

## FORECAST

Finnish economy | 16.03.2017

# EURO & TALOUS

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|                     | <b>2017</b> | <b>2018</b> | <b>2019</b> |
|---------------------|-------------|-------------|-------------|
| <b>BKT, %</b>       | 1,6         | 1,5         | 1,3         |
| <b>Inflaatio, %</b> | 1,0         | 1,0         | 1,3         |

December 2016

### 1. BALANCE OF SUPPLY AND DEMAND, AT REFERENCE YEAR 2010 PRICES

% change on previous year

|                               | <i>2015</i> | <i>2016</i> | <i>2017<sup>f</sup></i> | <i>2018<sup>f</sup></i> | <i>2019<sup>f</sup></i> |
|-------------------------------|-------------|-------------|-------------------------|-------------------------|-------------------------|
| GDP at market prices          | 0.2         | 1.0         | 1.3                     | 1.2                     | 1.2                     |
| Imports of goods and services | 1.9         | 1.2         | 2.0                     | 2.1                     | 1.9                     |
| Exports of goods and services | -0.2        | 0.7         | 2.1                     | 2.5                     | 2.6                     |

Source: Bank of Finland forecast December 2016.

| 1. BALANCE OF SUPPLY AND DEMAND, AT REFERENCE YEAR 2010 PRICES |      |     |     |      |      |
|--|------|-----|-----|------|------|
| Private consumption  | 1.5  | 1.9 | 1.4 | 1.0  | 0.9  |
| Public consumption   | 0.4  | 0.3 | 0.3 | 0.3  | -0.3 |
| Private fixed investment                                       | 2.2  | 5.8 | 3.4 | 2.5  | 2.7  |
| Public fixed investment  | -5.1 | 3.1 | 0.6 | -0.2 | -0.1 |

Source: Bank of Finland forecast December 2016.

| 2. CONTRIBUTIONS TO GROWTH <sup>1</sup>   |      |      |                   |                   |                   |
|---|------|------|-------------------|-------------------|-------------------|
|   | 2015 | 2016 | 2017 <sup>f</sup> | 2018 <sup>f</sup> | 2019 <sup>f</sup> |
| GDP, % change   | 0.2  | 1.0  | 1.3               | 1.2               | 1.2               |
| Net exports   | -0.8 | -0.2 | 0.0               | 0.1               | 0.3               |
| Domestic demand excl. inventory change  | 1.0  | 2.2  | 1.5               | 1.1               | 0.9               |
| of which Consumption  | 0.9  | 1.2  | 0.8               | 0.6               | 0.4               |
| Investment  | 0.1  | 1.1  | 0.6               | 0.4               | 0.5               |
| Inventory change + statistical discrepancy  | 0.0  | -1.1 | -0.2              | 0.0               | 0.0               |
| <sup>1</sup> Bank of Finland calculations. Annual growth rates using the previous year's GDP shares at current prices as weights. |      |      |                   |                   |                   |

Source: Bank of Finland forecast December 2016.

| 3. BALANCE OF SUPPLY AND DEMAND, PRICE DEFLATORS |       |       |                   |                   |                   |
|--|-------|-------|-------------------|-------------------|-------------------|
| Index 2010 = 100, and % change on previous year  | 2015  | 2016  | 2017 <sup>f</sup> | 2018 <sup>f</sup> | 2019 <sup>f</sup> |
| GDP at market prices                             | 112.0 | 113.3 | 113.2             | 113.6             | 114.4             |

Source: Bank of Finland forecast December 2016.

