FORECAST

Finland’s economic performance will be overshadowed by rising energy prices

Finnish economy | 09.04.2026

The Finnish economy started to grow towards the end of 2025, and growth continued at the beginning of 2026. This growth is still modest, however, and the economic outlook is now weakened and clouded by the high uncertainty over the war in Iran. According to the Bank of Finland’s March 2026 interim forecast, Finland’s gross domestic product (GDP) will grow at a slower pace than the Bank had forecast in December 2025. The forecast is based on market assumptions that the rise in energy prices will remain relatively short-lived. The economic impact of even higher oil and raw material prices than in the baseline forecast is also examined within the framework of this interim forecast. The impact on consumer prices and economic growth will depend crucially on the duration of the conflict.

This is a translation of the Finnish interim forecast published on 24 March 2026.

The baseline scenario of the Bank of Finland’s interim forecast is based on data available on 13 March 2026, and on assumptions updated on 11 March 2026 regarding changes in Finland’s external operating environment and key financial market variables in the immediate years ahead.[1, 2]

Forecast in brief

The Bank of Finland's interim forecast for the Finnish economy is less favourable than was forecast in December. As a result of the war in Iran, in particular, the uncertainty surrounding both the global situation and Finland's economic environment is significantly greater than in December. The revised statistical data for 2025 indicate that the starting point for growth in 2026 was slightly better than previously expected, but the rise in energy prices caused by the war will hamper growth. Despite this, growth is expected to continue in the coming years, but the outlook could change rapidly in the current global environment.

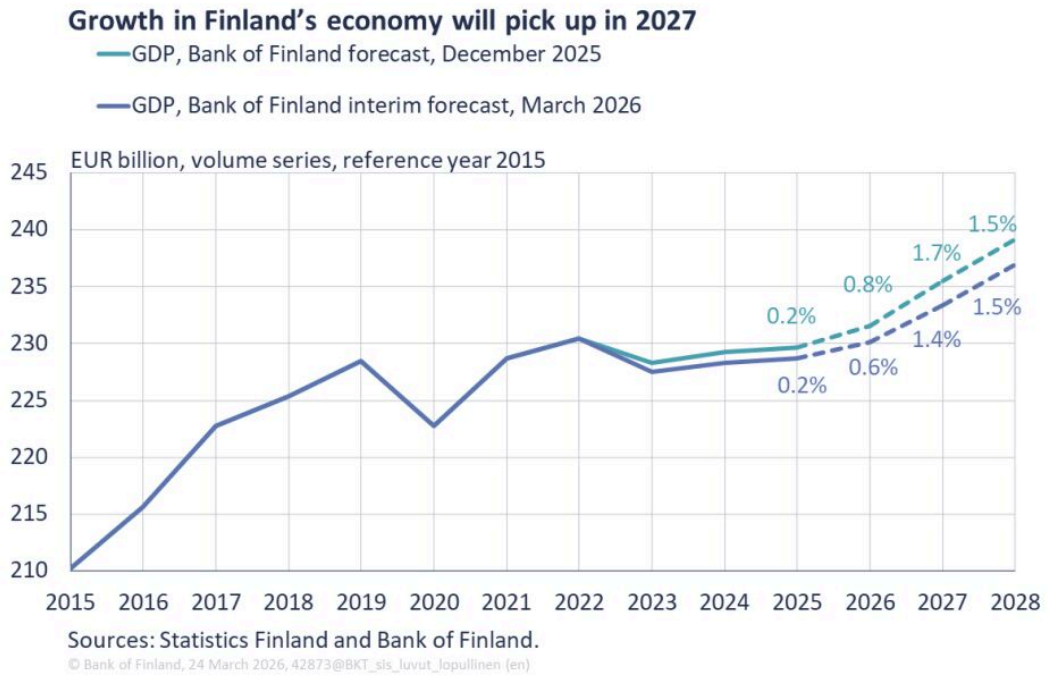
The forecast assumes that, based on energy futures prices, the quarterly average oil price will peak in the second quarter of 2026 at around USD 90 per barrel, after which it is expected to decline in subsequent quarters.

