



# Economic outlook for Finland

Economic Research

OP Financial Group

Q1/2025

# Increased political uncertainty dampens the recovery

- Finland's economy started recovering from a mild recession in 2024. Growth is expected to strengthen and broaden in 2025. However, slower-than-expected growth in European export markets and increased political uncertainty may dampen the pace of recovery.
- Exports turned to growth last year, driven particularly by the services sector. Export demand is expected to remain fairly strong this year and next, though weak European market conditions may slow the recovery.
- Despite a favorable rise in real disposable incomes, private consumption struggled in 2024. This year, real incomes will continue to grow, and accumulated savings will allow for increased consumption, especially as interest rates have declined.
- Investments have been a weak point in Finland's economy. The worst phase is now behind, and a gradual recovery is underway. Construction investments, in particular, are beginning to rebound, while machinery, equipment, and intangible investments—having declined less—are returning to a growth trend.
- Inflation slowed to below 2% last year and is expected to remain at this level in the coming years. Risks are tied to wage growth—if wages rise faster than expected, it could lead to higher consumer price inflation.
- Despite a slight decline, employment remains at a high level and is expected to reach a new peak in 2026. As the working-age population starts to grow, the employment rate will increase more moderately, and the unemployment rate will decline gradually.
- In 2024, Finland's current account was balanced despite a widening public deficit, as the private sector increased its savings. In the coming years, private savings will decrease, and the public sector will reduce its deficit, keeping the current account close to balance.
- The forecast risks are balanced. If confidence improves and export markets recover, economic growth could accelerate more than expected. However, increased trade barriers, labor market disputes, and sluggish industrial demand could limit growth.



# Forecasts for the Finnish economy

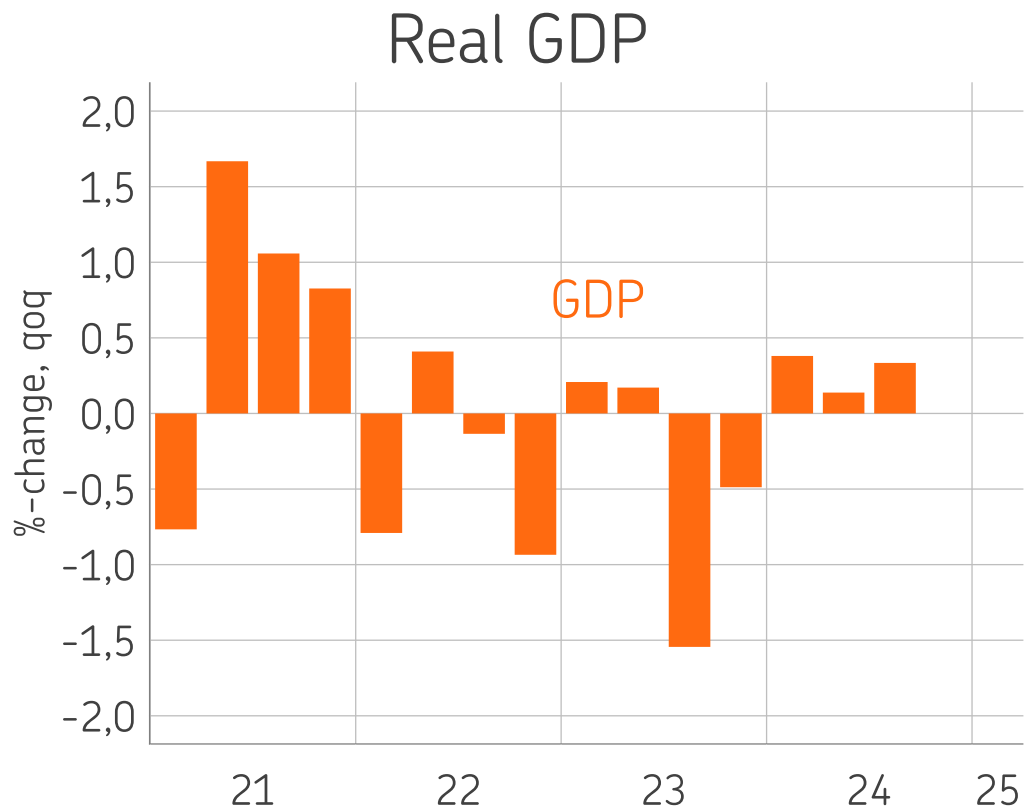
## Published on January, 2025

Forecasts for the Finnish economy, January 2025

	EUR bn				
Volume, % change on previous year	2023	2023	2024f	2025f	2026f
GDP	273,3	-1,2	-0,5	1,7	1,5
Imports	116,2	-7,1	-0,9	4,1	4,5
Exports	117,0	-0,3	1,1	3,5	4,0
Consumption	211,5	1,2	0,5	1,3	1,0
- Private	141,3	0,5	0,0	2,0	1,5
- Public	70,2	2,8	1,5	0,0	0,0
Fixed investment	63,4	-7,9	-5,5	4,1	3,5
Other key indicators		2023	2024f	2025f	2026f
Consumer price index, % change y/y		6,3	1,6	1,7	1,9
Change in wage and salary earnings, %		4,2	3,2	3,8	3,5
Unemployment rate, %		7,2	8,4	8,4	8,1
Current account balance, % of GDP		-0,6	0,0	-0,2	-0,4
General government net lending, % of GDP		-3,0	-3,7	-3,0	-2,0
General government debt, % of GDP		77,1	81,1	83,2	84,3

