Analysis

Household confidence and the news

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AUTHORS

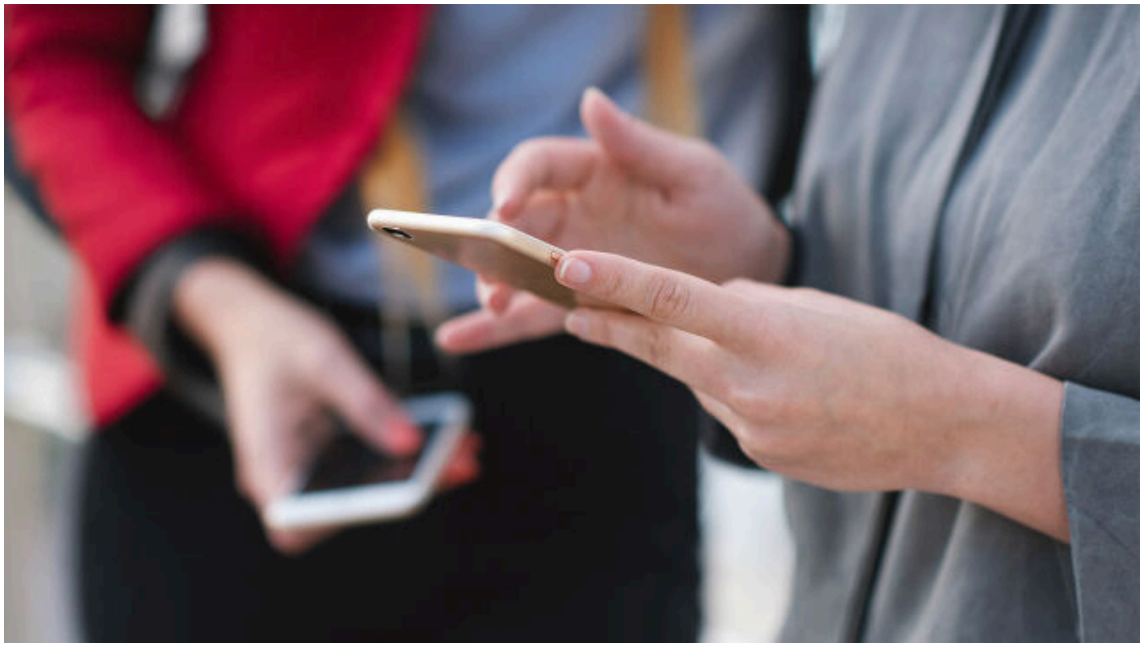


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Negative news about the economy and the security environment has dominated the news flow for a long time. Using text analysis, it is found that the increase in this news coverage has in some cases coincided with the weakening of consumer confidence among households. However, news about geopolitical affairs may have a different impact on confidence than news about Finland's economy.



The 2020s have seen a series of successive crises that have dominated public discourse and news coverage. The COVID-19 pandemic, the war in Ukraine, inflation, the rise in interest rates and the debate on fiscal sustainability have all cast a shadow over the way Finnish households view the future outlook, although a turn for the better is now in sight (see June forecast).

When households feel uncertain about their future, they will put off buying homes, replacing their cars and making other non-essential purchases. Private consumption accounts for about half of the aggregate demand in the economy, so shifts in confidence will have a significant economic impact.

Regardless of whether the risks and threats ever materialise, continued news coverage of these can dampen household sentiment. This article examines whether there is a link between the amount of negative news and the confidence displayed by Finnish households.[1]

In the following analysis, the volume of the news flow is measured using news indices developed for this purpose. Confidence is measured using the consumer confidence indicator published monthly by Statistics Finland. A comparison of the news indices and confidence indicator values shows that news coverage of domestic events is more clearly linked to shifts in consumer confidence than coverage of foreign news. However, conclusions regarding actual causal relationships between news coverage and confidence cannot be drawn solely on the basis of a descriptive analysis.[2]

Consumer confidence indicator measures households' confidence in their own finances and in the Finnish economy

The consumer confidence survey published by Statistics Finland is based on a monthly household survey. Households give their own assessment of their finances and of the Finnish economy, generally in relation to a particular reference period. The consumer confidence survey contains a number of sections, and four of these are used to calculate the *consumer confidence indicator.*[3] The confidence indicator looks at the following elements:

- own finances now
- own finances 12 months from now
- Finland's economy 12 months from now
- spending on durable consumer goods (next 12 months compared with previous 12 months).