Finland's GDP is projected to grow during the 2026–2028 forecast period at a slower rate than forecast in December. In 2026, GDP growth will amount to 0.6%, which is 0.2 percentage points lower than in the December forecast. In 2027, growth is projected to reach 1.4%. The economic growth projection for 2028 is 1.5%, unchanged from the December forecast (Chart 1 and Table 1). The impacts on the Finnish economy of both short-term and permanent increases in energy and raw material prices above those of the baseline forecast are assessed in more detail within the framework of this interim forecast (see information box below).

Inflation slowed during 2025. However, the energy shock caused by the Iran war will drive inflation upwards and increase uncertainty surrounding the inflation forecast. In 2026, inflation is expected to reach 1.9%, which is higher than projected in the December forecast. Inflation will fall to 1.5% in 2027 and will increase slightly to 1.8% in 2028, the final year of the forecast period.

During 2025, the unemployment rate rose to a higher level than had been forecast. The trend unemployment rate (15–74-year-olds) for 2026 is forecast to be 10.2% (Table 1). In 2027, the unemployment rate will already be lower as the labour market will be supported by growth in the economy. The unemployment rate for 2027 is forecast to be 9.7%, from which it will continue to fall to 9.2% in 2028.

Chart 1.



Although the new statistical data published in the early part of 2026 suggest that the economy had grown at the start of the year almost in line with the December forecast, the risk that growth will be lower than forecast has increased significantly since December. The geopolitical situation has turned into a crisis due to the Iran war, and there are no signs of the war in Ukraine ending. There is great uncertainty about oil and energy prices, in particular. In addition, trade policy uncertainty has once again increased, as the situation regarding tariffs imposed by the United States and trade agreements concluded earlier is unclear. The elevated uncertainty may in itself curb private consumption and investment, as well as growth in Finland's export markets.

Table 1.

INTERIM FORECAST SUMMARY

	2025	2026[f]	2027[f]	2028[f]
Annual GDP growth (%)				
Interim forecast, March 2026	0.2	0.6	1.4	1.5
Forecast, December 2025	0.2	0.8	1.7	1.5
Unemployment rate (%)				
Interim forecast, March 2026	9.7	10.2	9.7	9.2
Forecast, December 2025	9.7	9.9	9.3	8.9
Inflation* (%)				
Interim forecast, March 2026	1.8	1.9	1.5	1.8
Forecast, December 2025	1.8	1.4	1.7	1.9
Core inflation** (%)				
Interim forecast, March 2026	2.4	1.4	1.9	1.6
Forecast, December 2025	2.4	1.6	1.7	1.6

f = forecast.

** Harmonised Index of Consumer Prices (HICP).*

*** Harmonised Index of Consumer Prices (HICP) excluding food and energy.*

Sources: Bank of Finland and Statistics Finland.

INTERIM FORECAST'S EXTERNAL ASSUMPTIONS

Volume percentage change on previous year	2025	2026[f]	2027[f]	2028[f]
Euro area GDP	1.5	0.9	1.3	1.4
World GDP (excl. euro area)	3.6	3.3	3.2	3.3
World trade (excl. euro area)[1]	5.0	2.3	2.9	3.2
	2025	2026[f]	2027[f]	2028[f]
Finland's export markets, % change[2]	3.9	2.4	3.0	3.0
Oil price, USD/barrel[3]	69.1	81.3	72.1	70.2
Raw material prices (excl. energy), USD, % change[4]	5.8	-1.5	0.8	-0.1
Export prices of Finland's competitors, EUR, % change	-1.3	1.1	2.0	1.8
3-month Euribor, %[3]	2.2	2.3	2.6	2.6
Finland's nominal effective exchange rate[5]	105.6	106.0	105.9	105.9
USD value of one euro[6]	1.13	1.16	1.16	1.16

[1]Calculated as a weighted average of imports.