Sources: Statistics Finland and OP Financial Group

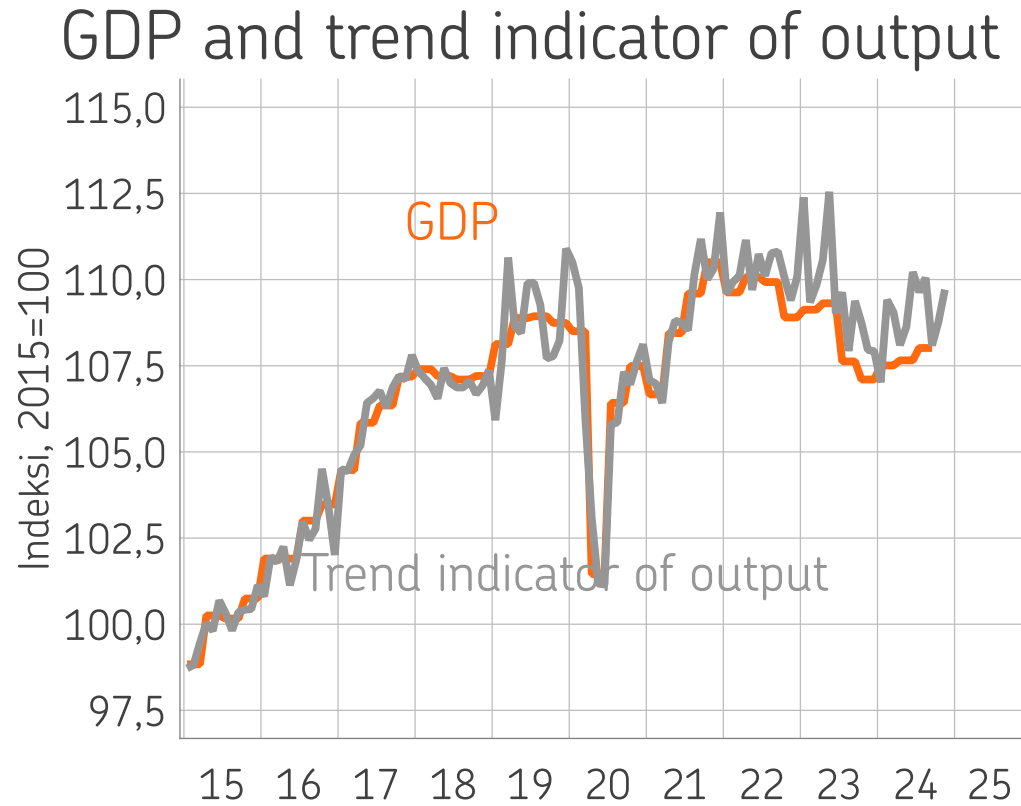
# Uncertainty slightly undermines the recovery of the Finnish economy



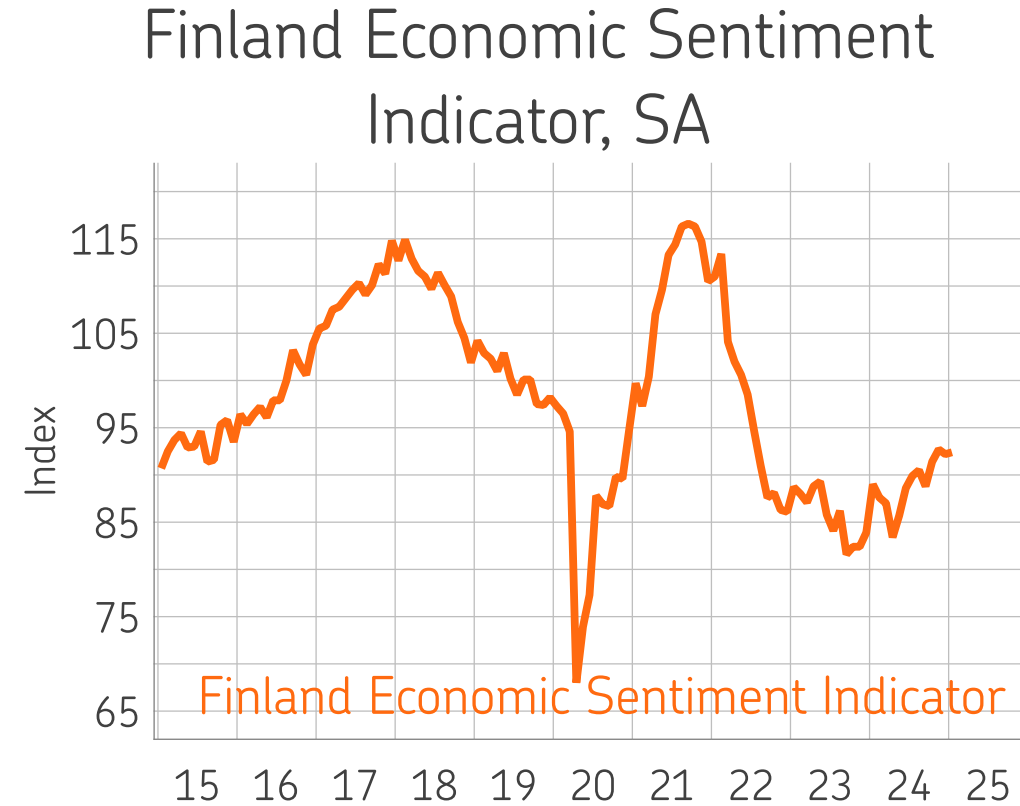
Source: Macrobond, StatFin, OP

- Finland's GDP grew in the third quarter, both compared to the previous quarter and the same period last year. Based on monthly indicators, the economy also expanded during the final quarter.
- In 2024, Finland's economy grew largely as expected. Exports and consumption increased, while investments declined, driven by a slowdown in construction. Excluding construction, GDP grew slightly.
- Economic growth is expected to strengthen and become more broad-based in 2025, with all major demand components increasing. However, slower-than-expected growth in European export markets and heightened political uncertainty slow down the pace of the recovery slightly.
- GDP is projected to grow by 1.7% in 2025 and 1.5% in 2026.

