

2.19. FINLAND

Real GDP declined by 0.1% q-o-q in the first quarter of this year, as pandemic-related restrictions led to a temporary slowdown in private consumption and exports. Growth is expected to turn positive in the second quarter and accelerate further in the third. On an annual basis, real GDP growth is forecast to increase by 2.7% in 2021, which is the same as in the Spring Forecast.

Since the spring, the continued improvement in the health situation has accelerated the relaxation of remaining restrictions. Improvements in business and consumer sentiment indicate that a more robust recovery is clearly on the way. Favourable prospects for domestic and external demand are set to strengthen private consumption and investment, while also supporting exports. The strong results expected in the second half of 2021 are forecast to continue in 2022 when the GDP growth rate is forecast to reach 2.9% on the back of strong demand and carryover effects.

HICP inflation in the second quarter is expected at 2.1% mainly as a result of the strong rise in energy prices but also because of increasing prices for services. This temporary boost is likely to fade but steadily rising demand is expected to keep inflation higher than in recent years. Inflation is projected to increase to 1.5% in 2021 and 1.6% in 2022.