Confidence is weak both in Finland and elsewhere

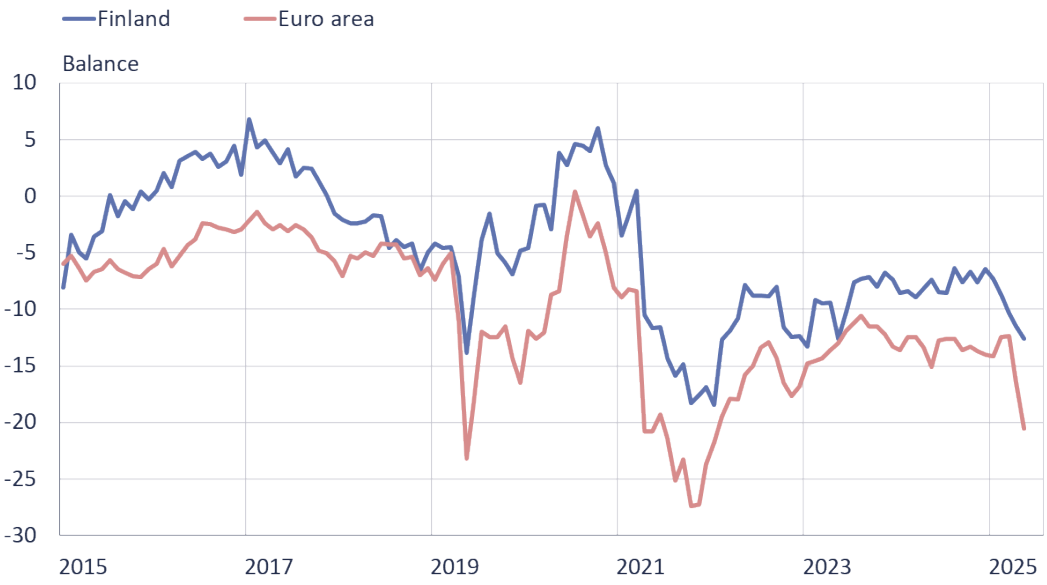
Shocks to the Finnish economy have weakened consumer confidence among households during most of the current decade (Chart 1). Following the COVID-19 pandemic, the consumer confidence indicator briefly turned positive, but after Russia's invasion of Ukraine, confidence fell

to its lowest level in the 2000s. Confidence has been slow to recover from the slump caused by the war, and new shocks have further slowed that recovery. In May 2026, the balance value of the confidence indicator was still well below its long-term average.

Although consumer confidence in Finland has remained weak, it has nevertheless exceeded the average level of consumer confidence in euro area countries in recent years. However, the collapse of confidence in the spring of 2022 following the start of the war in Ukraine and the subsequent energy crisis was roughly as severe in Finland as in the euro area on average.[4]

Chart 1.

Consumer confidence in Finland is higher than the euro area average



Source: European Commission.

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Volume of news coverage can be measured through text analysis

Confidence about the economy has been weakened in recent years by both domestic and foreign shocks and by the news coverage of these. However, news about geopolitical affairs and security matters may affect confidence differently than news about the Finnish economy. Geopolitical news is about risks whose likelihood and potential effects may be difficult for the public to grasp (such as war and hybrid interference). Negative news about Finland's economy, on the other hand, deals with more concrete issues such as rising consumer prices and interest rates, increased unemployment, cuts to social security and the deterioration of health and social services. Low-

income households often face the greatest risks, as their financial position is the most vulnerable.

The volume of both domestic and foreign news flows can be measured using text analysis, which examines the frequency of relevant keywords in the news (Table 1). In the following analysis, the volume of the news flow is measured using methods presented by Caldara and Iacoviello (2024) and Baker et al. (2016).

The volume of domestic news coverage about the Finnish economy is measured using solely a keyword-based index.[5] In this method, the daily and monthly values of the index are obtained by dividing the number of news stories containing at least one of the keywords selected in advance by the total number of news stories. Two sets of alternative keywords are used to calculate the domestic news index. The first set emphasises words reflecting economic uncertainty while the second focuses on words that describe economic stress more broadly.

