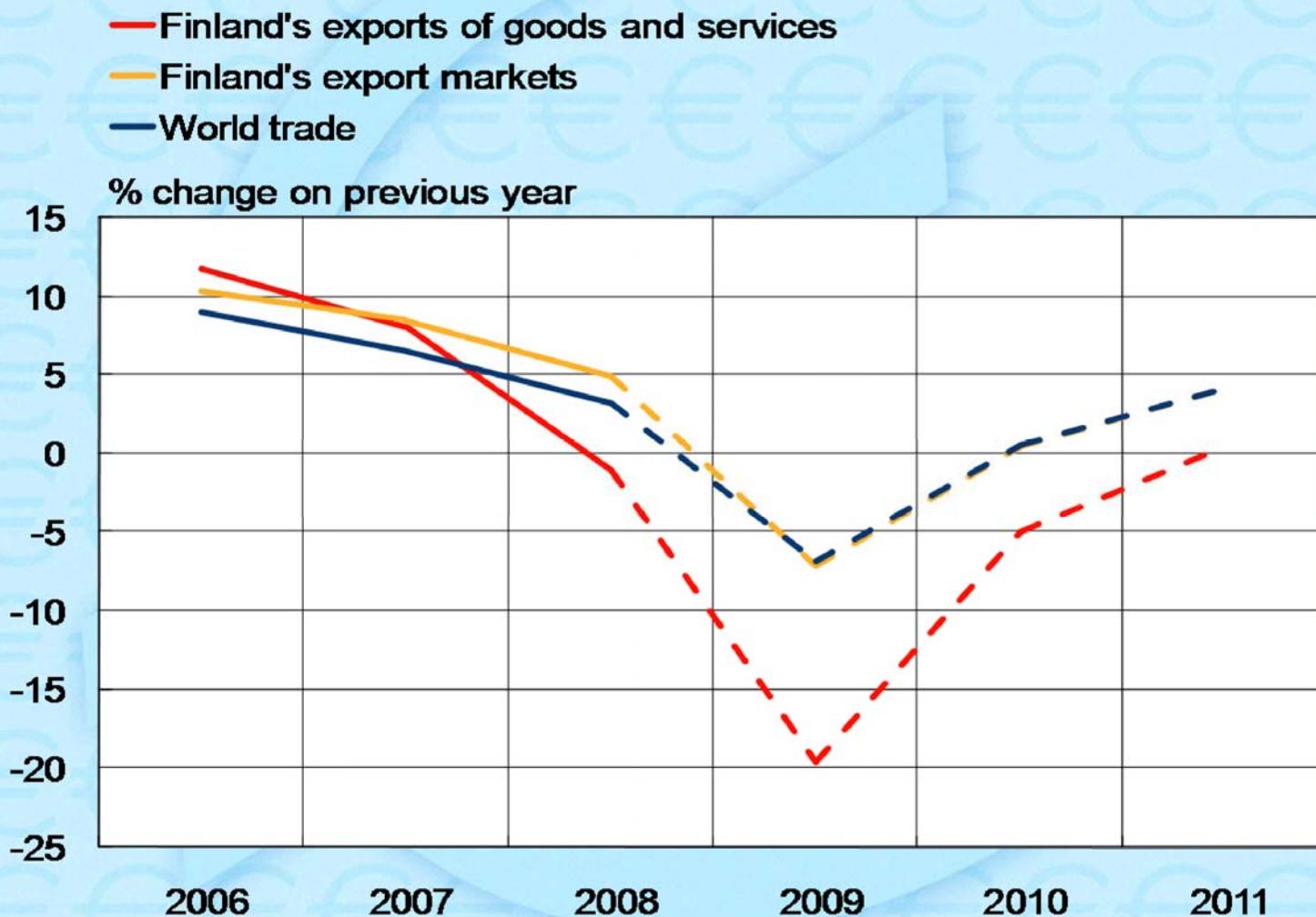
*Bank of Finland Bulletin special issue 1/2009*