[2]The growth in Finland's export markets is the import growth in the countries Finland exports to, weighted by their average share of Finland's exports.

[3]Technical assumption derived from market expectations.

[4]Technical assumption derived from market expectations. In the longer term, raw material prices are assumed in part to follow movements in global economic activity.

[5]Broad nominal effective exchange rate, 2020 = 100. The index rises as the exchange rate appreciates.

[6]Assuming no changes in the exchange rate.

f = forecast.

Sources: European Central Bank and Bank of Finland.

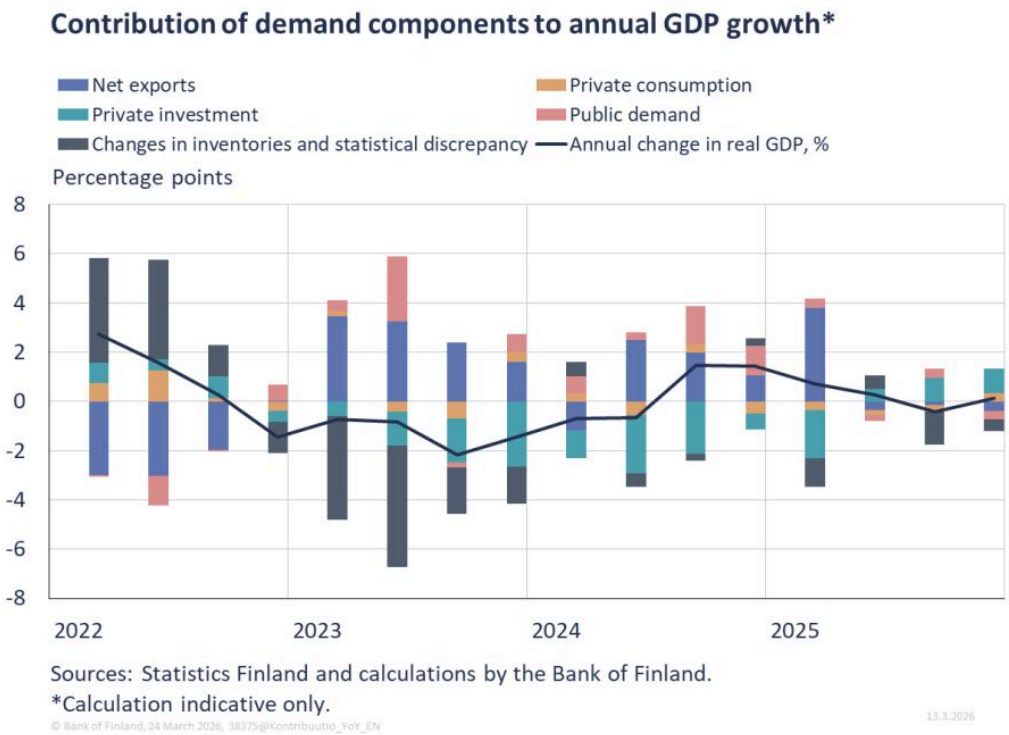
Output has started to grow slowly

In 2025, GDP grew by 0.2% on the previous year (Chart 2). Growth started to pick up towards the

end of 2025, as seasonally and working day adjusted GDP for the final quarter grew by 0.3% from the previous quarter after having contracted in the second and third quarters. According to the trend indicator of output, growth continued in January.

This growth in the economy was driven by an increase in private consumption and investment, in particular. At the same time, growth was hindered by the reduced level of public demand owing to the fiscal adjustment measures in place. The impact of net exports (exports minus imports) on GDP growth was also slightly negative. However, during the year as a whole, exports grew faster than imports, and the export volume exceeded imports also in the last quarter.

Chart 2.



Industrial production increased in the latter part of 2025 from the previous year's level. In January 2026, working day adjusted production was on a par with the previous year. During 2025, manufacturing companies received a lot of new orders, which has raised output expectations. On the basis of the Confederation of Finnish Industries' monthly survey of business confidence, companies generally expect production to increase during the spring, as stocks of finished goods are also below the long-term average. New orders increased particularly strongly in the metal industry during 2025. In January 2026, the working day adjusted turnover of manufacturing companies was higher than a year earlier.

