

Member of the Board Marja Nykänen

Bank of Finland

## Outlook to Finnish Economy

Estonia / Finland 200 seminar, Tallinn





# Finland has gone through an extraordinary decade

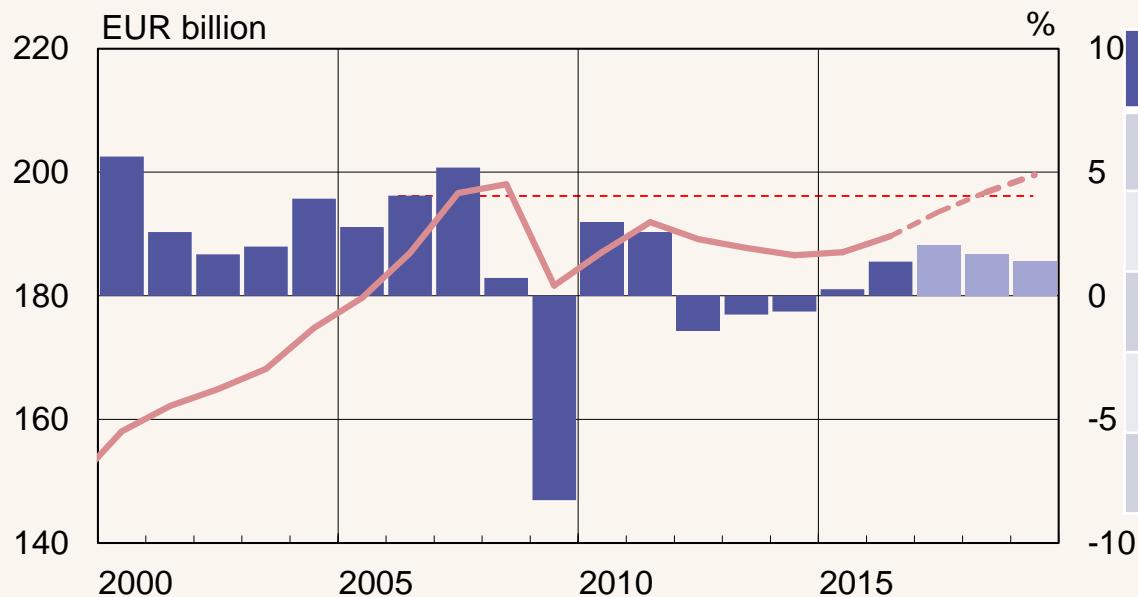
- Country specific shocks
- Financial crisis
- European debt crisis
- Recovery, which started as late as 2016



# June 2017: Upswing strengthens – GDP finally above the level of 2008

## GDP volume

- % change on previous year (right-hand scale)
- At reference year (2010) prices (left-hand scale)



GDP, %		
	March'17	June'17
2016	1.6	1.4
2017f	1.6	2.1
2018f	1.5	1.7
2019f	1.3	1.4

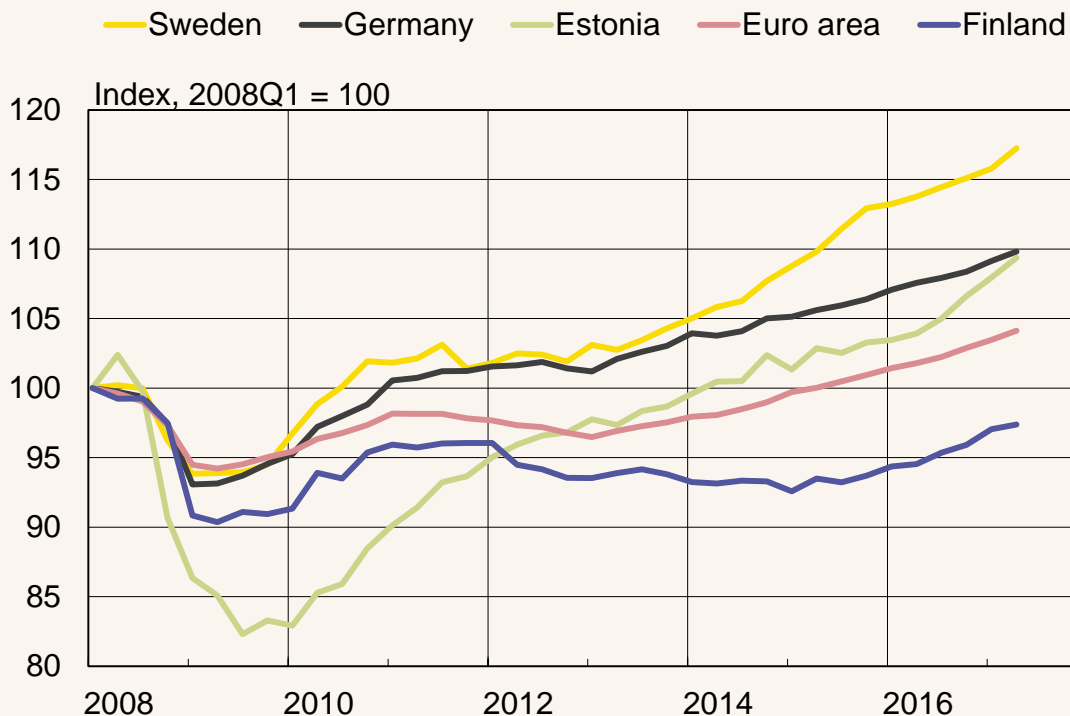
Sources: Statistics Finland and Bank of Finland.

