Reference rate and penalty interest rates for 1 January – 30 June 2026

Press release 22 December 2025 1:30 PM

The reference rate used in defining the penalty rate is determined in accordance with section 12 of the Interest Act. Accordingly, the reference rate is the interest rate that was applied by the European Central Bank to the last main refinancing operation prior to the first calendar day of the half-year in question and rounded up to the nearest one-half percentage point. Such reference rate is effective for the following six-month period.

Finnish economy’s recovery moving modestly forward

Press release 19 December 2025 11:00 AM

The Bank of Finland has today published its forecast for the Finnish economy for the period 2025–2028. Growth in the Finnish economy for the full year 2025 will be 0.2%. Growth will rise to 0.8% in 2026 and to 1.7% the following year. In 2028, the final year of the forecast period, growth will level out at 1.5%.

Consumer spending will grow and export markets will pick up

“Consumer spending has been curbed by the weak consumer confidence in the economy, but spending will pick up and start to grow in 2026, when real earnings increase and the labour market gradually strengthens. The reductions in interest payments will also boost consumer spending. Spending will continue to strengthen in 2027 and 2028,” says the Bank of Finland’s Head of Forecasting, Juuso Vanhala.

Business investment will start to grow in 2026 and will continue growing in both 2027 and 2028, even though some investment plans will be hampered by economic uncertainty. This investment growth will come from green investments, among other things. Housing construction will be subdued in the immediate years ahead. New-build housing construction is being held back by the difficult housing market, although the situation will gradually ease when household incomes and consumer confidence grow.

“*Exports are on the rise. There will be moderate growth in Finnish exports in the years 2026 to 2028, supported by the pick-up in export markets and by higher export demand. But demand will be curbed by geopolitical uncertainties for some time to come,*” says Vanhala. The growth in defence procurement will increase imports.

Inflation will remain moderate

Inflation has fallen in 2025 to below 1.5%, and it will remain close to this level in 2026 as well. Inflation will rise gradually as the economy strengthens and will reach 1.9% in 2028.

Finland’s public finances will continue to be in deficit

Finland’s public finances will remain deeply in deficit and public debt will continue to grow. Fiscal consolidation in 2025–2027 is being implemented through cuts in public expenditure and increases in indirect taxation. However, the reductions in personal and corporate income taxes will slow the fiscal adjustment, and defence investments will further deepen the deficit. Finland’s fiscal deficit for 2025 will be 3.7% of gross domestic product (GDP), and the deficit will shrink only a little in 2026 and 2027. The general government debt-to-GDP ratio will exceed 88% in 2025 and rise to 93% in 2028.

Presentation 19 December 2025, Head of Forecasting, Juuso Vanhala

Articles and forecast

Finland’s decisions on public finances should not be postponed

Press release 19 December 2025 11:00 AM

“*The parliamentary consensus reached on debt sustainability is a significant turning point that strengthens confidence in Finland’s public finances both domestically and internationally,*” says Governor of the Bank of Finland Olli Rehn. “*Maintaining this confidence requires not only a medium-term plan, but also concrete decisions, and these should not be postponed. Fiscal adjustment at a steady pace will produce better results than an abrupt adjustment dictated by necessity,*” says Rehn.

A gradual recovery in the Finnish economy will start to bolster the public finances, but an expansion in defence spending will hamper the fiscal adjustment process in the coming years. Achieving results that will endure requires time and the use of the entire fiscal toolkit. Expenditures must be cut and reallocations made, but there must also be a focus on the revenue side. Structural reforms that support growth must be continued. There must also be a readiness to strengthen fiscal buffers when the economy is doing better.

“The revised national legislation on fiscal policy will support a decision-making culture that takes a longer term view. But this alone will not be sufficient. *The functioning of the Parliamentary Working Group on Fiscal Policy will be put to the test early next year, when it starts to prepare goals for the coming years,*” says Governor Rehn.

Inflation is at around the European Central Bank’s target

The Governing Council of the European Central Bank (ECB) decided yesterday to keep its policy interest rate unchanged at 2%. According to the ECB’s new projections, inflation will stay at around the 2% medium-term target. “*It’s good news that inflation in the euro area is still at around our target. There are still risks to the inflation outlook in both directions, meaning a risk of lower or of higher inflation than forecast,*” says Rehn.

The economic growth outlook for the euro area has improved slightly and employment has remained robust. According to the new Eurosystem projections, growth in the euro area economy will be 1.4% for the full year 2025, 1.2% for 2026 and 1.4% for each of 2027 and 2028. Growth will still be services led, while the situation in manufacturing is more challenging.

“*Although euro area growth has shown resilience and persistence, it could be more dynamic. The euro area must focus on strengthening its competitiveness on many fronts,*” says Rehn.

Presentation 19 December 2025, Governor Olli Rehn

Articles and forecast

Aleksi Grym appointed Head of Payment Systems Department

Press release 16 December 2025 4:42 PM

Grym has been Head of the Fintech Division in the Bank of Finland’s Payment Systems Department since 2023, and before that he served as Principal Adviser and in other specialist positions at the Bank of Finland, starting in 2016. Prior to this he served in international expert and managerial positions in the private sector.

The Payment Systems Department produces central bank services for cash supply and has responsibility for reliable and efficient payments as well as payment and settlement system infrastructure and the further development of these. The Department is responsible for preparing the Bank of Finland’s policy on payment systems and for the analysis of payments technologies.

Bulgarian levs can be exchanged for euros in Finland from 1 January to 2 March 2026

Press release 12 December 2025 11:00 AM

After the accession of Bulgaria, 21 countries will belong to the euro area.

