

# **Economic Survey** **Winter 2025**

Economic Prospects

PUBLICATIONS OF THE MINISTRY OF FINANCE – 2025:62



MINISTRY  
OF FINANCE

Publications of the Ministry of Finance 2025:62

# Economic Survey

Winter 2025

Economics Department

Ministry of Finance Helsinki 2025

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## Economic Survey, winter 2025

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### Abstract

The recovery of Finland's economy is delayed, and gross domestic product (GDP) growth is only 0.2 per cent this year. Growth has been slowed down by the weak domestic demand. However, households' consumption is expected to pick up as purchasing power is growing and growth will accelerate next year. The recovery of the construction sector, the energy transition and defence materiel purchases will increase investments. GDP will grow by 1.1 per cent in 2026, by 1.7 per cent in 2027 and 1.6 per cent in 2028. Improvements are expected in employment in 2026–2028 as economic growth strengthens. Unemployment will fall from 9.6 per cent in 2025 to 8.5 per cent in 2028.

Despite the weak economic situation, the general government deficit will contract to 3.9 per cent of GDP this year as the consolidation measures take effect. Despite the improved economic situation, the general government deficit will deepen to 4.5 per cent next year, as the fighter jet purchases which were expected for this year will be included in the 2026 deficit. In the long term, the deficit remains deep: the increase in defence and interest rate expenditure and the moderate economic development maintain it at over 3.5 per cent of GDP in 2030. The debt ratio will increase to over 89 per cent this year and to nearly 92 per cent in 2026. Growth will continue throughout the outlook period, and in 2030, debt will amount to over 96 per cent of GDP.

**Keywords** economic prospects, public finance, economic developments.

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## Taloudellinen katsaus, talvi 2025

**Valtiovarainministeriön julkaisuja 2025:62****Julkaisija** Valtiovarainministeriö**Teema**

Talousnäkömät

**Yhteisötekijä** Kansantalousosasto**Kieli** Suomi**Sivumäärä** 97**Tiivistelmä**

Suomen talouden toipuminen on viivästynyt ja bruttokansantuote (BKT) kasvaa tänä vuonna vain 0,2 prosenttia. Kasvua on jarruttanut kotimaisen kysynnän heikkous. Kotitalouksien kulutuksen odotetaan kuitenkin vauhdittuvan, sillä ostovoima on kasvussa ja kasvu nopeutuu ensi vuonna. Rakentamisen toipuminen, energiasiirtymä ja puolustushankinnat puolestaan kasvattavat investointeja. BKT kasvaa 1,1 prosenttia vuonna 2026, 1,7 prosenttia vuonna 2027 ja 1,6 prosenttia 2028. Työllisyys kasvaa vuosina 2026–2028 talouden vahvistuessa. Työttömyysaste laskee vuoden 2025 9,6 prosentista 8,5 prosenttiin vuonna 2028.

Heikosta suhdanteesta huolimatta julkisyhteisöjen alijäämä supistuu tänä vuonna 3,9 prosenttiin suhteessa BKT:hen, kun sopeutustoimet alkavat vaikuttaa. Suhdanteen kohenemisesta huolimatta julkisyhteisöjen alijäämä syvenee ensi vuonna 4,5 prosenttiin, kun tälle vuodelle odotetut hävittäjähankinnat kirjataan vasta vuoden 2026 alijäämään. Pitkällä aikavälillä alijäämä pysyy syvänä: puolustus- ja korkomenojen kasvu sekä maltillinen talouskehitys pitävät sen yli 3,5 prosentissa suhteessa BKT:hen vielä vuonna 2030. Velkasuhde nousee tänä vuonna yli 89 prosenttiin ja lähes 92 prosenttiin vuonna 2026. Kasvu jatkuu koko ennustejakson ajan, ja vuonna 2030 velka on jo yli 96 prosenttia suhteessa BKT:hen.

**Asiasanat** talousnäkömät, julkinen talous, taloudellinen kehitys.**ISBN PDF** 978-952-367-393-9**ISSN PDF** 1797-9714**Julkaisun osoite** <https://urn.fi/URN:ISBN:978-952-367-393-9>

## Ekonomisk översikt, vinter 2025

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### Referat

Finlands ekonomiska återhämtning har fördröjts och bruttonationalprodukten (BNP) växer i år endast med 0,2 procent. Den svaga inhemska efterfrågan har dämpat tillväxten. Hushållens konsumtion förväntas ändå öka i snabbare takt, eftersom köpkraften stärks och tillväxten tilltar nästa år. Byggandets återhämtning, energiomställningen och försvarsanskaffningarna bidrar i sin tur till att investeringarna ökar. BNP växer med 1,1 procent år 2026, med 1,7 procent år 2027 och med 1,6 procent år 2028. Sysselsättningen ökar under åren 2026–2028 i takt med att ekonomin stärks. Arbetslöshetsgraden sjunker från 9,6 procent år 2025 till 8,5 procent år 2028.

Trots det svaga konjunkturläget minskar den offentliga sektorns underskott i år till 3,9 procent i förhållande till BNP, då anpassningsåtgärderna börjar få effekt. Trots att konjunkturen förbättras fördjupas underskottet nästa år till 4,5 procent, eftersom de jaktplansanskaffningar som väntades bokföras i år i stället registreras i underskottet för 2026. På lång sikt förblir underskottet djupt: ökningen av försvars- och ränteutgifterna samt den måttliga ekonomiska utvecklingen håller det över 3,5 procent i förhållande till BNP ännu år 2030. Skuldkvoten stiger i år till över 89 procent och till nästan 92 procent år 2026. Ökningen fortsätter under hela prognosperioden, och år 2030 uppgår skulden till över 96 procent i förhållande till BNP.

**Nyckelord** ekonomiska utsikter, offentlig ekonomi, ekonomiska utvecklingar.

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The source for all data on materialised developments is Statistics Finland unless otherwise indicated.

#### SYMBOLS AND CONVENTIONS USED

*	forecast
-	Information missing
CPB	CPB Netherlands Bureau for Economic Policy Analysis
HWWI	Hamburgisches WeltWirtschafts Institut
IMF	International Monetary Fund
MEAE	Ministry of Economic Affairs and Employment
MoF	Ministry of Finance

Each of the figures presented in the tables has been rounded separately.

## TO THE READER

This Economic Survey offers projections of economic developments in 2025–2028. In addition to short-term prospects, it includes a medium-term economic outlook extending to 2030.

The forecast and trend projections in the survey are prepared independently by the Ministry of Finance Economics Department based on the Act on the implementation of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union and on multi-annual budgetary frameworks (869/2012).

The forecasts are based on national accounts data published by Statistics Finland in November 2025 and on other public statistical sources available by 11 December 2025.

Helsinki, December 2025

Ministry of Finance Economics Department

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# Contents

<b>To the reader</b> .....	7
<b>Preface</b> .....	9
<b>Summary</b> .....	12
<b>1 Economic Outlook</b> .....	22
1.1 Global Economy .....	22
1.1.1 Growth prospects .....	22
1.1.2 Financial markets and commodities .....	24
1.1.3 Global trade .....	25
1.2 Foreign Trade .....	28
1.2.1 Exports and imports .....	28
1.2.2 Balance of payments .....	31
1.3 Prices and costs .....	37
1.4 Wages and incomes .....	42
1.4.1 Wages .....	42
1.4.2 Households' income .....	45
1.5 Consumption .....	47
1.6 Investments .....	53
1.7 Domestic production .....	58
1.7.1 GDP and productivity .....	58
1.7.2 Sectors .....	60
1.8 Labour market .....	64
1.9 Medium-term outlook for 2029–2030 .....	69
<b>2 General Government Finances</b> .....	73
2.1 General government .....	73
2.2 Central government .....	80
2.3 Municipal administration .....	85
2.4 Wellbeing services counties .....	89
2.5 Social security funds .....	93
2.5.1 Employment pension schemes .....	93
2.5.2 Other social security funds .....	96
<b>Themes:</b>	
Finland's strategic dependencies are well known .....	33
Public debt in the long term .....	78

## **Appendices outside the publication:**

The appendix is available as a separate file at <https://urn.fi/URN:ISBN:978-952-367-393-9>

## PREFACE

Finland's economy recovered from a recession and grew at a fairly brisk pace until the third quarter of 2024. However, the economy started to contract again in the fourth quarter. During 2025, this trend seems to have accelerated. Finland is in a recession again.

How did this happen? The economy was already well on its way to growth – what pulled the brake?

There are several contributing factors to the situation. The ageing population is slowing down labour and productivity growth. The declining level of education compared to competitors and in relation to the demands of the reforming economy undermines competitiveness and slows down productivity growth. 1,340 kilometres of border with an unpredictable neighbour is a cause of continued threat and uncertainty in society. The structural difficulties of general government finances – and whatever it takes for us to fix them – cause households to be proactive and prepare to save for a bill that will fall due in the future.

These are structural problems that we have identified and that we estimate to slow down economic growth and limit it to 1–1½ per cent over a longer term.

Still, we have been forced to wonder what put a damper on growth this year particularly in Finland but not in the euro area. The incoherent trade policy and the tariffs imposed on exports to the USA are hardly the explanation, as they slow down growth equally in Finland's export markets and in Finland.

Interest rates are higher than before and continue to burden Finnish households more than euro area households. Housing prices have continued to decline, reducing households' assets and making households increasingly cautious, even if their consumption does not depend on the housing assets and rising prices of housing. The rapid increase in the unemployment rate has increased concerns about unemployment even if individuals' own unemployment risk has not risen.

It is obvious that we have previously underestimated the unfavourable impacts of the concerns and uncertainty on household consumption. In addition, we have previously overestimated the pace at which rapidly growing labour supply shows in employment. The opportunities of labour force entering the labour market to find employment are weaker than average. At the same time, companies seek productivity and competitiveness by implementing technology that replaces labour. These will slow down employment growth over a longer term as well. It is no surprise as such that zero growth in the economy has not succeeded in employing labour force entering the labour market this year and unemployment has grown.

Despite the obvious structural factors slowing down growth, the Ministry of Finance estimates – along the lines of most other forecasters – that Finland is currently in a recession that is particularly prolonged by external impacts. However, it is a temporary recession. Finland will overcome the recession as it always has, and growth will pick up to 1.5–2 per cent in the coming years. In the forecast by the Ministry of Finance, growth will be in this range as early as next year.

A prolonged recession and lower than previously estimated employment growth will have negative impacts on general government finances. Lower accumulation of GDP results in deeper deficits and debt growing faster than previously estimated. Debt will exceed 90 per cent of GDP in 2026. At the turn of the decade, the debt ratio will amount to nearly 97 per cent.

When the imbalance between a Member State's public revenue and expenditure grows excessive, the risk of the Member State's deficits and indebtedness threatening the stability of the entire Economic and Monetary Union will grow. According to the Treaty on European Union, the risk limit for deficit is 3 per cent and for debt 60 per cent of GDP. Once the Council of the European Union has found that the risk limits are exceeded too much, the Member State must take systematic and effective action to decrease the deficit to less than 3 per cent and to reduce debt towards 60 per cent.

The European Commission proposes that the Council find Finland's debt to be excessive and launch the excessive deficit procedure against Finland. In addition, a parliamentary working group consisting of Members of Parliament is currently

negotiating on a general government budgetary position target, which would guide the Government starting its term in 2027 and, when realised, turn general government debt to GDP to a decreasing trajectory.

Both ongoing processes paint a grim picture of the situation of Finland's general government finances. The deficits and indebtedness of Finland's general government are not a threat to the stability of the Economic and Monetary Union nor do they threaten Finland's central government borrowing in the financial markets. However, they do threaten citizens' confidence in Finland's capacity to finance and provide the statutory public services and benefits.

It is possible that the uncertainty about general government finances and the service promise will increase private saving, slow down economic growth and maintain deficits in general government finances in Finland. Therefore, a parliamentary and binding agreement on the objectives of general government finances as well as a plausible plan and effective measures for stabilising public finances during the next two electoral terms are so important.

Both aforementioned processes are transforming into a concrete demand that the deficit of general government finances be reduced by billions of euros during the electoral term beginning in 2027.

The task will not be easy, but it is not impossible. Expenses must be cut and allocated more efficiently. The amount of revenue to cover expenditure must be increased from the current level. However, this must be done in a way that interferes with economic activity less than is currently the case. Above all, economic resources must be used more efficiently to secure faster economic growth.

This task may be a confidence booster as it involves a joint effort and participation by all. There cannot be special protection for achieved benefits. Political silos and sub-optimisation are luxuries that Finland cannot afford.

Everything is still up to us and possible. We must make choices. Ultimately, our choices show what our values are.

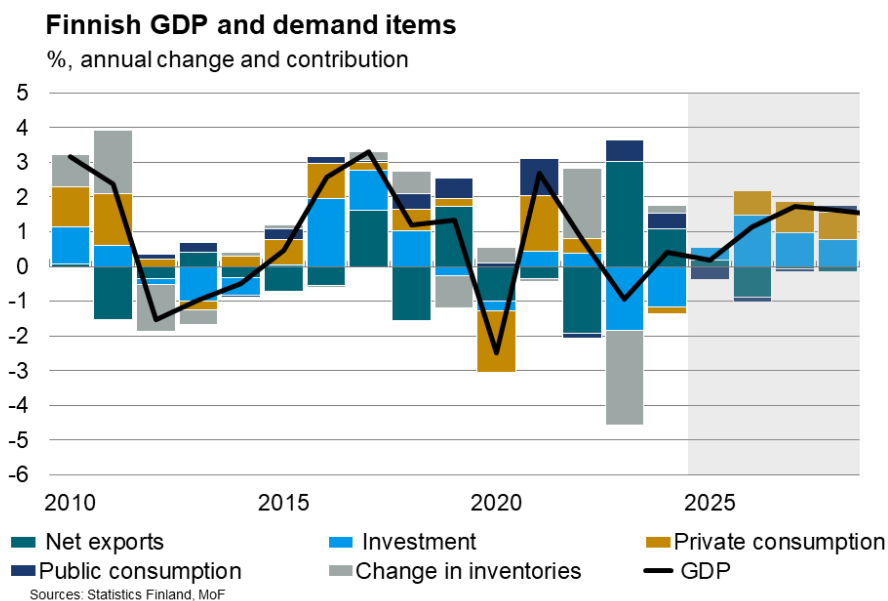
## SUMMARY

### Economic Outlook 2025–2028

There were setbacks in the recovery of Finland's economy during the current year. The lack of domestic demand is the problem. Despite the increase in incomes, household consumption has not grown. In construction, recovery awaits a clearer boost in the housing market. Both economic and global uncertainty have resulted in Finnish households postponing their purchasing decisions.

At the same time, external demand has been slightly stronger than expected. For the time being, the impact of tariffs imposed by the USA has been minimal, and there has been reasonable growth in both global economy and world trade. This has also reflected in exports. In addition, production-related investments give a reason to expect better growth in the coming years.

Gross domestic product (GDP) growth will be only 0.2 per cent in 2025. The level of output in Finland's economy is currently clearly below the level of potential output, and the economy is thus expected to recover in the coming years. In 2026, growth will be 1.1 per cent, in 2027 it will be 1.7 per cent, and 1.6 per cent in 2028.



## Global economy recovering while overshadowed by uncertainty

External demand is not the primary reason for the problems in Finland's economy. The global economy has grown faster than forecast, even amid the numerous uncertainties. The economy in the euro area is recovering, although the differences between countries in growth and prospects vary. In the USA, economic growth will slow down as the impacts of tariffs expand and increase prices and slow down consumption growth. In emerging economies, growth continues to be brisk. Despite the uncertainty, the overall prospects in the global economy are fairly positive.

The export of goods has grown in 2025 although the prospects are overshadowed by the US tariffs. Growth has in part been affected by the ship deliveries, but exports have also been strengthened by the recovery of demand in the euro area. Imports have also been increasing. The impact of net exports on growth is still positive this year, but in the coming years, defence materiel purchases and other investments will boost imports more than exports.

## Long-term uncertainty has weakened consumption growth

Growth in households' purchasing power is slow in 2025 due to the weak employment situation, cuts in social benefits and increases in consumption taxes. Disposable real income is forecast to grow only half a per cent, and purchasing power is mainly supported by a rise in average earnings. However, in 2026–2027 purchasing power will experience stronger growth as employment improves, wage increases continue, inflation is moderate and income taxation decreases.

The weak situation in consumption is not solely explained by the slow income growth. The uncertainties related to the labour market, to geopolitical situation and to the need to consolidate public finances have been weighing down consumer confidence for an exceptionally long time. In recent years, consumption growth could have been considerably faster as a result of the increase in real income, but instead saving has increased.

In the autumn, consumer price increases slowed down again to less than the euro area average, as the impact of consumption tax increases has ended for the most part. Inflation continues to be curbed by the falling prices of energy and imports. The prices of services continue to rise, particularly due to the healthcare service

fees this year. The level of inflation is also expected to remain moderate. Inflation is 0.4 per cent in 2025 and will gradually increase to 1.9 per cent by 2028. Inflation will continue to be maintained also in future by the prices of services, whereas the increase in the prices of energy and goods will remain subdued.

Consumption in 2025 remained on the previous year's level. In 2026, private consumption will take an upward turn as employment and real income increase. Consumption growth will pick up in 2027 as the saving rate decreases, price increases remain moderate and unemployment decreases. In particular, the consumption of durable goods and services is expected to recover, as households' confidence in the economy is restored closer to average.

### **Investments have bottomed out**

The lowest point in investments has passed and a cautious upturn has begun. In 2025, growth in investments will be just under 2 per cent, but starting from next year, growth will accelerate. Growth will be driven in particular by the energy transition, defence projects and the gradual recovery of the housing market. There will be strong growth in immaterial investments as well as in machinery and equipment investments, which are boosted by the defence materiel purchases.

In building construction, industrial investments will support growth although office construction will remain subdued. Housing construction will recover slowly, but in the long term, demand for construction will be considerably higher than currently. The upcoming energy projects and the transport network development programme will support civil engineering. Public investments will grow considerably in 2026 due to defence investments in particular.

### **High supply of labour force in the labour market – a boost in employment is expected**

Employment is forecast to take an upward turn in 2026, with indications of this turn visible already in autumn 2025. Despite this, unemployment has continued to grow and is more than ten per cent. However, the picture that the rapid increase in unemployment paints of the state of the labour market is too gloomy. The increase in unemployment over the past five years or so is due to an increase in the labour force and not to reduced employment. The Government's employment measures and immigration have increased the supply of labour force, but demand has not been sufficient to considerably increase employment, at least for the time being.

Employment will start to grow as economic growth picks up, and in 2026–2028, employment will increase at an average annual rate of just under one per cent. The employment rate will rise to approximately 72.4 per cent by 2028 but will not reach the peak level of 2022. The unemployment rate will decrease but still remain higher than the structural level.

### **Recovery from recession, investments and defence expenditure maintain economic growth**

The level of Finland's economic output is clearly lower than the potential output. GDP will therefore also grow faster in 2029 and 2030 than in the recent years on average, as output is expected to reach the potential output level in 2030. Growth will be supported in particular by private investments in the energy and technology transition and the increased defence expenditure. The employment rate will increase to 73.3 per cent by 2030 and the unemployment rate will decrease to 7.8 per cent.

Growth in potential output in 2025–2030 will average 0.8 per cent per year, consisting of the development of labour input, capital stock and productivity. Growth in total output will strengthen at the end of the period but remain clearly below the level of the early 2000s, which will reflect the structural change in the economy and the slow development of productivity in Finland after the financial crisis.