A newer version of the method is used to track foreign news coverage, mainly on geopolitics.[6] The method is based on a language model that has been trained using classifications made by humans (Chart 2). The geopolitical index is constructed by comparing the number of news stories classified as geopolitical by the language model with the total number of news stories. Note that the language model takes into account the content and purpose of the entire story rather than just the occurrence of individual words.

Both the domestic and foreign indices are constructed using Finnish-language news coverage from the Finnish Broadcasting Company (Yle) for the period 2011–2024. Since the risk indices are based solely on domestic news coverage, they reflect how news events are interpreted specifically by the Finnish media and the public.

Table 1.

News indices use keywords to track negative news about the economy and geopolitics	
Index	**Examples of keywords**
Geopolitics	geopoliitti*, sota, konflikt*, jännite, terrori*, pelko, uhka, kauppasaarto*, sopeutus (geopolitic*, war, conflict*, tension, terror*, fear, threat, embargo*, consolidation)
Uncertainty	epävarmu*, riski, huoli, uhka, taloudell*, velkaantumi*, kulukuri (uncertaint*, risk, concern, threat, economic*, indebted*, budget discipline)

News indices use keywords to track negative news about the economy and geopolitics	
Economic stress	*työttömy*, taantum*, talouskriisi*, brexit, energiakriisi*, rakenteellinen alijäämä (unemploy*, recession*, economic crisis*, Brexit, energy crisis*, structural deficit)

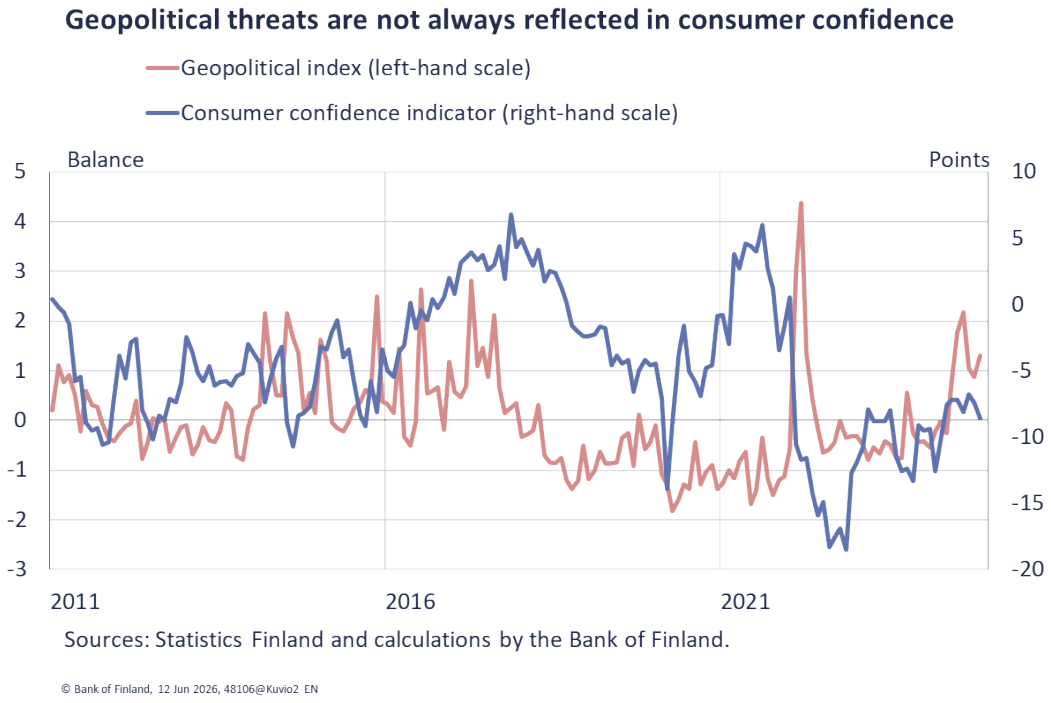
News index tracks geopolitical twists and turns fairly well

