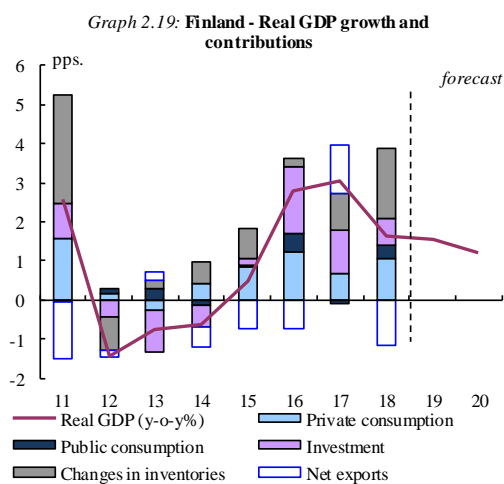


2.19. FINLAND

Real GDP in Finland grew by 1.7% in 2018 according to the most recent data revision, a sizeable slowdown from 3.0% in 2017. In the first quarter of 2019, preliminary data show that real GDP growth reached 0.6% quarter-on-quarter (0.9% year-on-year), led by exports and government expenditure. Indicative for 2019-Q2, most high-frequency indicators suggest that the economy's growth momentum has stalled. Real GDP growth this year is expected to ease to 1.5% while in 2020, growth is forecast to decrease to 1.2%, closer to the economy's potential level.

The economic outlook is weakening somewhat faster than expected in spring. While consumer confidence has decreased, higher disposable income and higher employment should support private consumption, which remains an important growth contributor. Investment is projected to grow further but at a slower pace compared with 2018, due to a deceleration in construction activity. Exports are expected to pick up gradually, in line with the assumptions on global trade.

In line with the performance of the economy, HICP inflation remained subdued in the first five months of 2019 (1.3% annually). Only a gradual increase is expected for 2020 on the back of rising labour costs.



Risks to the outlook are broadly balanced and predominantly external, in line with risks affecting the euro area. Domestically, the investment outlook is dependent on the possible execution of a few large projects, which represents both upside and downside risks.