### **Subdued growth weakens general government finances and keeps the debt ratio growing**

Despite the weak economic situation, the general government deficit will contract to 3.9 per cent of GDP this year, as the consolidation measures take effect. However, in 2026 the deficit will widen to 4.5 per cent, as the fighter jet purchases expected for this year will be included in the deficit next year. In 2027, the deficit will narrow to 4.0 per cent as a result of the stronger economic situation and the slower defence expenditure growth. In the long term, however, the deficit remains wide: the increase in defence and interest rate expenditure and the moderate economic development will keep it at over 3.5 per cent of GDP in 2030.

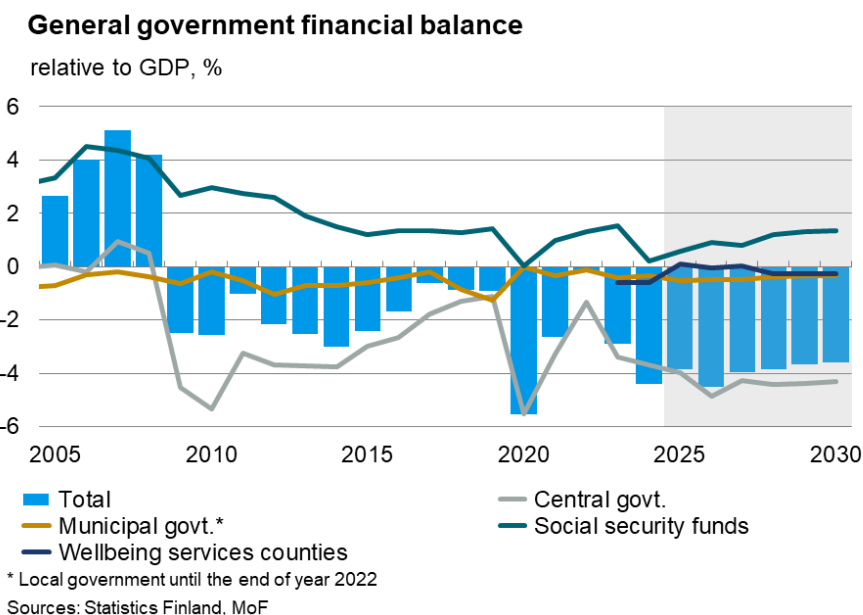
The central government deficit is deep: this year 4.0 per cent, amounting to up to 4.9 per cent of GDP next year. Government expenditure will be increased by defence materiel purchases and growing interest rate expenses, in particular. By contrast, the prolonged recession and tax cuts will slow down the increase in tax revenue from its highest levels. The central government deficit will settle at 4.3 per cent at the end of the outlook period.

Local government expenses will grow in the outlook period mainly due to the rapid increase in prices and wages, which will maintain a deficit during the period. The financial balance of the wellbeing services counties will remain more or less balanced in 2025–2027 but will weaken after 2028 due to the increased expenditure. Another reason is that central government funding is based on the amount reserved for spending limits in the forecast, and this amount will decrease in 2028. The combined local government deficit will remain stable in the outlook period, as the municipal administration deficit will decrease to about 0.3 per cent due to strengthening tax revenue and the end of the temporary cuts in central government transfers.

Overall, the social security funds will remain in surplus particularly due to the employment pension institutions' strong financial position. The surplus is mainly based on property income and employment pension contribution revenue. Other social security funds will gradually recover from the past year's deficit and be in a slight surplus, maintaining a balance throughout the outlook period. The strengthening of the financial position is supported by the increase in the unemployment insurance contribution next year and the gradual decrease in unemployment expenditure, among other things.

The increase in net expenditure has been set as the indicator for the EU's fiscal policy monitoring in the EU's renewed fiscal rules. In this forecast, the net expenditure of Finland's general government will decrease by 0.1 per cent this year and grow by 4.0 per cent in 2026 and by 2.3 per cent in 2027. In the current year, net expenditure will increase less than projected and in 2026 more than projected, due to the changes in the timing of defence expenditure, among other things.

The debt ratio will increase to over 89 per cent this year and to nearly 92 per cent in 2026. Growth will continue throughout the outlook period, and in 2030, debt will amount to over 96 per cent of GDP.



## Key risks to the outlook

Risks in the global economy continue to be considerable. Trade policy and geopolitics are closely interlinked, and the significant changes taken place in both of them overshadow the growth prospects of the global economy. Although some stabilisation has been seen in the US tariff policy, the situation is still in many ways undetermined and new surprises may well be on the horizon. Russia's war of aggression dragging on is a negative risk whereas possible reconstruction in Ukraine is a positive risk.

The development of artificial intelligence and the related investments also add risks to the forecast. In the short term, the extremely high valuation levels of AI companies in the market and their massive investments increase the risks of market corrections and of a rapid decline in investment demand. In the longer term, artificial intelligence will probably have extensive impacts of the structure of the markets, the labour market in particular, but estimates of its impact on growth vary widely.

Growth in the forecast is based on domestic demand and involves risks in both directions. Household income and savings would allow for even faster consumption growth, but the continued uncertainty and weak employment situation may also

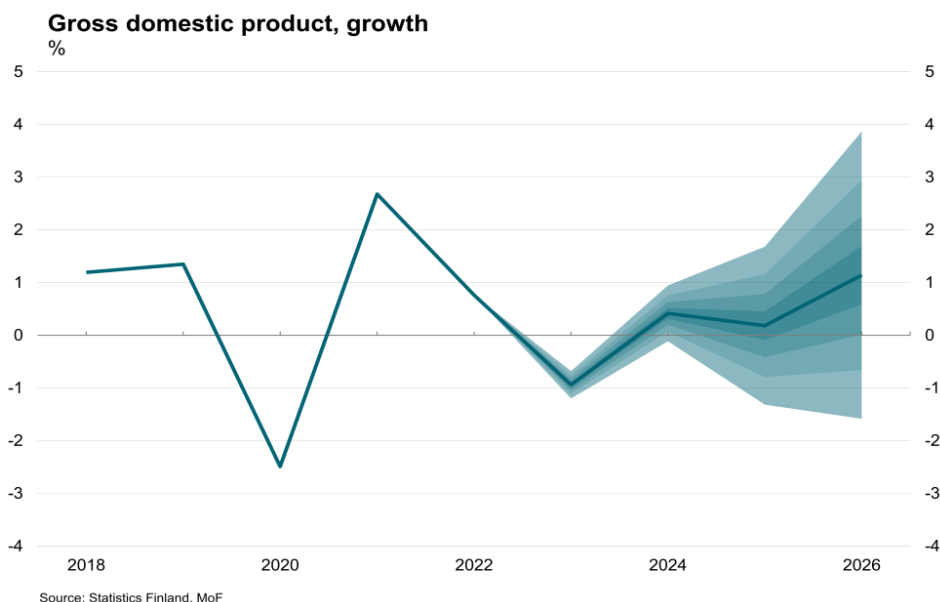
result in households starting to save more again, which would reduce consumption. There are quite a high number of investments in the forecast, but the volume of investment plans is even higher. It remains to be seen how many of the plans ultimately materialise.

The impacts of the recession on the economy are long-term, and the situation of general government finances is dire. The central government deficit is wide, and the economic development of local government remains subdued. The debt ratio is not showing signs of stabilisation but will exceed 90 per cent next year and 96 per cent at the turn of the decade.

Defence materiel purchases and the timing of their deliveries will cause considerable uncertainty in the deficit of the general government, and central government in particular. At this point of the year it has finally been established that the fighter jets deliveries, expected at the end of the year in the forecast, will be included in the deficit next year. As there are no deliveries in the current year, more of them will be included in deficits in the coming years. The timing of the recognition of defence materiel purchases will result in deficit fluctuations that are difficult to anticipate. As the number of sizeable projects in progress is considerable and the delivery schedules are uncertain, similar unexpected fluctuations will happen in future as well. The fluctuations make it more difficult to form an overall view as they obscure the impacts of the economic situation and consolidation measures.

The employment pension institutions' risks are mainly related to property income and its development. A key risk for other social security funds is the unemployment situation, which affects both unemployment expenses and other social benefits, in addition to fee income. Expenditure by local government may remain lower than estimated if the spending cuts and efficiency improvements succeed better than expected. Consolidation measures taken by municipalities for 2026 have not yet been included in the forecast, and the estimates of saving measures by wellbeing services counties are also cautious compared to the preliminary plans of the counties. At the same time, the consolidation measures failing or new spending increases may weaken the finances of the wellbeing services counties.

Forecasting the debt ratio is difficult not only due to the continued uncertainties in the economic situation but also to external central government on-budget entities and partly unforeseen changes related to debt management, in particular. In recent years, these risks have resulted in unwanted surprises in indebtedness, as the amount of debt taken on has exceeded the forecast amounts. Although the measures increase gross debt, they do not weaken the central government's debt sustainability. No changes are expected in the situation in the short term. In the long term, however, debt management measures may have decreasing impacts on indebtedness.



The uncertainty of the economic growth forecast can be illustrated with confidence intervals around the forecast, based on past forecast errors. Confidence intervals describe the range within which actual figures have fallen in previous forecasts with an 80 per cent probability. However, these confidence intervals only reflect the normal uncertainty involved in forecasts, and they do not take into account the special risk factors present in each instance of forecasting.

**Table 1.** Key forecast figures

	2024	2025*	2026*	2027*	2028*
<b>Change in volume, %</b>					
GDP at market prices	0.4	0.2	1.1	1.7	1.6
Imports	-0.8	2.0	3.6	2.5	3.0
<b>Total supply</b>	<b>0.1</b>	<b>0.7</b>	<b>1.8</b>	<b>2.0</b>	<b>2.0</b>
Exports	1.8	2.4	1.3	2.4	2.7
Consumption	0.3	-0.5	0.7	1.1	1.3
private	-0.4	0.0	1.4	1.8	1.6
public	1.7	-1.5	-0.5	-0.3	0.8
Investment	-5.0	1.7	6.7	4.1	3.3
private	-7.7	1.9	2.8	6.7	4.2
public	7.7	0.9	22.1	-4.4	-0.3
<b>Total demand</b>	<b>0.3</b>	<b>0.7</b>	<b>1.8</b>	<b>2.0</b>	<b>2.0</b>
domestic demand	-0.3	0.0	2.1	1.8	1.8

**Table 2.** Key public finance forecast figures

	2024	2025*	2026*	2027*	2028*
<b>Relative to GDP, %</b>					
General government expenditure	57.8	57.5	57.9	56.7	56.1
Tax ratio	42.2	42.4	42.5	42.0	41.9
General government net lending,	-4.4	-3.9	-4.5	-4.0	-3.9
Central government net lending	-3.7	-4.0	-4.9	-4.3	-4.4
General government debt	82.4	89.1	91.6	92.4	93.8
Central government debt	61.4	66.7	69.0	70.3	71.8

**Table 3.** Other key forecast figures

	2024	2025*	2026*	2027*	2028*
GDP, nominal, EUR bn	276	281	290	302	314
GDP deflator, change, %	0.7	1.7	2.1	2.3	2.3
Services, change in volume, %	0.0	0.0	1.2	1.3	1.5
Industry, change in volume, %	4.0	1.1	1.5	1.9	1.5
Labour productivity, change, %	1.3	1.0	0.9	0.9	0.8
Employed labour force, change, %	-1.0	-0.3	0.2	0.9	0.9
Employment rate (20–64 yrs), %	76.7	76.2	76.1	76.6	77.1
Unemployment rate, %	8.4	9.6	9.5	9.1	8.5
Consumer price index, change, %	1.6	0.4	1.2	1.8	1.9
Index of wage and salary earnings, change, %	3.1	2.9	3.6	3.2	3.2
Current account, EUR bn	-1.9	0.8	-1.1	-1.1	-1.4
Current account, relative to GDP, %	-0.7	0.3	-0.4	-0.4	-0.4
Short-term interest rates (3-month Euribor), %	3.6	2.2	2.0	2.0	2.0

# 1 Economic Outlook

## 1.1 Global Economy

**Global economic growth continues despite risks. The euro area economy is recovering, but the outlook varies within the area. Growth in emerging countries is fast. In the US, economic growth is slowing as the tariffs are increasingly passed on to consumer prices. The outlook for world trade is fairly positive despite the uncertainty.**

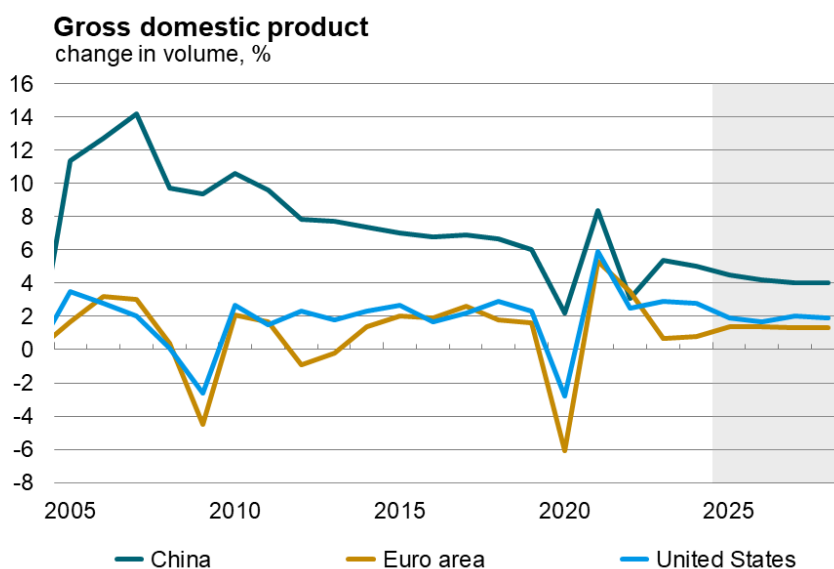
Global economic growth continues to be fairly fast, although the prospects vary. In the euro area, there are vast differences in growth prospects between countries. Consumer confidence is recovering slowly. In the US, economic growth is slowing amid tensions, and there are signs of accelerating inflation. The growth prospects in China indicate a slowdown, as there has not been sustainable recovery in domestic demand. Global economic growth will slow to 3.1 per cent in 2025 and further to 3.0 per cent in 2026. Growth will recover to 3.2 per cent in 2027. The outlook is overshadowed by geopolitical tensions, but prospects for the energy market are stable.

### 1.1.1 Growth prospects

Growth has slowed in the euro area since the first quarter of the current year. However, there are significant differences within the area. In Germany, the economy has stagnated, and the situation in industry is difficult. At the same time, growth in France has been surprisingly fast amid political tensions. Overall, the outlook for the coming years is cautiously positive. Judging from leading indicators, the outlook for industry is challenging in the euro area, whereas the prospects for services are brighter. Several countries are increasing their defence investments. In particular, Germany's investments in infrastructure and defence are significant. Consumer confidence will recover gradually. Growth in the euro area will accelerate to 1.4 per cent in 2025 and remain at that level in 2026. Growth will slow to 1.3 per cent in 2027.

In the US, private consumption has remained surprisingly strong despite the tensions. However, accelerating inflation and the concurrent weakening of the unemployment situation overshadow the prospects. Tariffs are expected to be increasingly passed on to consumer prices, weakening private consumption. However, the removal of tariffs from many food items will dampen this impact to some extent. Economic growth has been supported by investments in artificial intelligence. Nevertheless, the prospects for investment are unclear due to the prevailing uncertainty. At the same time, the weaker dollar is supporting exports. The sentiment is weakened by political tensions. Growth will slow to 1.9 per cent in 2025 and further to 1.7 per cent in 2026, as the impact of tariffs on the economy will become more pronounced. Growth will recover to 2 per cent in 2027.

In China, domestic demand is still to show a sustainable recovery. Consumption growth has again slowed since the stimulus measures targeting households ended. The investment outlook is still hindered by the difficult situation in the real estate sector. Due to the trade policy tensions with the US, exports to Southeast Asia and Europe take a more significant role. Based on leading indicators, the prospects for the service sector are brighter than for industry. Restrictions on the exports of rare earth metals give rise to global uncertainty, although the postponement of some restrictions in the autumn is a positive sign. Economic growth will slow to 4.5 per cent in 2025, and further to 4.2 per cent in 2026 and to 4 per cent in 2027.



Sources: Statistical authorities, MoF

In India, the strong economic performance continues, driven by private consumption. However, growth is levelling off. In Japan, the prospects for industry are difficult, as exports to the US have declined. Monetary policy is expected to tighten as inflation accelerates, whereas the fiscal policy is strongly expansionary. The outlook in the United Kingdom is challenging, and the sentiment is weakened by tightening fiscal policy. Industry is reducing labour force. The prospects for the construction industry in particular have taken a steep downwards turn. In Russia, growth will slow considerably as sanctions take effect, and inflation accelerates. The federal government finances are weakening. The economy is expected to recover in Sweden as a result of a pick-up in domestic demand and stimulating fiscal policy. However, the unemployment rate continues to be high.

The outlook described above involves substantial, mainly downside risks. Uncertainty concerning trade policy has decreased due to the agreements signed but has not dissipated completely. The concurrent increase in unemployment and accelerating inflation in the USA may hinder the economic outlook more than expected. The developments in artificial intelligence are associated with short-term risks which may reduce investment. The Russian war of aggression ending unfavourably for Europe would weaken the sentiment. Extreme weather events may decrease growth in developing countries in particular.

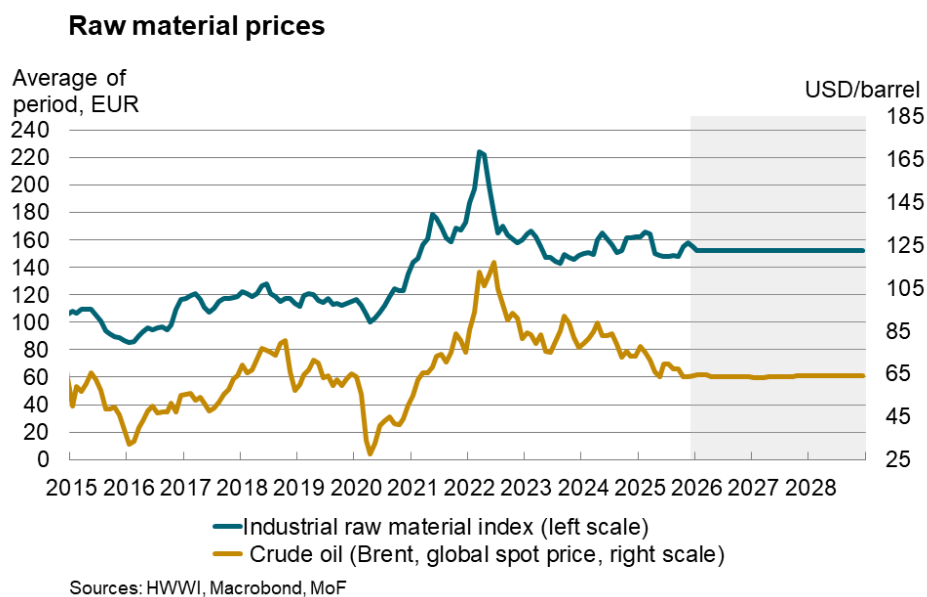
Tariffs settling permanently at a reasonably low level would reduce trade policy uncertainty and increase confidence. Defence investment may have greater than expected positive economic impacts in Europe. In the long term, artificial intelligence may have a greater than expected impact on productivity and growth in the global economy.