## *Key economic indicators*

	<b>2008</b>	<b>2009<sup>f</sup></b>	<b>2010<sup>f</sup></b>	<b>2011<sup>f</sup></b>
<b>GDP, % change</b>	0.9	-5.0	-1.1	1.5
<b>Inflation, %</b> <i>(Harmonised index of consumer prices)</i>	3.9	1.2	1.1	1.3
<b>Finland's export markets, % change</b>	5.0	-7.1	0.5	4.2
<b>Current account balance, % of GDP</b>	2.5	1.2	1.0	0.2
<b>General government net lending, % of GDP</b>	4.1	-1.0	-3.0	-3.7

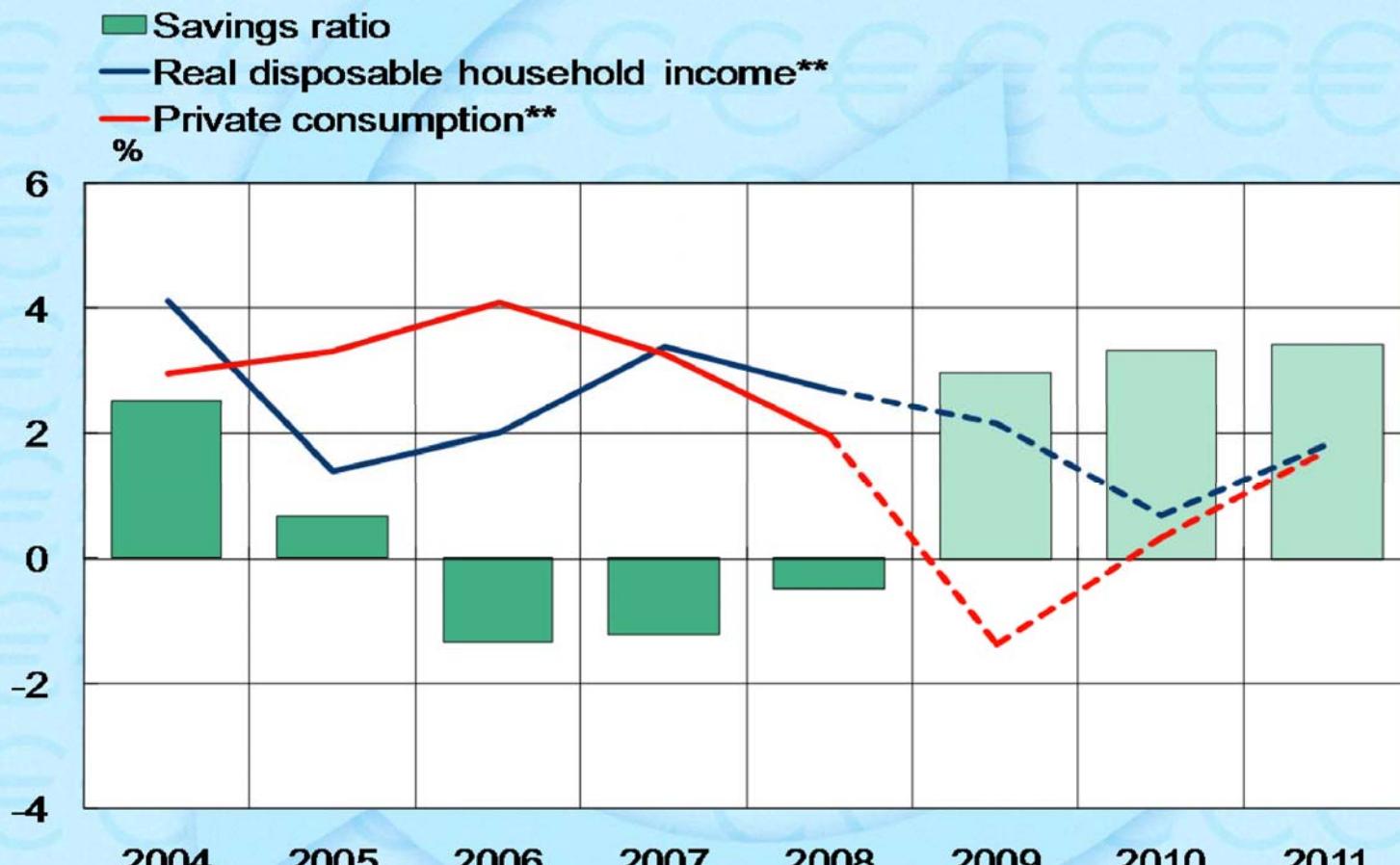
Sources: Statistics Finland and Bank of Finland.

