

FORECAST

Forecast: Finnish economy on verge of stronger growth

Finnish economy | 12.06.2026

Finland's economy is on the verge of stronger growth, but growth is being slowed by the Middle East conflict. Despite the external challenges, the economy is forecast to grow at a gradually increasing rate. This year, growth will edge up to 0.7%, and in 2027 and 2028 it will rise to 1.2% and 1.4%, respectively. The inflation rate will increase this year to 2.4%, due to higher energy prices, but it will then moderate to around 1.7% in 2027 and 2028. The unemployment rate will fall slowly. Finland's public finances will continue to be deeply in deficit, and public borrowing will continue to rise. This forecast for the Finnish economy is based on market assumptions that the rise in energy prices will remain relatively short-lived. The forecast's alternative scenarios examine the economic impacts of both higher and lower oil and raw material prices than in the baseline forecast.



Overview

NOTE: This is an overview of the forecast. The full forecast will be published in English in late June.

The Finnish economy is on the verge of stronger growth. Growth picked up in the early part of 2026 as private consumption – which had long been in the doldrums – started to grow, in addition to growth in exports and business investment. Growth in the economy will gather pace, despite the difficult international environment. This year, economic growth in Finland will edge up to 0.7%, and will rise to 1.2% and 1.4% in 2027 and 2028, respectively. At the end of the forecast period, growth in Finland’s economy will be above its long-term potential as a result of cyclical factors.

The growth outlook for the global economy, however, is overshadowed by the energy crisis resulting from the Middle East conflict. Higher energy prices and rising inflation will moderate growth in the Finnish and euro area economies this year in particular. There are nevertheless a number of positive factors affecting growth in the global economy, including the diffusion of artificial intelligence (AI) and, in various major economies, an increase in incomes that will boost demand. Even so, growth in Finland’s export markets will be down from last year, and the external environment will remain difficult due to the geopolitical landscape, trade policy and Europe’s competitiveness problems. The Middle East crisis has led to a slight increase in market interest rates, which will dampen economic growth both in Finland and the euro area.

Inflation in Finland is being driven up this year by the energy crisis caused by the Middle East conflict. The rise in energy prices is being transmitted with a lag to other prices as well, but the energy price increase is expected to be temporary and the indirect effects to be moderate. As energy prices come down, the inflation rate will slow in 2027 to 1.6% from this year’s 2.4%. In 2028, inflation is projected to be 1.8%. Nominal earnings will increase by about 3.5% in both 2026 and 2027, and will then slow a little in 2028.

Private consumption began to grow at the end of 2025, and this growth will strengthen over the years of the forecast. Consumption will be underpinned by favourable earnings growth and a gradual improvement in employment, but it will also be curbed by the rise in energy prices and higher market interest rates. The savings rate will remain elevated throughout the forecast period.

Growth in private investment will be boosted in the immediate years ahead by business investment, the level of which will be linked above all to the construction of data centres and to green transition and defence industry projects. By contrast, the downturn in residential construction is likely to ease only a little, and new-build housing construction will continue to be in severe difficulty. Growth in renovation work will support residential investment, which will start to grow slowly towards the end of the forecast period, but there will be no repeat of the housing production levels seen in the peak years of 2018–2022.

The growth in exports is expected to continue at a reasonably brisk level in the immediate years ahead and to almost match the growth rate of Finland’s export markets. However, the

international environment will remain challenging, and growth in export markets will be curtailed especially by the slowdown in economic growth in the euro area. Finland's export growth will be sustained by, for example, the metal industry. Investment in AI and data centres and in defence will continue to be very active globally and will bolster Finland's exports.

The situation in the labour market will continue to be difficult. Unemployment has risen to a markedly high level but will begin to gradually decline as the economy recovers, and more significantly in 2027. At the end of the forecast period the unemployment rate will be 9.0%. Employment will rise at a steady rate during the years of the forecast as the economy improves. The increase in the labour force participation rate is expected to slow down.

General government finances will remain significantly in deficit. The deficit as a percentage of gross domestic product (GDP) for 2026 will increase to 4.2%, particularly as a result of major defence procurements. The deficit-to-GDP ratio will rise to 4.8% in 2027 and then decline to 4.5% in 2028. Expenditure adjustment measures in central and local government will continue, but concurrent tax cuts and subdued economic growth will moderate the extent to which the budgetary position is strengthened. The general government debt-to-GDP ratio will be almost 92% at the close of 2026, and will rise to a little under 97% in 2028.

Risks are evenly balanced between the growth forecast being too low or too high. The biggest source of uncertainty in the forecast is the situation in the Persian Gulf. Uncertainty over the United States' trade policy is continuing, and the war in Ukraine remains the greatest uncertainty regarding Europe's security. On the other hand, economic growth may still produce a positive surprise, especially if the geopolitical situation improves quickly. In the first quarter of 2026, there was broad-based growth in the Finnish economy. The pace of economic recovery at turning points in the business cycle has often been faster than initially expected. Inflation risks are tilted slightly to the upside.

Table 1. Key forecast outcomes (1/2)

Percentage change on the previous year	2025	2026 ^f	2027 ^f	2028 ^f
Gross domestic product (GDP)	0.2	0.7	1.2	1.4
Private consumption	-0.2	0.8	1.2	1.3
Public consumption	-0.2	0.0	-0.2	0.5
Fixed investment	0.8	6.3	1.5	2.0

Percentage change on the previous year	2025	2026 ^f	2027 ^f	2028 ^f
Private fixed investment	0.4	3.3	2.1	3.3
Public fixed investment	2.4	17.9	-0.4	-2.5
Exports	3.4	1.7	2.4	3.1
Imports	1.7	3.7	1.8	3.0
Effect of demand components on growth				
Domestic demand	-0.0	1.8	0.9	1.3
Net exports	0.7	-0.8	0.3	0.1
Changes in inventories and statistical error	-0.5	-0.2	-0.0	0.1
Savings rate, households, %	4.4	3.8	4.1	3.5
Current account, % of GDP	1.3	0.3	0.1	-0.0

Key forecast outcomes (2/2)

	2025	2026 ^f	2027 ^f	2028 ^f
Labour market				
Number of hours worked	-1.2	0.2	0.6	0.7
Employment rate (20–64-year-olds), %	76.0	75.5	75.6	75.7
Unemployment rate, %	9.7	10.4	9.9	9.0
Unit labour costs	1.8	2.4	2.5	1.8
Compensation per employee	2.6	3.3	3.1	2.5
Labour productivity	0.7	0.9	0.6	0.7
Gross domestic product (GDP), price index	1.5	1.7	2.0	1.9
Private consumption, price index	1.1	2.4	1.7	1.9
Harmonised index of consumer prices	1.8	2.4	1.6	1.8

^f = forecast.

Sources: Bank of Finland and Statistics Finland.

	2025	2026 ^f	2027 ^f	2028 ^f
Excl. energy	2.4	1.7	2.2	1.8
Energy	-3.8	9.6	-4.0	2.2
General government, % of GDP				
General government balance	-3.4	-4.2	-4.8	-4.5
General government gross debt (EDP)	88.5	91.9	94.1	96.9

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Private consumption, price index	1.1	2.4	1.7	1.9
Harmonised index of consumer prices	1.8	2.4	1.6	1.8
Excl. energy	2.4	1.7	2.2	1.8
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Key words

consumption, cyclical situation, employment, exports, forecast, GDP, general government finances, inflation, interest rates, investment