



FORECAST FOR THE FINNISH ECONOMY – JUNE 2025

New obstacles to Finland's economic recovery

10 Jun 2025 – Forecast – Finnish economy

Finland's economy is facing new obstacles to its recovery. Trade policy tightening and uncertainty over the development of the global economy will slow the pace of economic growth, and a clearer improvement in economic conditions will not be seen until next year. The Finnish economy will grow this year by 0.5%, and by 1.5% in 2026 and 1.6% in 2027. Inflation will stay below 2% in the immediate years ahead. Unemployment will fall slowly. Finland's public finances will continue to be deeply in deficit, and the accumulation of public debt will continue.



Overview

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

The Bank of Finland's forecast incorporates the assumption that growth in the global

economy will lose pace in the immediate years ahead, as growth in the United States' economy especially, but also in other key economies, becomes adversely affected by the trade war. The trade war and the uncertainty over the path of the global economy will weaken the already subdued conditions in the euro area. Finland's export markets will grow at a slowly over the coming years. The forecast assumes that uncertainty over the direction of trade policy will nevertheless diminish gradually, provided that the United States reaches agreement with its key trading partners. Uncertainty will not disappear completely, however, during the years of the forecast. The increasing expenditure on defence and the investment in infrastructure in many countries of the euro area, especially Germany, will underpin growth in the euro area economy from 2026 onwards.

Financing conditions have eased as interest rates have fallen. The financial markets expect the 3-month Euribor rate to remain near 2% in the immediate years ahead. The looser financing conditions than in recent years will support the recovery in economic growth, both in Finland and the euro area.

Finland's economy has recently faced new external shocks in a situation where the domestic economy has not properly had time to strengthen after previous crises. The Finnish economy will grow by 0.5% in 2025. In 2026, growth will strengthen to 1.5%, and in 2027 to 1.6%.

Private consumption will barely grow in 2025, as consumers are still very cautious and the labour market is weak. In 2026–2027, private consumption growth will pick up as consumer confidence rises. Household purchasing power will strengthen, because the negotiated collective agreements will raise employees' earnings, inflation will remain moderate and household interest payments will be less than in previous years. An increase in employment will also underpin purchasing power and consumption.

Private investment will see a further slight decline in 2025. Uncertainty over trade policy will erode business confidence. This will also slow business investment. Although the lowest point in housing construction has now been reached, residential investment in 2025 will still be down year on year. However, the slowdown in investment will start to ease when uncertainty abates and the lower level of interest rates than in previous years improves the attractiveness of investments. Private investment will begin to grow gradually in 2026 and 2027.

Finnish exports will recover slightly in 2025 after a weak 2024. However, exports in 2025 and 2026 will grow only slowly. The tariffs on goods will remain high, and uncertainty over the path of the global economy will remain greater than in earlier years. However, interest rates are now lower than in previous years, which will increase the profitability of investments in the euro area and therefore strengthen Finland's exports. Exports will increase in 2027, driven by growth in the export markets.

Inflation will continue to be low. Increases in product taxation will push up consumer prices in 2025, but in other respects the rise in prices will be subdued this year. Energy prices will fall further. Despite the gradual recovery in the economic cycle, inflation will remain below 2% annually throughout the 2025–2027 forecast period. Nominal earnings will increase in accordance with the outcome of the spring 2025 negotiations on collective agreements, and real earnings will also rise.

The weak cyclical conditions have continued for some time and are still weighing on the labour market. Growth in the economy will be slow at the start of the forecast period, which will limit growth in the demand for labour. Employment will start to rise gradually when cyclical conditions improve. However, the fall in unemployment will be slow, and in 2027 the unemployment rate will still be 8.5%, which is above the structural unemployment rate.

Fiscal policy is being tightened in 2025 through the Government's fiscal adjustment measures, and the general government deficit will decrease. The improvement in Finland's public finances will slow after this, and the deficit will still be 3.6% of gross domestic product (GDP) in 2027. Tax cuts and higher defence spending are among the factors that will weaken the fiscal balance. The public debt-to-GDP ratio will rise to 88% by 2027.

The risks surrounding the forecast are tilted towards weaker growth and lower inflation than projected. Slower growth and lower inflation would arise if there were a considerable tightening of trade policy from the present position and a prolonging of the uncertainty. Geopolitical tensions in Ukraine and the Middle East could further elevate the uncertainty. In Finland, there is uncertainty over when the recovery in housing construction will take place, and how strong this will be. In the immediate years ahead, the Finnish economy also has the potential to grow more quickly than anticipated if, for instance, agreement is reached in trade negotiations and the trade policy uncertainty dissipates. Investments in the green transition in Finland may also occur more rapidly than expected.

Table 1. Key forecast outcomes (1/2)

Percentage change on the previous year	2024	2025 ^f	2026 ^f	2027 ^f
GDP	-0.1	0.5	1.5	1.6
Private consumption	-0.1	0.3	1.7	1.8
Public consumption	0.7	-0.2	-0.1	-0.0
Fixed investment	-7.1	0.4	4.6	2.9
Private fixed investment	-10.2	-2.5	4.2	3.8
Public fixed investment	7.4	11.5	5.7	0.2
Exports	0.1	1.9	1.7	2.8
Imports	-2.4	0.8	2.7	2.6
Effect of demand components on growth				
Domestic demand	-1.5	0.2	1.8	1.6
Net exports	1.1	0.5	-0.4	0.1
Changes in inventories and statistical error	0.3	-0.2	0.0	-0.1
Savings rate, households, %	2.8	3.1	2.9	2.2
Current account, % of GDP	0.3	-0.4	-0.1	-0.1

Key forecast outcomes (2/2)

	2024	2025 ^f	2026 ^f	2027 ^f
Labour market				
Number of hours worked	0.2	-0.1	0.3	0.6
Employment rate (20–64-year-olds), %	76.7	76.1	76.2	76.4
Unemployment rate, %	8.4	9.2	9.0	8.5
Unit labour costs	-0.5	2.1	1.9	2.2
Labour compensation per employee	0.5	3.1	2.7	3.0
Productivity per employee	1.0	0.9	0.8	0.8
GDP, price index	1.4	2.0	1.7	2.3
Private consumption, price index	2.1	1.7	1.5	1.9
Harmonised index of consumer prices	1.0	1.7	1.4	1.8
Excl. energy	1.9	2.4	1.7	1.8
Energy	-8.0	-5.1	-1.7	1.7
General government, % of GDP				
General government balance	-4.4	-3.9	-3.8	-3.6
General government gross debt (EDP)	82.1	84.9	86.7	87.9
^f =forecast.				

Sources: European Central Bank and Bank of Finland.

Tags

forecast, GDP, employment, inflation, economic forecast, Finland