In Finland, FOREX will exchange levs for euros under an agreement with the Bank of Finland. FOREX will accept levs at its branches in Finland from 1 January 2026 to 2 March 2026, with no fees being incurred by those changing the currency. On any single day, one person may exchange a maximum of 2,000 levs, and only banknotes will be accepted. In connection with the exchange of levs for euros, proof of identity must be presented.

Banknotes will be exchanged at a fixed conversion rate of 1 euro = 1.95583 Bulgarian levs.

Further information

Anja Harju, Senior Specialist, Payment Systems Department, Bank of Finland, tel. +358 9 183 2922.

FOREX branches in Finland: https://www.forex.fi/etsi-liike/

The IMF’s concluding statement on the Finnish economy

Press release 10 November 2025 3:30 PM

According to the IMF, the recovery of the Finnish economy has been slow but is expected to accelerate next year. Inflation is expected to remain at 2% in the medium term.

The IMF recommends that Finland’s policy actions should focus on consolidating the public finances, increasing the labour supply and boosting productivity. According to the IMF, the banking sector remains resilient, but vulnerabilities persist, including the weak housing market and elevated household debt.

The concluding statement discusses in more detail the economic outlook and risks, as well as government finances, productivity growth and financial markets, among other things.

Statement is part of IMF’s country monitoring

The IMF monitors the economic health of its member countries on a regular basis. IMF staff visit each country annually, meeting extensively with different concerned parties. At the end of these Article IV consultations, a concluding statement is published describing the preliminary findings of the IMF staff. A final report on the member country’s economy is published at a later date.

The IMF’s concluding statement is based on discussions held by IMF representatives with Finnish authorities as well as representatives of social partners, private financial institutions, research institutes and other relevant parties. The assessments and views in the statement are those of the IMF staff. The Bank of Finland publishes unofficial translations into Finnish and Swedish of an IMF-prepared summary of the concluding statement.

The concluding statement can be accessed in full on both the Finland page of the IMF’s website and the Bank of Finland’s website (www.suomenpankki.fi/en).

Summary in English (PDF)

Concluding statement (PDF)

Background information on the Bank of Finland’s international cooperation and the IMF.

Further information

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China’s economy to slow over the next two years

Press release 10 November 2025 1:00 PM

We expect the slowdown to continue throughout the forecast period, with growth falling gradually to around 3 % in 2027. Exports will no longer bolster economic growth as earlier, growth in fixed investment will slow, and growth in domestic consumer demand will be insufficient to sustain growth at current levels due to the shrinking, ageing population. Uncertainty has increased with respect to the economic figures reported by China.

Notes BOFIT senior economist Juuso Kaaresvirta, “China’s economic growth this year outperformed our previous forecast, largely due to robust exports in the first half of the year. However, exports support to the GDP growth is waning, the growth of fixed investment is slowing and the is little evidence that domestic consumption is perking up. Structural factors such as China’s shrinking population will keep Chinese economic growth on a slowing trend throughout the entire forecast period.”

Slower growth ahead for Chinese economy

Despite increased trade barriers, Chinese exports performed well in the first half of this year. Growth has begun to slow, however, in recent months. China’s official figures show GDP growing this year by slightly over 5 %, but we believe the actual growth rate is substantially lower. BOFIT’s alternative calculation of Chinese GDP indicates that actual growth this year will be about one percentage point less than the official figure. We expect GDP growth to slow to around 3 % at the end of the forecast period, with growth then settling at that pace over the longer term.

The moderation of growth reflects fading demand for Chinese exports, slowing growth in fixed investment, along with the earlier-mentioned structural factors, including the shrinking working-age population, the slow shift away from a growth paradigm built on fixed capital investment to a consumption-driven model, inefficient resource use, lack of transparency in economic policy and overall weakness in productivity gains. Differences among industries should also remain large throughout the forecast period, with some industries experiencing vibrant growth as others fade.

The Chinese economy has become harder to assess due to the lack of reliable data. Uncertainty surrounding statistical information has increased, even as legitimate discussion of economic issues has become more difficult within China. This situation extends to China’s bureaucrats tasked with drafting Chinese economic policies, as well as the work of economic decision-makers – all while increasing the risk of policy mistakes.

For the entire forecast, please go to https://www.bofit.fi/en/forecasting/latest-forecast-for-china/

Responsibility for developing a Finnish instant payment solution is to be transferred from the Payments Council to Siirto Brand Oy

Press release 28 October 2025 12:00 PM

In 2022, the Payments Council began to firmly promote the idea of an account-based instant payment solution for Finland. The goal has been to create a model for implementing the instant payment objectives set by the Eurosystem and the European Commission, allowing Finland to introduce an instant payment system compatible at European level and operating under uniform conditions. A Finnish instant payment solution will increase competition in the retail payments market and offer an alternative to card and cash payments.

For the purpose of developing instant payments in Finland, the Payments Council set up a working group to which market stakeholders and public authorities were invited. Coordination of the working group was the responsibility of the Bank of Finland. In 2024, the working group completed its Finnish Instant Payments Scheme Rulebook. The Rulebook sets out key principles: the use of common European standards; a centralised register; an open operating model; scope for market stakeholders to influence the Rulebook's future development; and a clear identity for the payment instrument.

"Finland needs to have alternatives for making point-of-sale payments. This need has grown since the escalation in geopolitical tensions. We must ensure that payments in Finland can continue to be reliable," says Member of the Board of the Bank of Finland Tuomas Välimäki, who also chairs the Payments Council.

Bank of Finland evaluated commercial service providers for instant payment solution

In spring 2025, the Payments Council agreed to continue the work and seek a commercial service provider for the instant payment solution. The Bank of Finland was asked to continue in its role of coordinator and submit a proposal to a meeting of the Payments Council.