13 Jun 2017  
bofbulletin.fi  
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# Despite of recovery Finland has long way to go

## Gross domestic product

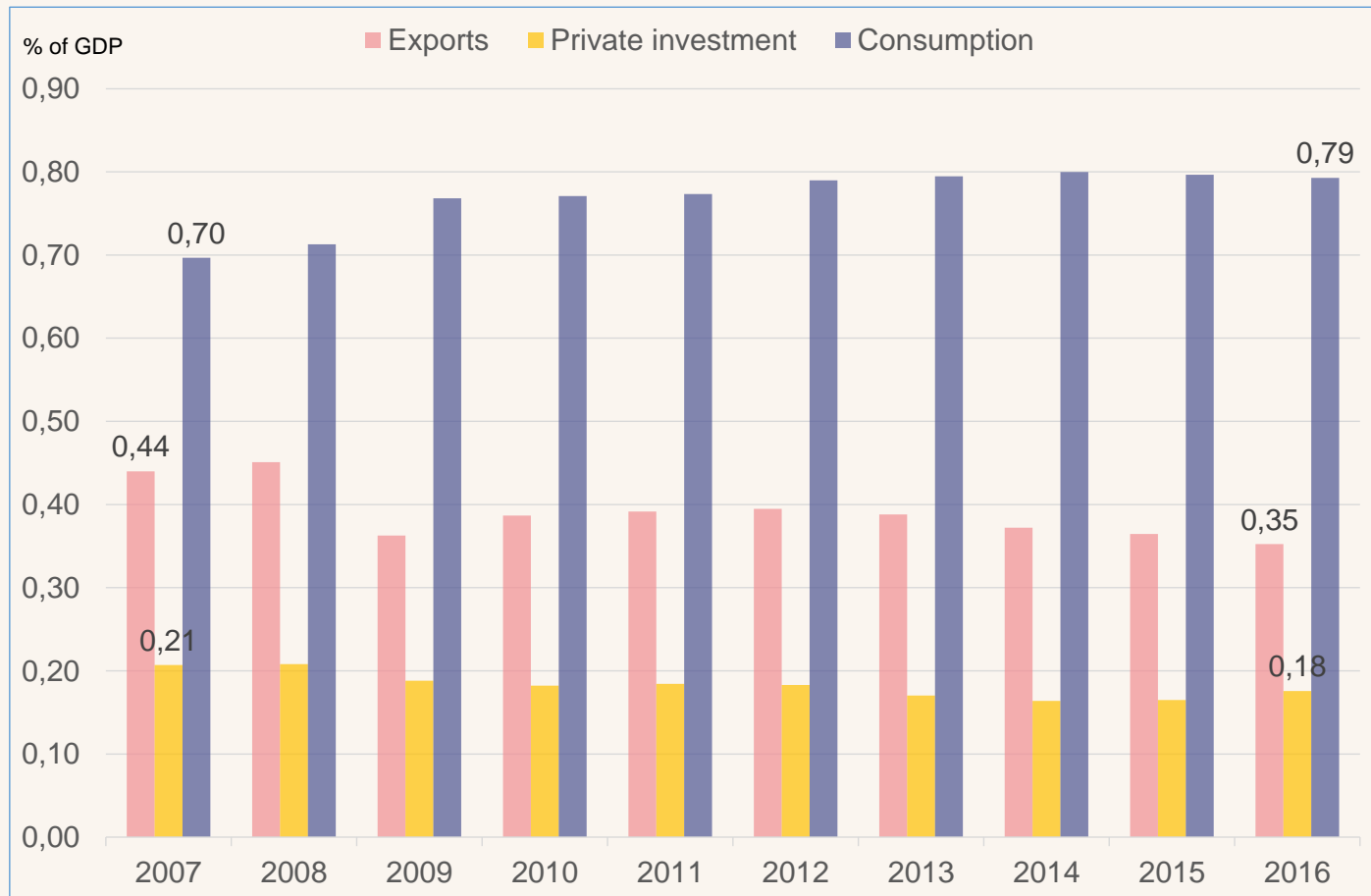


Source: Eurostat.

33905@GDP comparison



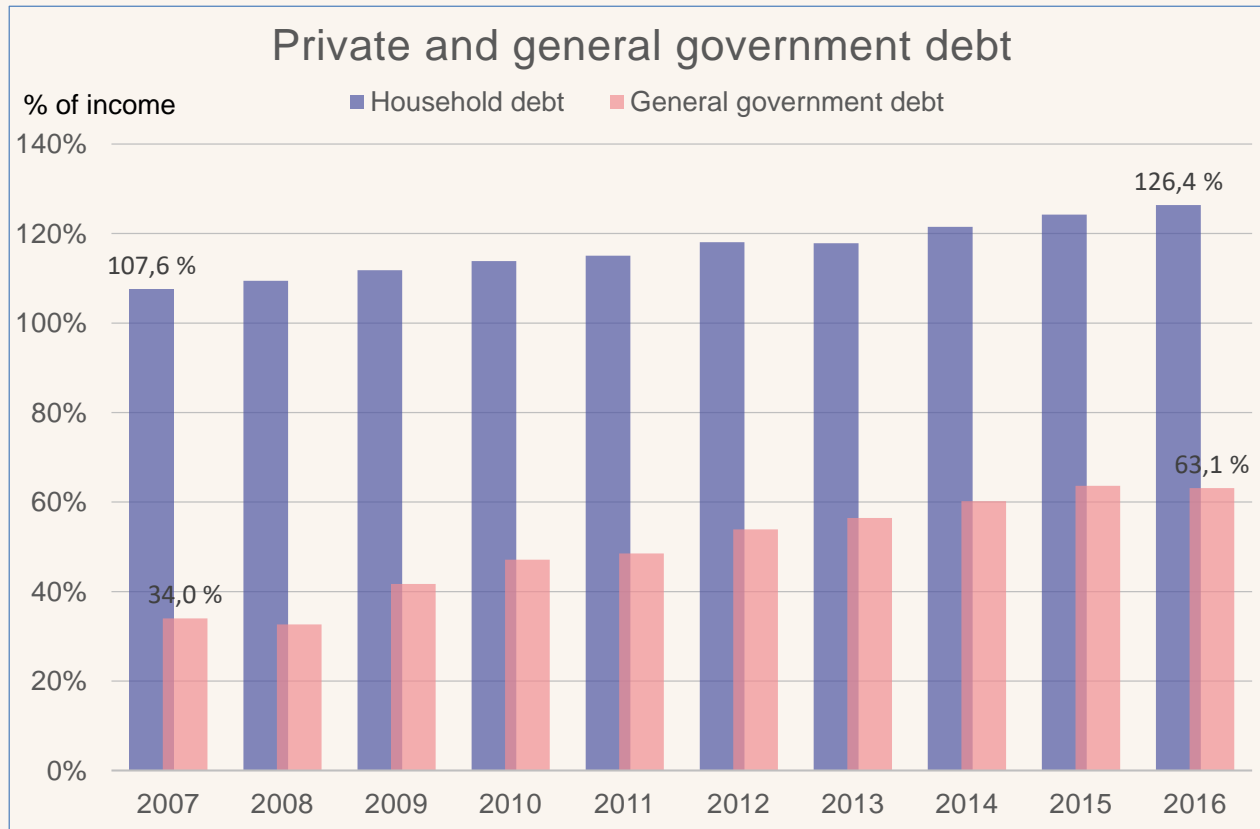
# Period of low growth has left a long shadow to the economy