## 1.1.2 Financial markets and commodities

The valuation levels of shares and corporate loans in the financial markets are high, largely driven by the technology sector. The volatility in the market has calmed down since the spring, but the risk of corrections has increased. Easing the monetary policy is expected to continue in the US, in particular, but its pace is expected to be slower. Both short-term market interest rates and government bond yields have remained fairly stable. As inflation has slowed in the euro area, the

outlook for short-term interest rates is stable for the outlook period. The outlook is also fairly stable for government bond yields. Strong supply will keep the level of long-term interest rates elevated in the coming years.

Raw material prices have also developed moderately, despite the geopolitical tensions. The price of Brent crude oil has remained at just over 60 dollars per barrel, but futures indicate a decline in prices in the outlook period. The price of natural gas is also declining. There has been a slight increase in industrial raw materials recently, but the outlook is stable for the outlook period. The increase in global food prices has stopped.

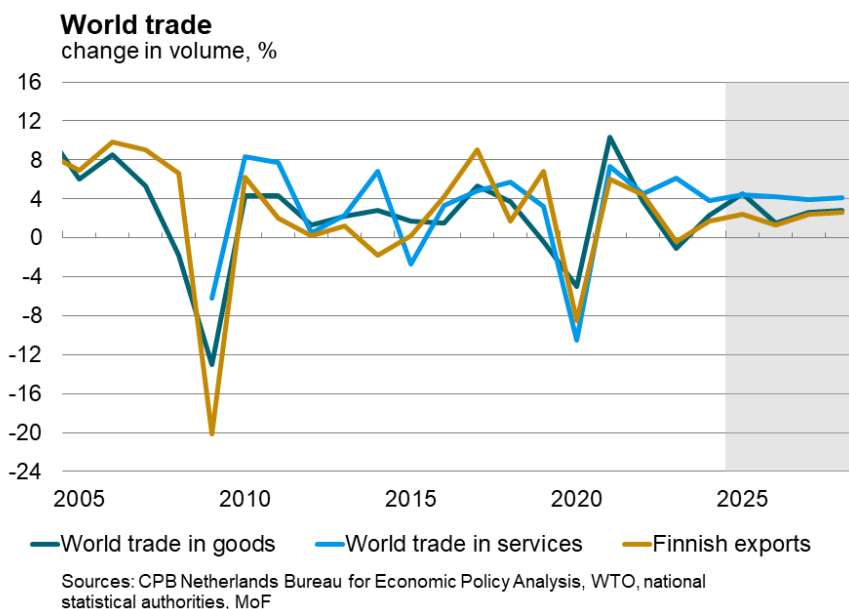


### 1.1.3 Global trade

Global trade in goods has fluctuated considerably this year as a result of the US trade policy measures. Overall, rapid growth is seen in trade in goods in 2025, as imports of goods to the USA in the latter half of the year is smaller than previously expected, and imports into emerging economies are strong. Imports in the euro area are also growing fairly rapidly. China's imports are increasingly directed to Southeast Asia and Europe. Global trade in goods will grow by 4.5 per cent in 2025,

but growth will slow to 1.5 per cent in 2026 as imports to the USA will decrease considerably from the previous year. Growth will accelerate to 2.6 per cent in 2027 across the board.

The development of global trade in services has been more favourable than trade in goods in recent years. Service imports grew in all largest economies at the end of 2024. In 2025, growth is rapid in the euro area in particular, and prospects for continued growth in the outlook period are fairly positive. Growth prospects are also positive in North America and Asia.



**Table 4.** Gross domestic product

	2024	2025*	2026*	2027*	2028*
<b>Change in volume, %</b>					
World (PPP)	3.3	3.1	3.0	3.2	2.9
Euro area	0.8	1.4	1.4	1.3	1.3
EU	0.9	1.4	1.4	1.3	1.3
Germany	-0.5	0.3	1.0	1.2	0.9
France	1.1	0.9	1.3	1.3	1.1
Sweden	0.8	1.4	2.0	2.0	1.9
United Kingdom	1.1	1.4	1.3	1.4	1.3
United States	2.8	1.9	1.7	2.0	1.9
Japan	-0.2	1.2	0.6	0.8	0.6
China	5.0	4.5	4.2	4.0	4.0
India <sup>1</sup>	6.5	6.6	6.4	6.0	6.1
Russia	4.3	0.9	0.8	1.1	1.2

<sup>1</sup> Fiscal year (April 1st to March 31st)  
Sources: Statistical authorities, MoF

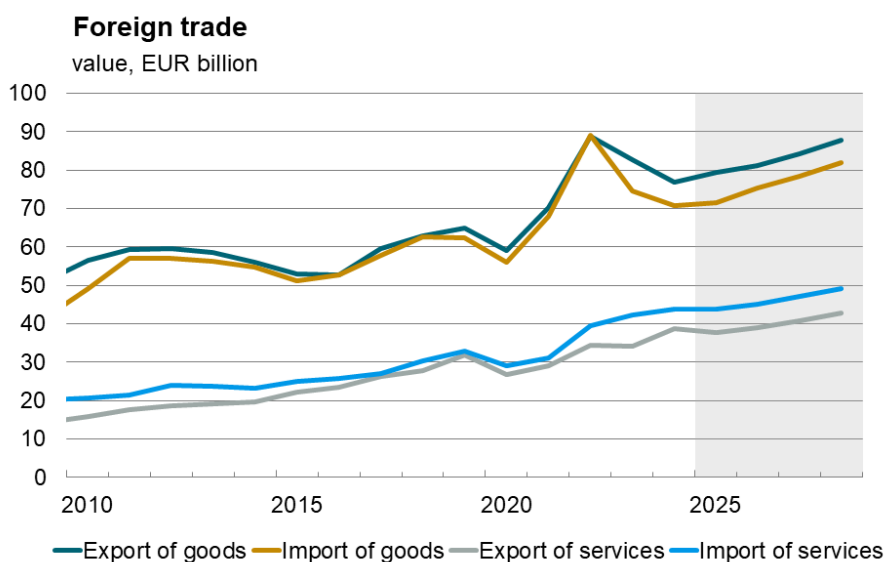
**Table 5.** Background assumptions

	2024	2025*	2026*	2027*	2028*
World trade in goods, change in volume, %	2.3	4.5	1.5	2.6	2.8
World trade in services, change in volume, %	3.8	4.4	4.2	3.9	4.1
USD/EUR	1.08	1.13	1.17	1.18	1.20
Industrial raw material price index, %	3.2	-1.9	-1.1	0.0	0.0
Crude oil (Brent), \$/barrel	79.7	68.2	63.8	63.6	64.0
3-month Euribor, %	3.6	2.2	2.0	2.0	2.0
Government bonds (10-year), %	2.9	3.0	3.0	2.9	2.9
Import prices, change, %	-1.0	-1.5	1.0	1.4	1.5

Sources: CPB, Macrobond, HWWI, WTO, national statistical authorities, MoF

## 1.2 Foreign Trade

The development of Finland's foreign trade was positive and strong in the autumn, driven by the export of goods. In imports, the postponement of the fighter jet purchases until next year will increase Finland's current account, which is showing a surplus of just under 1 billion for the current year. The development in the trade balance is not as expected, and this will result in a higher than anticipated GDP contribution of net exports.



Sources: Statistics Finland, MoF

### 1.2.1 Exports and imports

Both the volume and price of Finland's exports have grown during the autumn. The volume of service exports for the current year has taken a downward turn. Corresponding development can also be seen in service imports. The greatest surprise in the current year has been the strong growth in the export of goods. During January–September, the export of goods grew by approximately four per cent compared to the corresponding period last year, despite the tariffs imposed on goods by the USA. Before the increase in the prices of both goods and services export in the autumn, export prices had last increased in the summer of last year. Similarly, import prices, driven by the prices of goods imports, increased only

slightly in the autumn compared to last summer, whereas the import prices of services showed a moderate decline in the autumn. However, during the last year, Finland's import and export prices have both been following the declining trend seen in the two previous years. By contrast, there has been a continued increasing trend in Finland's service export prices this year and the two previous years.

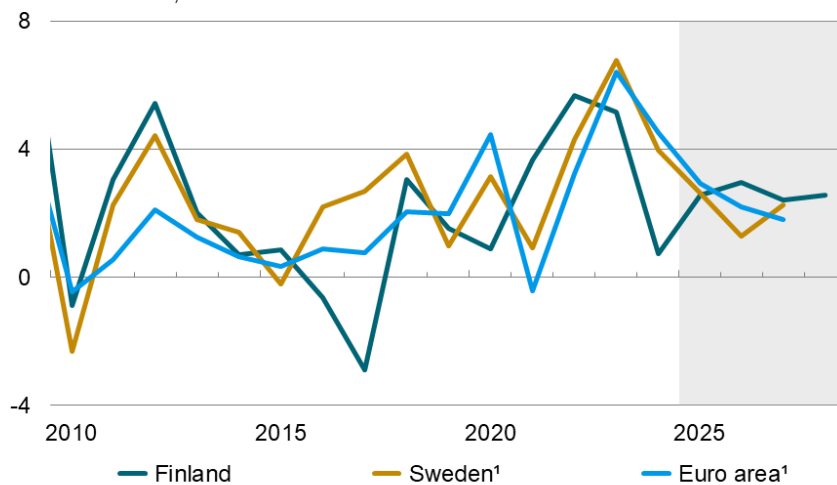
The volume of service exports for the last year however has taken a downward turn. Corresponding development can also be seen in service imports. The greatest surprise in the current year has been the strong growth in the export of goods. During January–September, the export of goods grew by approximately four per cent compared to the corresponding period last year, despite the tariffs imposed on goods by the USA.

The strong growth in the export of goods is partly due to the recovery of demand in Finland's key export markets, especially in Europe, for Finland's export products. The import of goods has also remained strong in the USA and emerging economies, despite the tariffs. Contrary to earlier expectations, the challenging economic policy environment in the first half of the year has only been a small barrier to Finland's exports. The stronger than expected export of goods has been further supported by a ship delivery that was larger than the previous year.

In addition to the growth in exports, imports will also grow strongly in the current year, as many investments such as data centres involve a great deal of imported inputs. Finland's fighter jet import has been postponed, which will increase imports for next year considerably. Despite the postponed fighter jet purchases, imports in the last year have remained relatively strong, based on the Finnish Customs' statistics. They have been supported by goods from the energy sector and mining industry, including the import of crude oil, natural gas, coal, and various ores.

**Unit labour costs**

2010 = 100, nominal

<sup>1</sup> European Commission forecast

Sources: European Commission, Statistics Finland, MoF

**Table 6.** Foreign Trade

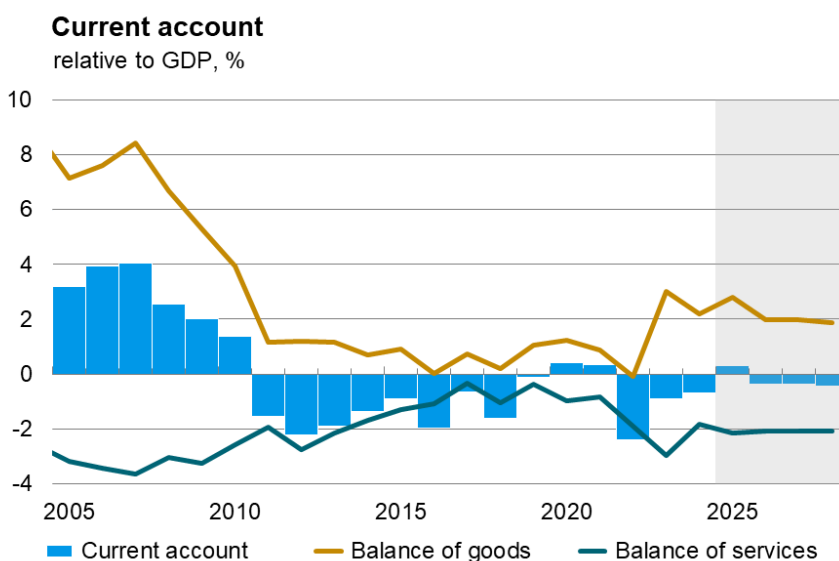
	2024	2025*	2026*	2027*	2028*
<b>Change, %</b>					
Export volume	1.8	2.4	1.3	2.4	2.7
Import volume	-0.8	2.0	3.6	2.5	3.0
Export prices <sup>1</sup>	-2.7	-1.2	1.3	1.6	1.7
Import prices <sup>1</sup>	-1.0	-1.5	1.0	1.4	1.5

<sup>1</sup> As calculated in the national accounts

## 1.2.2 Balance of payments

Finland's terms of trade have remained nearly unchanged during the last year. The terms of trade weakened considerably after 2022 because of the global energy crisis. However, the terms of trade recovered this year and is almost balanced. The terms of trade is expected to remain almost balanced in the outlook period. It has been weighed down by the prolonged weakness in the export prices of goods. Foreign trade prices are expected to grow only slightly in the coming years, as the economic outlook is not expected to improve until the end of the outlook period. In turn, this will be manifested as a stronger increase in prices towards the end of the period because of recovering demand.

During January–September, the current account was considerably more in surplus than in the corresponding period last year, driven by strong export of goods. For its part, the higher-than-expected surplus in the current account is further explained by the postponement of the fighter jet purchases until next year. The investment income received (including dividend and interest receivables) was considerably higher in the reference period compared to last year. Services will continue to show a considerable deficit, with no significant change compared with previous year. The current account is expected to take a slightly negative turn again next year but to remain close to balance until the end of the outlook period.



**Table 7.** Current Account

	2024	2025*	2026*	2027*	2028*
<b>EUR bn</b>					
Balance of goods and services	1.0	1.8	-0.3	-0.3	-0.6
Factor incomes and income transfers, net	-2.8	-1.0	-0.8	-0.8	-0.8
Current account	-1.9	0.8	-1.1	-1.1	-1.4
<b>Relative to GDP, %</b>					
Current account	-0.7	0.3	-0.4	-0.4	-0.4

## Finland's strategic dependencies are well known

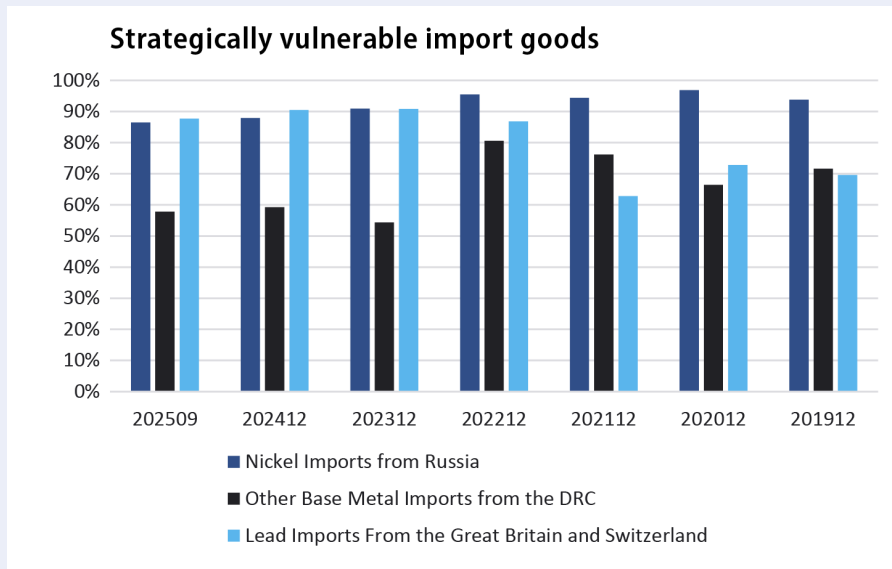
The analysis published by the European Commission (Arjona, Connell & Herghelegiu, 2023) studies the strategic dependencies generated by the EU's imported inputs through three indicators: (i) the quantity of extra-EU imported inputs in relation to the intra-EU production capacity; (ii) the concentration of imports; and (iii) the poor substitutability of imports. Supply chains in which considerable strategic dependencies are observed are divided into three subcategories based on how critical they are: (a) safety; (b) health; and (c) commodities in the green and digital transitions. In this set of indicators, the supply chains of the imported inputs are defined as concentrated if the imported inputs originate from fewer than three countries, more than half of their imports is extra-EU, or the value of the extra-EU imports is higher than the value of EU's export of a corresponding product.

The model has the main benefit of simplicity, but it is affected considerably by the arbitrary choice of criticality thresholds. The model therefore also uses a benchmark methodology in which the imported inputs are ranked based on their dependency according to each of the three indicators, and the top 10 per cent of these products is selected. Ultimately, the critical dependencies are those imported inputs that satisfy both approaches: the arbitrary threshold and the ranking. In addition, the time frame of the analysis has been expanded to cover not only the current year but also the four preceding years to prevent any individual year being over-emphasised in the analysis. This framework allows imported inputs to be further divided into those for which supply chains can be easily diversified further, and those for which substitutability is only achieved through the increase of the EU's internal capacity.

### Finland's import chains are highly diversified

In the Finnish Customs' foreign trade statistics, the import of goods can be viewed through the EU's Combined Nomenclature, which aggregates imported inputs into one hundred subcategories. Based on the dependency indicator, the supply chains in Finland's foreign trade are highly diversified as a rule. However, in the dependency indicator methodology, the subcategories of the inputs of nickel, lead, and other base metals constitute a strategically critical dependency

for Finland. Apart from these subcategories, Finland's imported inputs do not constitute strategic dependencies which would have material impacts on safety, health, or green and digital transition projects.



The analysis does not consider the impact of imported inputs at a more detailed level. Individual products may be subject to considerable dependencies which may be obscured by the aggregation of imports into one hundred subcategories (e.g. rare earth metals and graphics processors). Symmetric shocks may also create bottlenecks within the EU, which for Finland may result in a strategic vulnerability that the EU's analysis of external dependencies does not consider. However, in certain respects, the model is fairly conservative, as it does not consider the large group of like-minded countries, including non-EU countries in Europe such as Switzerland and Norway, small open economies in Asia such as Singapore and South Korea, and the Western countries of Australia and Canada, which are capable of covering vulnerabilities in imported inputs to some extent.

### **Prices and the global export markets**

The Finnish Customs' foreign trade statistics can also be used to estimate the unit cost difference between import and export prices, which is one of the filtering criteria used in the study conducted by the European Commission (Arjona, Connell & Herghelegiu, 2023). The difference allows supply chains which are managed by external suppliers and in which Finland is dependent on expensive imported inputs to be assessed. A high value may indicate Finland's limited production capacity, poor market position, or imports that target commodities with a lower added value.

Unlike import and export prices, unit costs do not measure the price changes of identical commodities, but changes in the product range and its quality affect the changes in unit costs. Unit costs do not isolate the pure price impact, although they provide a close approximation. For Finland, the prices of imported inputs related to safety, health, or the green and digital transitions differ considerably from export prices, in particular those of weapons, oil, various metals and transport equipment. These subcategories can be classified as vulnerable based on the price criterion. However, Finland's exports are highly diversified, and the price criterion alone will not therefore constitute a critical dependency for Finland. Only other base metals constitute a strategic vulnerability regarding Finland's import indicators and unit costs.

The analysis by the European Commission (Arjona, Connell, & Herghelegiu, 2023) also assessed the concentration of global exports. If a product group belongs to the most concentrated ten per cent over a period of five years and satisfies the criticality threshold value, it can be considered critical, similar to imported inputs. The Covid-19 pandemic and the high inflation in 2022 fall into this period, which is why the analysis also considers the responses of global export flows to symmetric shocks. The export analysis reveals that exports concentrate on certain categories which may have harmful and limiting impacts on safety, health, or green and digital transition projects. These include the export of weapons, optical and precision instruments, and track-guided vehicles.