| 3. BALANCE OF SUPPLY AND DEMAND, PRICE DEFLATORS |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
|  | 1.6   | 1.2   | -0.1  | 0.3   | 0.7   |
| Imports of goods and services                    | 100.6 | 98.5  | 101.6 | 104.3 | 106.5 |
|  | -4.0  | -2.0  | 3.1   | 2.7   | 2.1   |
| Exports of goods and services                    | 103.3 | 100.7 | 103.2 | 105.2 | 107.1 |
|  | -0.9  | -2.5  | 2.5   | 2.0   | 1.8   |
| Private consumption                              | 110.8 | 111.4 | 112.0 | 112.7 | 113.6 |
|  | 0.4   | 0.5   | 0.6   | 0.7   | 0.8   |
| Public consumption                               | 112.6 | 114.3 | 113.7 | 114.1 | 114.8 |
|  | 0.2   | 1.5   | -0.5  | 0.4   | 0.6   |
| Private fixed investment                         | 109.4 | 111.2 | 112.4 | 113.4 | 114.9 |
|  | 0.5   | 1.6   | 1.0   | 0.9   | 1.3   |
| Public fixed investment                          | 110.3 | 112.2 | 114.3 | 114.8 | 115.6 |
|  | 0.1   | 1.7   | 1.9   | 0.4   | 0.8   |
| Terms of trade (goods and services)              | 102.7 | 102.2 | 101.6 | 100.9 | 100.6 |
|  | 3.3   | -0.5  | -0.6  | -0.7  | -0.3  |

Source: Bank of Finland forecast December 2016.

| 4. BALANCE OF SUPPLY AND DEMAND, AT CURRENT PRICES |         |         |                   |                   |                   |
|--|---------|---------|-------------------|-------------------|-------------------|
| EUR million and % change on previous year          |         |         |                   |                   |                   |
|  | 2015    | 2016    | 2017 <sup>f</sup> | 2018 <sup>f</sup> | 2019 <sup>f</sup> |
| GDP at market prices                               | 209,149 | 213,663 | 216,225           | 219,620           | 223,805           |
|  | 1.8     | 2.2     | 1.2               | 1.6               | 1.9               |
| Imports of goods and services                      | 77,548  | 76,869  | 80,780            | 84,665            | 88,096            |

Source: Bank of Finland forecast December 2016.

| 4. BALANCE OF SUPPLY AND DEMAND, AT CURRENT PRICES |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
|  | -2.2    | -0.9    | 5.1     | 4.8     | 4.1     |
| Total supply                                       | 286,697 | 290,532 | 297,005 | 304,286 | 311,901 |
|  | 0.7     | 1.3     | 2.2     | 2.5     | 2.5     |
| Exports of goods and services                      | 76,579  | 75,193  | 78,715  | 82,286  | 85,969  |
|  | -1.0    | -1.8    | 4.7     | 4.5     | 4.5     |
| Consumption  | 166,733 | 170,560 | 172,795 | 175,163 | 177,429 |
|  | 1.5     | 2.3     | 1.3     | 1.4     | 1.3     |
| Private  | 115,711 | 118,595 | 120,929 | 122,941 | 125,049 |
|  | 1.8     | 2.5     | 2.0     | 1.7     | 1.7     |
| Public   | 51,022  | 51,965  | 51,865  | 52,221  | 52,380  |
|  | 0.6     | 1.8     | -0.2    | 0.7     | 0.3     |
| Fixed investment                                   | 42,718  | 45,695  | 47,582  | 48,931  | 50,603  |
|  | 1.1     | 7.0     | 4.1     | 2.8     | 3.4     |
| Private  | 34,562  | 37,146  | 38,821  | 40,154  | 41,771  |
|  | 2.7     | 7.5     | 4.5     | 3.4     | 4.0     |
| Public   | 8,156   | 8,549   | 8,761   | 8,777   | 8,832   |
|  | -5.1    | 4.8     | 2.5     | 0.2     | 0.6     |
| Inventory change + statistical discrepancy         | 667     | -916    | -2,086  | -2,094  | -2,101  |
| % of previous year's total demand                  | 0.0     | -0.6    | -0.4    | 0.0     | 0.0     |
| Total demand                                       | 286,697 | 290,532 | 297,005 | 304,286 | 311,901 |
|  | 0.7     | 1.3     | 2.2     | 2.5     | 2.5     |
| Total domestic demand                              | 210,118 | 215,339 | 218,291 | 221,999 | 225,931 |

Source: Bank of Finland forecast December 2016.