# Economic sentiment is improving



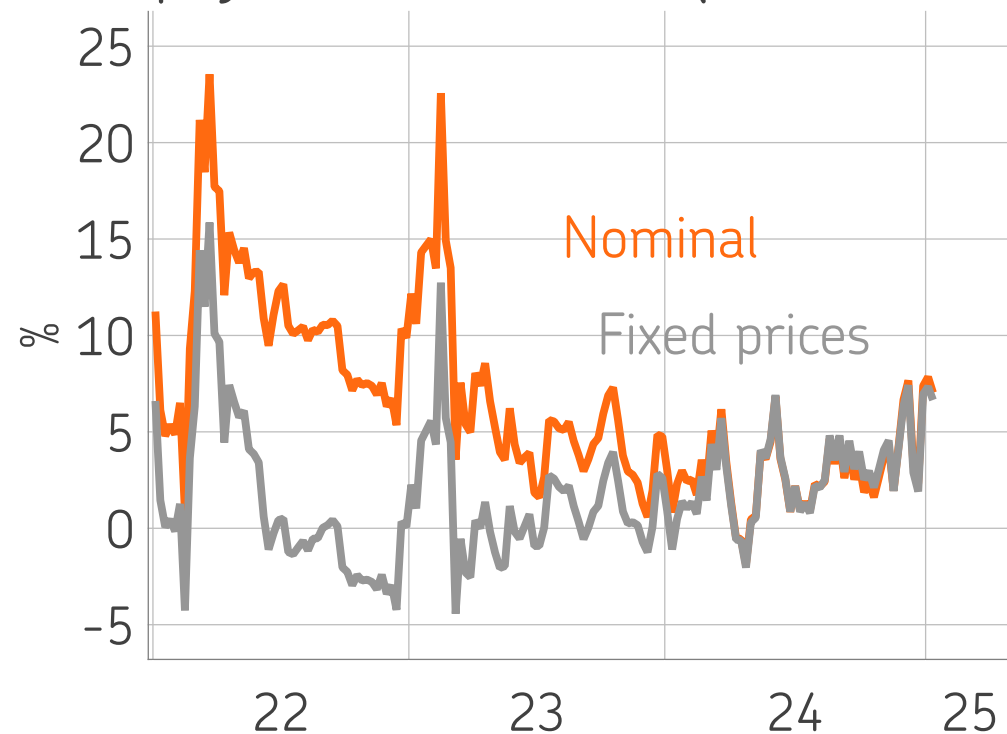
Source: Macrobond, StatFin, OP



Lähde: Macrobond, DG ECFIN, OP

# Strong growth in OP's card payments

OP's payment card data (3 week ma.)

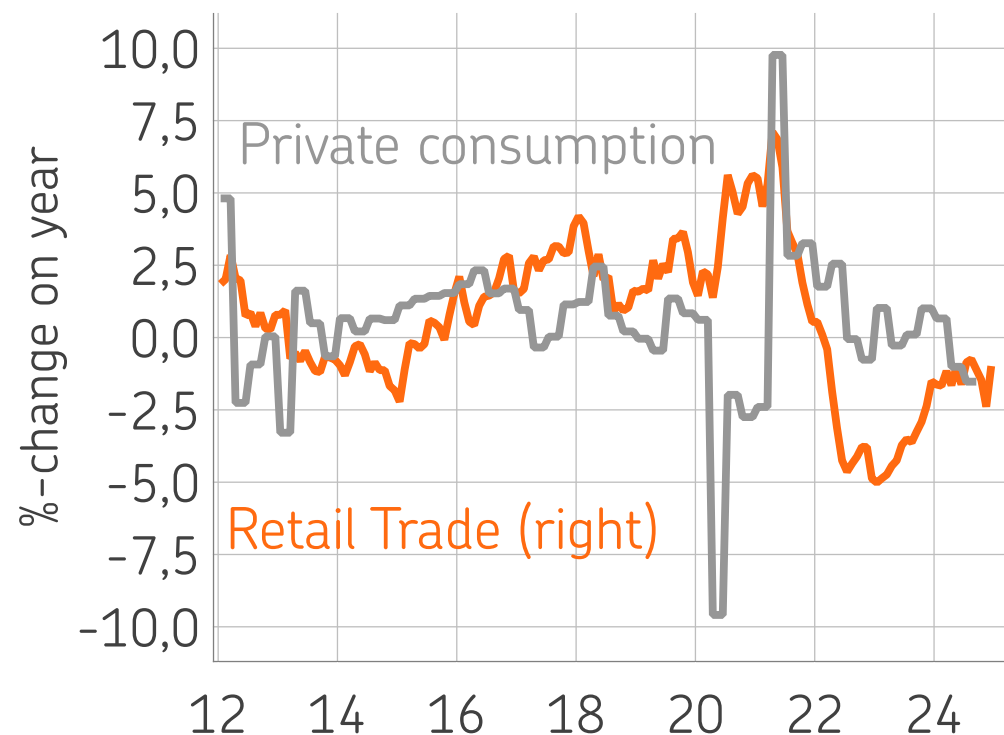


Source: Macrobond, OP

- The growth in OP's card payments has remained strong on both sides of the turn of the year.
- The timing of holidays and sales compared to last year introduces some variation in the annual growth rate of card payments.
- In recent months, card payment growth has exceeded 3%, with growth accelerating toward the end of the year.
- The strong development in payments indicates that households still have good consumption capacity. Lower interest rates and slow inflation are supporting household consumption.

# The growth of private consumption is picking up

## Consumer confidence and retail trade



Lähde: Macrobond, OP

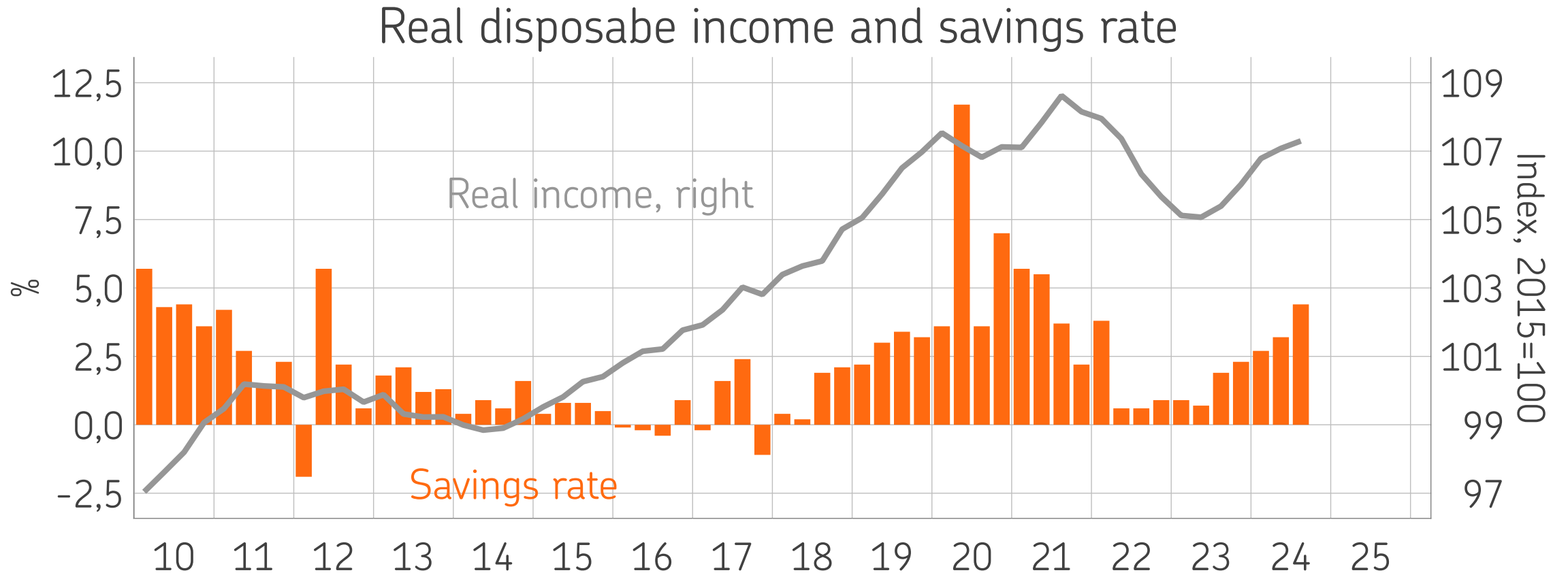
- Retail contracted in November year-on-year, with declines in all sectors except car sales, though the trend is slowly improving.
- Private consumption fell in the third quarter, partly due to VAT increases, and lagged behind income growth in 2024, raising the savings rate.
- Increased savings, higher financial assets, and falling interest rates enable stronger consumption growth, supported by income growth and a declining savings rate in the coming years.