# *Finland's exports, export markets and world trade*



Sources: Statistics Finland and Bank of Finland.

# *Households' disposable income, consumption and savings\**

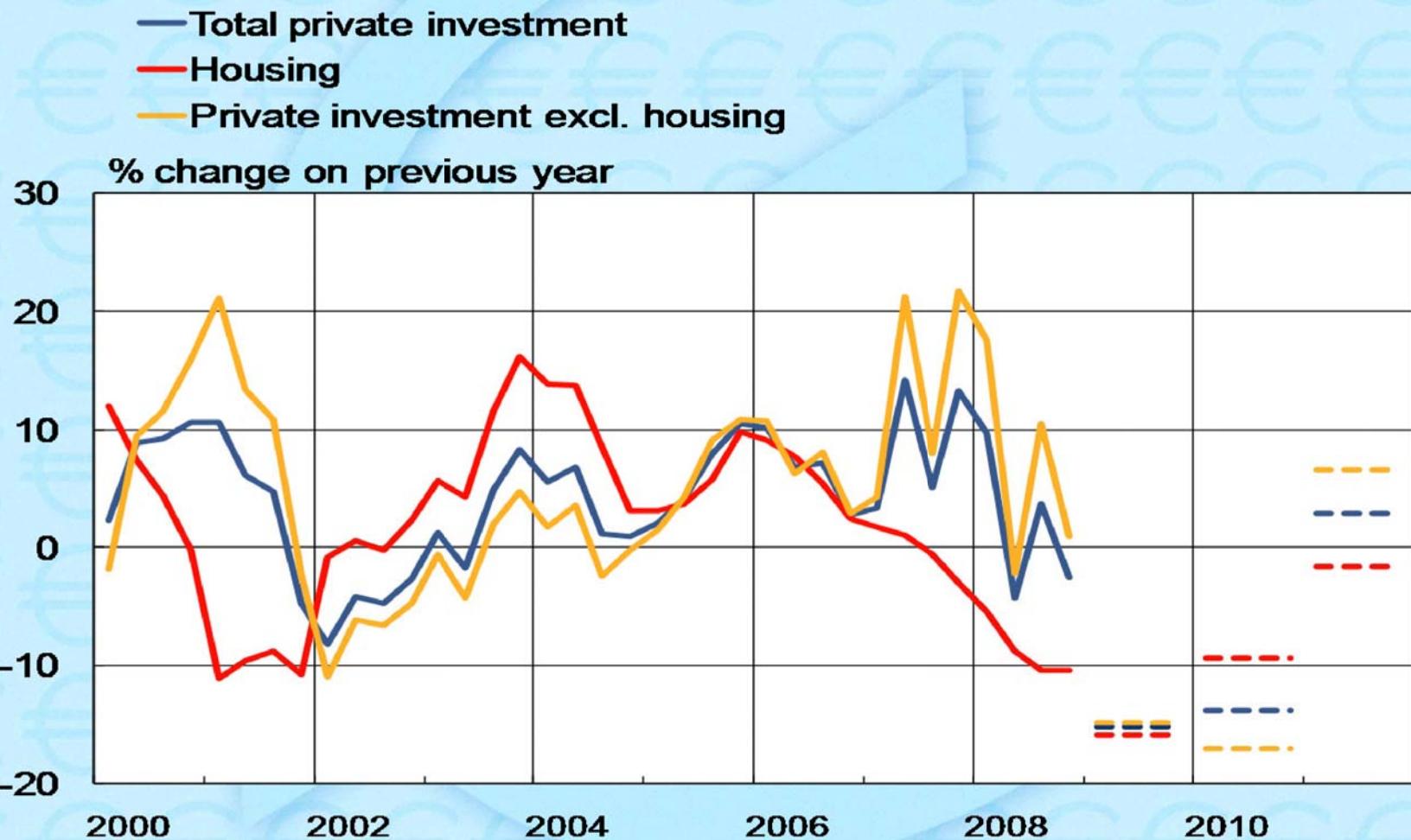