In a situation where exports are not particularly concentrated, the diversification of supply chains should be possible at a relatively low cost because the prices of international trade are curbed by competition. Correspondingly, when exports are highly concentrated, Finland's opportunities to diversify its own import chains are limited. If the supply chain of any of Finland's imported inputs is highly concentrated, domestic production of the said imported input should be considered.

Based on the analysis, the global exports of military goods are concentrated, and the unit costs in their imports are high in relation to Finland's export prices. However, this category does not constitute a critical strategic vulnerability for Finland, as Finland's weapons imports are highly diversified: a large portion of the weapons needs is satisfied by domestic production. However, the import of nickel from Russia and other base metals from Congo do constitute a significant vulnerability. The United Kingdom and Switzerland are Finland's largest suppliers of lead, and the risk related to them can be considered moderate. Among them, the import of other base metals depends on expensive imported inputs, based on unit costs as well. However, the export of nickel, lead and other base metals is not concentrated at a global level. Their import chains are therefore easy to diversify at a low cost without the need to increase domestic production capacity.

**Sources:**

Arjona, R., Garcíá, W., Herghelegiu, C (2023). An Enhanced Methodology to Monitor the EU's Strategic Dependencies and Vulnerabilities. Single Market Economic Papers. [https://single-market-economy.ec.europa.eu/publications/enhanced-methodology-monitor-eus-strategic-dependencies-and-vulnerabilities\\_en](https://single-market-economy.ec.europa.eu/publications/enhanced-methodology-monitor-eus-strategic-dependencies-and-vulnerabilities_en). [Referenced on 8 December 2025].

United Nations Statistics Division (2025). United Nations Commodity Trade Statistics Database (UN Comtrade). <https://uncomtrade.un.com/org> [Referenced on 8 December 2025].

Finnish Customs, international trade statistics <https://uljas.tulli.fi> [Referenced on 8 December 2025].

## 1.3 Prices and costs

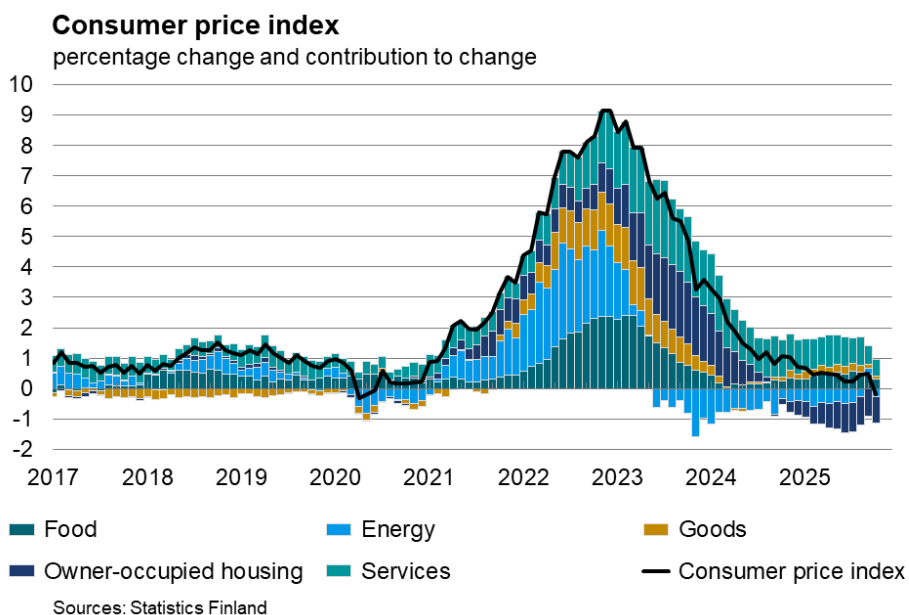
**The rise in consumer prices has again slowed to below the euro area average as the impact of the previous year's standard VAT increase has dissipated. Inflation is also expected to remain moderate over the coming years. Depending on the inflation indicator, the rate of price increases still looks very different.**

Currently, different inflation indicators offer a very different picture of the increase in prices. The annual change of the consumer price index (CPI) declined to below zero in October, whereas at the same time, the harmonised index of consumer prices (HICP) indicated that prices have increased by 1.4 per cent in a year. This difference is largely explained by the downward impact of interest rates in housing loans and consumer credit. The interest rates are included in the CPI but not in the HICP. In other words, the price level development appears very different to consumers depending on whether or not they have debt. In any case, the increase in prices has slowed considerably from recent years and is currently below the euro area average and the 2 per cent inflation target set by the European Central Bank.

In addition to the reduced interest rates, inflation continues to be slowed by the decrease in energy prices. This decrease has continued in recent months as a result of the decline of the prices of both electricity and oil, although the fluctuation of the price of electricity temporarily resulted in a positive energy contribution. The new increase in the prices of food is largely explained by the rise in prices of individual products such as coffee, chocolate, alcohol and tobacco. Tax increases have increased the prices of goods and services, but even their impact has declined in recent months as the impact of the standard VAT increase is no longer included in the annual change<sup>1</sup>. In addition, the increase in the prices of services reflects the development of the prices of health care services, which is mainly due to higher service fees introduced by wellbeing services counties at the beginning of the year.

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1 The increases in indirect taxes (value added tax in particular) have accelerated inflation in the past year. The direct impact of all indirect tax changes on inflation between 2025 and 2028 is estimated to be over one percentage point cumulatively. The impact will peak in 2025. According to the current knowledge, in addition to the tax changes, the increase in the distribution obligation and the expansion of the emissions trading system (ETS2) will increase the prices of energy in 2028 in particular.



Although the annual change in the CPI is less than zero, it is an exaggeration to speak of a general decline in the price level, or deflation. Excluding the downward impact that interest rates have on the index, the prices are not close to decreasing. Even without the impact of tax increases, the annual estimated rate of price increases is approximately one per cent. In other words, prices are increasing slowly but the general price level is not decreasing. In addition, a momentary decrease in prices would not be dangerous following the rapid increase in the price level in 2022–2023 but, by contrast, would increase consumers' purchasing power.

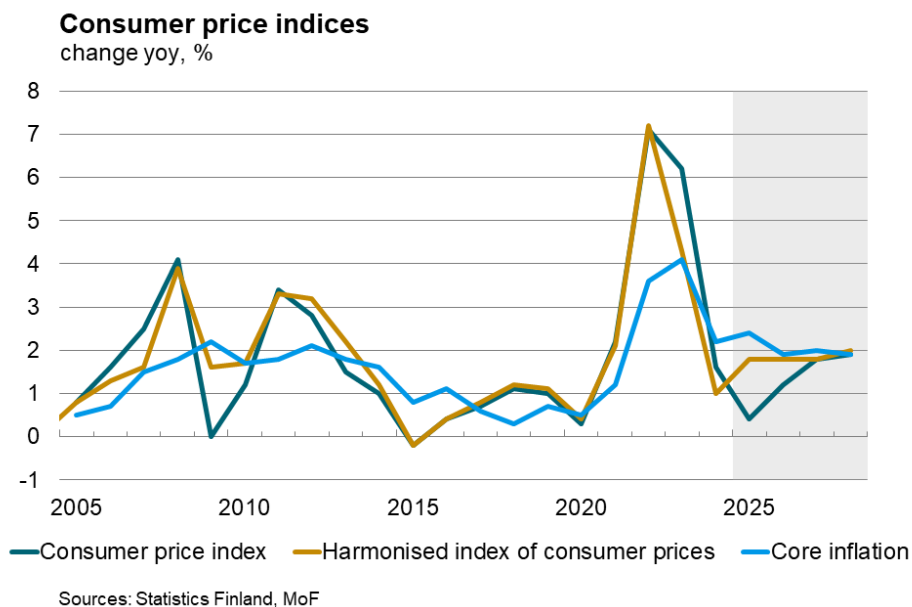
Consumers also do not feel that the increase in prices has slowed down significantly. According to Statistics Finland (the statistics on consumer confidence), consumers estimate that the current rate of inflation is 4.3 per cent. The difference between the actual inflation (CPI) and the consumers' estimate has been the largest in statistical history this year.

Leading indicators suggest that price pressures will continue to remain more moderate than in recent years. Import prices have continued to decline, driven by the prices of energy and raw materials. In particular, the price of oil has decreased, and the euro exchange rate has remained strong. The rise seen in global food prices has also stopped. However, domestic producer prices in agriculture and the

food industry continue to rise. Otherwise, the level of domestic producer prices has generally remained the same for two years. The increase in the producer prices of services has slowed down to the low pre-pandemic levels. The general line for wage increases agreed in the negotiations on collective agreements in the spring will keep the increases in service prices slightly faster than average in the outlook period, but price increases are also slowing in services. Healthcare service fees increased rapidly this year but will rise considerably more slowly in 2026.

During the outlook period, the main driver of inflation will be the increase in service prices. The increase in the prices of goods is very moderate, although no return to the previous downward trend is anticipated. Food prices are expected to continue rising faster than average due to increases in consumer prices and tax increases. The negative impact of energy prices on inflation will diminish during the outlook period and gradually take an upward turn, as the largest adjustment in consumer electricity prices has already occurred, market prices of oil are expected to remain broadly stable, and the increased distribution obligation and the expansion of the emissions trading system will increase prices.

Inflation measured by the CPI will average only 0.4 per cent in 2025, 1.2 per cent in 2026, 1.8 per cent in 2027 and 1.9 per cent in 2028. This year, inflation is being pushed downwards by the decreasing interest rates. The acceleration in inflation next year is due to the negative effect from owner-occupied housing disappearing as the fall in interest rates levels off and house prices gradually pick up. By contrast, inflation measured by the HICP will be 1.8 per cent. Over the next two years, inflation measured by the HICP will remain at slightly less than 2 per cent, even though the effect of tax increases will subside, as the negative impact of energy fades and demand for other goods recovers.



The risks regarding inflation in the euro area have generally eased. An escalation of the trade war, increased defence spending in Europe and reconstruction in Ukraine may certainly push up prices. However, increased uncertainty has weakened demand and dampened inflation in the current year. Domestically, the risks are skewed to the downside. Consumer perceptions of inflation differ significantly from actual inflation, which curbs demand. Demand is also dampened by the weak employment situation. If this continues, demand may decline more than expected, further slowing price increases. Over the longer term, factors such as a further slowdown in globalisation, efforts to improve the resilience of supply chains and the economic impacts of climate change mitigation could drive prices higher than usual.

**Table 8.** Price indices

	2024	2025*	2026*	2027*	2028*
<b>Change, %</b>					
Export prices <sup>1</sup>	-2.7	-1.2	1.3	1.6	1.7
Import prices <sup>1</sup>	-1.0	-1.5	1.0	1.4	1.5
Consumer price index	1.6	0.4	1.2	1.8	1.9
Harmonised index of consumer prices	1.0	1.8	1.8	1.8	2.0
Core inflation <sup>2</sup>	2.2	2.4	1.9	2.0	1.9
Basic price index for domestic supply, including taxes	-1.2	-0.4	0.7	1.8	2.1
Building cost index	0.0	0.8	1.0	1.1	1.3

<sup>1</sup> As calculated in the National Accounts

<sup>2</sup> Harmonised index of consumer prices, excluding energy and food

## 1.4 Wages and incomes

### 1.4.1 Wages

**The new collective agreements will lead to higher wage rises in 2026. Real wages are expected to reach 2021 levels in 2027 but the real wage bill as early as this year.**

The rate of increase in nominal wages in 2024 slowed down by roughly one percentage point more than in the previous year, or 3.1 per cent. The slowdown was the result of lower negotiated wages compared to the previous year. In January–September 2025, the rate of increase in wages slowed to less than three per cent, as the rate of increase in nominal wages slowed further. By contrast, the change in real income was positive for the eighth consecutive quarter, as inflation was exceeded by the rate of increase in nominal wages. The rate of increase in nominal wages was 2.9 per cent, with wage drift accounting for an average of half a percentage point in January–September this year. Inflation adjusted for interest expenses slowed by nearly 1.5 percentage points to 0.5 per cent, and real wages therefore increased by 2.4 per cent across the economy at the beginning of the year. Changes in performance bonuses had little impact on earnings growth, in contrast to the situation last year.

In the early part of the year, earnings rose fastest in the public sector, especially in wellbeing services counties, where earnings rose by 5.3 per cent from the previous year. In other local government, the rate of increase in earnings was the same as across the economy on average. The rise in private sector earnings, which was 2.6 per cent, fell short of that. These differences are partly due to the timing of agreed pay rises and, on the other hand, to the local government sector's pay structure reform. In addition to the public sector, wage growth exceeded the average in the wholesale and retail trade and in parishes. In contrast, wage growth fell below average in the forest and metal industries, construction, and in information and communication services and the real estate sector.

A large number of new collective agreements was concluded this year. According to the Confederation of Finnish Industries, considering their universal applicability, the new agreements cover just over a million wage earners in the private sector, and new agreements have also been negotiated for approximately half a million public sector employees. The collective agreements of approximately 130,000 wage earners in the private sector will end by the spring of 2027.

The agreements concluded are generally for three years, with the possibility of cancelling the final year, with the exception of local government sector in which the agreement duration is longer. The total cost impact of the agreed wage increases averages at around 8%, with the largest increases scheduled for 2026 in many sectors. The exception is the retail sector, where the highest increases were set for this year. Wage increases will be implemented either as uniform general increases for all or as a combination of general and locally agreed increases. The one-off payments paid in 2023 are typically not included in the new agreements.

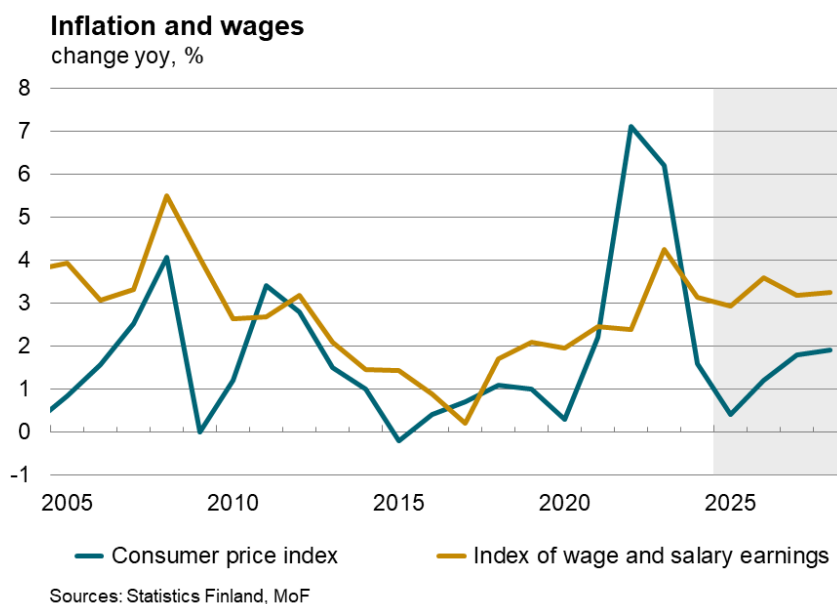
In 2025, the most common level of pay rise is about 2.5%. Wage drift has averaged 0.4% per year in recent years, and this level is expected to continue. In 2025, overall wage growth across the economy will be driven especially by the municipal and wellbeing services sector pay programme, which will result in larger increases in the wellbeing services counties than in other parts of the economy. As a result, average nominal earnings across the economy are forecast to grow by about 2.9% this year.

The largest increases under the new collective agreements will take effect more generally in 2026. At the same time, the impact of local government wage increases will diminish compared to this year. As a result, nominal earnings will increase by an average of 3.6% across the economy in 2026. In 2027, the agreed increases in other sectors with the exception of local government will be smaller, and they are expected to decrease in 2028, when the rate of wage growth will slow to an annual average of about 3.2 per cent.

Between 2021 and 2023, real wages fell by a total of 6.6 per cent. Although the increase in wages will accelerate and inflation will remain moderate over the next few years, on average the 2021 level of real wages will still not be reached in 2025–2026. Only in 2027 are real wages expected to recover to their 2021 level. Taking into account employment growth, the real wage bill across the economy is forecast to exceed the 2021 level this year, because the real wage bill decreased by 1.6 per cent between 2021 and 2023.

In addition to nominal earnings growth, the wage bill is influenced by the general development of employment and the sectoral distribution of wage earners. In 2025, employment will decline, and as a result, the wage bill will grow by only approximately 2 per cent. In 2026, both higher earnings and an improvement in

employment will drive the wage bill up by approximately 4 per cent. In 2027–2028, wage growth will slow to about 3 per cent, but the improvement in employment will also result in a wage bill increase of around 4 per cent annually.



**Table 9.** Index of wage and salary earnings and labour costs per unit of output

	2024	2025*	2026*	2027*	2028*
<b>Change, %</b>					
Index of negotiated wage rates	2.7	2.4	3.2	2.8	2.8
Wage drift, etc.	0.5	0.5	0.4	0.4	0.4
<b>Index of wage and salary earnings</b>	<b>3.1</b>	<b>2.9</b>	<b>3.6</b>	<b>3.2</b>	<b>3.2</b>
Real earnings <sup>1</sup>	1.5	2.5	2.4	1.4	1.3
Sum of wages and salaries	1.9	2.2	3.9	4.2	4.2
Average earnings <sup>2</sup>	2.5	3.2	3.8	3.4	3.4
Labour costs per unit of output whole economy <sup>3</sup>	0.7	2.6	3.0	2.4	2.6

<sup>1</sup> The index of wage and salary earnings divided by the consumer price index.

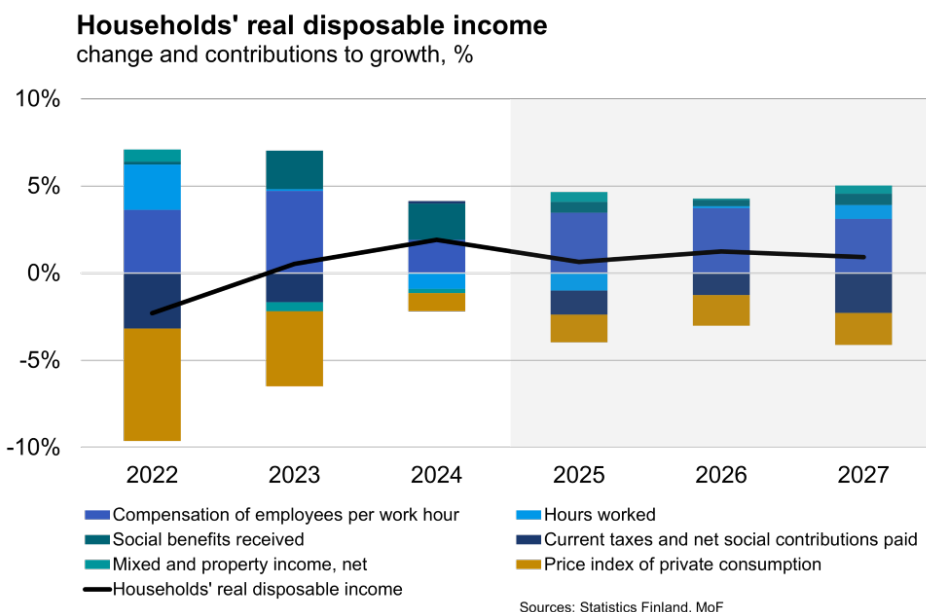
<sup>2</sup> Computed by dividing the national wage bill by the number of hours worked by wage and salary earners. The figures are affected by structural changes in the economy.