### Consumption and income, % change

	2023	2024f	2025f	2026f
Wage and salary index	4,2	3,2	3,8	3,5
Private consumption	0,5	0,0	2,0	1,5
Disposable income	0,6	1,8	1,6	1,5
Saving rate	1,5	3,3	2,7	2,7

Sources: Statistics Finland and OP

# Real income is rising

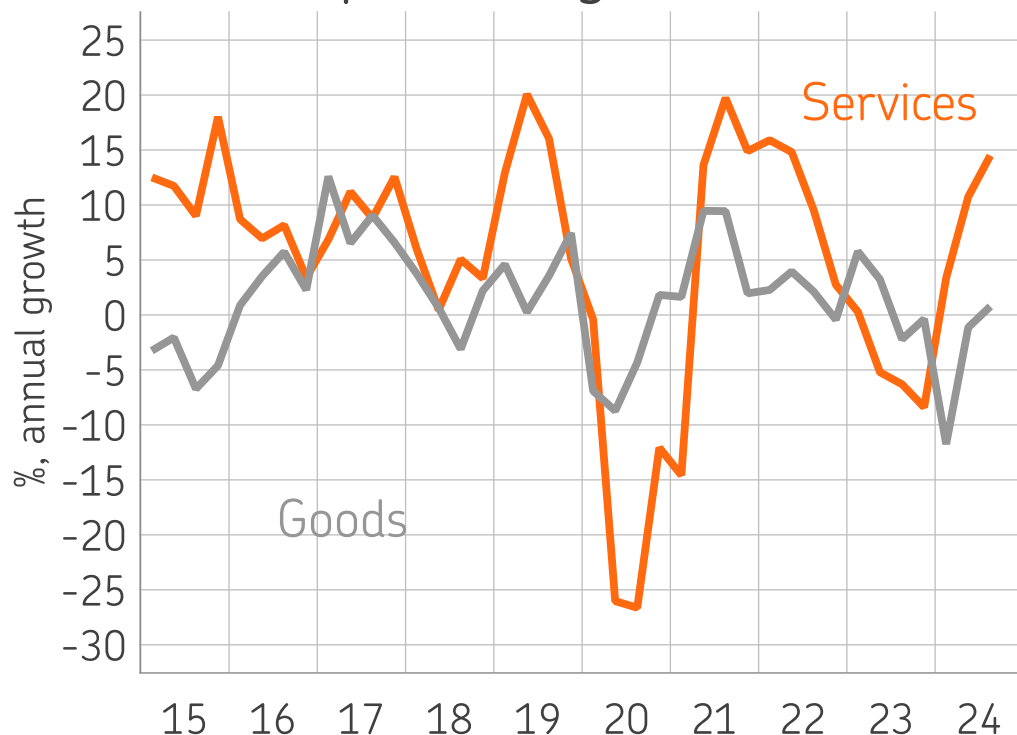


Source: Macrobond, StatFin, OP



# Export performance has improved – risks cloud the outlook

## Finland's exports of goods & services

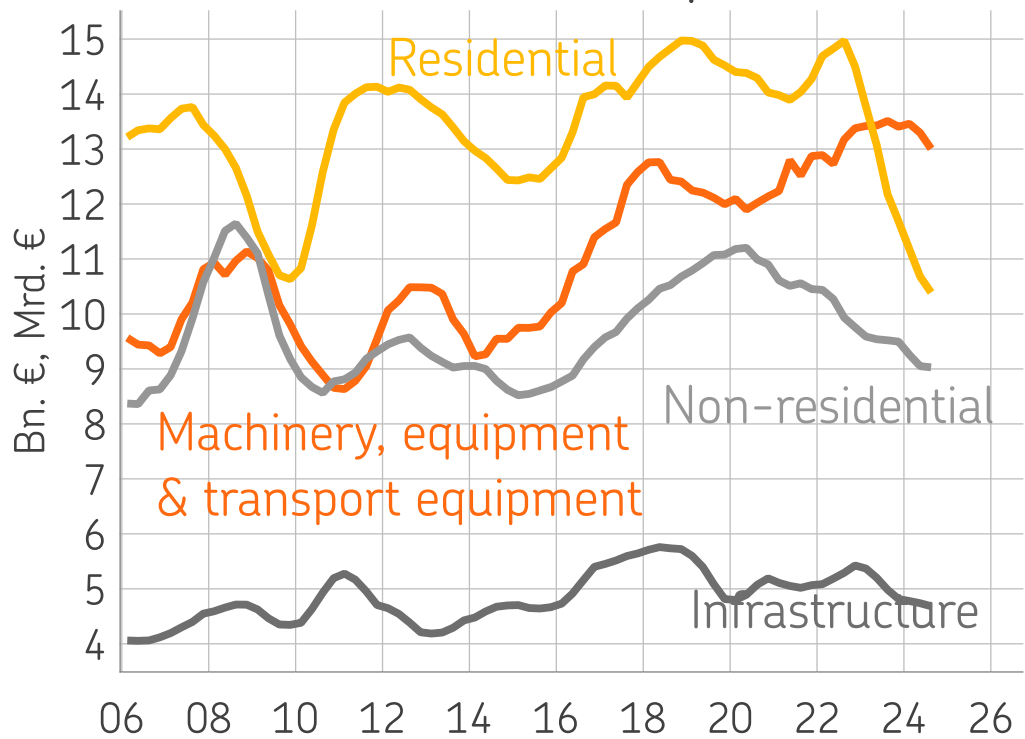


Sources: Macrobond, StatFin, OP

- Export performance was rather volatile last year, partly due to temporary factors, but it started to improve toward the end of the year.
- Finland's service exports grew rapidly during the first three quarters of last year, and better-than-expected export growth was largely driven by service exports. In contrast, goods exports declined by 4% during the same period.
- Export market growth is expected to continue, but weaker-than-anticipated demand in the euro area weighs on export demand.
- Export markets face numerous risks, ranging from geopolitical tensions to industrial recovery.

# Weak development in investments – gradual recovery expected to start this year

## Finland, Investment, 4-qrt sum, EUR



Lähde: Macrobond, StatFin, OP