\* Households and non-profit institutions serving households

\*\* % change on previous year

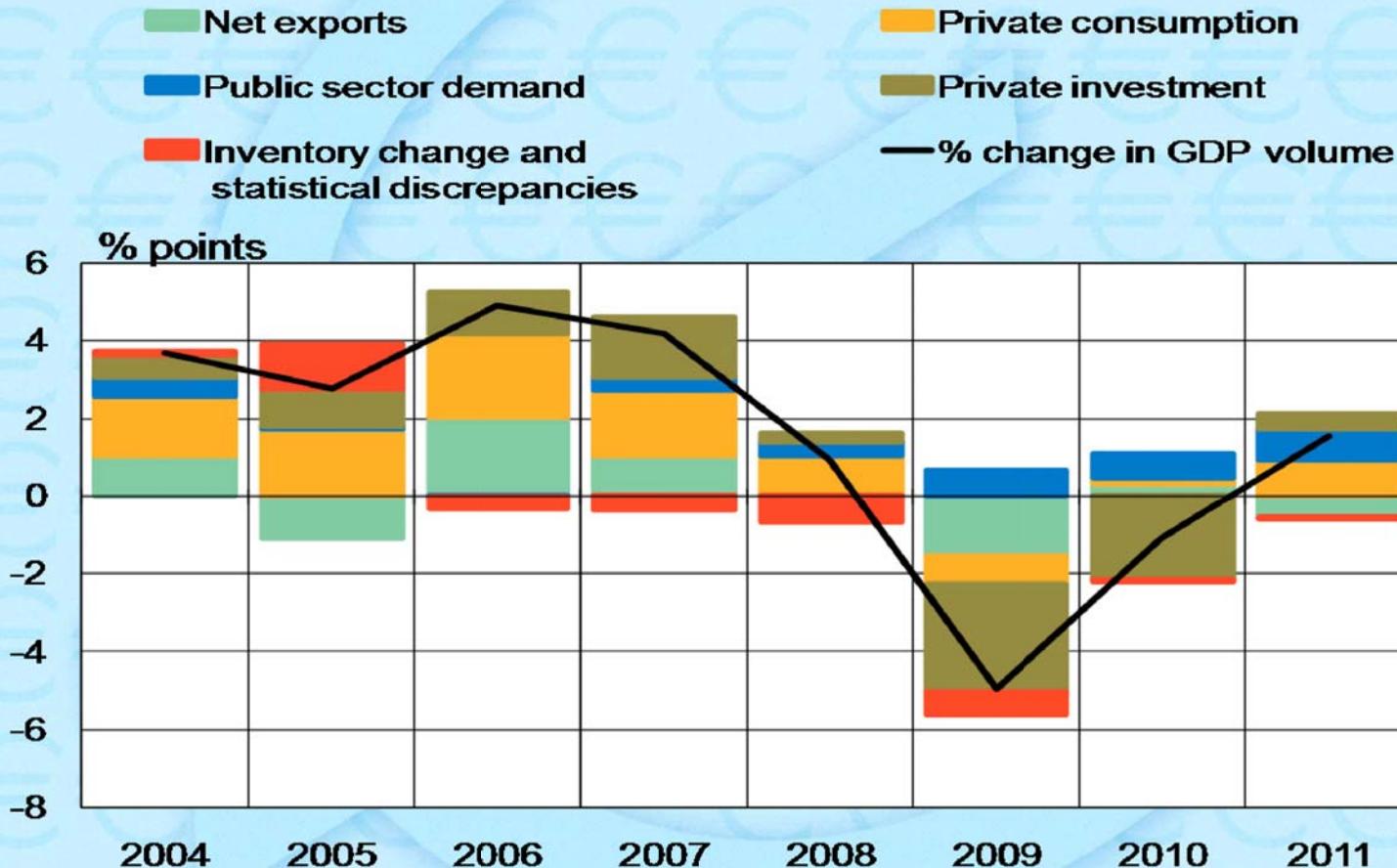
Sources: Statistics Finland and Bank of Finland.

## *Volume of private investment*



Sources: Statistics Finland and Bank of Finland.