The Bank of Finland looked at operators in the sector and evaluated their readiness to function as a service provider for a Finnish instant payment solution in accordance with the Rulebook. Based on this, the Bank of Finland made a proposal at a meeting of the Payments Council on 10 October 2025. The Payments Council concluded that on the basis of the proposal Siirto Brand Oy is best able to implement a solution that accords with the Finnish Instant Payments Scheme Rulebook. The Council will transfer the responsibility for developing the Rulebook to Siirto Brand Oy.

"The decision we now have meets the criteria given in the Rulebook. It is especially important that such a payment instrument using instant payments should also be available in brick-and-mortar shops, as these have a particularly strong need when it comes to reliability and competitiveness," says Välimäki.

"At Siirto we are proud that the Payments Council has recognised our abilities in regard to the instant payment solution. Instant payments will bring speed, security and convenience to everyday transactions in Finland. We want to help ensure that instant payment becomes available to everyone in Finland in the future," says Siirto Brand Oy CEO Mikko Ketola.

The Payments Council will continue to monitor the progress made towards an instant payment solution as well as implementation of the principles set out in the Rulebook.

The Payments Council is a national cooperation body for the purpose of further developing retail payments. It brings together users and providers of payment services and the authorities, with the aim of supporting the use of advanced and internationally compatible forms of payment that are efficient for society as a whole.

BOFIT Forecast for Russian Economy 2025–2027

Press release 20 October 2025 2:01 PM

The needs of war, labour shortages and slower growth in public spending will restrain growth of the Russian economy throughout the forecast period. Growth this year has also been hindered by falling oil prices, significantly reducing government tax revenues.

Our current forecast expects public spending to support domestic demand, and especially production in sectors linked to the war effort. Growth of the other sectors of the economy will be limited by labour shortages and tightening borrowing constraints. Barring significant changes in Russian domestic policy or major external shocks, we see Russian GDP growing at only about 1 % a year throughout the forecast period.

The downside risks to this forecast increase as the macroeconomic imbalances Russia worsen. While it is becoming harder to channel economic resources to sectors serving the war effort, it is still not impossible. A longer pause in military activities would provide a welcome respite for the Russian economy, but the significant role of the military-industrial complex is unlikely to diminish any time soon.

“Russia’s latest episode of high economic growth is over. Towards the end of the forecast period, we expect to see the Russian economy being more vulnerable with its growth prospects worse than before the invasion of Ukraine. Even so, Russia can still sustain the war at current levels and guarantee sufficient living standards for most of the population”, notes senior advisor Laura Solanko.

Governor of the Bank of Finland to attend IMF Annual Meetings

Press release 15 October 2025 11:00 AM

The IMF's International Monetary and Financial Committee and the joint IMF-WBG Development Committee will also convene in connection with the Annual Meeting.

The Bank of Finland will also be represented at IMF meetings during the week by Member of the Board of the Bank of Finland Tuomas Välimäki, Adviser to the Board Kimmo Virolainen, Head of Division Satu Kivinen, Senior Economist Anni Norring and Head of Communications Iina Lario.

Further information

Satu Kivinen, Head of Division

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Euro area inflation currently at around the 2% target and growth holding on amid tariff turmoil

Press release 12 September 2025 11:00 AM

The Governing Council of the European Central Bank (ECB) decided yesterday to keep the key ECB interest rates unchanged. According to the ECB's projections, inflation will stay around the medium-term target of 2%. Inflation is expected to average 2.1% in 2025, 1.7% in 2026 and 1.9% in 2027.

"With uncertainty continuing and the inflation outlook currently being close to target, we on the ECB's Governing Council had no pressing need to adjust interest rates. However, there is no room for complacency, and we'll stay vigilant. We are not pre-committing to a particular rate path, but will exercise agility and follow a meeting-by-meeting approach to our decisions, the next meeting being in October," says Governor of the Bank of Finland and member of the ECB's Governing Council Olli Rehn.

Impact of defence procurements on economic growth

Geopolitical and trade policy uncertainty will further weaken growth in the economy, although the most significant threats were eased by the summer's tariff agreement, and demand is still being supported by the earlier interest rate cuts. Growth may, however, be stimulated by the increase in defence spending and investment. The greater the domestic content of defence procurements in the euro area, the more jobs would be created and incomes would grow, and the multiplier effect of this on the economy would be larger.

"An increase in defence spending will support euro area growth, especially in 2026 and 2027. The pressure on public finances caused by this expenditure, both in Finland and in Europe, can be reduced if investment is successfully allocated to common procurements and to activity that promotes the development of new technologies. Key to this are skilled individuals and the innovations they produce," says Governor Rehn.

The main purpose of defence spending is to enhance security, but the economic effects must also be considered. The additional defence expenditure will inevitably increase public debt, at least in the short term, but the greater the economic growth brought about by this spending, the less marked will be the increase in debt.

Finland's economy making a faltering return to growth

The Finnish economy is making a faltering return to growth, according to the Bank of Finland's interim forecast published today. The outlook for the corporate sector has improved, but low household confidence continues to hinder growth in the economy.

Due to the weak performance in the early part of the year, the Finnish economy's full-year growth for 2025 will be 0.3%. Growth will pick up to 1.3% in 2026 and to 1.7% in 2027. Inflation will remain moderate, and the high level of unemployment will gradually start to fall from the beginning of next year. The increase in investment and the improved outlook for manufacturing are signs that the corporate sector is recovering. The currently weak household consumption will slowly improve due to wage growth and low inflation, among other things.

Presentation 12 September 2025, Governor Olli Rehn

Presentation 12 September 2025, Markku Lehmus

Articles and interim forecast (in Finnish)

Bank of Finland’s payments policy focuses on reliability and convenience

Press release 2 September 2025 1:00 PM

“Our task at the Bank of Finland is to oversee the reliable and efficient operation of payment systems. We want to make sure that people are able to choose the payment method that best suits them for each situation. Access to payment systems and cash must be at a level where this freedom of choice is genuinely available to everyone,” says the Bank of Finland’s Head of Payment Systems, Päivi Heikkinen.