While the final impact of the trade war and the tariffs imposed by the United States remains unclear, they did not prevent Finland's exports from growing in 2025. Annual exports grew faster than imports. Growth was seen in goods exports specifically, as service exports contracted. There was no major collapse in exports to the United States, and exports to Germany, one of Finland's major trading partners, remained stable. In the last quarter of 2025, the value of exports was down from the preceding quarter, but was up from the same quarter a year earlier. In January 2026, the export turnover of manufacturing companies contracted slightly from the previous year's level.

Household disposable income grew during 2025. This was attributable to the wage increases agreed upon in collective bargaining negotiations in the first half of the year, and aggregate wages grew steadily throughout the year. Household purchasing power is being eroded by high unemployment. Although private consumption as a whole grew towards the end of 2025, households continued to accumulate a large amount of savings, as income grew faster than consumption.

Consumers' confidence in their own finances and in Finland's economy weakened again in early 2026, despite there being solid income and consumption growth. Increasing uncertainty because of the war in Iran may further erode consumer confidence. On the other hand, even though consumer confidence was below the historical average in the fourth quarter of 2025, consumption did increase. Retail sales also grew in January 2026.

In addition to the increase in private consumption, investment also contributed to growth in the economy in the final quarter of 2025. Both private and public investment were up from the previous quarter. This was the case particularly for investment in machinery and equipment and in intellectual property products (software and research and development). According to the Confederation of Finnish Industries, fixed investment in the manufacturing sector will also increase moderately in 2026.

Residential investment increased slightly towards the end of 2025, but the cyclical conditions in new-build construction nevertheless remain sluggish, and there is still no upturn on the horizon. In January 2026, housing sales slowed substantially. Compared with a year earlier, the number of transactions was 5% down and there were clearly fewer drawdowns of housing loans. In addition, consumers' home-buying intentions are low. In the immediate years ahead, the outlook for residential construction is significantly weakened by a sharp decline in the construction of publicly subsidised dwellings.

The impacts of the latest economic data on the short-term outlook for the Finnish economy have been systematically assessed using the Bank of Finland's short-term forecasting, or nowcasting,

models (Table 2). According to the nowcasting forecasts, in the early part of 2026 the Finnish economy will continue on the moderate growth track that started in late 2025. However, as the nowcasting forecasts do not yet fully account for the impact of the war in Iran, these short-term model forecasts may provide an excessively positive picture.

Nowcasting model results				
GDP, quarterly growth	**2025Q3**	**2025Q4**	**2026Q1**	**2026Q2**
BVAR model	0.0%	0.7%	0.2%	0.3%
Factor model	-0.1%	0.2%	0.1%	0.2%
Bridge model	0.3%	0.3%	0.3%	
Model average	0.0%	0.4%	0.2%	0.2%
Actual growth*	-0.1%	0.3%		
*Quarterly National Accounts, released by Statistics Finland on 13 March 2026.				

Biggest changes to external assumptions in raw material prices

The external assumptions of the interim forecast regarding export markets, market interest rates, exchange rates and raw material prices are based on the assumptions of the ECB's March 2026 forecast, which were made on 11 March 2026 (Table 3). The biggest changes in the assumptions compared to the December forecast are the higher oil and raw material prices as a result of the Iran war. The other assumptions have changed very little compared to the December forecast.

Finland's export markets outside the euro area are anticipated to grow slightly more in 2026 than was expected in December, and in 2027 and 2028 at the same rate as projected in December. Demand in the euro area is assumed to grow at the same rate as in the December forecast.

In the ECB's March projections, GDP growth in the euro area in the baseline scenario is expected to be 0.9% in 2026, 1.3% in 2027 and 1.4% in 2028. Compared with the ECB's December projections, the GDP growth outlook for the euro area has been adjusted downwards for 2026 and 2027.