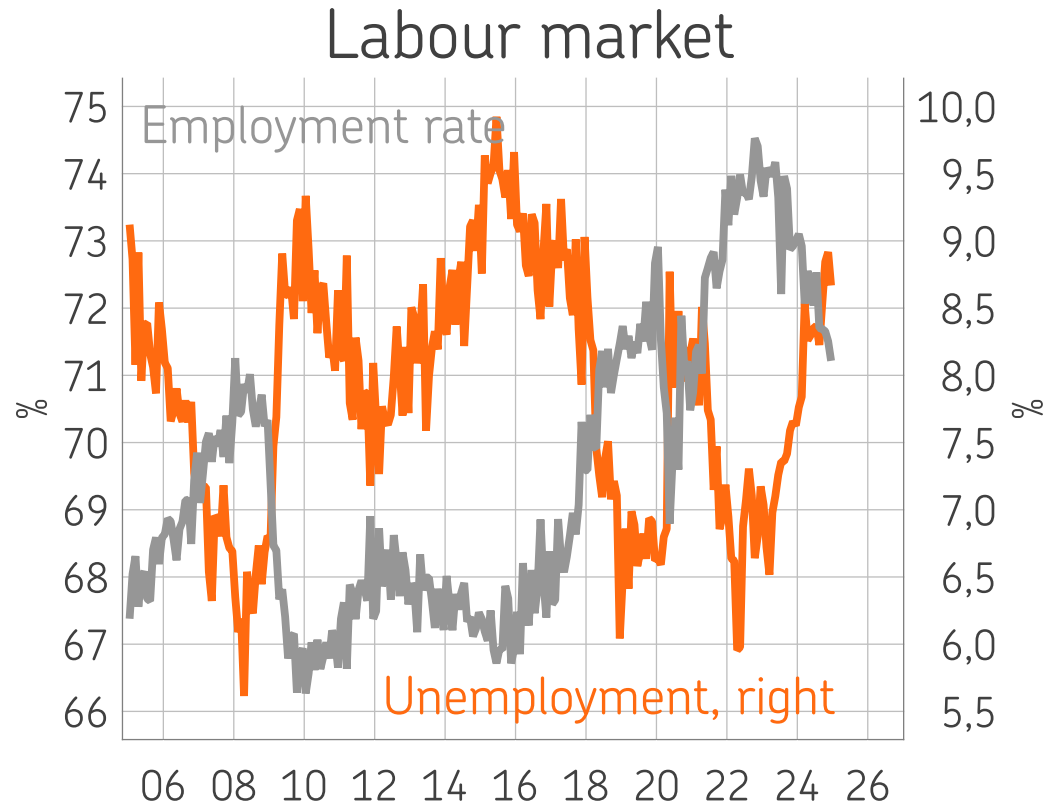
- Investment contraction continued last year as expected, driven particularly by the construction sector.
- Machinery and equipment investment also weakened significantly over the year, though less so than construction.
- Residential construction investments continued to decline in the third quarter, but early signs of a turnaround in construction are emerging.
- Machinery and equipment investments have been slightly weaker than anticipated in recent quarters.

### Investments, % change

	2023	2024f	2025f	2026f
Construction of buildings	-14,3	-8,9	4,6	5,2
<i>Residential</i>	-20,8	-12,0	5,0	6,5
<i>Non-residential buildings</i>	-4,9	-6,0	4,0	3,5
Machinery and equipment	1,6	-4,0	5,0	2,0
R&D	-3,9	-2,0	2,5	2,5
Investments total	-9,0	-5,5	4,1	3,5

Sources: Tilastokeskus ja OP

# Labour market momentum expected to recover



Lähde: Macrobond, StatFin, TEM, OP

- The economy returned to growth in 2024, but only this year will the pace be sufficient to boost employment. Despite the decline, employment has remained relatively high and is expected to reach a new record level in 2026.
- In the broader picture, the unemployment rate will decline only slightly this year, and pinpointing the exact turning point remains challenging.