<sup>3</sup> Compensation of employees divided by gross value added in volume at basic prices.

## 1.4.2 Households' income

**The combined household purchasing power will grow slowly in 2025 due to the weak employment situation, cuts in social benefits and increases in value-added tax rates. In 2026, purchasing power will be boosted by wage increases under collective agreements and by lower income taxation.**

Real disposable income – a measure of the aggregate purchasing power of households – is projected to grow by approximately half per cent in 2025. Disposable income is boosted mainly by a rise in average earnings, which is driven by increases in contractual wages aligned with the general wage settlement established in the manufacturing industry. In contrast, the nominal growth of social benefits will come to a halt due to decreasing pension indexation rates and cuts in social benefits. The increases in the value added tax rates in September 2024 and January 2025 will increase private consumption prices, which will weaken purchasing power.



Households' real disposable income<sup>1</sup>

<sup>1</sup> The contribution of taxes and social security contributions paid as well as the price of private consumption are shown with negative sign, since any increase in these items reduces the real disposable income of households.

In 2026 and 2027, purchasing power is expected to improve more clearly with average earnings growing faster than consumer prices. However, the acceleration in purchasing power growth is largely dependent on an improvement in the employment situation, which is forecast to happen in 2026. The lowering of earned income taxation will also increase disposable income in 2026, but at the same time, the increase in the unemployment insurance contribution and the discontinuation of the eligibility to receive tax deductions on trade union membership fees will weaken wage earners' purchasing power. The current price increase in social benefits will be slow during the forecast period and the benefits will fall in real terms.

In 2027, real disposable income is anticipated to grow by approximately one per cent as the employment situation continues to improve, and inflation remains at less than two per cent.

## 1.5 Consumption

**Despite the waning inflation and falling interest rates on loans, households have not increased their consumption in 2025. The weak employment situation and the uncertainties related to the geopolitical situation and to the consolidation of public finances have been weighing down consumer confidence exceptionally long. However, as the employment situation improves, private consumption is forecast to start growing in 2026. As the saving rate falls, growth in private consumption will accelerate in 2027.**

**Public consumption is expected to decrease in the coming years due to the Government's spending cuts and the spending cut measures by wellbeing services counties.**

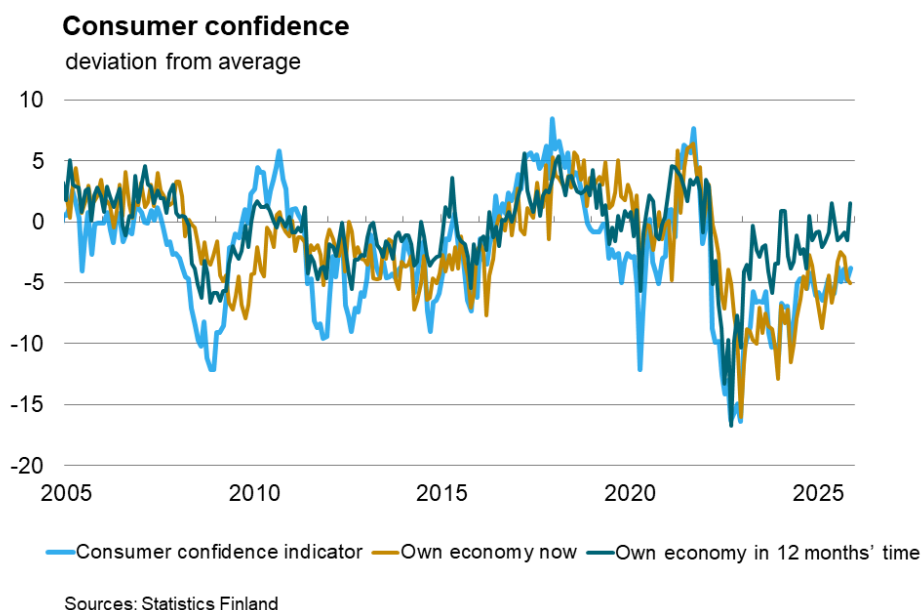
In January–September of the current year, private consumption decreased slightly from last year. According to statistics for the first half of 2025, households' saving rate has already increased to the level of the 2020 Covid-19 year, which indicates clear potential for faster growth in consumption.

In 2025, private consumption remains at the previous year's level. The improvement in consumer confidence is insufficient to give rise to any expectations of Christmas sales growing considerably from last year. Nor does payment card data from banks indicate growth in consumption during November.

Private consumption will start growing in 2026 as the employment situation improves, and households' real income rises. Increases in negotiated wages and the reduction in the tax rates on wage earnings will increase households' disposable income, which will support private consumption. Consumer confidence in their own economic situation within a year has already reached the average level, which usually indicates an increase in consumption. The weaker than anticipated development of employment remains the biggest risk factor for consumption growth. The forecast assumes that employment will begin to grow in 2026.

In 2027, growth in private consumption will accelerate as the unemployment rate declines, and the wage increases negotiated in collective agreements increase disposable income. The interest rate level is not expected to rise, so the interest expenses of mortgage holders will remain reasonably low in the outlook period.

Prices in private consumption are expected to increase by 1.6 per cent in 2025 as the higher value-added tax rates increase the prices of goods and services. Prices will rise at a rate of just under two per cent in 2026 and 2027 as higher earnings are passed on to service prices.

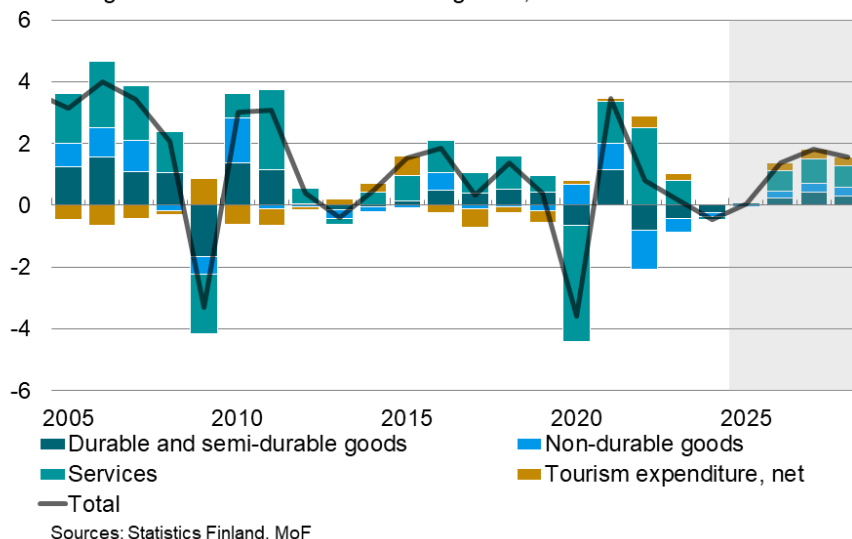


Consumer confidence has still remained below average. Consumers consider the situation of the Finnish economy and the threat of unemployment to be quite gloomy, but the outlook for their own economic situation over the next 12 months has already returned to the average level.

Consumer confidence has been very low since Russia started its war of aggression in 2022. This is an exceptionally long period of low confidence. During the last year, consumer confidence has been weighed down by the threat of unemployment in particular, but according to a survey measuring confidence, consumers consider the increase in prices to be considerably higher than the actual inflation. It is possible that instead of comparing the current price level to the annual change, consumers' point of reference is the price level of 2–3 years ago. With this kind of comparison, the current price level may feel high. Additionally, it is quite possible that the consolidation measures the government has already implemented, and the fact that the consolidation will continue long into the future, have weakened consumer confidence and increased saving.

## Household consumption

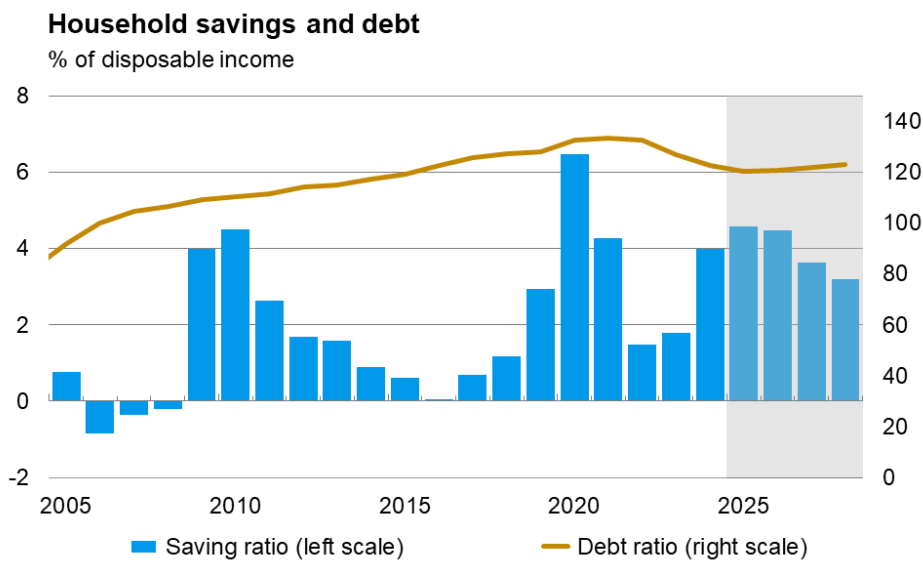
change in volume and contributions to growth, %



First registrations of passenger cars have also remained low in the latter half of 2025, and the sale of used cars has not grown either. The consumption of durable goods will grow only slightly in 2025. The consumption of durable goods in relation to disposable income decreased in 2024 to an all-time low for the 2000s. Consumption is therefore expected to grow in 2026–2027 as consumer confidence is gradually restored.

The consumption of non-durables such as food, energy and fuels will decrease slightly in 2025. The consumption of non-durables is also fairly low compared with disposable income, which is why consumption is forecast to grow slightly in 2026.

At the beginning of 2025, the consumption of services seemed to grow, but based on weaker than expected data from the second and third quarters, consumption is not expected to grow at all in 2025. In 2026, improved purchasing power will see consumption beginning to grow, which is forecast to continue in 2027 as well.



Sources: Statistics Finland, MoF

In the second quarter of 2025, the net saving rate reached the level of 7 per cent, which is comparable to the figures of the 2020 Covid-19 year. It is estimated that the saving rate will grow to 4.6 per cent in 2025 on average. In 2026–2028, the saving rate will gradually fall as private consumption recovers.

The household indebtedness ratio continued to decline in the first half of 2025, although the decrease in households' housing loans has already stopped. As interest rates fall, the demand for housing and consumer loans is, however, expected to strengthen gradually, and the indebtedness ratio is forecast to settle to the approximate level of 120 per cent in 2026–2027.

Public consumption is expected to decline by 1.5 per cent in 2025. Based on the quarterly data published by Statistics Finland, public consumption has contracted during the first three quarters. Public consumption is reduced by the Government's consolidation measures and the spending cut measures by local government.

Although the ageing of the population increases the need for health and social services, and defence investments are higher than before, total public consumption is expected to decrease in the next few years. Public consumption will fall by an estimated 0.5 per cent in 2026 and by 0.3 per cent in 2027. Consumption is slowed

by the Government's spending cuts in particular. In addition, the consolidation measures taken by wellbeing services counties to cover previous deficits will continue to be considerable, based on preliminary budget proposals. The amount of wellbeing services counties' permanent consolidation measures included in the forecast is cautious, at EUR 300 million for 2026. When the amendment concerning the extra time given for wellbeing services counties to cover their deficits takes effect, the consolidation need for 2026 may be eased. In 2028, consumption expenditure will grow by 0.8 per cent due to, among other things, the partial allocation of the Defence Forces' additional appropriations to consumption.

The value of public consumption will grow during the outlook period as consumption prices increase. The rise in prices will be accelerated by wage agreements in the public sector. Due to pay system development programmes in the municipal and wellbeing sectors, local government earnings are expected to grow more rapidly than overall earnings in the early part of the outlook period. Once these programmes conclude, general government earnings are expected to align with overall earnings growth.

**Table 10. Consumption**

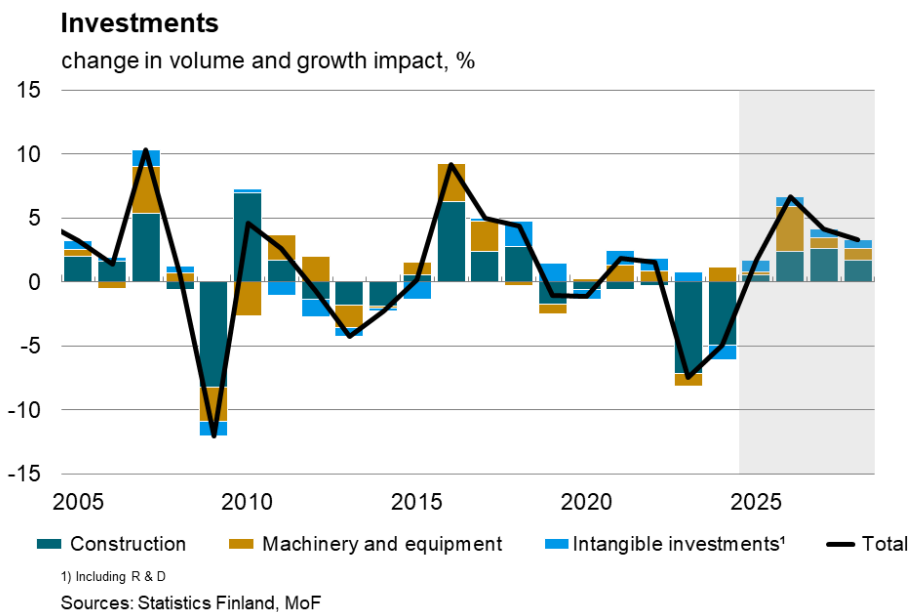
	2024	2025*	2026*	2027*	2028*	2024 Share, %
<b>Change in volume, %</b>						
Private consumption	-0.4	0.0	1.4	1.8	1.6	100.0
Households	-0.5	0.0	1.4	1.8	1.6	96.0
Durables	-2.4	0.8	1.2	3.9	2.7	6.9
Semi-durables	-1.1	0.3	2.2	2.3	2.0	6.9
Non-durable goods	-0.5	-0.2	1.0	1.3	1.2	28.8
Services	-0.2	0.0	1.5	1.8	1.6	53.4
Consumption by non-profit institutions	1.8	0.2	1.5	1.5	1.5	3.6
Public consumption	1.7	-1.5	-0.5	-0.3	0.8	
<b>Total</b>	<b>0.3</b>	<b>-0.5</b>	<b>0.7</b>	<b>1.1</b>	<b>1.3</b>	
<b>Change, %</b>						
Private consumption deflator	1.0	1.6	1.8	1.8	2.0	
Public consumption deflator	0.9	2.8	3.5	3.4	3.3	
Households' disposable income	3.0	2.2	3.0	2.8	3.1	
Households' real disposable income	1.9	0.6	1.2	0.9	1.1	
<b>Percent</b>						
Consumption in relation to GDP (at current prices)	77.2	76.9	76.8	76.4	76.2	
Household savings ratio	4.0	4.6	4.5	3.6	3.2	
Household debt ratio <sup>1</sup>	122.7	120.3	120.5	121.7	122.9	

<sup>1</sup> Household debt at end-year in relation to disposable income

## 1.6 Investments

**The steep decline in investment has halted, and the overall trend is showing cautious growth. In the coming years, the investment outlook will be boosted in particular by the energy transition, growing defence expenditure and the gradual recovery of the housing market.**

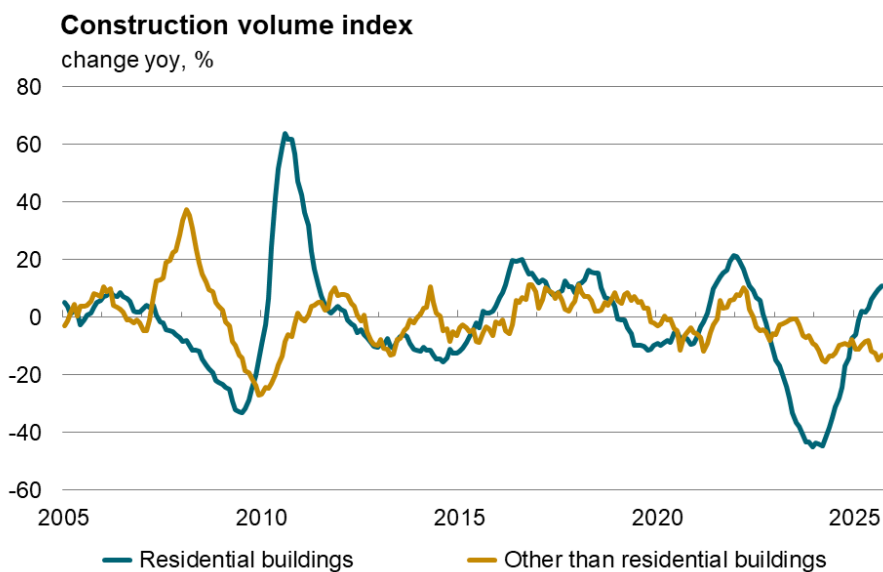
The turn for the better took place in the autumn of last year, after which growth has basically been driven by immaterial investments. After a weak period, growth figures for investments have reached double digits. Investment in machinery and equipment, as well as civil engineering, picked up during the first months of the year. In 2025, growth in investment is expected to be just under two per cent in total. Growth is forecast to accelerate and amount to nearly 7 per cent in 2026, while the estimated growth in 2027 is four per cent.



Other non-residential building construction is faring better than construction overall and has started to grow, driven by industrial investments. Industrial and warehouse construction will be driven in particular by the green transition and

logistics needs in 2025–2026. Office construction will remain subdued, but strong industrial construction will be capable of ensuring a positive overall trend in the sector and supporting recovery across the construction sector.

Investment in residential construction has declined by about a third from the level preceding the interest rate increases. The volume of new housing starts has hit an exceptional low, with new sites focusing mainly on state-subsidised construction. The sentiment in the housing market has picked up as a result of decreased interest rates. Property trade has become livelier, although sales volumes still remain below the long-term average. However, there has still not been a change in the direction of prices. Market recovery is slowed by the large reserves of completed, unsold housing. Additionally, the difference between the price of new and old housing continues to be so large that launching large-scale unsubsidised construction at the current cost of construction is unprofitable. However, the demand basis is strong: internal migration and immigration are increasing the need for housing. The current level of construction is significantly lower than the long-term need. The volume of residential construction in 2025 is expected to remain near the previous year's level. A full recovery is forecast to begin in 2026 and 2027, when growth is expected to accelerate to 6 and 7 per cent respectively.



Source: Statistics Finland

A turn for the better can also be seen in civil engineering. However, the sector has been weighed down by the Government's economic consolidation measures and the low volume of new infrastructure project starts. In addition, municipalities have postponed their investments. The weak situation in building construction is also directly reflected in the demand for infrastructure construction. Wind power construction is experiencing a quiet phase after the completion of the previous major projects, but a new wave of investment is already being planned. In the coming years, the sector's recovery will be supported by projects related to the energy transition and the Government's investment programme for the development of the transport network.