**4. BALANCE OF SUPPLY AND DEMAND, AT CURRENT PRICES**

|  |     |     |     |     |     |
|--|-----|-----|-----|-----|-----|
|  | 1.4 | 2.5 | 1.4 | 1.7 | 1.8 |
|--|-----|-----|-----|-----|-----|

Source: Bank of Finland forecast December 2016.

**5. BALANCE OF SUPPLY AND DEMAND****% of GDP at current prices**

|   | 2015  | 2016  | 2017 <sup>f</sup> | 2018 <sup>f</sup> | 2019 <sup>f</sup> |
|---|-------|-------|-------------------|-------------------|-------------------|
| GDP at market prices                        | 100.0 | 100.0 | 100.0             | 100.0             | 100.0             |
| Imports of goods and services               | 37.1  | 36.0  | 37.4              | 38.6              | 39.4              |
| Exports of goods and services               | 36.6  | 35.2  | 36.4              | 37.5              | 38.4              |
| Consumption                                 | 79.7  | 79.8  | 79.9              | 79.8              | 79.3              |
| Private                                     | 55.3  | 55.5  | 55.9              | 56.0              | 55.9              |
| Public                                      | 24.4  | 24.3  | 24.0              | 23.8              | 23.4              |
| Fixed investment                            | 20.4  | 21.4  | 22.0              | 22.3              | 22.6              |
| Private                                     | 16.5  | 17.4  | 18.0              | 18.3              | 18.7              |
| Public                                      | 3.9   | 4.0   | 4.1               | 4.0               | 3.9               |
| Inventory change + statistical discrepancy, | 0.3   | -0.4  | -1.0              | -1.0              | -0.9              |
| Total demand                                | 137.1 | 136.0 | 137.4             | 138.6             | 139.4             |
| Total domestic demand                       | 100.5 | 100.8 | 101.0             | 101.1             | 101.0             |

Source: Bank of Finland forecast December 2016.

**6. PRICES****Index 2010 = 100, and % change on previous year**

|  | 2015 | 2016 | 2017 <sup>f</sup> | 2018 <sup>f</sup> | 2019 <sup>f</sup> |
|--|------|------|-------------------|-------------------|-------------------|
|--|------|------|-------------------|-------------------|-------------------|

Source: Bank of Finland forecast December 2016.

| 6. PRICES                                     |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| Harmonised index of consumer prices, 2005=100 | 100.0 | 100.4 | 101.1 | 102.0 | 103.0 |
|   | -0.2  | 0.4   | 0.8   | 0.8   | 1.0   |
| Consumer price index, 2005=100                | 100.0 | 100.4 | 101.1 | 101.9 | 102.9 |
|   | -0.2  | 0.4   | 0.7   | 0.8   | 1.0   |
| Private consumption deflator                  | 110.8 | 111.4 | 112.0 | 112.7 | 113.6 |
|   | 0.4   | 0.5   | 0.6   | 0.7   | 0.8   |
| Private investment deflator                   | 109.4 | 111.2 | 112.4 | 113.4 | 114.9 |
|   | 0.5   | 1.6   | 1.0   | 0.9   | 1.3   |
| Exports of goods and services deflator        | 103.3 | 100.7 | 103.2 | 105.2 | 107.1 |
|   | -0.9  | -2.5  | 2.5   | 2.0   | 1.8   |
| Imports of goods and services deflator        | 100.6 | 98.5  | 101.6 | 104.3 | 106.5 |
|   | -4.0  | -2.0  | 3.1   | 2.7   | 2.1   |
| Value-added deflators                         |       |       |       |       |       |
| Value-added, gross at basic prices            | 111.9 | 113.8 | 113.9 | 114.4 | 115.2 |
|   | 1.8   | 1.6   | 0.2   | 0.4   | 0.7   |
| Private sector                                | 111.2 | 113.3 | 113.8 | 114.2 | 115.0 |
|   | 2.1   | 1.9   | 0.4   | 0.4   | 0.7   |
| Public sector                                 | 115.1 | 115.5 | 114.7 | 115.0 | 115.9 |
|   | 0.7   | 0.4   | -0.8  | 0.3   | 0.8   |

