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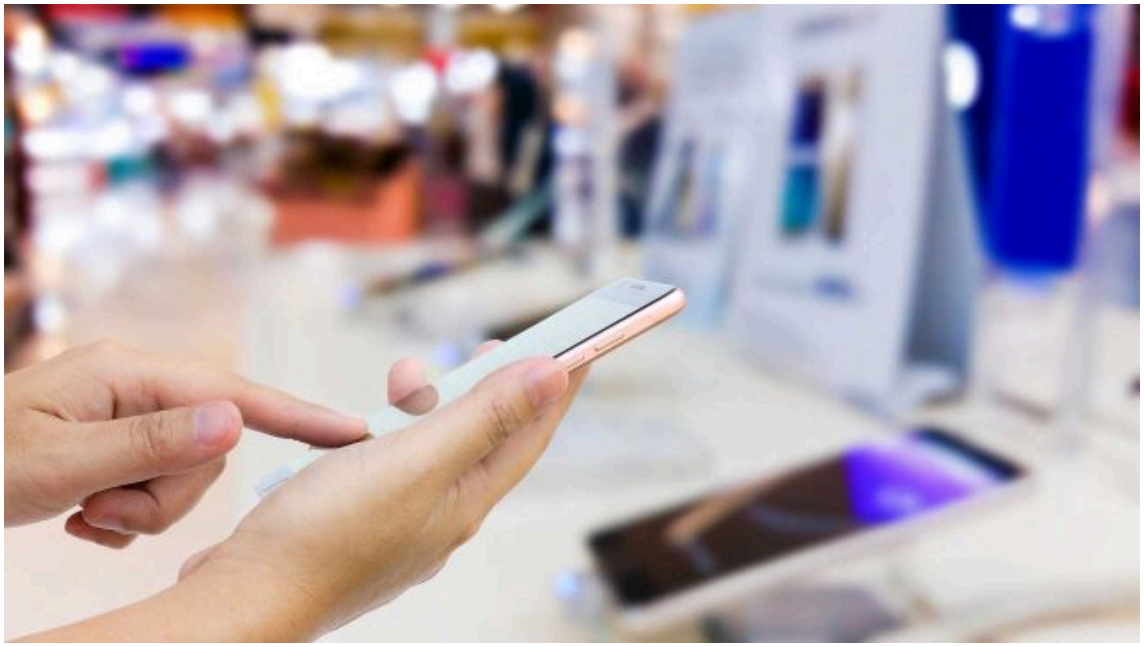
Finnish economy returning slowly to growth

Finnish economy | 17 December 2024

Finland is moving on from the recession in its economy. Growth will be slow initially but will gradually pick up. Inflation will no longer be eroding the increase in earnings, and the reduction in interest rates will fuel investment and consumption. Finland's exports will also be rising. The recovery will be overshadowed by uncertainty in the outlook for the global economy. Government debt will continue to increase.

Bullet point summary produced with the assistance of AI

- Economic growth slowly returning, risks still elevated
- Moderate inflation rate
- Sustained efforts needed to turn public debt ratio around



The production of goods and services in 2024 is set to show a year-on-year decline for the second year running. Consumption and investment are down as a result of the caution shown by consumers and businesses, and because of weak confidence in the economy.

However, inflation, or the general rise in prices, has been brought under control and interest rates have been reduced. The Finnish economy is forecast to grow slightly in 2025, but the recovery from recession will be slow. Growth in the economy will be driven by, among other things, a pick-up in exports. The rate of growth will differ among Finland's export markets. Growth in the world economy will be accelerating, whereas the euro area economy will be growing slowly. The recovery in exports may slacken, however, if the United States imposes its threatened tariffs on European countries.

Demand will start rising in Finland too in 2025. The recovery in household consumption will nevertheless be slow. After the recession, consumers will still be cautious in their purchase decisions and will be building up their rainy day savings. Unemployment will be higher than usual.

Chart 1.



As the future outlook improves, businesses will start to invest again in construction, machinery and equipment. The financial markets are expecting further cuts in interest rates, and these lower rates will fuel investment. Business investment will already be up in 2025, but in residential construction a clear improvement will take longer to come about. Construction companies have a large number of completed homes that are still unsold, and this will affect the willingness to start new construction works.

Growth in Finland's economy will pick up somewhat in 2026 and 2027. Private consumption and exports will grow at an increasing pace. The reduction in mortgage interest rates will stimulate residential property sales, and the construction of new homes will get under way again. With the

upswing in the economy, there will again be more jobs available than in previous years and the employment rate will rise.

Inflation will remain low, at less than 2%, in the immediate years ahead. Taxation increases will nevertheless push up consumer prices in 2025. The Government has increased taxes and cut spending in order to achieve a better balance between central government revenues and expenditure. Central and local government revenues in the forecast period will nevertheless still be below the level of expenditure, and so this will necessitate further borrowing. Putting an end to the rise in public debt will require sustained efforts in the years ahead.