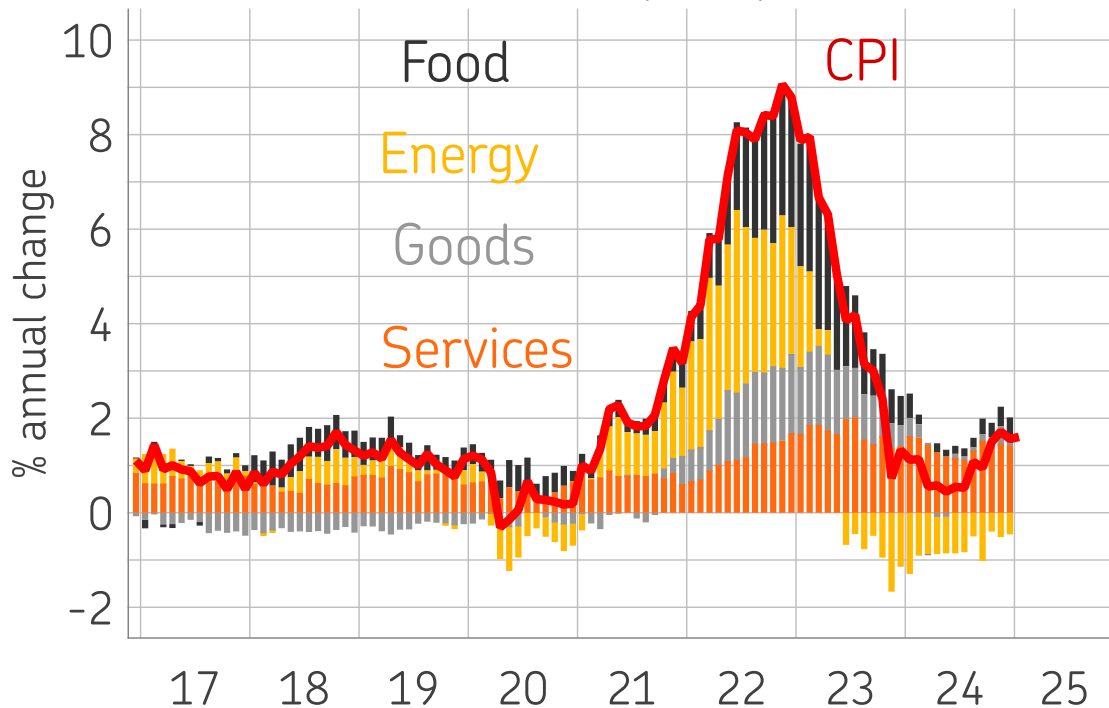
## Labour markets

	2023	2024f	2025f	2026f
Unemployment rate, %	7,2	8,4	8,4	8,1
Employment rate, %	73,6	72,4	72,7	72,4
Employment '000	2626	2604	2615	2636
Unemployed '000	204	240	241	231

Sources: Tilastokeskus, OP

# Inflation will remain slow if wage increases are moderate

## Inflation (CPI)



Source: Macrobond, ECB, OP

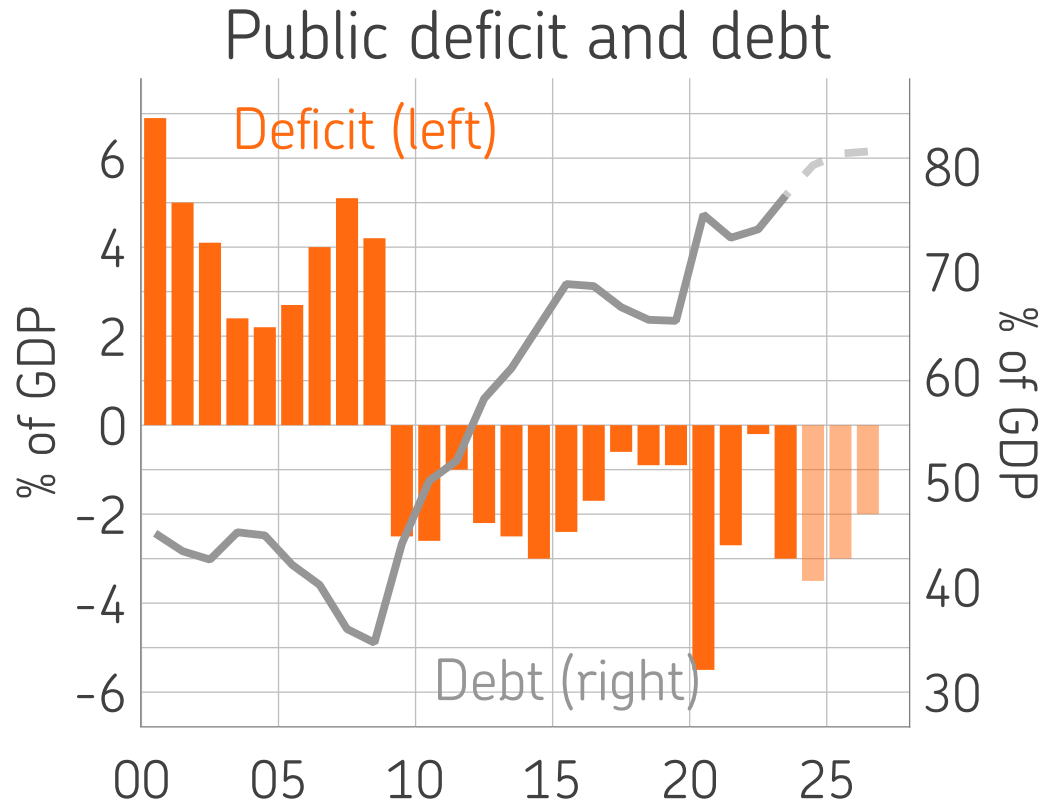
- In December, inflation measured by the consumer price index was 0.7%, while the European price index showed 1.6%.
- The difference stems from the inclusion of mortgage rates and housing prices in the consumer price index, both of which have shown a clearly negative annual change in recent months. Inflation remains moderate, with no signs of deflation risk.
- Inflation is expected to stay below 2% in early 2024 but stabilize around 2% in the latter half of the year. The forecast assumes wage growth in the 3-4% range; faster wage increases would also lead to higher inflation.

### Inflation in Finland, %

	2023	2024f	2025f	2026f
Headline inflation, CPI	6,3	1,7	1,6	1,8
Headline inflation, HICP	4,4	0,9	1,7	1,8
Core inflation, HICP without food and energy	4,1	2,1	2,1	1,8

Sources: Tilastokeskus, OP

# The public finances are improving slightly in 2025



Source: Macrobond, StatFin, OP

- The general government deficit deepened to 3.7% of GDP in 2024, largely due to a significant decline in the surplus of social security funds. The tax rate decreased while expenditures increased.
- In the coming years, the deficit will improve cyclically. Despite spending cuts, expenditures relative to GDP will remain largely unchanged. By 2026, the deficit will align with its structural level, which has remained stable.