Chart 2 shows the monthly observations of the geopolitical news index (language model based) and the consumer confidence indicator for the years 2011–2024. The news index captures relevant news stories fairly well. However, based on the chart, the trend in consumer confidence does not appear to have been closely linked to the geopolitical news flow. There is little correlation between the news index and the confidence indicator (correlation coefficient -0.05).[7]

The confidence indicator and the news index have each featured strong movements that occur only in one of them but not concurrently in the other. The series of terrorist attacks in Paris, Nice and Stockholm in 2015–2017 caused spikes in news coverage, but despite the increase in the international terrorist threat, consumer confidence rose steadily from its trough in autumn 2015 to the end of 2017. The terrorist attacks were followed by a quieter period in terms of news coverage, which lasted until the end of the decade. Despite the easing of geopolitical risks, consumer confidence weakened substantially.

The flood of news caused by the war in Ukraine coincided better with the shifts in the confidence index. Russia's attack on Ukraine increased the volume of news coverage in February–March 2022, and at the same time, consumer confidence plummeted. The biggest surge in the news was short-lived, however, and caused only a temporary spike in the news index. In summer 2022, the news index had already returned near to its pre-war level. Despite the decrease in news coverage, consumer confidence continued to weaken up to the end of 2022.

Chart 2.

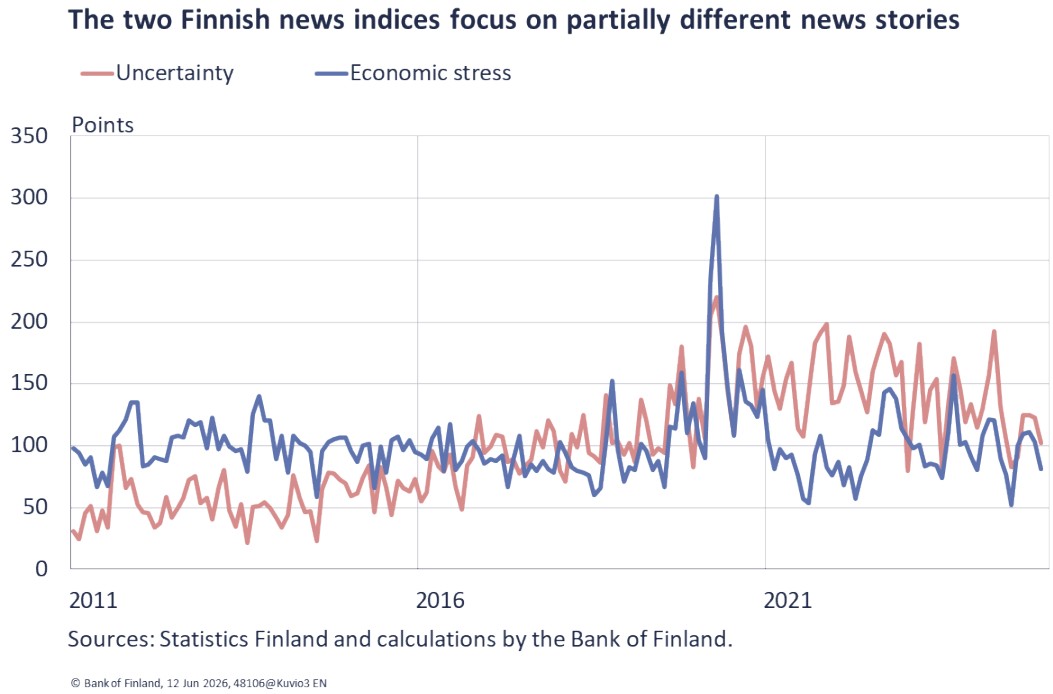


Gloomy news about Finland – “We might be affected, too”

The volume of domestic news coverage is measured using two complementary indices (Chart 3). They track negative news about the Finnish economy from slightly different perspectives. The first of these domestic indices is based on keywords that focus on news about economic uncertainty.[8] The keywords of the uncertainty index also include words that describe the general weakness of the economy, whereas the other domestic index tracks economic stress more broadly.

The news tracked by the economic stress index covers, for example, labour market problems, various crises, structural problems and difficulties experienced by households. Like the index on geopolitical news, both the domestic indices are based on news articles in the Finnish Broadcasting Company’s (Yle) archives for the period 2011–2024.