The assumptions regarding future energy and raw material price developments are based on

market expectations. As a result of the war in Iran, the prices of crude oil and natural gas have risen sharply. The duration of the war is expected to be limited, and the assumption is that energy and raw material prices will come down again before the end of the forecast period.

A rise in raw material prices is therefore anticipated, and so price expectations have been adjusted significantly upwards throughout the forecast period. Price expectations for industrial raw materials such as metals and other raw materials such as agricultural products have also increased.

In the current environment, there is considerable uncertainty about the prices of oil, natural gas and raw materials.

The interest rate expectations in this interim forecast are based on market forecasts. Expectations regarding interest rates are currently slightly higher than they were still in December, and the 3-month Euribor rate is expected to rise slightly during the forecast period.

Table 3.

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	2025	2026[f]	2027[f]	2028[f]
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Unemployment rate (%)				
Interim forecast, March 2026	9.7	10.2	9.7	9.2
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Inflation* (%)				
Interim forecast, March 2026	1.8	1.9	1.5	1.8
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	2025	2026[f]	2027[f]	2028[f]
Core inflation** (%)				
Interim forecast, March 2026	2.4	1.4	1.9	1.6
Forecast, December 2025	2.4	1.6	1.7	1.6

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change				
3-month Euribor, %[3]	2.2	2.3	2.6	2.6
Finland's nominal effective exchange rate[5]	105.6	106.0	105.9	105.9
USD value of one euro[6]	1.13	1.16	1.16	1.16

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Sources: European Central Bank and Bank of Finland.

The updates made to the GDP growth figures, to the nowcasting models and to the external assumptions currently have a negative overall impact on the economic outlook. The Bank of Finland's growth forecast for the immediate years ahead has been revised downwards from the December forecast for the years 2026 and 2027. The outlook for 2028 remains in line with the December forecast. Finland's GDP growth is expected to be 0.6% in 2026 and to rise to 1.4% in 2027. In 2028, the growth rate will be 1.5%.

Energy shock will accelerate inflation

The impact in Finland of the suspension of oil and natural gas shipments in the Persian Gulf will be seen as a rise in fuel prices, in particular. This increase will then be transmitted with a lag to the prices of other products, such as food and industrial goods, through higher transportation costs, for example. The baseline scenario of the forecast assumes that the duration of the energy shock will be relatively short and its transmission to other prices will be moderate. (For a discussion of the inflationary impact of a longer term energy shock, see the information box.)

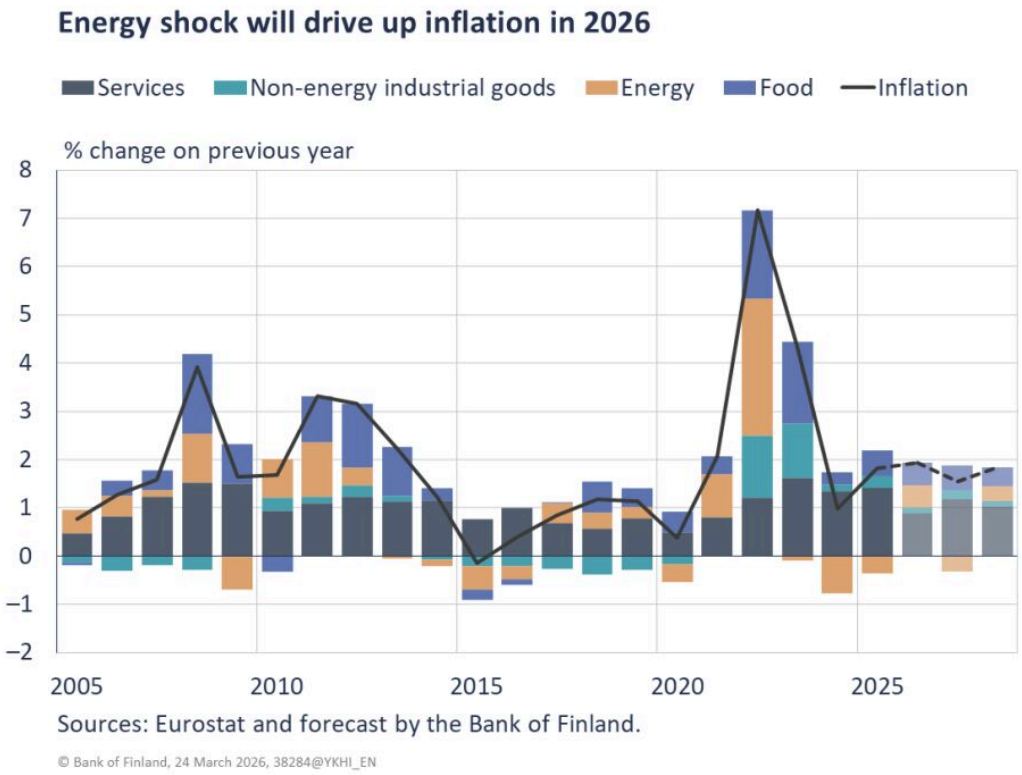
In the absence of higher energy prices, inflation would be low in Finland in the next few years. In February 2026, the year-on-year inflation rate in Finland was 1.8%, according to the Harmonised Index of Consumer Prices (Chart 3). In the early months of 2026, inflation fell because of slower