# *Contributions to growth, components of aggregate demand*



The chart is merely indicative. The GDP growth contribution of each demand item has been calculated on the basis of its volume growth and its value share in the previous year. The figures for 2009–2011 are forecasts.  
Sources: Statistics Finland and Bank of Finland.

## *General government*

### *General government financial balance and debt*

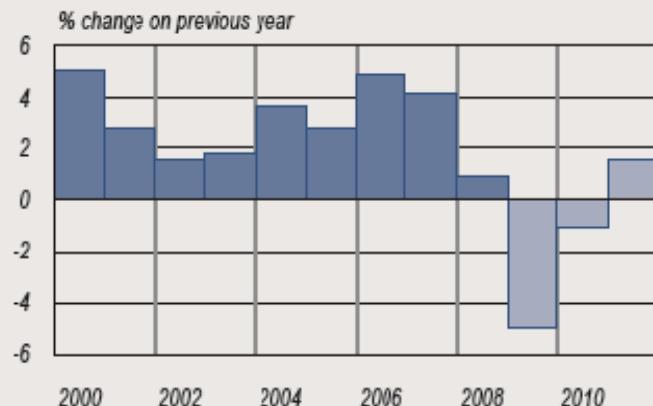
<b>% of GDP</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009<sup>f</sup></b>	<b>2010<sup>f</sup></b>	<b>2011<sup>f</sup></b>
<b>Net lending</b>	2.6	3.9	5.2	4.1	-1.0	-3.0	-3.7
<b>Debt</b>	41.4	39.2	35.1	33.4	39.6	45.8	51.1

**f = forecast**

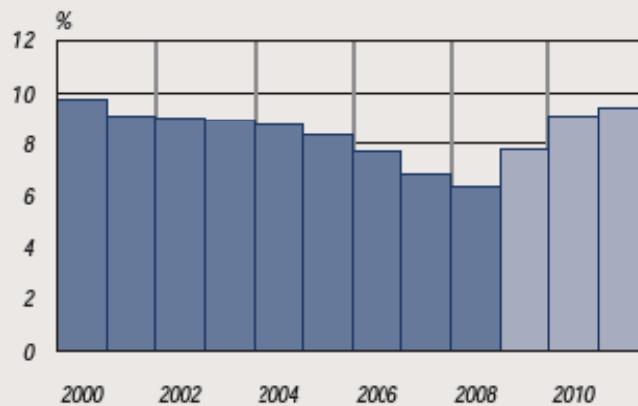
Sources: Statistics Finland and Bank of Finland.

