

2.19. FINLAND

Finland's real GDP is estimated to have grown 1.6% in 2019. The economic growth in the first three quarters of 2019 was faster than expected, despite worsening economic sentiment and consumer confidence. Private consumption and exports drove the expansion in activity but investment growth was close to zero.

Real GDP growth this year is expected to be similar to last year, at 1.5%, due to the continued strength of private consumption, expansionary fiscal policy, and carry-over effects. In 2021, GDP is expected to grow at 1.0%, closer to the economy's potential level. Growth is set to be driven by private consumption, which should enjoy the support of rising disposable incomes. Investment growth is projected to stay modest overall, as an expected uptick in equipment investment will likely be offset by a decrease in residential construction activity. In line with the assumptions on global trade, exports are expected to pick up gradually.

HICP inflation remained subdued in 2019 at 1.1%, and was even lower in the last quarter of 2019. Inflation is expected to rise to 1.4% in 2020 and 1.5% in 2021 on the back of rising labour costs. Domestic price pressures are, however, likely to stay low due to the slowing economy and only a minor decrease in unemployment rate. Externally, energy prices are forecast to fall marginally over the forecast horizon.

Domestic risks are related to the expected slowdown in residential construction, which could turn out to be stronger than anticipated.