growth in services prices. Moving forward, inflation and consumption demand will be driven by a gradual improvement in the economy and rising household purchasing power.

Inflation is projected to accelerate as a result of the energy shock, reaching an average of 1.9% in 2026. In 2027, inflation will slow to 1.5% when the effect of the energy shock fades, but it will rise to 1.8% in 2028.

Core inflation, which excludes the impact of energy and food, will remain low in the next few years. The core inflation rate will fall to 1.4% this year. In 2027, core inflation will increase to 1.9%, driven by wage increases and GDP growth, but it will fall again in 2028, to 1.6%.

Chart 3.



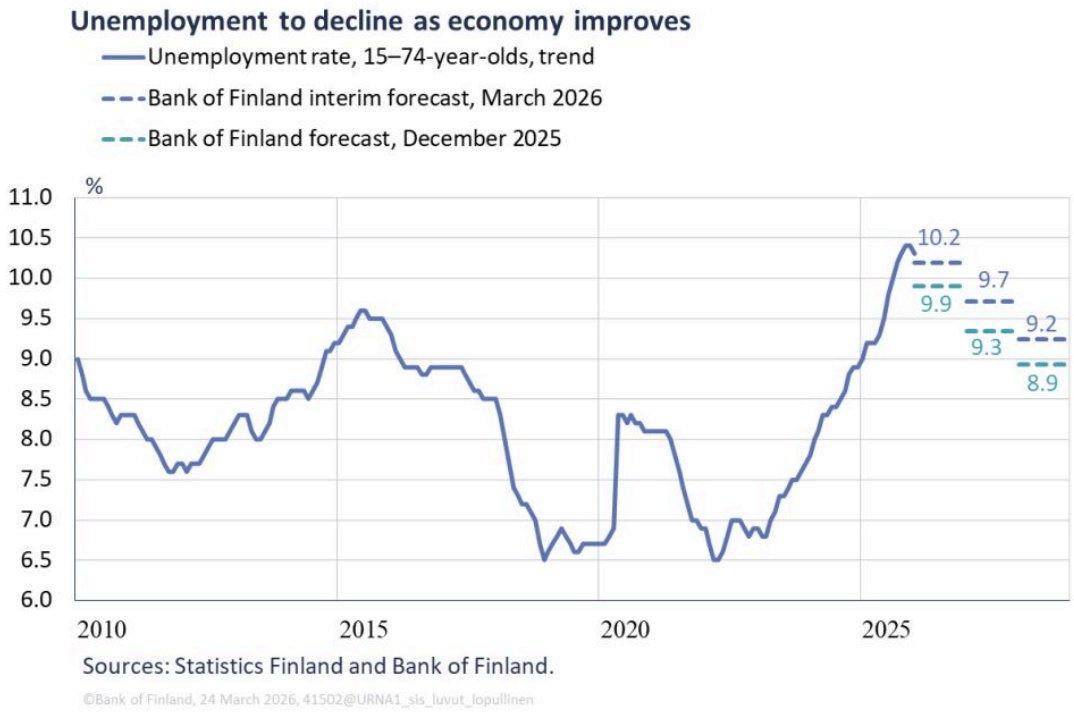
Number of job vacancies remains low

The situation in the labour market has continued to be challenging and there is still no significant improvement at hand. The trend employment rate (20–64-year-olds) declined to 74.7% in January 2026, which was just under 3 percentage points less than a year earlier. However, the fall in the employment rate has slowed considerably and the employment rate has remained at almost the

same level since mid-2025.

The trend unemployment rate rose practically throughout 2025 and was 10.4% in the last quarter of the year. The rise nevertheless came to a halt in the last quarter, and according to Statistics Finland's Labour Force Survey, there were fewer unemployed people in January than in December. The decline in the unemployment rate is being slowed by the weak demand for labour. In the last quarter of 2025, there were 23,000 job vacancies, which was 4,000 fewer than in the previous quarter. At the beginning of 2025, the number of job vacancies was 58,000.

Chart 4.



The average unemployment rate is forecast to increase very slightly in 2026 (Chart 4). When cyclical conditions improve, the demand for labour will increase and the unemployment rate will start to decline. With the labour force participation rate continuing to rise, the supply of labour will grow and the decline in the unemployment rate will be slow. The unemployment rate projection has been adjusted slightly upwards compared with December. The unemployment rate for 2026 is projected to rise to 10.2%, while 2027 will see a decline to an average of 9.7%. In 2028, the unemployment rate will still be high in historical terms, at 9.2%.

Largest risks from external operating environment