## *Forecast summary*

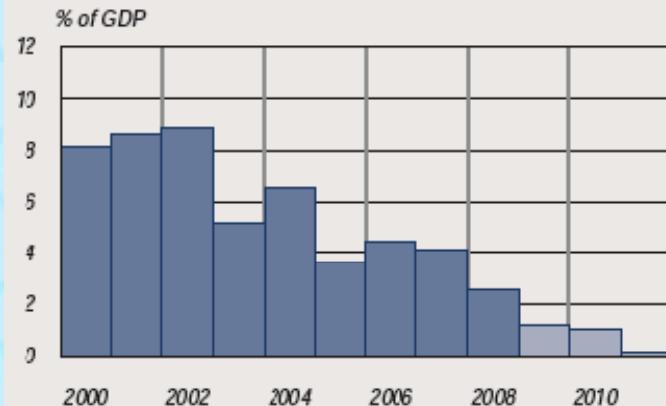
Gross domestic product



Unemployment rate

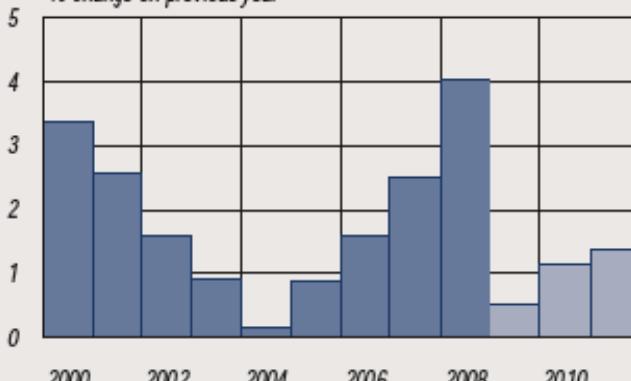


Current account

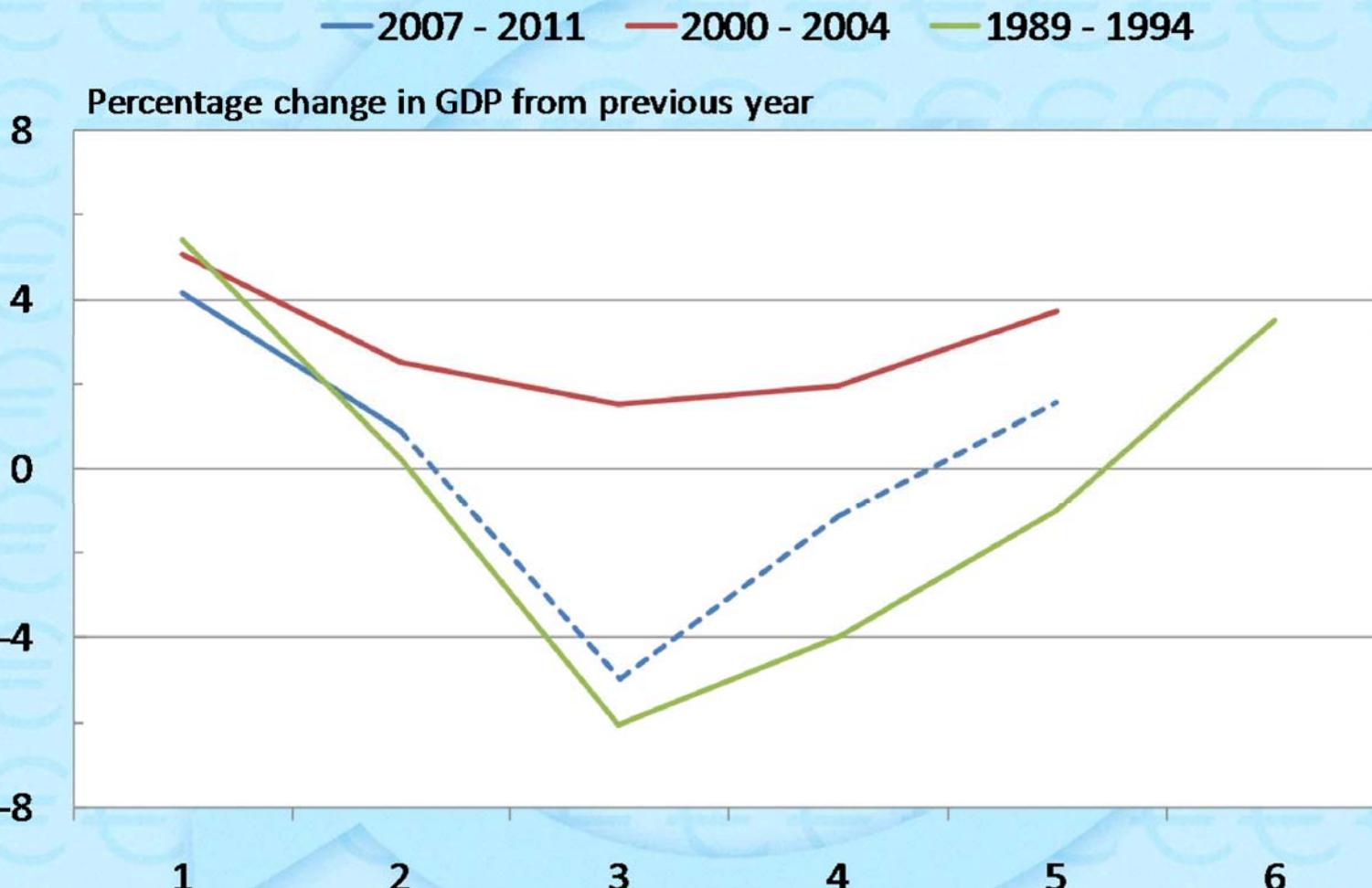


Inflation

Consumer price index  
% change on previous year



# *Comparison of economic downswings*



Year 1 is the last year before the turn in the cycle. The data on 2009-2011 are Bank of Finland forecasts. Sources: Statistics Finland and Bank of Finland.