Chart 3.



Both of the domestic news indices progressed fairly steadily until the turn of the 2020s. News coverage on the euro area sovereign debt crisis spiked in both indices in the yearly 2010s. In addition, the economic stress index is better than the uncertainty index in tracking the autumn 2013 debate over Finland's protracted recession.[9] The COVID-19 crisis in spring 2020 also caused a larger spike in the index on economic stress.

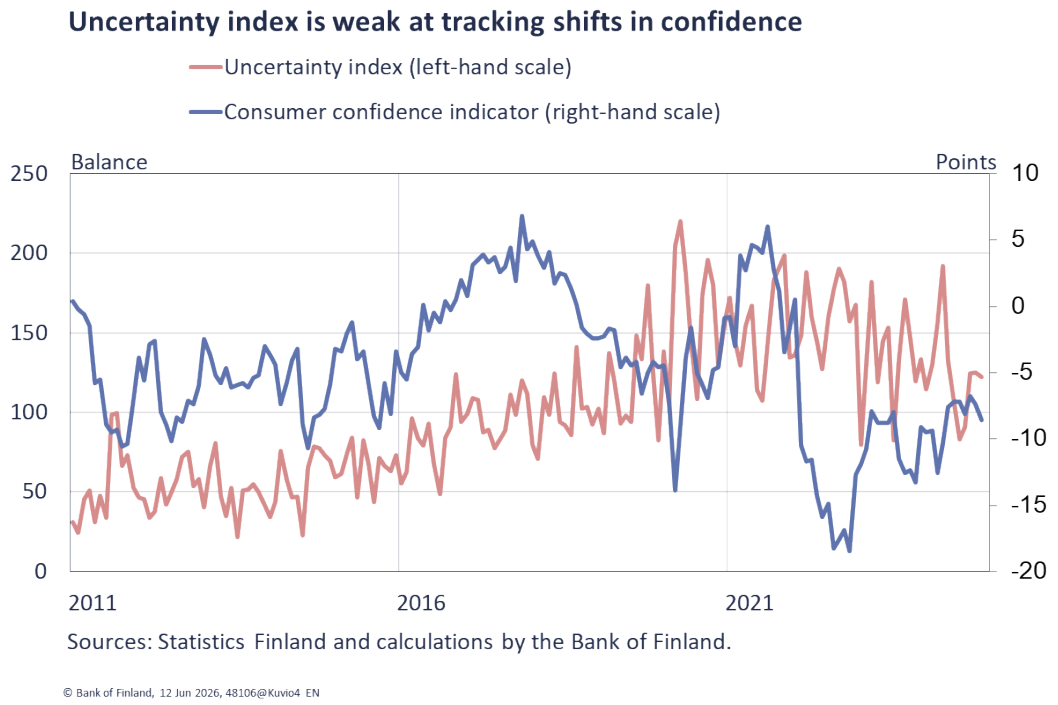
News coverage about economic uncertainty coincides rather sporadically with the pattern of confidence shifts

The domestic news indices follow the shifts in consumer confidence slightly better than the geopolitical index. Despite this, the rise and fall in the volume of news stories about uncertainty coincide only very sporadically with the shifts in consumer confidence. The negative correlation between the uncertainty index and the confidence indicator (-0.17) is significantly stronger than the correlation between confidence and the geopolitical news coverage (-0.05), but it is nevertheless very weak.[10]

In the early part of the reference period, in early autumn 2011 and in 2012 and 2013, the uncertainty index tracks the news coverage on the euro area sovereign debt crisis in particular (Chart 4).[11] The increase in uncertainty-related news particularly in 2011 coincides fairly well

with a dip in consumer confidence. In addition to the sovereign debt crisis, the collapse in confidence in 2011 could be attributable to factors such as the rise in inflation and the first signs of a slowdown in the economy. The spikes and dips in the volume of news coverage and strength of consumer confidence in 2012 and 2013 are too, to some extent, mirror images of each other.

Chart 4.