The Bank of Finland’s payments policy also emphasises payment resilience. The payments policy seeks to foster the development of contingency solutions, as payment and settlement systems must be capable of responding to any disruptions and cyber threats. All entities involved must ensure that their cyber security and incident management arrangements are sufficient in regard to common systems as well.

“Payment is a critical activity in today’s society. Payment systems have generally functioned well and people are used to paying for their purchases without any fuss. We want to make sure that this continues. All the players need to ensure a sufficient level of security in payments, and cash must also be preserved as an option when paying for daily essentials,” says Member of the Board of the Bank of Finland Tuomas Välimäki.

Besides focusing on payment systems that are trustworthy, efficient and operationally reliable in all situations, the Bank of Finland is also engaged in the work to deepen the Single Euro Payments Area for retail payments. Operating within the Eurosystem, all service providers should comply consistently with European standards. This will strengthen operational reliability and encourage competition.

The Bank of Finland also supports initiatives that improve the ability of payment systems to prevent payment fraud and offer customers trustworthy information on managing their own finances. *“We wish to emphasise here that the security of electronic payment methods concerns not only the operational reliability of systems but also the prospect that every individual using the systems can do so securely and obtain reliable information on their own finances,”* says Välimäki.

The Bank of Finland’s payments policy will become evident in its work when it assesses the operation of payment and settlement systems and takes part in the debate on development of the systems. The success of this work will be examined in connection with the annual monitoring of the Bank’s activities.

Bank of Finland’s payments policy

Antti Ripatti chosen as Adviser to the Parliamentary Supervisory Council

Press release 27 August 2025 11:00 AM

Antti Ripatti has a social science doctorate, DSocSc. The subject of his doctoral dissertation was the demand for money in inflation-targeting monetary policy. At the University of Helsinki, Professor Ripatti is responsible for macroeconomic research and economics teaching.

The position of Adviser to the Parliamentary Supervisory Council is part-time and is for a fixed term up to spring 2027, when the present Parliamentary Supervisory Council’s term ends.

Iina Lario appointed Head of Communications at Bank of Finland

Press release 29 July 2025 3:10 PM

“I am delighted to start as Head of Communications at the Bank of Finland. Communication and being available to the media are part of the work of each of our experts, as the analysis done here must serve society as a whole,” says Lario.

Lario has worked as Head of Stakeholder Engagement and in other communications expert positions at the Bank of Finland since 2008. She has also worked in the International Media Relations unit at the European Central Bank and in, among other things, the ECB’s Banking Supervision communications.

The tasks of the Bank of Finland’s Communications unit include communications planning, implementation and strategic development. The unit is responsible for the Bank of Finland’s publications, online services and social media channels. The Bank of Finland Museum and the Financial Literacy Centre operate in conjunction with the Communications unit. The Communications unit participates in the work of the Eurosystem Communications Committee and its subgroups.

Governor Olli Rehn appointed Chair of ECB Audit Committee

Press release 25 July 2025 4:05 PM

The other four members of the Audit Committee are Luis de Guindos, Pervenche Berès, Ardo Hansson and Gaston Reinesch. Prior to his appointment as Chair, Mr Rehn has been a member of the Audit Committee from the beginning of 2025.

The Audit Committee's mandate is to assist the Governing Council of the European Central Bank in matters relating to the tasks and activities of the ECB and the Eurosystem in four areas:

- the integrity and accuracy of financial information,
- the effectiveness of internal controls,
- the compliance with applicable laws, regulations and other provisions, and
- the performance of audit functions

ECB launches design contest for future euro banknotes

Press release 15 July 2025 2:02 PM

> Designers from across Europe invited to apply, starting 15 July 2025
> Application platform open until 18 August 2025
> Governing Council's decision on final design expected by end of 2026 following a public survey

The European Central Bank (ECB) today launched a public contest for the design of future euro banknotes – the next step in the euro banknote redesign process. The ECB's Governing Council has already selected two possible themes for the future euro banknotes after consulting experts and the public. These are: "European culture", focusing on shared cultural spaces and important Europeans; and "Rivers and birds", focusing on the resilience and diversity of Europe's natural ecosystems. In January the Governing Council also selected motifs to illustrate the two possible themes.

The design contest, which is open to graphic designers residing in the European Union, aims to identify the best design proposals for the future euro banknotes. The contest will proceed in two phases: an application phase and a design proposal phase. During the application phase, designers must meet the specific requirements listed in the contest notice. The applicants will be assessed on the basis of their qualifications and achievements.
Selected designers will be invited to participate in the second phase and submit their design proposals. A group of independent experts – the Design Contest Jury – will evaluate the proposals and select up to five per theme.

"The euro is more than a currency – it symbolises European unity and diversity. Through this contest, we invite designers across Europe to shape the future of our banknotes to reflect our shared cultural identity and natural heritage," said ECB President Christine Lagarde.

After the contest finishes, the public will be invited to provide feedback on the designs selected. The Governing Council is expected to decide on the final design by the end of 2026. The new banknotes will be ready to enter circulation some years after this decision and following the production process. For detailed information about the contest, please refer to the ECB's website and the Official Journal of the European Union. Designers interested in participating are invited to submit their application by 12:00 CET on 18 August.

For media queries, please contact Alessandro Speciale, tel.: +49 69 172 1670791, or Benoit Deeg, tel.: +49 172 1683704.