## General government finances

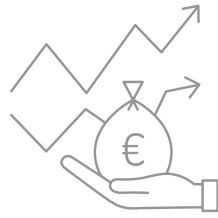
	2023f	2024f	2025f	2026f
Surplus, % of GDP	-3,0	-3,7	-3,0	-2,0
Debt, % of GDP	77,1	81,1	83,2	84,3

Sources: Statistics Finland ja OP



## Housing prices

Housing prices stabilised last year. This year, we expect prices to rise by 3% and continue increasing by 2.8% next year



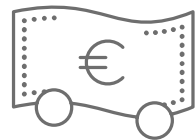
## Construction

The construction cycle has bottomed out and will gradually improve this year. Despite the recovery, construction activity will remain at a low level.



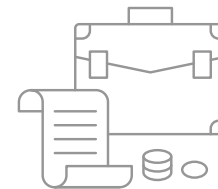
## Interest rates

The biggest decline in the 12-month Euribor is expected to be behind us. However, lower interest rates will continue to support the housing market this year.

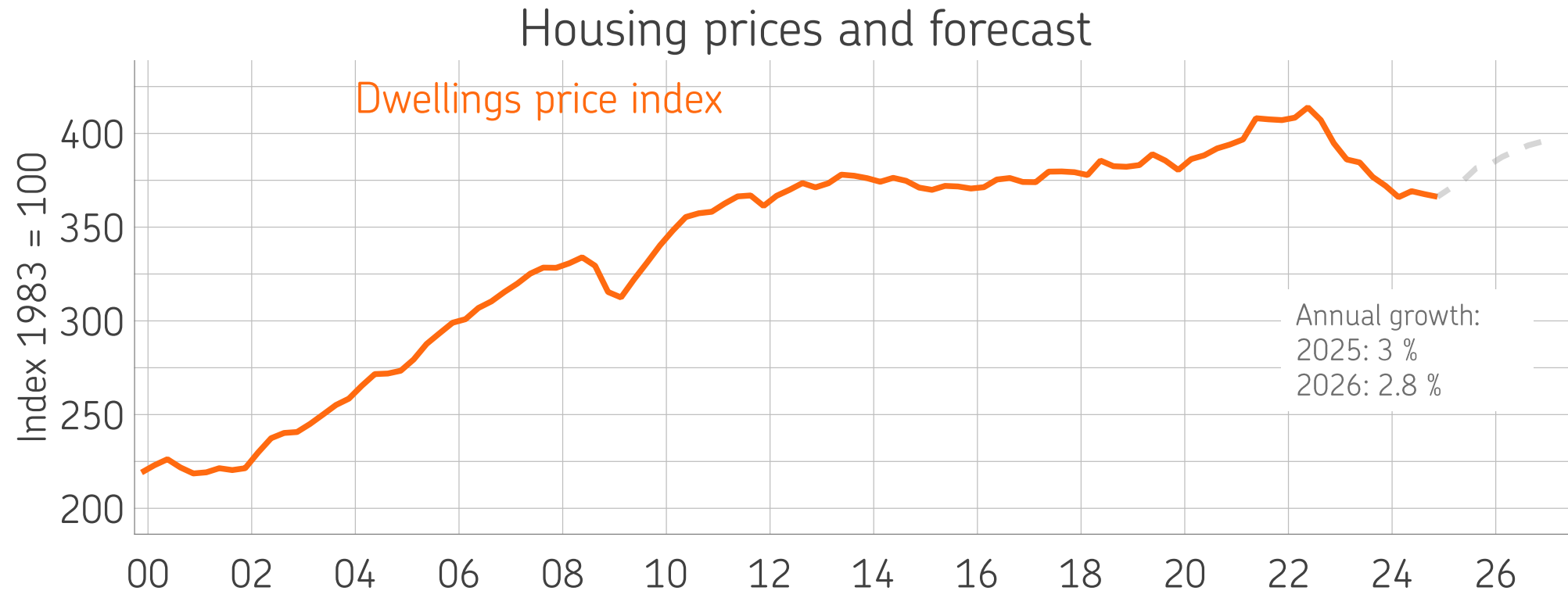


## Mortgage market

Housing loan demand has begun to recover alongside the increase in home sales. We expect this recovery in mortgage demand to continue throughout the year.