News coverage about economic uncertainty started to increase steadily in autumn 2016, spiking in spring 2020 as a result of the flood of negative news caused by the COVID-19 crisis. Over this period, the index appears to have diverged, at least in part, from the trajectories of consumer confidence and economic growth. Consumer confidence improved steadily between 2016 and 2018, despite the simultaneous increase in negative news. The improvement in confidence is probably explained by the temporary pick-up in Finland's economic growth in 2016–2017. Cyclical conditions started to weaken already in 2018, and this was accompanied by a dip in consumer confidence.

During the COVID-19 crisis, there was again a closer link between news coverage on economic uncertainty and shifts in confidence. The amount of news coverage about economic uncertainty increased drastically in spring 2020, following the outbreak of the pandemic. This was accompanied by a dip in consumer confidence. The strongest responses of news coverage and confidence to the COVID-19 pandemic were short-lived, however.

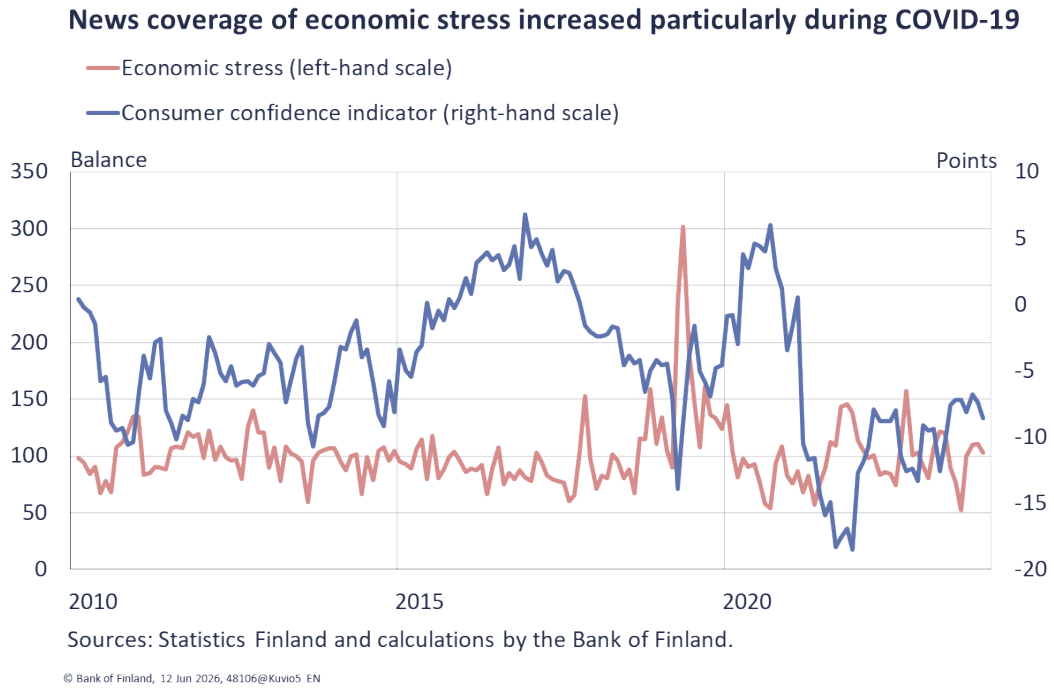
The amount of news coverage on economic uncertainty and the weakness in the economy has been significantly higher in the 2020s than in the 2010s. This has been boosted particularly by news coverage of the economic effects of the war in Ukraine and the general weakness of Finland's economy. The outbreak of the war in Ukraine was followed by a collapse in consumer confidence, from which the economy partly recovered. In recent months however, confidence has again been mostly declining.

COVID-19 increased the news coverage about economic stress

The news index that focuses on general economic stress also tracks the news coverage on the euro area sovereign debt crisis, but the spikes are slightly smaller than in the case of the uncertainty index (Chart 5). The volume of news on economic stress did not display as much variation as the news coverage tracked by the uncertainty index, even in the late 2010s.

But the economic stress index tracks news stories in the 2020s better than the uncertainty index. It responded to the outbreak of the COVID-19 pandemic in spring 2020 significantly more strongly than the uncertainty index (Chart 5). The index nevertheless peaks only in April 2020, i.e. approximately one month later than the sharpest collapse in consumer confidence. Thus, the increase in negative news alone does not seem to have further weakened consumer confidence. However, the significant decrease in news on economic stress since spring 2020 coincides well with the recovery in consumer confidence, and therefore a link between news coverage and confidence cannot be ruled out altogether.