Notes

- It is the duty of the ECB and the euro area national central banks to ensure that euro banknotes remain an innovative, secure and efficient means of payment. Developing new series of banknotes regularly is standard practice for all central banks. In a world where banknote reproduction technologies are rapidly evolving and counterfeiters can easily access information and materials, it is necessary to issue new banknotes on a regular basis. Beyond security considerations, the ECB is committed to reducing the environmental impact of euro banknotes throughout their life cycle, while also making them more relatable and inclusive for Europeans of all ages and backgrounds, including vulnerable groups such as the visually impaired. For more information, see the Future banknotes page on the ECB's website.

The theme of the current euro banknotes is “Ages and styles” and the main motifs on each banknote are windows, doorways and bridges based on architectural styles from various periods in European history. For more information, see the Design elements page on the ECB’s website

Marja Nykänen appointed as Co-Chair of Financial Stability Board’s Regional Consultative Group for Europe

Press release 1 July 2025 5:00 PM

Deputy Governor of the Bank of Finland Marja Nykänen has been appointed as Co-Chair Regional Consultative Group for Europe at the Financial Stability Board (FSB) with effect from 1 July 2025. The other Co-Chair is Antoine Martin, Vice Chairman of the Governing Board of the Swiss National Bank. All of the FSB’s Regional Consultative Groups have two co-chairs, each from a different country. This appointment reinforces Finland’s active role in fostering international financial stability.

“It is an honour to chair the Financial Stability Board's Europe group together with my Swiss colleague. The Board has a key role in maintaining international financial stability. Having already served as a member of the group, I have seen what can be achieved through international cooperation in fostering financial stability. I believe that in my new role as Co-Chair, I can build on this experience,” says Marja Nykänen.

The task of the Financial Stability Board is to promote financial stability through cooperation and coordination. The Board brings together national authorities and international banking and financial sector entities and, through its members, strengthens the stability of global financial markets.

Reference rate and penalty interest rates for 1 July – 31 December 2025

Press release 25 June 2025 2:00 PM

The reference rate used in defining the penalty rate is determined in accordance with section 12 of the Interest Act. Accordingly, the reference rate is the interest rate that was applied by the European Central Bank to the last main refinancing operation prior to the first calendar day of the half-year in question and rounded up to the nearest one-half percentage point. Such reference rate is effective for the following six-month period.

Trade policy and the security environment are setting the near-term course for the Finnish economy

Press release 10 June 2025 11:00 AM

The Governing Council of the European Central Bank (ECB) last week lowered the key ECB interest rates by 0.25 percentage points. Despite tariffs and threats of tariffs, conditions are still favourable for growth in the euro area economy. *“With the rate cut and consistent monetary policy we aim at ensuring that inflation in the euro area stabilises at its 2% medium-term target, and that the economy remains on a growth track. The level of uncertainty continues to underline the importance of taking decisions on a meeting-by-meeting basis. The ECB Governing Council is not pre-committing to a particular rate path but will maintain complete freedom of action in its interest rate decision-making at each future meeting,”* said Governor of the Bank of Finland Olli Rehn at the Bank of Finland’s press conference.

To assess the impact of the uncertainty on Finland’s economy, alternative tariff scenarios have been examined. *“In the scenario that is less favourable than our baseline forecast, the trade war escalates and the slowdown in Finland’s economy is prolonged. By contrast, in the more favourable – but, in my view, less likely – scenario, conditions in the global economy are strengthened by a decrease in the level of tariffs and by the fading of uncertainty, which would support Finland’s exports as well as private investment and consumption,”* says Rehn.

Stronger defence requires permanent financing solutions

Russia’s war in Ukraine and the United States’ shift in foreign policy make it clear that Europe has to strengthen its common defence capability. *“With common European defence solutions and procurements, we will be able to increase production capacity and reduce the unit cost of production by scaling up, instead of prices being pushed up by higher demand,”* emphasises Rehn. The EU’s aim is to expand its own defence procurement and the capacity of its defence industry. The impact of the higher defence spending on Finland’s economic growth in the immediate years ahead will depend on how large a share of the procurements can be made in Finland and the euro area.

The additional leeway which activation of the escape clause in the EU’s fiscal framework would bring is intended for exceptional circumstances. *“The increased financing need for defence is permanent or at least very long term. If defence spending remains high beyond 2029, then to ensure debt sustainability it will be essential to have durable financing through permanent tax increases or by cutting other public expenditure,”* says Rehn.

Fiscal sustainability must be ensured

The new EU fiscal rules introduced last year were necessary, but the new framework will have to be applied in an exceptionally difficult situation. *“When we reform our own national fiscal policy framework, we should focus not on what the EU rules compel us to do, but on how we ourselves are able to ensure our own fiscal sustainability,”* says Rehn. *“In these efforts it would be useful to look at Sweden, which has managed better than we have. Its fiscal framework is based on an adequate legislative backdrop and broad parliamentary consensus.”*

[Presentation 10 June 2025, Governor Olli Rehn]

Articles and forecast

New obstacles to Finland’s economic recovery

Press release 10 June 2025 11:00 AM

The Bank of Finland has today published its forecast for the Finnish economy for the years 2025–2027. Growth in Finland’s economy will be 0.5% this year, strengthening to 1.5% in 2026, and to 1.6% in 2027. *“Growth in the Finnish economy is picking up little by little, but the recovery will be hindered by the trade war and general uncertainty within the global economy,”* says the Bank of Finland’s Head of Forecasting, Juuso Vanhala.

Trade war will erode export growth

Finland’s exports will be slowed by the trade war and the unusually elevated level of economic uncertainty. The tariffs on goods remain high, and uncertainty over the path of the global economy is greater than in earlier years. However, with interest rates lower than before, the profitability of investment in the euro area will improve, which will also support Finnish exports in a difficult environment. Following the slump in investment in recent years, lower interest rates will also revive the level of investment in Finland and elsewhere.