The energy transition and the geopolitical situation are boosting machinery and equipment investment. Finland has become an attractive target for industrial investment due to the availability of clean energy. However, growth in machinery and equipment investment is dominated by defence expenditure: it is expected that investment will grow by approximately one per cent this year, whereas next year, growth will amount to over 13 per cent as the deliveries of the F-35 fighter jets begin.

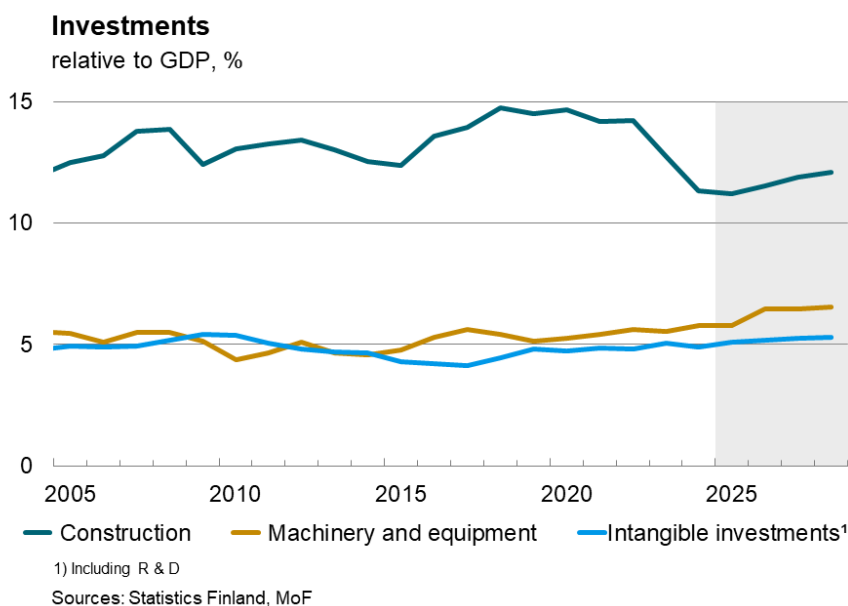
Immaterial investments continue to grow steadily. Finland plans to increase R&D funding to four per cent of GDP by 2030. This objective is supported by the increase in public funding, the R&D tax deduction introduced in 2023 and recovery funding by the EU. Additionally, rapid technological advances force companies to boost their inputs in product development to maintain competitiveness.

Public investments grew by eight per cent last year, whereas growth will remain at around two per cent this year. In 2026, investment will increase by over 20 per cent. This extensive growth is mainly due to central government purchases related to national defence and security. In addition, the R&D Funding Act will increase central government investment in research and development activities between 2024 and 2030.

The first deliveries of the multirole fighter aircraft for the Air Force will significantly boost growth in investment next year (2026). The deliveries are expected to continue for several years, which, in conjunction with other defence investment, will maintain the investment level. In local government, investment prospects vary regionally. Investment pressures in growth centres will remain high, keeping

municipal investments at a high level. However, rising financing expenses and challenges in municipal finances may slow down the implementation of investments.

Government decisions play a central role in the development of public investments. The timing of large investments and deliveries may cause variation in the number of investments during the outlook period. In addition, defence materiel purchases may be divided into investments and consumption differently than estimated.



**Table 11.** Fixed investment by type of capital asset

	2024	2025*	2026*	2027*	2028*	2024 Share, %
<b>Change in volume, %</b>						
Buildings	-9.1	1.2	5.5	6.0	3.8	41.9
Residential buildings	-17.7	0.5	6.0	7.0	4.0	20.2
Non-residential buildings	2.2	2.0	5.0	5.0	3.5	20.5
Civil engineering construction	-8.9	0.0	1.0	2.0	1.0	9.5
Machinery and equipment	4.8	1.0	13.5	3.0	3.5	26.2
Intangible investments <sup>1</sup>	-5.3	4.0	3.3	3.0	3.0	22.3
<b>Total</b>	<b>-5.0</b>	<b>1.7</b>	<b>6.7</b>	<b>4.1</b>	<b>3.3</b>	<b>100.0</b>
Private	-7.7	1.9	2.8	6.7	4.2	80.1
Public	7.7	0.9	22.1	-4.4	-0.3	19.9
Investment deflator	0.3	0.7	1.5	1.9	2.0	
<b>Investment to GDP ratio (at current prices)</b>						
Fixed investment	22.0	22.1	23.1	23.6	23.9	
Private	17.6	17.7	17.9	18.7	19.1	
Public	4.4	4.4	5.5	5.1	4.9	

<sup>1</sup> Includes also R&D-investments.

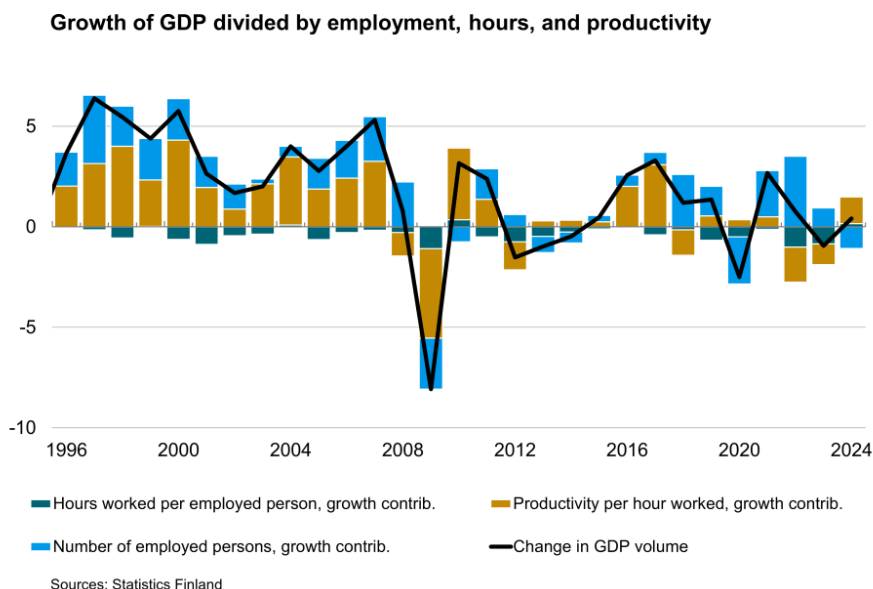
## 1.7 Domestic production

**Growth of total output is picking up. This is a result of the continued growth in manufacturing and next year, also of the improving development of construction and services.**

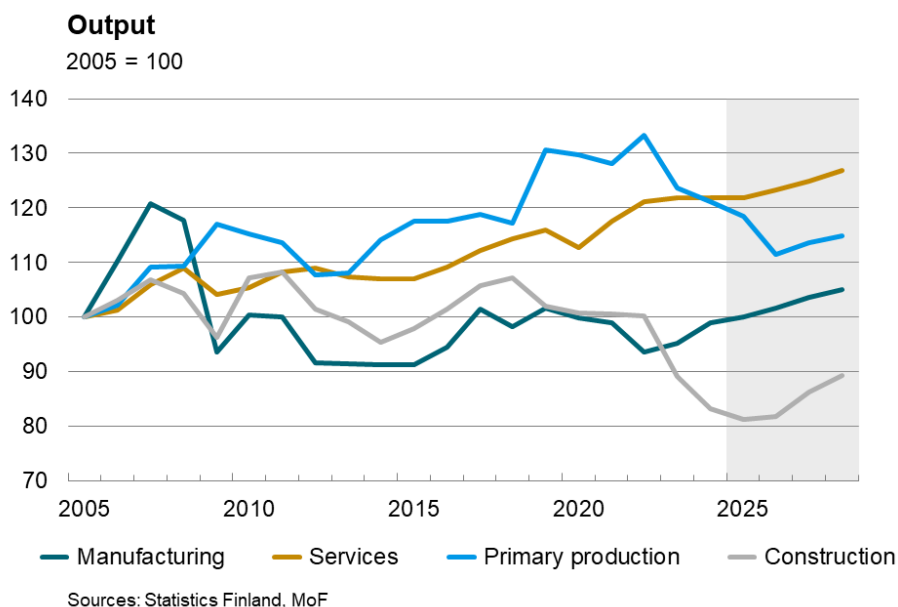
### 1.7.1 GDP and productivity

In January–September, value added across the economy remained at last year's level. Primary production, construction output and service provision contracted from last year, whereas industrial output will increase for a third consecutive year.

Productivity growth in the Finnish economy has been weak in recent years. Between 2021 and 2024, value added per hour worked remained unchanged, on average. On average, productivity fell in construction and manufacturing in particular, whereas in service sectors it improved slightly. In 2025–2028, however, productivity is expected to grow approximately one per cent per year as economic growth begins. Productivity is expected to improve in all main industries.



The growth prospects for total output for the remainder of 2025 are modest, and because the output level was weak at the beginning of the year, total value added for this year remains at the same level as last year. Industrial output benefits from the recovery of new orders. In other sectors, demand continues to be so modest that there is no growth this year.



In 2027, construction will become a key driver of economic growth as lower interest rates, increasing confidence and pent-up demand will boost output in the sector. Service provision will also grow faster due to rising wages. In 2026–2028, the annual growth rate of total output is expected to be slightly over one per cent per year, which significantly exceeds the average growth rate in the 2010s.

## 1.7.2 Sectors

Seasonally adjusted industrial output decreased during the autumn from last summer, but in January–September, it remained nearly unchanged compared with the corresponding period last year. During the autumn, the chemical industry in particular has experienced the greatest change: output decreased by more than nine per cent. However, in January–September output in the chemical industry increased by nearly seven per cent from last year. Correspondingly, measured by turnover, the entire industry declined by 1.5 per cent in the autumn and in January–September remained nearly unchanged compared with last year. The value added in secondary production, calculated as the difference between output and intermediate consumption, also decreased broadly across all industrial sectors in the autumn, but during the first three quarters, value added in all industrial sectors grew by three per cent from last year, despite the unstable market environment.

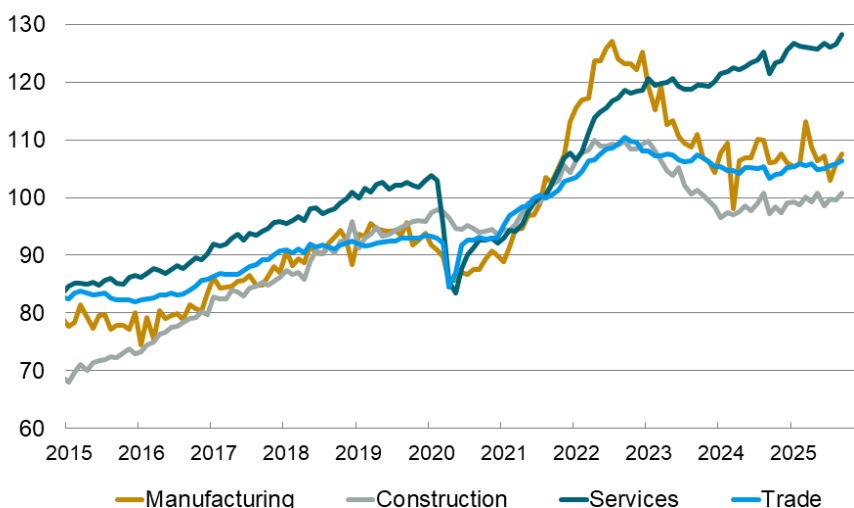
In the forest industry, value added has been declining along the lines of other sectors, decreasing by slightly over five per cent. However, at an annual level growth has remained at nearly six per cent. Corresponding development can also be seen in forest industry output, which has grown at an annual level, despite the decline in the autumn. However, the weak development of turnover has continued in the forest industry for an extended period. Turnover also declined in both the autumn and January–September. Factors contributing to the weak development in the forest industry include the unstable operating environment and the declining price of timber in particular.

Among the industrial sectors, the greatest decline in growth in terms of output, turnover and value added was experienced in the chemical industry. However, in the first three quarters, output, turnover and value added in the chemical industry showed considerable growth. The chemical industry is typically influenced not only by export prospects but also by the business cycle of the domestic forest industry, which may partly explain the low order books in the autumn. The decline in new orders in the chemical industry was exceptionally steep during the autumn. New orders also declined slightly from the corresponding period last year in the current year. In September, the level of new orders in the chemical industry was the lowest for the post-2020 period.

The export prospects of the metal industry have been difficult, as the US introduced a tariff level of 50 per cent on steel and aluminium. Despite this, output and turnover in the metal industry have been stable and decreased this year only slightly from the corresponding period last year. Metal industry output and turnover both decreased by just over one per cent in the autumn. Despite this, value added in the metal industry has shown an increase of just under one per cent in the current year, although it decreased in the autumn along the lines of other industrial sectors. New orders in the metal industry also decreased slightly in the autumn compared with the summer, but in January–September, they showed the greatest growth among all industrial sectors: nearly 13 per cent.

### Turnover trends in main industries

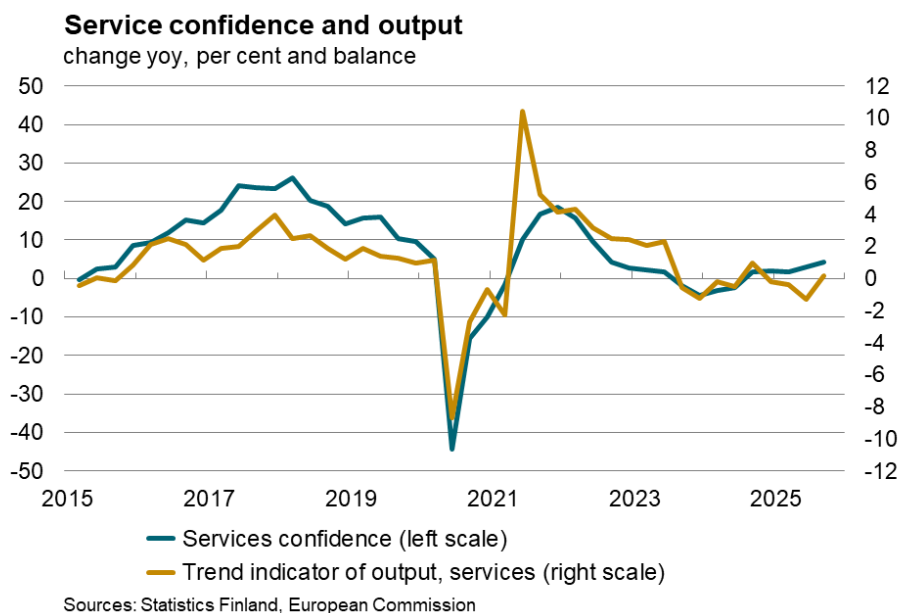
2021 = 100, seasonally adjusted



Sources: Statistics Finland

The nadir in the economic situation in construction has been reached. Although turnover volume has shown growth, value added in the sector is yet to take an upward turn. Prospects have brightened slightly, but the economic situation continues to be significantly weaker than normal, and recovery is slow. It is forecast that in 2025, value added in construction will continue to contract at an annual level, but will start growing slightly in the following year and accelerate to approximately five per cent in 2027. Future recovery is supported in particular by investment in the energy transition and the gradual recovery of residential construction.

In the trade sector, a decrease of about one per cent is expected in the volume of value added in 2025. However, the confidence indicator of retail trade rose slightly above its average in November, and firms expect sales to increase in the coming months. Value added in the trade sector is forecast to grow by approximately two per cent in 2026.



Growth in the volume of value added has been weak, or value added has also decreased in other private services. Information and communication services are an exception: there the volume increased significantly in 2025. The confidence indicator for service industries continued to be at a lower than average level in November, and expectations concerning the economic situation were subdued. In 2025, there is no growth at all in the value added of services (including trade and public services). In 2026, services will grow by approximately one per cent, as decreased interest rates and the improved economic situation in manufacturing and construction will increase the demand for private services, although the production of public services will contract due to the cuts in public spending.

**Table 12.** Production by industry

	2024	2025*	2026*	2027*	2028*	2024 Share, % <sup>1</sup>
<b>Change in volume, %</b>						
Manufacturing	4.0	1.1	1.5	1.9	1.5	20.4
Construction	-6.7	-2.2	0.6	5.5	3.4	5.7
Agriculture and forestry	-1.9	-2.2	-6.0	2.0	1.0	2.8
Manufacturing and construction	1.5	0.4	1.4	2.7	1.9	26.0
Services	0.0	0.0	1.2	1.3	1.5	71.1
<b>Total production at basic prices</b>	<b>0.3</b>	<b>0.0</b>	<b>1.1</b>	<b>1.7</b>	<b>1.6</b>	<b>100.0</b>
GDP at market prices	0.4	0.2	1.1	1.7	1.6	
Labour productivity in the whole economy	1.3	1.0	0.9	0.9	0.8	

<sup>1</sup> Share of total value added at current prices

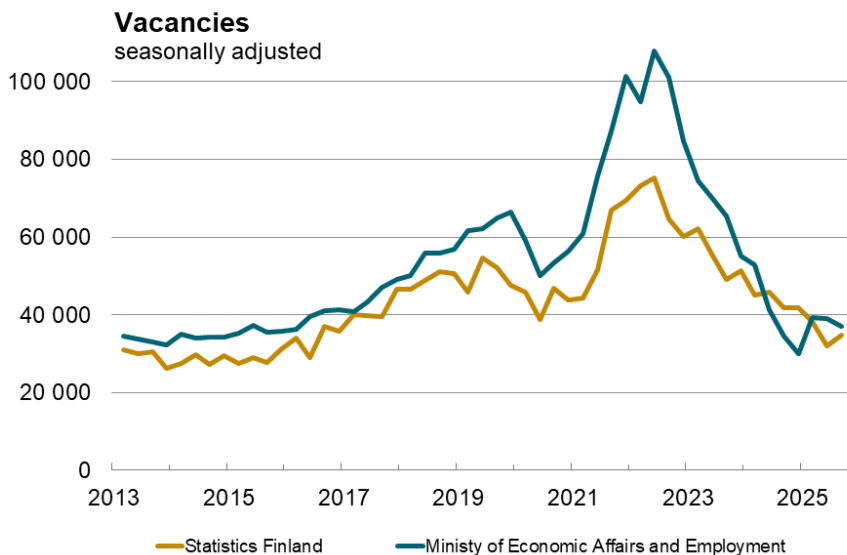
## 1.8 Labour market

### **A turnaround in the labour market seems possible next year. Unemployment will remain significantly above its structural level in 2028.**

A turn for the better in the labour market will take place next year. However, the labour market is showing preliminary signs of a turnaround being just around the corner. In January–October 2025, the number of employed people declined by 0.6 per cent, and the number of unemployed increased by 15.4 per cent. However, according to the trends observed in August–October, the number of employed people has started to increase. Additionally, the employment trend has increased slightly in the autumn. At the same time, the reduction in the number of persons not in the labour force and growth in the labour input have also increased the number of unemployed people in the autumn. The supply of labour force in the labour market is high.

In the first months of the year, the greatest reduction in employment compared with last year took place in primary production, the chemical industry and certain retail sectors. At the same time, the number of employed people has increased considerably in the food industry, logistics services, and in the arts and entertainment sector. The number of hours worked decreased more than the number of employed people in January–October, which means that average hours worked per employed person decreased. An increase in the number of part-time wage earners and a decrease in the number of full-timers contributed to this trend.