The risks in the international operating environment have again increased compared to the previous forecast. The risks surrounding economic growth are predominantly on the downside. Inflation risks are on the upside in 2026. In 2027 and 2028, inflation may be higher or lower than forecast depending on developments in energy prices.

The economic outlook is clouded by the high uncertainty over the war in Iran. The war in Ukraine is also continuing, and now in its fifth year with still no end in sight. The confidence of Finnish consumers started to decline at the beginning of this year, and the deterioration in the global security situation may further heighten consumer caution. Increased uncertainty is readily reflected in investment as companies prepare for disruptions in the international economy. Investment growth may also slow down in Finland's main export markets, which could dampen export growth.

Uncertainty surrounding trade policy is on the rise again. A significant portion of the tariffs imposed by the United States during 2025 were declared illegal by the Supreme Court of the United States, and temporary tariffs are currently in force. There is therefore considerable confusion regarding the final level and duration of tariffs and trade agreements.

ⓘ An even greater rise in energy and raw material prices will have negative effects on the Finnish economy

The uncertainty around energy and raw material prices has been exceptionally high in recent weeks because of the expanded conflict in the Middle East. Fluctuations in energy prices have been substantial, and future developments are difficult to predict. This information box presents two separate sensitivity analyses to assess the impacts on the Finnish economy of both short-lived and lasting increases in energy and raw material prices in relation to the Bank of Finland's March 2026 interim forecast. The increase in energy prices could also be higher than in the analyses, in which case the impacts would be greater. The analyses were prepared using the Bank of Finland's Aino model.

The strong rise in energy and raw material prices will have negative macroeconomic impacts. Based on the model calculation, the energy supply disruption will cause prices to

climb relatively quickly, but it will take time before the effects on the real economy are felt. If the rise in energy and raw material prices is permanent, the impact will be greater than in a situation where they rise only temporarily. On the other hand, a jump followed by a drop in energy and raw material prices can even lead to a moderate fall in inflation after the shock.