Source: Bank of Finland forecast December 2016.

| 7. WAGES AND PRODUCTIVITY               |      |      |                   |                   |                   |
|---|------|------|-------------------|-------------------|-------------------|
| % change on previous year               |      |      |                   |                   |                   |
|   | 2015 | 2016 | 2017 <sup>f</sup> | 2018 <sup>f</sup> | 2019 <sup>f</sup> |
| <b>Whole economy</b>                    |      |      |                   |                   |                   |
| Index of wage and salary earnings       | 1.4  | 1.3  | 0.3               | 0.8               | 1.3               |
| Compensation per employee               | 1.6  | 1.1  | -0.5              | 0.6               | 1.0               |
| Unit labour costs                       | 1.0  | 0.5  | -1.2              | 0.0               | 0.4               |
| Labour productivity per employed person | 0.6  | 0.6  | 0.7               | 0.7               | 0.5               |

Source: Bank of Finland forecast December 2016.

| 8. LABOUR MARKET                             |       |       |                   |                   |                   |
|--|-------|-------|-------------------|-------------------|-------------------|
| 1,000 persons and % change on previous year  |       |       |                   |                   |                   |
|  | 2015  | 2016  | 2017 <sup>f</sup> | 2018 <sup>f</sup> | 2019 <sup>f</sup> |
| <b>Labour force survey (15–74-year-olds)</b> |       |       |                   |                   |                   |
| Employed persons                             | 2,437 | 2,446 | 2,460             | 2,474             | 2,491             |
|  | -0.4  | 0.4   | 0.6               | 0.6               | 0.7               |
| Unemployed persons                           | 252   | 237   | 228               | 224               | 223               |
|  | 8.7   | -6.2  | -3.7              | -1.7              | -0.5              |
| Labour force                                 | 2,689 | 2,683 | 2,688             | 2,698             | 2,714             |
|  | 0.4   | -0.3  | 0.2               | 0.4               | 0.6               |
| Working-age population (15–64-year-olds)     | 3,474 | 3,463 | 3,452             | 3,444             | 3,437             |
|  | -0.4  | -0.3  | -0.3              | -0.2              | -0.2              |
| Labour force participation rate, %           | 65.6  | 65.3  | 65.2              | 65.3              | 65.6              |

Source: Bank of Finland forecast December 2016.

| 8. LABOUR MARKET                     |      |      |      |      |      |
|--------------------------------------|------|------|------|------|------|
| Unemployment rate, %                 | 9.4  | 8.8  | 8.5  | 8.3  | 8.2  |
| Employment rate (15–64-year-olds), % | 68.1 | 68.6 | 69.1 | 69.7 | 70.2 |

Source: Bank of Finland forecast December 2016.

| 9. GENERAL GOVERNMENT REVENUE, EXPENDITURE, BALANCE AND DEBT |      |      |                   |                   |                   |
|--|------|------|-------------------|-------------------|-------------------|
| % OF GDP   |      |      |                   |                   |                   |
|  | 2015 | 2016 | 2017 <sup>f</sup> | 2018 <sup>f</sup> | 2019 <sup>f</sup> |
| General government revenue                                   | 54.9 | 54.9 | 54.3              | 54.2              | 54.0              |
| General government expenditure                               | 57.7 | 57.4 | 56.9              | 56.6              | 56.2              |
| General government primary expenditure                       | 56.5 | 56.4 | 55.9              | 55.7              | 55.3              |
| General government interest expenditure                      | 1.2  | 1.0  | 1.0               | 0.9               | 0.9               |
| General government net lending                               | -2.8 | -2.5 | -2.6              | -2.4              | -2.2              |
| Central government   | -3.0 | -2.9 | -2.8              | -2.5              | -2.0              |
| Local government   | -0.6 | -0.7 | -0.6              | -0.6              | -0.6              |
| Social security funds  | 0.9  | 1.1  | 0.8               | 0.6               | 0.4               |
| General government primary balance                           | -1.6 | -1.4 | -1.7              | -1.5              | -1.3              |
| General government debt (EDP)                                | 63.6 | 65.6 | 68.2              | 70.1              | 71.3              |
| Central government debt                                      | 47.7 | 49.4 | 51.6              | 53.3              | 54.3              |
| Tax ratio  | 44.1 | 44.2 | 43.7              | 43.7              | 43.6              |