The weak economic conditions that have prevailed for some time are still casting a shadow over the labour market. Growth in the demand for labour will be held back by low growth in the economy. *“The labour market will pick up gradually as economic conditions improve. But we will still have to wait for a rise in employment, and the level of unemployment will continue to be high,”* says Vanhala.

Inflation will stay low

Inflation will stay below 2% this year and in 2026 and 2027. Consumer prices this year are affected by increases in product taxes and a fall in energy prices. Based on the spring 2025 negotiations on collective agreements, both nominal and real earnings will rise.

In the years of the forecast, private consumption growth will edge up slowly as consumer confidence rises and the labour market gradually gets moving. Household purchasing power will strengthen, because inflation will remain moderate and interest payments will be less than in earlier years.

Public finances will remain significantly in deficit

Finland’s public finances will remain in deficit and the public debt-to-GDP ratio will continue to grow. The public deficit will shrink in 2025, but this favourable trend will then slow down. Tax cuts and higher defence spending will weaken the fiscal balance.

Presentation 10 June 2025, Head of Forecasting, Juuso Vanhala (in Finnish)

Articles and forecast

Risks to financial stability are growing due to global power politics

Press release 21 May 2025 11:00 AM

"Finland's financial system has remained stable, but the threats posed to it have grown and are now largely from outside our borders," says Deputy Governor of the Bank of Finland Marja Nykänen. The Bank of Finland today published its annual assessment of the stability of Finland's financial system and the risks affecting it. *"Banks and financial stability authorities must be prepared to deal with complex crises, some of which could intensify and spread in an instant,"* says Nykänen.

Finland's banking system must be able to offer its customers loans and other critical banking services even during crisis situations that are very hard to foresee. *"Strong resilience among the banks is especially important for the stability of Finland's financial system, as financing for households and businesses is largely reliant on the banking sector,"* says Nykänen. To guard against unforeseeable crises, there is a need for banks to have releasable capital buffers. This could be achieved by allowing more flexible use of the countercyclical capital buffer requirement than at present.

Solutions needed for risks encountered by households

The high indebtedness of households and the prevalence of variable rate loans are a significant vulnerability of the Finnish financial system. The risks associated with household indebtedness have partially materialised in recent years, but they have not threatened the stability of the financial system. The Finnish Government decided in April to ease the regulatory provisions concerning mortgage lending and lending to housing companies. If the risks grow, there will be a need to strengthen the resilience of the financial system by increasing banks' capital buffer requirements.

Cybercrime is growing, and phishing attempts and other scams targeting bank customers have increased. *"The banks have reduced their branch networks and moved customers to online services regardless of their customers' digital skills. The banks gain financially from this shift, but the online risks are borne by customers. If the banks do not take action themselves, the regulations regarding attribution of liability for scams targeting bank customers should be revised,"* says Deputy Governor Nykänen.

Capital market growth would support investments

In an environment that is geopolitically and economically challenging, bold and swift reforms are required from Europe. In March, the European Commission published plans for a Savings and Investments Union (SIU). The aim is to improve the way savings are channelled to finance productive investments that foster growth in the economy. *"Europe must focus on attracting investments and growth-oriented businesses. This is why Finland must actively promote the EU's Savings and Investments Union in accordance with the Commission's plan,"* says Nykänen.

Presentation 21 May 2025, Deputy Governor Marja Nykänen

Articles and Financial Stability Assesment (in Finnish)

A Finnish instant payment solution would improve resilience and consumer choice

Press release 8 May 2025 11:30 AM

”Finland needs a wider range of alternatives for making day-to-day payments. The escalation in geopolitical tensions has made this even more important. It is in all our interests, and is our duty, to ensure the resilience of payment methods in Finland,” says Member of the Board of the Bank of Finland **Tuomas Välimäki**, speaking at the Bank of Finland’s Payments Forum.

The Bank of Finland and the Payments Council – the national body for furthering the development of retail payments – have long emphasised the importance of payment resilience and the need for having alternative payment methods available. The aim is to develop convenient payment methods for the needs of individuals and businesses. *”The best scenario is that we could very quickly have a new retail payment system based on instant credit transfers available for people’s daily purchases,”* says Välimäki.

A Finnish instant payment solution would also strengthen national security by ensuring that sensitive financial data are protected under the jurisdiction of European authorities. It would also reduce the risk of any disruptions caused by external hybrid interference or economic sanctions, and would therefore enhance the resilience of the economy.

”For a Finnish instant payment solution to emerge, all parties in the payments value chain will have to work closely together. We need bold initiatives now, and we need the first steps to be taken,” says Välimäki, addressing the Forum.

BOFIT Forecast: Escalating trade war to slow Chinese growth and aggravate economic imbalances

Press release 28 April 2025 4:00 PM

BOFIT expects China’s economic growth to slow over the next three years. The forecast sees China’s GDP growth remaining around 3½ percent this year and next year, before slowing to around 3 percent in 2027. High uncertainty persists throughout the forecast period. Official growth figures are likely to be higher than reality, and statistical deficiencies make it difficult to assess China’s actual economic performance.

Besides the structural factors restraining growth, China faces a lack of consumer confidence and on-going problems in its real estate sector. Escalation of the trade war with the US significantly heightens uncertainty and negatively impacts growth. BOFIT senior economist Riikka Nuutilainen explains: “President Trump’s policies have caused a shock to the global trade system. The situation for China this time around is much more difficult than in Trump’s first term.”

China’s government is expected to increase economic stimulus measures to support growth, but with the effect of also increasing already large public sector imbalances and their associated risks.

The end of export-driven growth

Output growth in recent years has outstripped growth in domestic demand, with excess going to exports. Strong export demand clearly supported China’s economic growth still in the first quarter of this year. “Unfortunately,” Nuutilainen notes, “this benign situation won’t last much longer. China’s export outlook is further dimmed by lower global demand growth and increased worries among many trading partners about their over-dependence on China.“ The weak export outlook will likely be reflected in China’s domestic demand as the export sector is still an important job-provider and the most dynamic part of the Chinese economy,” adds Nuutilainen.