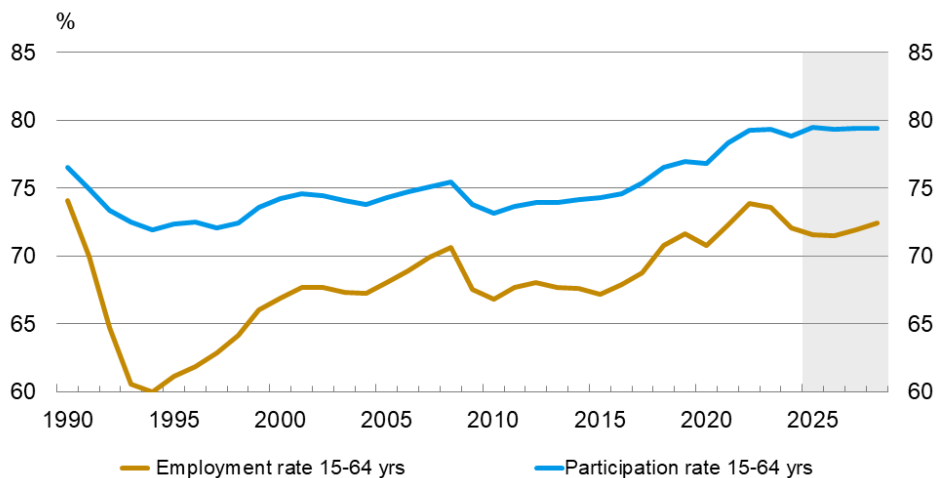
Sluggish economic growth this year will not improve demand for labour. The weak development of the number of employed people at the beginning of the year and the decrease in the number of jobs indicate weak development in employment. The private sector's intentions to provide employment have not yet improved broadly, although there does not seem to be any clear reduction need in industry. Intentions to provide employment will be scarce in the service sector and construction during the rest of the year. The number of jobs has contracted further in the large main industries. The increase in the value of new orders in manufacturing was broad-based at the beginning of the year, which is why labour demand looks less negative in manufacturing than in other industries. As the number of part-time jobs increases, the number of hours worked will fall more considerably than employment levels. Immigration contributes to the supply of labour. At the same time, growth in labour input will increase the number of unemployed people. The number of employed people will decrease by an average of 0.3 per cent this year.



Source: MEAE, SF, MoF

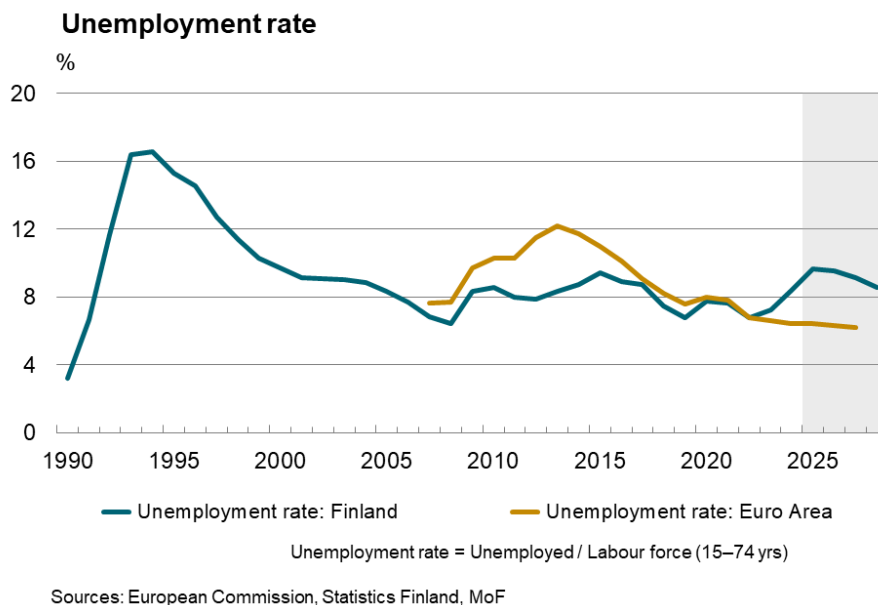
In 2026–2028, the economy will grow faster, and employment will increase by an average of just under one per cent annually. Growth will be broad-based and also supported by the measures taken by the Government since 2024 to promote the supply of the labour force. It is assumed that these measures will increase the number of employed people by a few tens of thousands by 2028. The employment rate (age group 15–64) will rise to approximately 72.4 per cent but will still remain below the peak level of nearly 74 per cent in 2022. Employment will also be boosted by growth in the working-age population, which is due to immigration in particular: it is estimated that there will be nearly 47,000 more people aged 15–64 in 2028 than in 2024. Net immigration has slowed from the peak of recent years because immigration from EU countries and other European countries decreased in the early part of the year.

### Employment and participation rate



Sources: Statistics Finland, MoF

The number of unemployed people continued to rise in January–October compared with last year, with the increase being broad-based and substantial. The unemployment trend increased to over ten per cent of the labour force in October. Unemployment among women in particular rose by more than 20 per cent. Unemployment rose particularly sharply among those aged 35–44. Among the occupational groups, the increase in unemployment affected those in specialist and service and sales occupations in particular. In contrast, unemployment fell in primary production occupations.



Unemployment will continue to grow in 2025, almost as much as in 2024. In particular, public sector savings needs are slowing down employment growth and contributing to rising unemployment. The unemployment rate will therefore rise to an average of just over 9.5 per cent. In 2026–2028, the economic recovery will help reduce unemployment, but higher competence requirements for skilled employees will slow down this development. In 2028, the unemployment rate will remain at 8.5 per cent, well above the estimated level of approximately 8 per cent in structural unemployment in Finland that year.

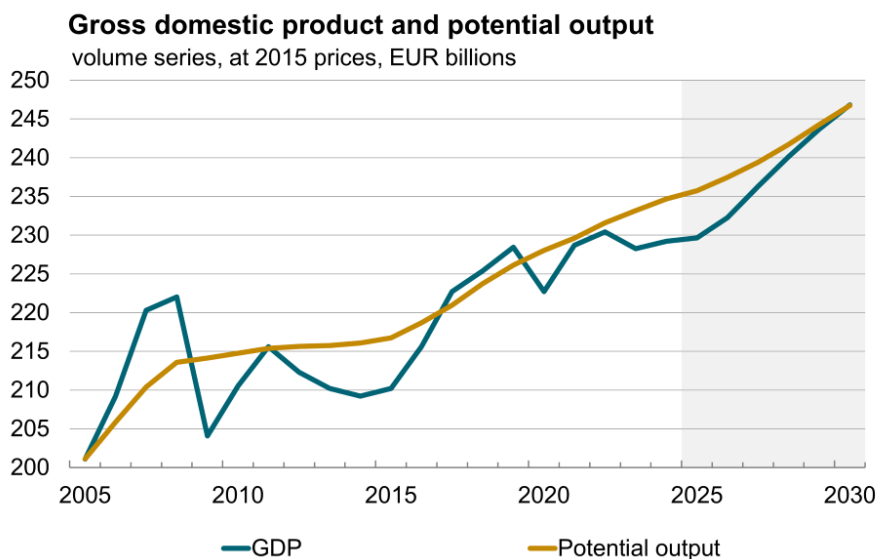
**Table 13.** Labour market

	2024	2025*	2026*	2027*	2028*
<b>Annual average, 1,000 persons</b>					
Population of working age (15–74 yrs)	4 153	4 165	4 177	4 185	4 193
Population of working age (15–64 yrs)	3 474	3 489	3 502	3 513	3 520
Labour force (15–74 yrs)	2 840	2 872	2 875	2 888	2 895
Employed (15–74 yrs)	2 602	2 595	2 602	2 625	2 648
of which 15–64 yrs	2 504	2 498	2 504	2 526	2 548
Unemployed (15–74 yrs)	238	277	274	264	247
<b>Change in volume, 1,000 persons</b>					
Population of working age (15–64 yrs)	32	16	13	11	7
Employed (15–64 yrs)	-28	-6	6	22	22
<b>Percent</b>					
Employment rate (15–64 yrs)	72.1	71.6	71.5	71.9	72.4
Employment rate (20–64 yrs)	76.7	76.2	76.1	76.6	77.1
Unemployment rate (15–74 yrs)	8.4	9.6	9.5	9.1	8.5
<b>1,000 persons per annum</b>					
Immigration, net	47	35	33	30	28

## 1.9 Medium-term outlook for 2029–2030

**Finland's economy is expected to grow by 1.5% in 2029 and by 1.3% in 2030. The employment rate will rise to 73.3 per cent in 2030. In the outlook period, gross domestic product will grow faster than potential output, and the output gap will close in 2030.**

The medium-term projection is based on an estimate of the potential output growth, which is considered to determine the growth potential of the Finnish economy after the economic cycle.<sup>1</sup> Potential output refers to the economy's long-term growth path or a sustainable level of output that ensures stable inflation, which is achievable when economic capacity is in normal use.



Source: MoF

<sup>1</sup> When assessing potential output and the output gap, the Ministry of Finance uses the production function method jointly developed by the European Commission and the Member States, in which potential output growth is divided into estimates of growth in potential labour input, potential capital stock and potential total factor productivity. The potential output and the output gap are latent unobserved variables, the assessment of which involves uncertainties, particularly during a strong economic cycle and under conditions of rapid changes in the production structure.

In the medium term, the Finnish economy is expected to grow moderately. In 2029 and 2030, GDP growth is expected to be 1.5 and 1.3 per cent per year respectively. Growth will be supported by a recovery in private investment, boosted by the investments required by the green transition. GDP growth is due to public defence spending increases for 2029 in particular.<sup>2</sup>

The employment rate (age group 15–64) is expected to rise to 72.9 per cent in 2029 and to 73.3 per cent in 2030. The development of employment is affected by both the economic cycle and the Government's structural policy measures. At the same time, the unemployment rate is projected to fall, and the unemployment gap is expected to close in 2030, when the unemployment rate is forecast to be 7.8 per cent. The increase in consumer prices is projected to reach the 2 per cent inflation target set by the European Central Bank as early as 2029 and to remain at that level in 2030.

In 2025–2030, potential output is projected to grow by an average of 0.8 per cent per year. The growth will consist of the development of labour input, capital stock and total factor productivity. The impact of labour input is projected to be 0.1 percentage points on average per year. The growth contribution of labour input is weakened by the long-standing negative development in the growth impact of hours worked per employed person. The positive growth impact of the working-age population will also fade towards the end of the outlook period.

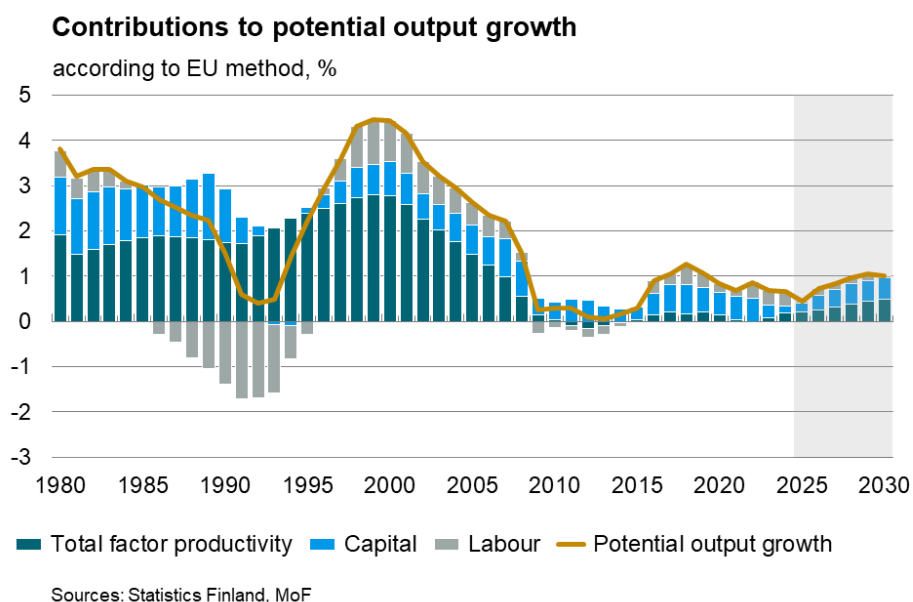
The development of the capital stock will support potential output growth by an average of 0.4 percentage points per year in 2025–2030. The growth contribution of capital stock has been fairly stable throughout the 2000s.

The third source of growth is total factor productivity (TFP), which is expected to pick up towards the end of the forecast period compared to the early 2020s. However, TFP growth will remain modest relative to the early 2000s. The sluggish

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<sup>2</sup> Over the medium term, GDP growth is typically determined by potential output growth. The starting point is to adjust GDP growth so that the output gap will close towards the end of the outlook period. However, this basic assumption can be deviated from if compliance with the rule would result in implausible results. In that case, the output gap may be positive or negative, depending on the situation.

growth is partly explained by structural changes in the economy, where the contraction of high-productivity sectors and increasing service orientation have slowed down TFP growth. Similar developments have also been observed in other advanced economies, but in Finland, productivity growth has been particularly slow. In 2025–2030, the contribution of total factor productivity to growth is estimated to be only about 0.4 percentage points per year on average, compared to around two percentage points per year in the early 2000s.



**Table 14.** Key forecast figures for the medium term

	2024	2025*	2026*	2027*	2028*	2029*	2030*
GDP at market prices, change in volume, %	0.4	0.2	1.1	1.7	1.6	1.5	1.3
GDP, nominal, EUR bn	276	281	290	302	314	327	339
Consumer price index, change, %	1.6	0.4	1.2	1.8	1.9	2.0	2.0
Unemployment rate, %	8.4	9.6	9.5	9.1	8.5	8.1	7.8
Employment rate, %	72.1	71.6	71.5	71.9	72.4	72.9	73.3
Output gap, % of potential output <sup>1</sup>	-2.3	-2.6	-2.2	-1.3	-0.7	-0.2	0.0
Potential output growth, % <sup>1</sup>	0.7	0.5	0.7	0.8	1.0	1.1	1.0
<b>Relative to GDP, %</b>							
General government net lending	-4.4	-3.9	-4.5	-4.0	-3.9	-3.7	-3.6
Central government	-3.7	-4.0	-4.9	-4.3	-4.4	-4.4	-4.3
Municipal finances	-0.3	-0.5	-0.5	-0.5	-0.4	-0.3	-0.3
Wellbeing services counties	-0.6	0.1	-0.1	0.0	-0.3	-0.3	-0.3
Social security funds	0.2	0.6	0.9	0.8	1.2	1.3	1.3
Structural balance	-3.1	-2.4	-3.2	-3.2	-3.5	-3.5	-3.6
General government debt	82.4	89.1	91.6	92.4	93.8	95.2	96.8
Central government debt	61.4	66.7	69.0	70.3	71.8	73.4	75.1

<sup>1</sup> Estimated according the method developed jointly by the EU Commission and Member States

## 2 General Government Finances

### 2.1 General government

**The general government deficit has become persistently large. The deficit is widening and will remain at more than three per cent of GDP until the end of this decade. Debt ratio is continuing to grow and will exceed 95%.**

Regarding general government finances, 2025 has been characterised by two main developments. Despite tax increases and consolidation measures, the deficit is only narrowing at a slow rate. The debt ratio grew more rapidly than expected for reasons that have little to do with the deficit. The defence equipment purchases originally scheduled for the end of this year will not take place until 2026. This will ease the situation compared to previous estimates. Moderate growth in local government expenditure also gives some cause for optimism.

In 2026, the deficit will reach 4.5% of GDP, and the debt ratio will rise to 91.6%. Next year, the deficit will be boosted by the timing of defence equipment purchases: starting in 2026, the acquisition of the F-35 fighter aircraft is expected to be treated as central government expenditure as the first planes are received by air forces. Tax cuts will slow revenue growth next year, and spending reductions are also expected.

In the years after 2026, interest expenditure will grow further, and defence spending will remain at high levels. Substantial increases in defence appropriations can be expected in 2029. Tax cuts will slow the increase in tax revenue in 2027. At the same time, however, the economic upturn will boost tax revenue and reduce benefit expenditure.

General government debt will be close to 90% of GDP in 2025. Sluggish economic growth and substantial deficits will increase borrowing. Moreover, borrowing will grow this year or a number of reasons not linked to the deficit. The non-deficit factors include growth in ARA's interest subsidy loan stock (classified as debt in the statistics), growth in cash collateral needs related to central government and employment pension institutions' derivatives, and emission losses. Borrowing will slow in the years after 2025, which will boost the debt ratio by an average of 1.5 percentage points each year. In 2030, the debt will already amount to almost 97% of GDP.

Central government deficit has reached substantial levels: this year it will amount to 4.0% of GDP, and in 2026, it will stand at 4.9%. Defence equipment purchases and rising interest expenditure are the two main reasons for growth in central government spending. At the same time, prolonged economic downturn and tax cuts are slowing growth in tax revenues, keeping them below optimal levels. The positive impacts of the consolidation measures are overshadowed by the increase in expenditure resulting from changes in the external operating environment and sluggish economic growth. The central government deficit will be at 4.3% at the end of the outlook period.

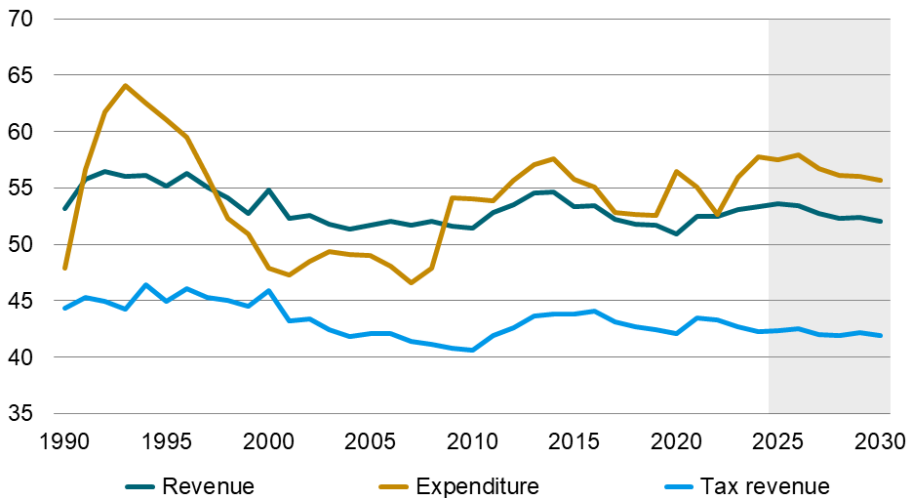
A rapid increase in prices and wages is the main reason boosting local government expenditure during the outlook period, which will sustain the deficit over the next few years. The budgetary position of the wellbeing services counties will remain approximately balanced in the period 2025–2027 but will weaken after 2028. The weakening is caused by an increase in expenditure and the fact that in the forecast, central government funding is based on a sum allocated in the spending limits, and this sum will be reduced in 2028. However, the total local government deficit will remain more or less unchanged during the outlook period because the municipal administration deficit will shrink to about 0.3% as tax revenue increases, and the temporary reductions in central government transfers to municipalities expire.

As a whole, social security funds will remain in surplus, which is primarily due to the strong budgetary position of employment pension institutions. The surplus is mainly based on property income and employment pension contribution revenue. Other social security funds will gradually turn this year's deficits into a slight surplus and will remain balanced throughout the outlook period. The strengthening of the budgetary position will be supported by factors such as the increase in next year's unemployment insurance contributions and a gradual decrease in unemployment expenditure.

Net general government expenditure as defined in the net expenditure indicator used by the EU in fiscal policy monitoring will decrease by 0.1% this year but will grow by 4.0% in 2026 and 2.3% in 2027.