Source: Statistics of Finland



# Consumption smoothing has been financed by debt accumulation



Source: Statistics of Finland and Bank of Finland. Household debt is expressed relative to the disposable income and general government debt relative to the GDP



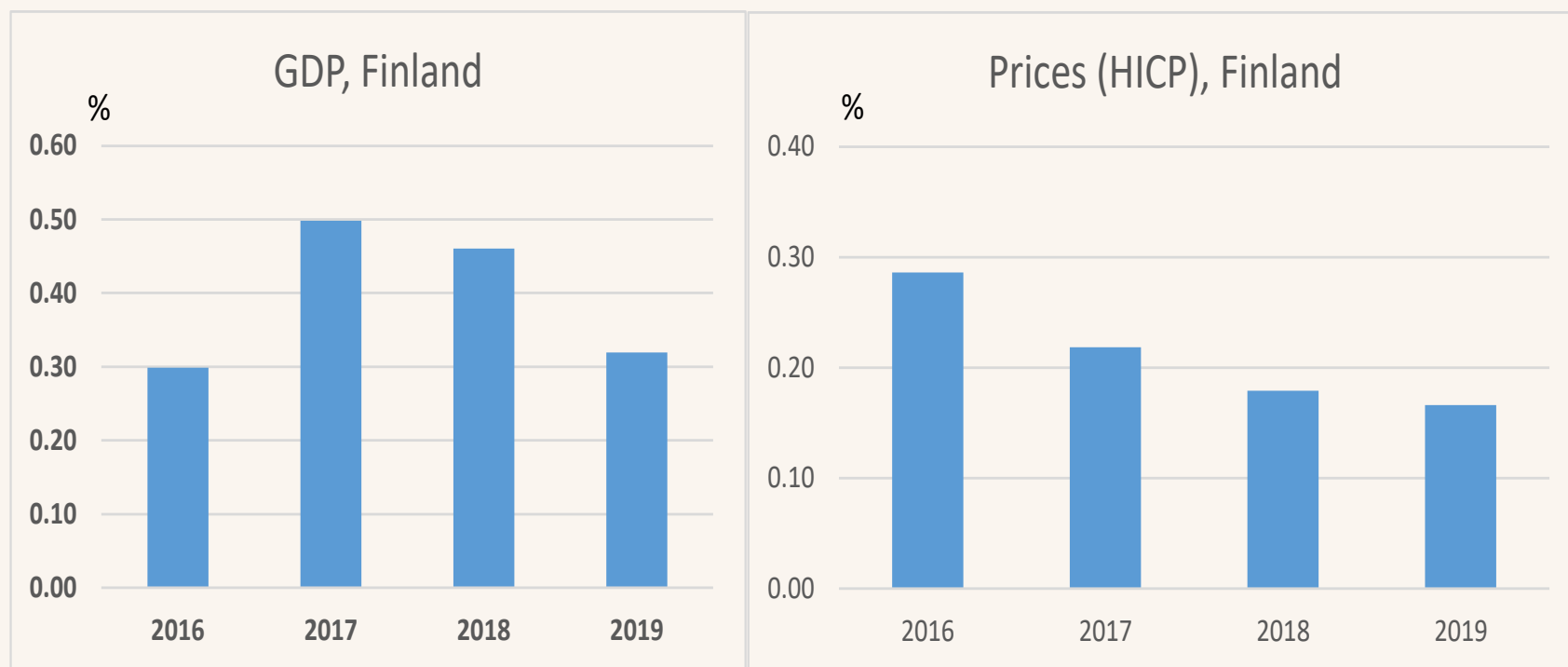
# Return to growth in 2016

- Initially the recovery has been led by private consumption and (construction) investment
  - Accommodative monetary policy have played important role
- Exports started to recover in late 2016
- Improvement of employment has been relatively muted
- Wage growth and inflation moderate



## Estimated impact of the ECB quantitative easing on the Finnish economy

### Effects on the level of GDP and prices



Source: Bank of Finland, [www.eurojatalous.fi](http://www.eurojatalous.fi)