Chart 5.



Russia's attack on Ukraine is not reflected in the economic stress index until the autumn of 2022. The indicator's keywords track news on, for example, the inflation crisis and the energy crisis. Only with a lag did these economic impacts of the war begin to materialise and be reported in news coverage. In 2022–2024, the ebb and flow of the news coverage on economic stress coincide fairly well with the shifts in the confidence indicator.

Measured using a correlation coefficient (-0.32), the linkage between the economic stress index and confidence is slightly tighter than the linkage between the uncertainty indicator and confidence.

Slightly tighter link between economic news and confidence than between geopolitical news and confidence

Recurring crises and shocks have cast a shadow over the confidence of Finnish consumers throughout the current decade. The flow of constantly negative news may have an impact on consumers' confidence about the future, even if the worst fears never materialised.

The volume of negative news coverage can be tracked and measured using text analysis that is based on keywords and language models. In measuring the flow of news, indicators that are based on domestic and foreign news complement each other.

It is difficult to establish a direct causal link between the shifts in confidence and the spikes in news coverage tracked by the news indices. Negative news on the domestic economy seems to be a little more tightly linked with variations in consumer confidence than news coverage on geopolitical events.

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Notes

1. Both domestic and foreign news stories affect consumer confidence. According to Statistics Finland (2025), consumer assessments of Finland's economic outlook in spring 2025 were strongly influenced by global developments, but also by domestic factors such as inflation and the labour market. The 2025 Eurobarometer shows that security concerns, public debt and unemployment had a greater impact on consumer confidence in Finland than in the EU countries on average. ↑

2. The relationship between negative economic news and Finnish consumer confidence has previously been studied by Lehmus et al. (2023). The findings suggest that the volume of negative news coverage correlates negatively with the consumer confidence indicator ↑

published by Statistics Finland and also anticipates changes in it. The study searched the YLE news archive for news stories associated with a negative impact on confidence, and an index capturing this was created based on the frequency of these stories.

3. For each question, a balance figure is calculated from the responses by subtracting the share of negative responses from the share of positive responses ("better" minus "worse"). ↑

4. Even among countries experiencing the biggest deterioration in their security since Russia's invasion of Ukraine (Finland, the Baltic countries, Poland), consumer confidence has followed different trajectories since 2022. In Estonia, confidence has been significantly lower than in peer countries. ↑

5. The indices calculated for Finland concerning uncertainty and economic stress are constructed using the keyword-based approach of Baker et al. (2016). ↑

6. The language model version of the geopolitical index used here is based on the approach by Caldara and Iacoviello (2022). However, they construct their own news index for geopolitical news using a keyword-based method rather than a language model. Ambrocio et al. (2025) have constructed a Finnish geopolitical news index using the 'dictionary-based method' of Caldara and Iacoviello (2022), applied to Finnish news data. Bondarenko (2024) applies this same method to local news sources in multiple countries. ↑

7. Since the consumer confidence index is typically published with a slight delay after the data is collected, it is lagged by one month when calculating correlations. ↑

8. The uncertainty index is constructed on the basis of the Economic Policy Uncertainty Index (see Baker et al., 2016). The index tracks news stories that include all three words that are in the index name: economic, policy and uncertainty. The group of terms has been extended to suit the Finnish context, i.e. the index is not a 'pure' EPU index. ↑

9. The keywords of the economic stress index that are related to the weak public finances also pick out stories from the news coverage that deal with weak public finances in other countries. ↑

10. Data for the consumer confidence indicator are collected in the month preceding the month of publication, which means that, for example, the indicator published in June 2026 refers to consumer confidence in May 2026. To capture the correlation of news coverage and confidence, the time series for consumer confidence was advanced by one month in the case of both drawing the chart and calculating the correlation. ↑

11. The keywords of the news index do not always necessarily distinguish between the increase in economic uncertainty in Finland and abroad, and therefore the spikes in the index are likely to indicate also an increase in news coverage on the other euro area countries. ↑

Keywords

confidence, economic cycles, households, news