In Scenario 1, energy prices will rise permanently by 20% and industrial raw material prices by 10%.[3] This will lead to strong and long-term inflationary impacts when energy prices are passed on to other prices more broadly. In this scenario, GDP growth will clearly slow by more than if the increases in energy and raw material prices were short-lived, as price increases will weaken demand over time. In Scenario 2, the prices of energy and raw materials will rise by the same amount, but only temporarily, and will return to the baseline path in the middle of the forecast period. In this case, the inflationary impact will be clearly milder and more short term. The impacts on GDP growth are also more moderate and short-lived: in 2028, the economy will no longer be contracting relative to the baseline (Chart 5).

In both sensitivity analyses, inflation will accelerate in 2026 compared to the baseline, but in 2027 the impacts will diverge: a permanent price shock will further accelerate inflation, while a temporary shock will lead to slower inflation compared to the baseline. This is explained in part by the slow transmission of prices and because the price level of energy and raw materials in Scenario 2 is lower in 2027 than in 2026. In both scenarios, the Finnish economy would suffer from an indirect impact in which the euro area's demand for Finnish exports is weakened.

The differences between the scenarios are attributable exclusively to the duration of the crisis. Scenario 1 assumes that oil supply disruptions will last longer and prices will rise on a lasting basis. In contrast, Scenario 2 assumes that the price increases will be temporary. In Scenario 2, prices will start to fall from the third quarter of 2026 and will steadily return to the March 2026 interim forecast level in the third quarter of 2027 (Table 4).

The scenarios do not take account of the direct or indirect economic impacts of rising uncertainty caused by disruptions in oil and natural gas supply.[4] Interest rates and exchange rates are assumed to develop in line with the March interim forecast. Increased uncertainty would further weaken the growth outlook. Taking uncertainty into consideration more precisely by looking at various transmission channels would be challenging and would significantly increase the uncertainty of the scenario results and

therefore reduce the transparency of the scenarios. Instead, the scenarios describe the sensitivity of the Finnish economy to rising energy and raw material prices.[5] On the other hand, energy and raw material prices vary constantly and can rise or fall rapidly depending on the situation regarding oil shipments and production in the Persian Gulf. However, the results can also be extended to apply to higher or lower energy and raw material prices. In other words, if, for example, price increases were to be double the level assumed in the scenarios, the effects on the Finnish economy would nearly double, although there could also be non-linear impacts.[6]

Footnotes

1. The Bank of Finland publishes interim forecasts for the Finnish economy twice a year, in March and September. These are updates of the main December and June forecasts, in which the outlook for GDP, unemployment and inflation is updated. This interim forecast does not necessarily reflect the views of the Eurosystem. The Bank's more extensive forecasts for the Finnish economy are published in June and December each year. ↑
2. The forecast's underlying assumptions about changes in Finland's external environment and financial market variables are based on the assumptions made in the European Central Bank's March 2026 forecast. ↑
3. The energy price increase corresponds to a level which exceeds almost 75% of all oil price quotations made on 11 March 2026. A percentile is a statistical indicator that shows the proportion of the data falling below a certain value. For example, the 75th percentile is the value below which there are 75% of the observations. In this context, energy refers to crude oil and natural gas. A 10% increase in the prices of industrial raw materials is roughly equivalent to the long-term elasticity between the prices of oil and raw materials. ↑
4. However, the importance of natural gas for the Finnish economy is marginal compared to crude oil and its derivatives, and other raw materials required by the industrial sector. ↑
5. See also an earlier calculation of the impact of rising energy prices on the Finnish economy: Jalasjoki, Mäki-Fränti and Sariola (2023), Higher energy prices accelerated inflation and will lead to slower economic growth, Bank of Finland Bulletin (in Finnish). ↑
6. The responses of the Aino model are linear and symmetrical. It is possible that severe disruptions in the supply of energy will cause non-linear impacts. ↑

Key words

economic growth, energy price, forecast, GDP, inflation, uncertainty