# Exports rebound strongly in early 2017

## Exports of goods and services

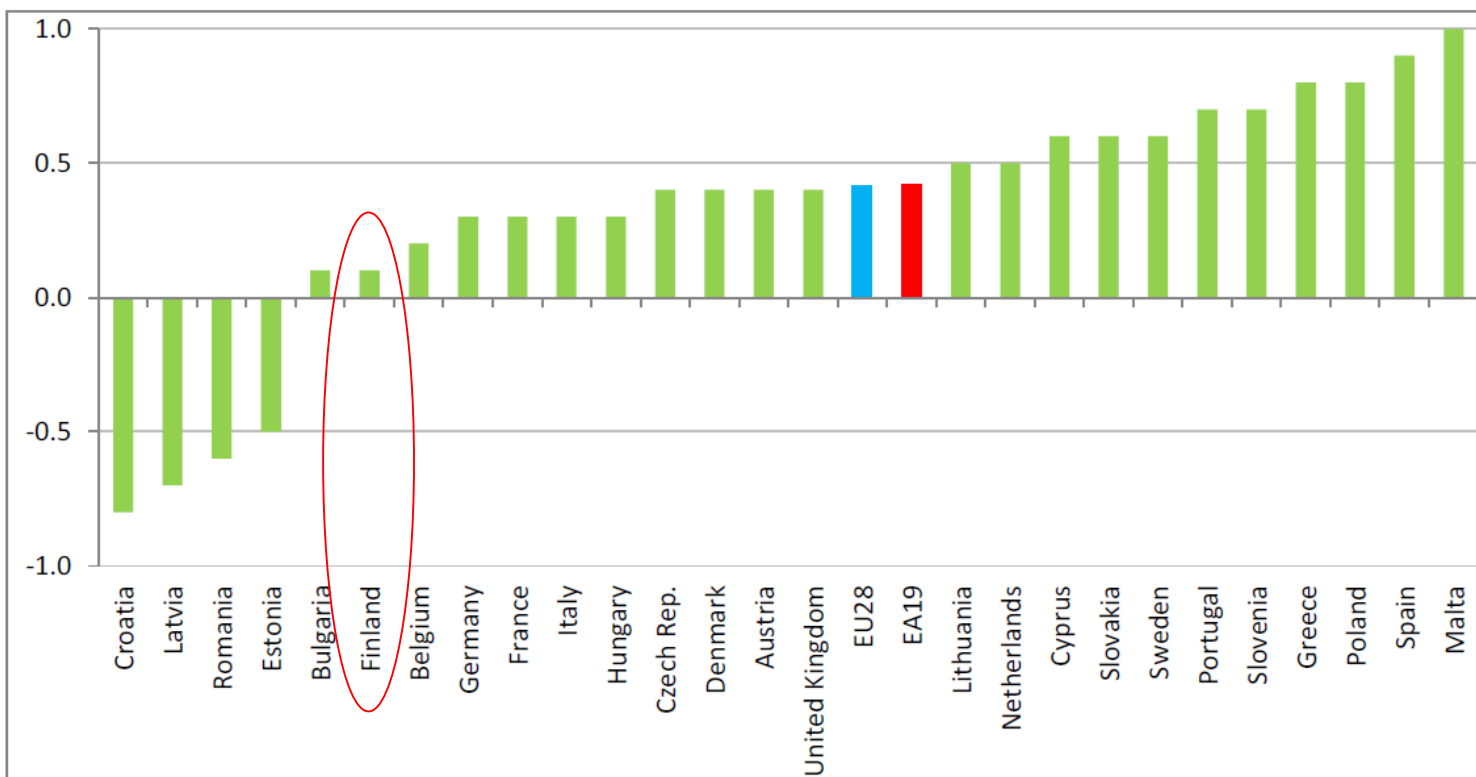


Seasonally adjusted figures  
Source: Statistics Finland.



# Relative to other EU countries employment improves only moderately

**Member States' growth rates for employment in the second quarter of 2017**  
% change over the previous quarter, seasonally adjusted



Ireland and Luxembourg: data not available for the second quarter of 2017.

Lähde: Eurostat



# What can explain the recent development?

- “Secular stagnation” in Finland: A combination of weak external demand and slowdown of productivity growth
  - Series of large external shocks
  - Rigidities hindered the adjustment and led to weakening of productivity growth
  - External competitiveness deteriorated
- Recovery rests now mainly on the reversal of above mentioned factors that led to stagnation



# Finland's major challenges

- Maintain the momentum for recovery
- Increase labor force participation and employment
  - Crucial, since population is ageing and labor markets are tightening rapidly
- Continue deregulating domestic product and service markets
- Improve cost competitiveness
- Deleverage household and public sector



**Thank you!**

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