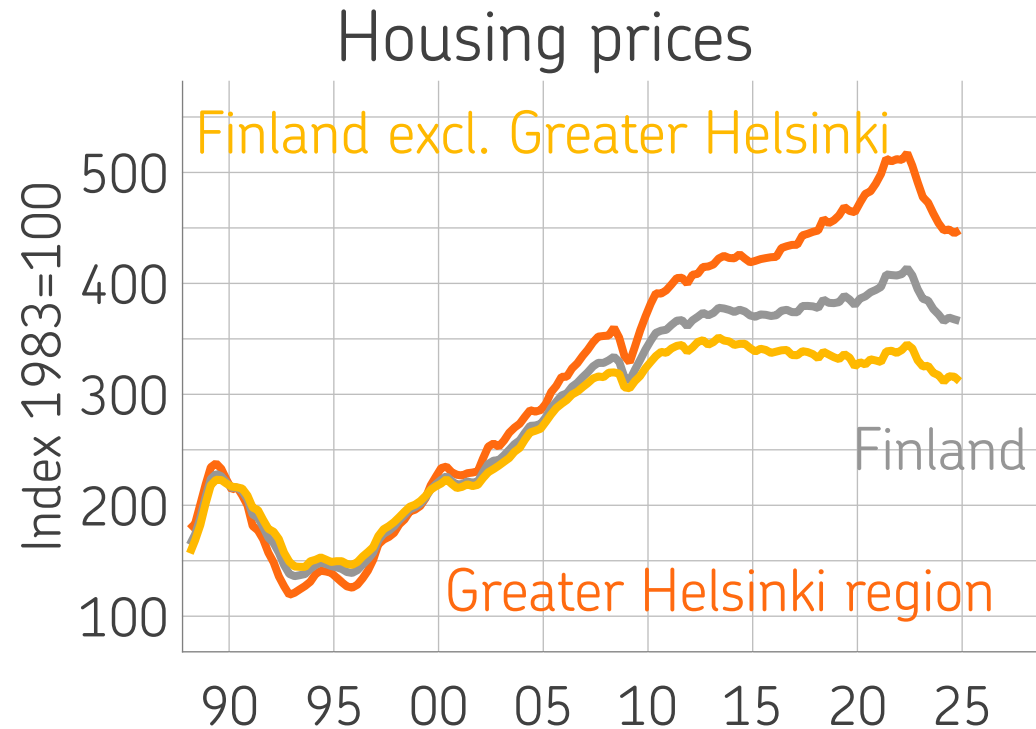


# Housing markets are recovering – prices will start to rise this year

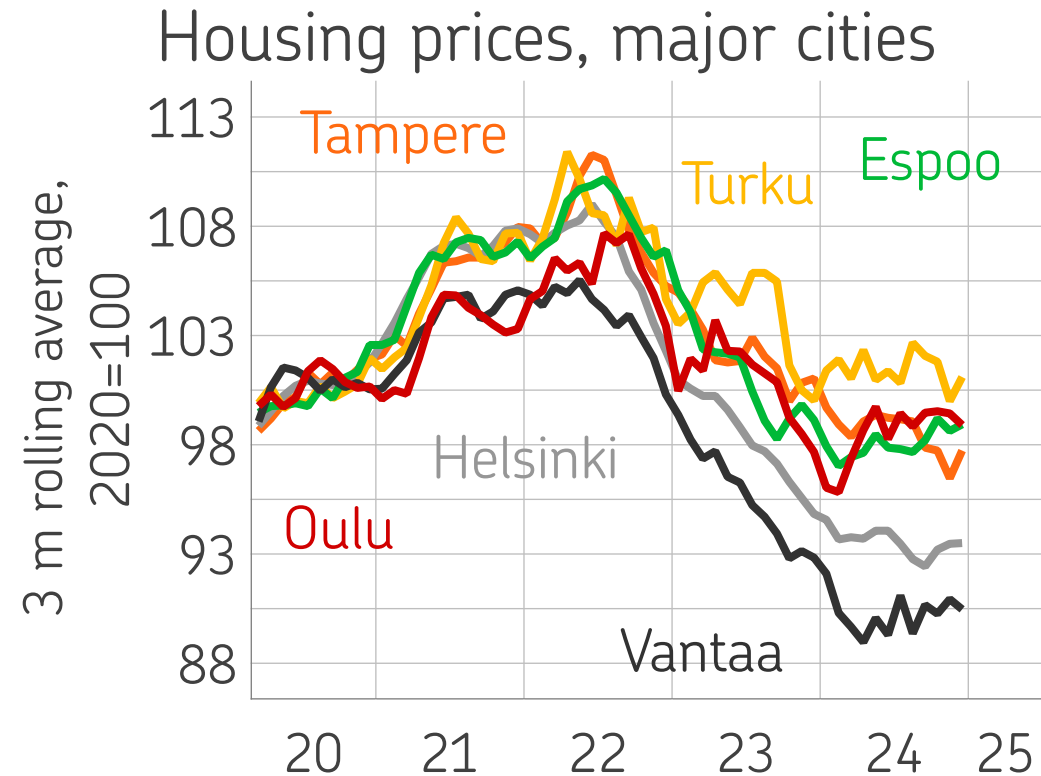


Source: Macrobond, StatFin, OP

# Prices have stabilised in larger cities

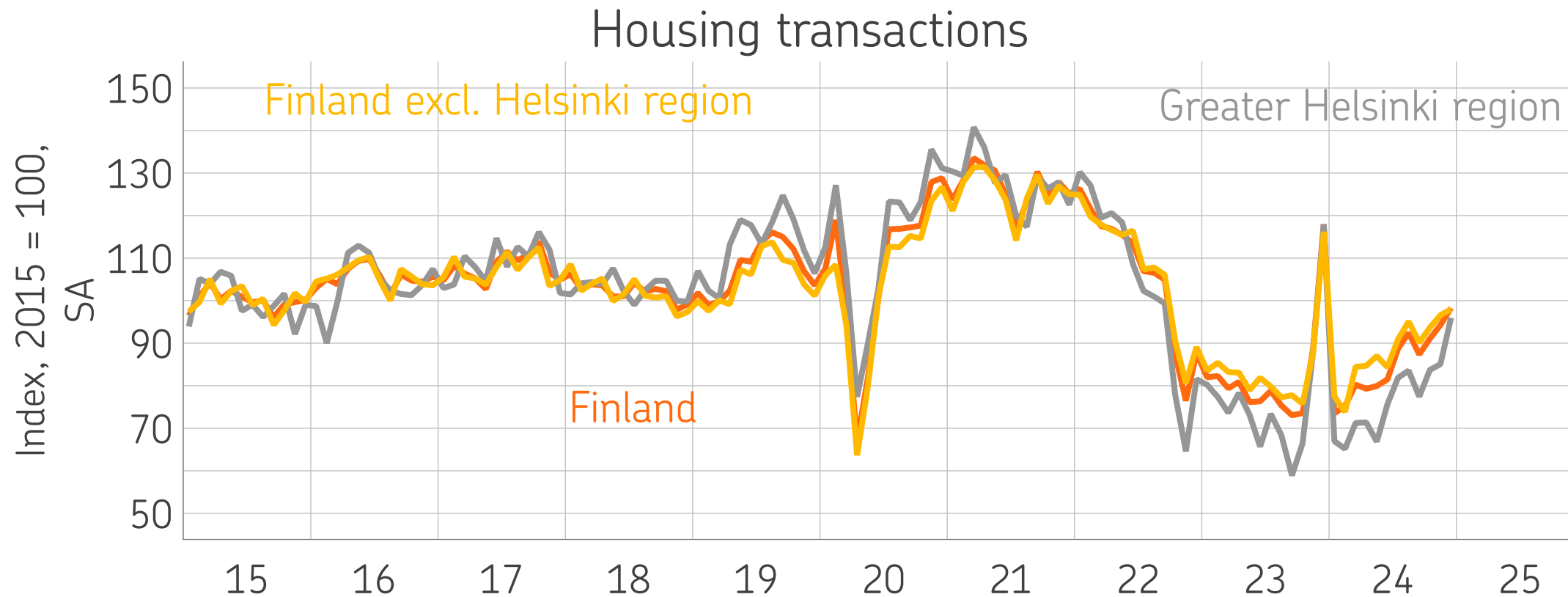


Old dwellings prices  
Source: Macrobond, StatFin, OP



Old dwellings prices  
Source: Macrobond, StatFin, OP

# The housing transaction volume has increased rapidly



Source: Macrobond, Tilastokeskus, OP



Thank you!