China this year remains committed to its ambitious “about 5 %” GDP growth target. Achieving growth anywhere near that will require more stimulus measures than currently announced. The country has been running large public sector deficits for years and government indebtedness has soared. “Stimulus at this point exacerbates imbalances in the Chinese economy, making it more vulnerable to shocks," states Nuutilainen.

The forecast is available at https://www.bofit.fi/en/forecasting/latest-forecast-for-china/.

Bank of Finland Governor to attend IMF Spring Meeting

Press release 23 April 2025 12:00 PM

Governor Rehn represents Finland on the Fund’s Board of Governors.

During the week of the Spring Meetings, the IMF’s International Monetary and Financial Committee (IMFC) as well as the Development Committee, a joint forum of the IMF and the World Bank, will convene for meetings.

The Bank of Finland will also be represented by Deputy Governor **Marja Nykänen**, Advisor to the Board **Kimmo Virolainen**, Senior Economist **Anni Norring**, Economist **Taina Sinivuori** and Head of Communications **Jenni Hellström**.

Blog (in Finnish) by Anni Norring: Maailmantalouden näkymät ovat heikentyneet äkillisesti

Interest paid on central bank deposits weakened Bank of Finland’s operating profit as in previous year

Press release 28 March 2025 11:00 AM

The Bank of Finland’s audited profit for the financial year 2024 totals EUR 0.00 after reductions in provisions (2023 profit: EUR 0.00). The Bank’s operating loss for 2024, EUR -1,027 million, was covered by using in full the remaining general provision and making a reduction of EUR 241 million in the provision against real value loss. The Bank of Finland’s operating loss is a reflection of the monetary policy operations undertaken by the Bank to maintain price stability in accordance with its mandate.

“The interest paid on central bank deposits considerably weakened the Bank of Finland’s operating profit for 2024, causing the Bank to reduce its provisions so as to cover the interest expenses. The Bank’s capital remained strong,” says Deputy Governor of the Bank of Finland Marja Nykänen.

The European Central Bank (ECB) started raising interest rates in 2022 in order to reduce the rate of inflation. Interest rate increases continued until September 2023, when the ECB’s deposit facility rate was at a high of 4.0%. Interest rates began to be lowered in June 2024, but there was only time for these reductions to have a minor impact on the full year’s average deposit facility rate, which was 3.73%.

In 2024, the Bank of Finland’s balance sheet holdings of monetary policy-related securities, which are mainly Finnish government bonds, decreased from EUR 90 billion to EUR 82 billion. Although new purchases are no longer being made, these bonds will remain on the balance sheets of the Bank of Finland and other euro area national central banks for a considerable time, because they are long-term bonds. The purchasing of these bonds created liquidity, and this then led to an increase in deposits by commercial banks with the central bank. The differences in the extent to which the Bank of Finland’s assets and liabilities are subject to fixed or variable interest rates poses a structural interest rate risk for its balance sheet, and, with the earlier interest rate increases, this risk has materialised as expected.

As a consequence of the interest rate increases, the amount of interest paid on the deposits of commercial banks during the financial year 2024 was EUR -3,697 million, which exceeds the Bank’s income from assets. Net interest income in 2024 was EUR -1,108 million, which was EUR 64 million less than in 2023.

The figure for central banking profit was EUR -937 million in 2024 (2023: EUR -1,027 million), and includes both interest income on the Bank of Finland’s financial assets and the Bank’s share of net interest income from the Eurosystem’s monetary policy operations. The operating expenses and income of the Bank of Finland and the Financial Supervisory Authority (FIN-FSA), excluding banknote production services and the pension fund contribution, amounted to EUR -73 million (2023: EUR -70 million).

The Bank of Finland’s financial statements, which also include the income and expenses of the FIN-FSA, have been published in Finnish today, 28 March 2025, on the Bank of Finland website. The Swedish and English versions will be published in April.

Bank of Finland Annual Report 2024

In a blog post (in Finnish), Head of Risk Control and Financial Accounting Antti Nurminen writes about how the Bank of Finland’s financial result is arrived at.

BOFIT’s Forecast for Russia 2025–2027: GDP growth to slow sharply

Press release 24 March 2025 1:00 PM

Russian growth in recent years has been driven by surging government spending on the war in Ukraine. We expect government spending to increase further this year, but production is already stretched to capacity, limiting potential for further output gains. The country’s labour shortage has grown more acute, inflation is accelerating and sanctions are limiting Russia’s foreign trade. Although a full-blown economic crisis in the immediate future is unlikely, Russia’s economic development is subject to exceptionally high risks as long as it continues the prosecute its war in Ukraine.

> ”For the moment, Russia has sufficient economic resources to continue the war in Ukraine,” notes BOFIT senior economist Heli Simola. “That is Russia’s most important goal regardless of the suffering it causes or the costs, but the costs become continuously higher.”

The BOFIT forecast for Russia 2025-2027 will be released March 24 and available at: https://www.bofit.fi/en/forecasting/latest-forecast-for-russia/

Olli Rehn appointed for second term as Bank of Finland Governor

Press release 14 March 2025 11:45 AM

The term of office for the Chair of the Board is seven years. The Chair serves as Governor of the Bank of Finland.

Momentous shift under way in global politics – Uncertainty casts shadow over growth in Finland and Europe

Press release 11 March 2025 11:00 AM

Uncertainty is weighing on investment in the euro area and on its exports, and the risks are on the downside. Inflation is stabilising at the target level, but growth in the economy is subdued. A significant increase in Europe's defence spending and in its investment in defence could increase the euro area's production.