Source: Bank of Finland forecast December 2016.

| 10. BALANCE OF PAYMENTS |  |
|-------------------------|--|
| EUR million             |  |

Source: Bank of Finland forecast December 2016.

| <b>10. BALANCE OF PAYMENTS</b>                                     |             |             |                         |                         |                         |
|--|-------------|-------------|-------------------------|-------------------------|-------------------------|
|  | <i>2015</i> | <i>2016</i> | <i>2017<sup>f</sup></i> | <i>2018<sup>f</sup></i> | <i>2019<sup>f</sup></i> |
| Exports of goods and services (SNA)                                | 76,579      | 75,193      | 78,715                  | 82,286                  | 85,969                  |
| Imports of goods and services (SNA)                                | 77,548      | 76,869      | 80,780                  | 84,665                  | 88,096                  |
| Goods and services account (SNA)                                   | -969        | -1,676      | -2,065                  | -2,379                  | -2,126                  |
| % of GDP   | -0.5        | -0.8        | -1.0                    | -1.1                    | -1.0                    |
| Investment income and other items, net (+ statistical discrepancy) | 2,420       | 2,109       | 2,222                   | 2,212                   | 2,202                   |
| Current transfers, net   | -2321       | -2068       | -2096                   | -2132                   | -2176                   |
| Current account, net   | -870        | -1,636      | -1,939                  | -2,299                  | -2,100                  |
| <b>Net lending, % of GDP</b>                                       |             |             |                         |                         |                         |
| Private sector   | 2.3         | 1.7         | 1.7                     | 1.4                     | 1.3                     |
| Public sector  | -2.8        | -2.5        | -2.6                    | -2.4                    | -2.2                    |
| Current account, % of GDP  | -0.4        | -0.8        | -0.9                    | -1.0                    | -0.9                    |

*Source: Bank of Finland forecast December 2016.*

| <b>11. INTEREST RATES</b>                                |             |             |                         |                         |                         |
|--|-------------|-------------|-------------------------|-------------------------|-------------------------|
| <b>%</b>   |             |             |                         |                         |                         |
|  | <i>2015</i> | <i>2016</i> | <i>2017<sup>f</sup></i> | <i>2018<sup>f</sup></i> | <i>2019<sup>f</sup></i> |
| 3-month Euribor <sup>1</sup>                             | 0.0         | -0.3        | -0.3                    | -0.2                    | 0.0                     |
| Average interest rate on new loan drawdowns <sup>2</sup> | 2.1         | 1.8         | 1.8                     | 1.9                     | 2.1                     |
| Average interest rate on the stock of                    | 1.6         | 1.5         | 1.4                     | 1.5                     | 1.6                     |

*Source: Bank of Finland forecast December 2016.*

| 11. INTEREST RATES  |     |     |     |     |     |
|---|-----|-----|-----|-----|-----|
| loans <sup>2</sup>  |     |     |     |     |     |
| Average interest rate on the stock of deposits <sup>3</sup>   | 0.3 | 0.2 | 0.1 | 0.1 | 0.2 |
| Yield on Finnish 10-year government bonds <sup>1</sup>  | 0.7 | 0.4 | 0.7 | 0.9 | 1.1 |
| <sup>1</sup> Technical assumption derived from market expectations.   |     |     |     |     |     |
| <sup>2</sup> Finnish credit institutions' loans to households and non-financial corporations (excl. overdrafts, credit card credits and repurchase agreements). |     |     |     |     |     |
| <sup>3</sup> Finnish credit institutions' deposits from households and non-financial corporations.  |     |     |     |     |     |

*Source: Bank of Finland forecast December 2016.*

## Key words

economic situation, forecast, indicators