The Eurosystem forecast for the entire euro area shows an annual inflation rate of 2.3% for 2025 and 1.9% for 2026. Measures of underlying inflation also suggest that the inflation rate will settle at around the 2% target on a sustained basis.

"In the European Central Bank's Governing Council, we decided to further lower interest rates this month, as inflation has fallen and the economic outlook has weakened. We are not pre-committing to a particular rate path but will take decisions on a meeting-by-meeting basis, the next meeting being in April. As there is high uncertainty, the Governing Council will maintain complete freedom of action," says Rehn. This was the sixth reduction in the deposit rate, which was lowered by 0.25 percentage points, to 2.5%.

Finnish economy's recovery slow

The Finnish economy is recovering from a recession. Growth in the economy is nevertheless modest and is being restrained by the low level of investment, in particular. The Bank of Finland's March 2025 interim forecast expects the economy to grow at the same pace as it had forecast in December 2024, but the risk of weaker growth has increased. Growth in the Finnish economy will be 0.8% this year and will rise to 1.8% in 2026. In 2027, the final year of the forecast period, growth will slow to 1.3%.

Extensive trade war would weaken economic output worldwide

Calculations by the Bank of Finland show that United States' import tariffs targeting EU countries and China could reduce global gross domestic product (GDP) by just over 0.5% in 2025 and again in 2026. The impact on the euro area's economy could be slightly greater than this. A trade war may lead to both upward and downward pressures on prices.

The US has imposed considerable trade restrictions on its trading partners. "Widespread US tariffs on its imports from EU countries would, if implemented, hamper Finland's goods exports, as the United States is an important export market for Finland. The elevated uncertainty may in itself curb private consumption and investment, as well as growth in Finland's export markets," says Governor Rehn.

Europe and Finland require investment in security and must find solutions for structural challenges in the economy. "Defence investments now have to be stepped up in an environment where the public deficits of EU Member States are already large. For this reason too, we need common European solutions that must be implemented in ways which effectively strengthen our shared external security," underlines Rehn.

Presentation 11 March 2025, Governor Olli Rehn

Articles and interim forecast (in Finnish)

Total of 714 counterfeit euro banknotes found in circulation in Finland last year

Press release 21 February 2025 11:05 AM

20 and 50 euro notes were the most counterfeited

Among the denominations in circulation in Finland in 2024, the EUR 20 was the most frequently found counterfeit note (386 counterfeits). 197 of all counterfeits were EUR 50 notes and 71 were EUR 10 notes.

Year	2020	2021	2022	2023	2024
Number of counterfeits	1,496	523	469	653	714

"The number of counterfeit euro banknotes detected in circulation has increased slightly over the past two years but is still small compared to the rest of the euro area. Although it is highly unlikely that you will come across a counterfeit banknote, it is important to pay attention to the security features of banknotes when handling them," says Olli Vehmas, Banknote Specialist at the Bank of Finland.

You can check whether a euro banknote is genuine by looking at the various security features that have been incorporated into them. For instance, feel the raised print, look at the banknote against the light and tilt it. If you have any suspicions, compare the note directly with one that you know to be genuine. More information on checking banknote authenticity can be found on the Bank of Finland website.

The Bank of Finland has a short online course (in Finnish and Swedish) on the recognition of banknotes, which is open to everyone. The course provides an opportunity to learn about the security features of euro banknotes and how to act in situations where a counterfeit is suspected. The course is available here: setelikurssi.suomenpankki.fi.

In a press release published today, the European Central Bank provides an overview of the situation regarding counterfeit euro banknotes.

Parliamentary Supervisory Council proposes Olli Rehn for second term as Bank of Finland Governor

Press release 14 February 2025 10:00 AM

The appointment will be made by the President of the Republic upon a proposal from the Government. The Governor’s term of office is seven years. A person serving as Governor can be appointed for a second term.

A total of eight applications for the position were received.

Finland’s long-term growth squeezed by demographic change and weak productivity

Press release 31 January 2025 12:00 PM

Bank of Finland’s long-term forecast has three scenarios for the growth outlook

The Bank of Finland’s long-term forecast for the period 2024–2075 consists of three scenarios concerning the future of Finland’s human capital, fixed capital and GDP. In the no-policy-change scenario, the growth in both human capital and fixed capital comes to a halt and then declines. As a consequence, the GDP is no longer increasing in the 2040s and shrinks from the 2050s onwards. This scenario depicts a situation in which factors driving economic growth are not being supported through additional investment. Annual net immigration is assumed to be 18,000 people throughout much of the forecast period.

In the baseline scenario, the highest GDP growth rate is in the 2030s, averaging 1.8% annually. Growth then slows gradually to just over 0.5% from the 2050s onwards. The scenario assumes that the proportion of 25–34-year-olds who have a higher education degree will rise to 50% by 2035. The assumption for annual net immigration over the long term is 27,000 people. Human capital accumulation will continue until the 2040s, after which the human capital stock will no longer grow. GDP growth will subsequently be reliant on growth in fixed capital.

In the optimistic scenario, average annual GDP growth in the 2030s will be 2%. Growth will then fall to 1.5% in the 2040s and stay at a little over 1% in the years 2050–2075. The scenario assumes that from 2040 onwards, 70% of those aged 25–34 will have a higher education degree. Annual net immigration is assumed to be 40,000 people, in accordance with the population projection of Statistics Finland. The stock of human capital will grow in the 2040s at an average annual rate of close to 1%. The growth will then slow to a rate of just above zero at the start of the 2070s.

Euro & talous article, Bank of Finland’s long-term forecast (in Finnish): Työikäisen väestön supistuminen ja heikko tuottavuus painavat Suomen pitkän ajan kasvunäkymää