### General government revenue, tax revenue and expenditure

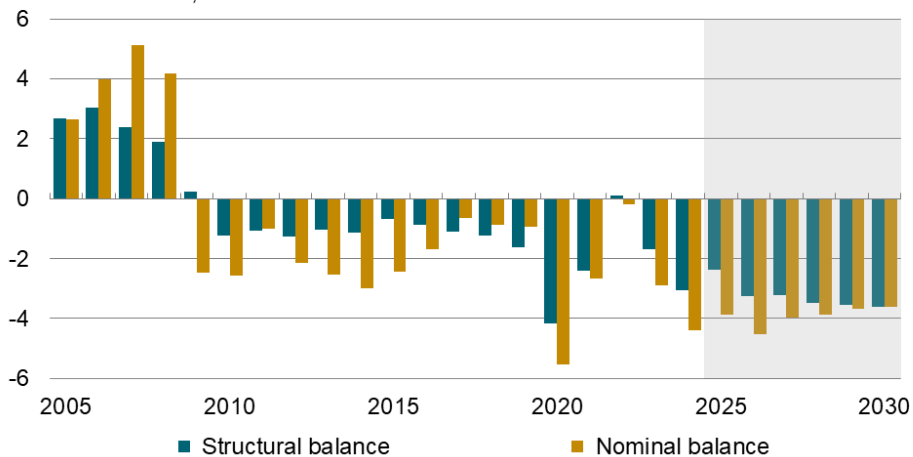
relative to GDP, %



Sources: Statistics Finland, MoF

### General government nominal and structural balance

relative to GDP, %



Based on the European Commission's production function approach

Sources: Statistics Finland, MoF

**Table 15.** General government finances

	2024	2025*	2026*	2027*	2028*
<b>EUR billion</b>					
Current taxes	44.2	44.6	45.1	46.8	49.0
Taxes on production and imports	38.5	39.3	41.5	41.7	42.9
Social security contributions	32.7	34.2	35.9	37.3	38.7
Taxes and contributions, total <sup>1</sup>	116.6	119.2	123.5	126.9	131.7
Property income	10.7	11.2	11.3	11.6	11.9
Sales and fee income	17.8	18.3	18.6	19.1	19.5
Other revenue	2.2	2.0	1.8	1.7	1.2
<b>Total revenue</b>	<b>147.2</b>	<b>150.7</b>	<b>155.1</b>	<b>159.3</b>	<b>164.3</b>
Compensation of employees and intermediate consumption	69.4	70.2	71.7	73.5	76.2
Subsidies	3.3	3.1	3.3	3.1	3.1
Social benefits and social transfers in kind	62.2	63.6	64.5	65.9	67.4
Other current transfers	6.7	6.7	7.3	7.2	7.4
Property expenditure	4.4	4.6	4.8	5.7	6.4
Gross capital formation	12.1	12.4	16.0	15.5	15.6
Other expenditure	1.4	1.0	0.6	0.4	0.4
<b>Total expenditure</b>	<b>159.4</b>	<b>161.6</b>	<b>168.2</b>	<b>171.3</b>	<b>176.4</b>
Consumption expenditure	71.9	73.0	75.1	77.4	80.6
<b>Net lending (+) / net borrowing (-)</b>	<b>-12.2</b>	<b>-10.9</b>	<b>-13.1</b>	<b>-12.0</b>	<b>-12.1</b>
Central government	-10.2	-11.2	-14.1	-13.0	-13.9
Municipal administration	-0.9	-1.5	-1.4	-1.5	-1.2
Wellbeing services counties	-1.6	0.2	-0.2	0.0	-0.8
Employment pension schemes	1.9	2.3	2.5	1.9	3.3
Other social security funds	-1.3	-0.7	0.1	0.5	0.5
Primary balance <sup>2</sup>	-7.8	-6.3	-8.4	-6.4	-5.8

<sup>1</sup> Incl. capital taxes<sup>2</sup> Net lending excluding gross interest expenses

**Table 16.** Main economic indicators in general government

	2024	2025*	2026*	2027*	2028*
<b>Relative to GDP, %</b>					
Taxes and social security contributions	42.2	42.4	42.5	42.0	41.9
General government expenditure	57.8	57.5	57.9	56.7	56.1
Net lending	-4.4	-3.9	-4.5	-4.0	-3.9
Central government	-3.7	-4.0	-4.9	-4.3	-4.4
Municipal administration	-0.3	-0.5	-0.5	-0.5	-0.4
Wellbeing services counties	-0.6	0.1	-0.1	0.0	-0.3
Employment pension institutions	0.7	0.8	0.9	0.6	1.0
Other social security funds	-0.5	-0.2	0.0	0.2	0.2
General government debt	82.4	89.1	91.6	92.4	93.8
Central government debt	61.4	66.7	69.0	70.3	71.8
Primary balance <sup>1</sup>	-2.8	-2.2	-2.9	-2.1	-1.8
Structural balance	-3.1	-2.4	-3.2	-3.2	-3.5
General government net expenditure, annual change, % <sup>2</sup>	-	-0.1	4.0	2.3	3.3
General government employment, 1,000 persons	707	696	695	692	693
Central government	155	147	145	142	142
Municipal administration	260	259	258	258	258
Wellbeing services counties	279	277	279	279	280
Social security funds	13	13	13	13	13

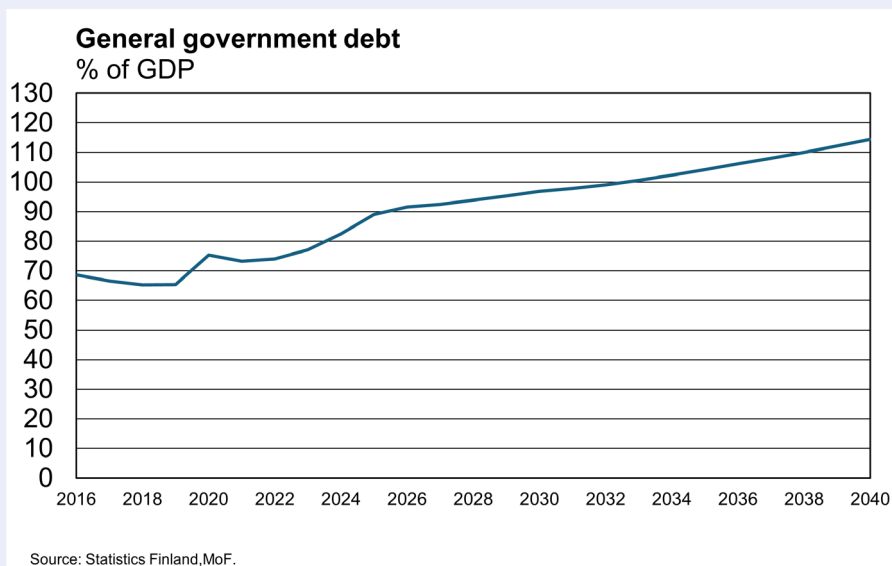
<sup>1</sup> Net lending excluding gross interest expenses<sup>2</sup> Regulation (EU) 2024/1263 of the European Parliament and of the Council, Article 2(2)

## Public debt in the long term

General government debt will reach about 97% of GDP during the outlook period and will continue on the path towards 115 % by 2040. The growth is boosted by substantial central government and local government deficits, rising interest rates, and weak economic growth.

The long-term calculation for the debt ratio from 2031 onwards is based on the assumptions and methods used in the sustainability calculations. In the pressure calculation, growth in the combined primary balance of central government, municipal administration and wellbeing services counties will depend on the growth in the age-related expenditure calculated using the SOME model maintained by the Finnish Institute for Health and Welfare (THL). According to the calculation, the ageing of the population will increase public spending on pensions, care and treatment. The fact that the surpluses or deficits accumulated by employment pension institutions do not impact general government borrowing has been taken into account in the calculations. Moreover, interest expenditure changes as debt levels and interest rates change. Defence expenditure is expected to increase from 3.0% of GDP (in 2030) towards 3.5% in the period 2032–2035.

The long-term growth forecast for the Finnish economy is modest: On average, real GDP growth will be 1½% and in nominal terms, about 3½% in the period 2026–2040. Long-term growth will be slow because the labour force will start to shrink, and productivity will increase at a slow rate. Inflation is expected to remain at the targeted level of two per cent.



Central government debt-to-GDP ratio will reach about 75% by 2030. Interest expenditure will increase substantially as a result of rising interest rates: the effective interest rate on the debt will reach 2.5% in the early 2030s and 3% in the late 2030s.

Trends in the debt ratio involve uncertainties. Positive risks include faster-than-expected economic growth and slower-than-expected spending growth, while negative risks include faster-than-expected rise in interest rates and crises that lead to higher expenditure and lower revenue. Growth in debt would slow down if instruments other than debt were used to finance the increases in defence spending.

## 2.2 Central government

**Central government deficit will grow in 2026. Defence equipment purchases are the main source of additional expenditure, while at the same time, tax cuts will slow tax revenue growth. Economic growth will remain weak. There are pressures on the central government budgetary position from two different directions: consolidation measures will improve the situation; high defence spending and tax cuts will have the opposite effect.**

In the outlook period, central government spending will be increased by the purchase of the F-35 fighter jets and the growing expenditure arising from external security. This year, central government spending has been increased by a rapid rise in the funding of wellbeing services counties and defence equipment purchases. The forecast takes into account the decision taken in the spring 2025 mid-term policy review to raise defence expenditure to about three per cent of GDP in 2029 and the other decisions announced in the mid-term policy review. The revenue and expenditure adjustments made in the autumn 2025 budget session, which will affect 2026 and especially 2027, are also included in the forecast. Some of the savings announced by the Government will only be added to the forecast when more is known about their content. The consolidation measures already announced by the Government will also slow expenditure growth in the period 2025–2027.

Growth in central government's consumption expenditure will be slow in the period 2025–2027. The consolidation measures will slow growth in operating expenditure. Furthermore, the responsibility for providing public employment services was transferred from central government to municipalities at the start of 2025, which will decrease central government's consumption expenditure. However, there will be a considerable increase in consumption expenditure from 2028 onwards as consumption will account for some of the growth in the Finnish Defence Forces' appropriations.

Central government investments will grow by more than 50% in 2026. The increase in defence equipment purchases accounts for most of the growth, especially as the cost of F-35 project is entered in central government expenditure. Investments will also be increased towards the end of the outlook period by the deliveries of the Squadron 2020 vessels to the Finnish Defence Forces. There is uncertainty in the timing of central government's investments in defence equipment purchases, in particular.

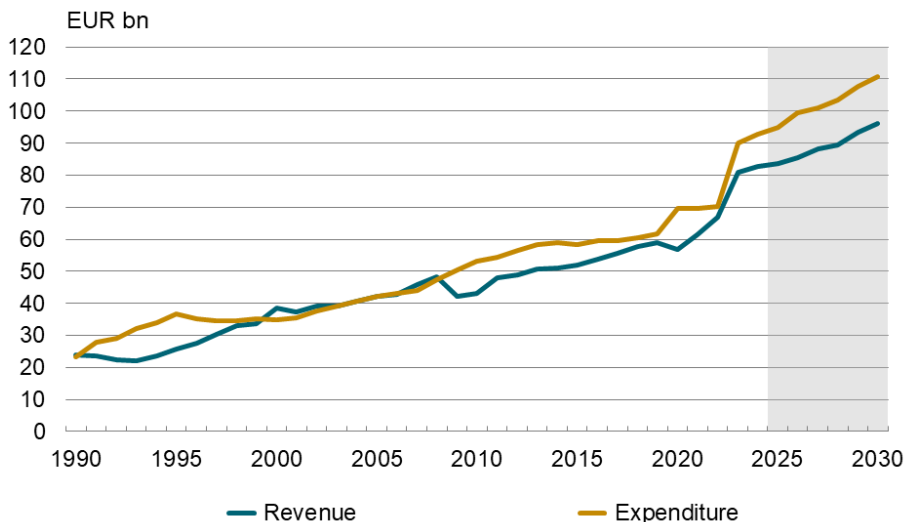
Central government's interest expenditure has grown rapidly as a result of rising interest rates and substantial indebtedness. In 2025, the interest expenditure recognised in the national accounts is estimated at EUR 3.4 billion. Interest expenditure will continue to grow even though interest rates have fallen recently. Interest expenditure is projected to reach EUR 6.4 billion by the year 2030.

In 2025, central government tax revenue will grow by only 1.5% from the previous year. Tax revenue growth has been modest, considering the tax increases introduced by the Government. Tax revenue will rise by 2.6% in 2026 and by 2% in 2027. Tax cuts announced in spring 2025 will slow down tax revenue growth in 2026 and 2027. After 2028, growth in tax revenue will accelerate to almost four per cent per year, whereas in 2025–2027, growth will average two per cent.

The revenue of direct taxes will decrease by just under one per cent next year. Income tax revenue will fall, but corporate tax revenue will grow. In 2026, growth in income tax revenue will be slowed by tax cuts. The reduction in corporate tax will have a particularly strong impact on the 2027 tax revenue.

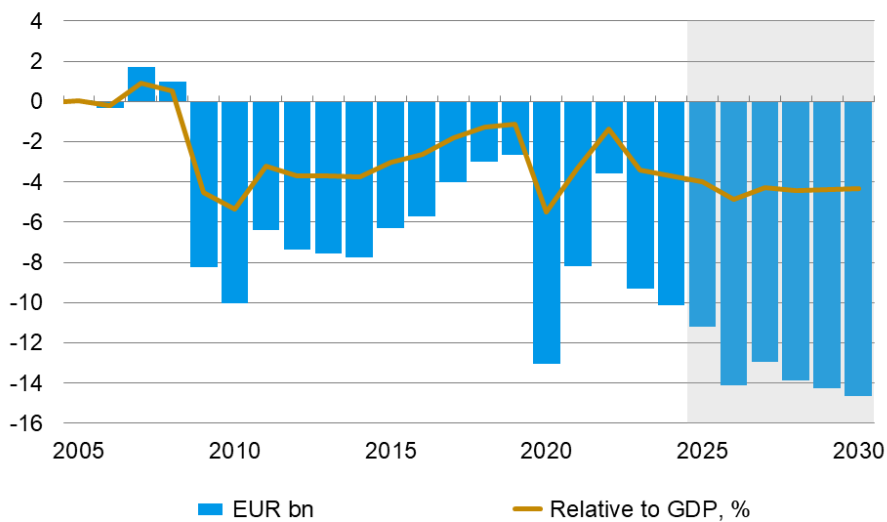
Taxes on production and imports will grow by only two per cent in 2025. The growth will accelerate to six per cent in 2026 as a result of the compensation paid by Veikkaus Oy for its exclusive licence, which is considered as tax revenue. Between 2027 and 2030, the average rate of increase will be 2.5%. Value-added tax accounts for more than 70% of the taxes on production and imports. Value-added tax revenue is growing at an average annual rate of four per cent. Changes in tax rates in accordance with the Government Programme will also enter into force in 2025. Other taxes on production and imports include taxes on energy and vehicle tax, and the revenue of these two tax categories will contract in all years of the outlook period.

### Central government revenue and expenditure



Sources: Statistics Finland, MoF

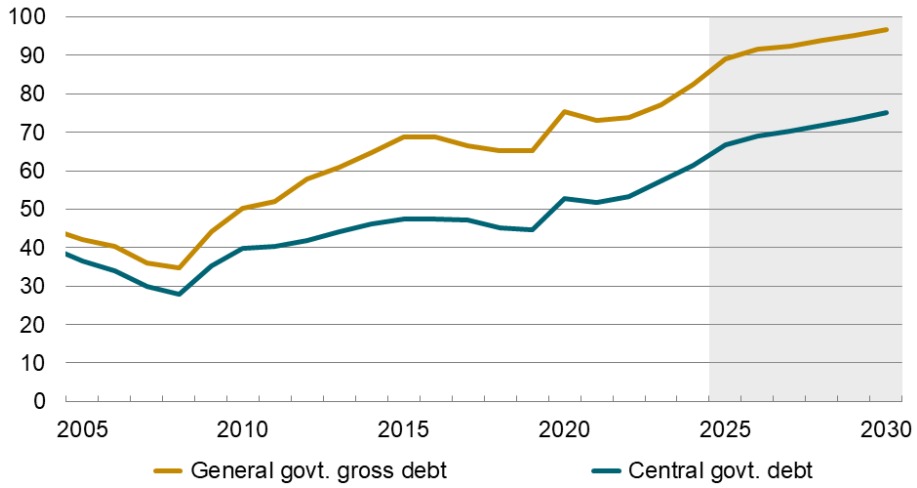
### Central government financial balance



Sources: Statistics Finland, MoF

### General government debt

relative to GDP, %



Sources: Statistics Finland, MoF

**Table 17.** Central government

	2024	2025*	2026*	2027*	2028*
<b>EUR billion</b>					
Current taxes	32.5	33.0	32.7	34.0	35.6
Taxes on production and imports	36.2	36.9	39.1	39.3	40.4
Social security contributions	0.0	0.0	0.0	0.0	0.0
Taxes and social security contributions, total <sup>1</sup>	69.9	71.0	72.8	74.3	77.1
Sales and fee income	4.9	5.1	5.2	5.4	5.4
Property income	3.1	2.9	2.7	2.7	2.7
Other revenue	4.7	4.7	4.6	5.8	4.3
<b>Total revenue</b>	<b>82.7</b>	<b>83.6</b>	<b>85.3</b>	<b>88.2</b>	<b>89.5</b>
Compensation of employees and intermediate consumption	18.4	18.3	18.2	18.5	19.4
Property expenditure	3.4	3.6	3.7	4.6	5.2
Subsidies	2.8	2.6	2.8	2.7	2.6
Social benefits and social transfers in kind	5.5	5.4	5.3	5.4	5.5
Other current transfers	56.2	58.7	60.3	61.5	62.1
to general government	50.6	53.3	54.2	55.6	56.1
Gross capital formation	5.2	5.4	8.4	8.0	8.1
Other expenditure	1.3	0.9	0.7	0.5	0.5
<b>Total expenditure</b>	<b>92.8</b>	<b>94.8</b>	<b>99.5</b>	<b>101.1</b>	<b>103.4</b>
Consumption expenditure	18.8	18.3	18.4	18.9	20.1
<b>Net lending (+) / net borrowing (-)</b>	<b>-10.2</b>	<b>-11.2</b>	<b>-14.1</b>	<b>-13.0</b>	<b>-13.9</b>
Primary balance <sup>2</sup>	-6.8	-7.6	-10.5	-8.4	-8.7

<sup>1</sup> Includes gift and inheritance taxes<sup>2</sup> Net lending excluding gross interest expenses

## 2.3 Municipal administration

**The municipal administration deficit will amount to about 0.5% of GDP in 2025–2027. The deficit is primarily the result of rising labour costs, investment pressures and cuts in central government transfers. The municipal administration deficit will decrease at the end of the outlook period as tax revenue growth picks up, and the temporary reductions in central government transfers to municipalities expire.**

The municipal administration deficit will increase this year. The deficit is expected to increase from last year's 0.3% to about 0.5% of GDP. Weak economic growth is slowing tax revenues in municipalities, which are expected to grow by only 0.1% this year. Transfers from central government to municipalities are also reduced by the cuts in the transfers already introduced.

The municipal administration deficit is expected to remain at 0.5% of GDP in 2026 and 2027. The consumption expenditure of the municipal administration will grow at a fairly rapid rate during the outlook period, which is mainly due to price increases. The wage agreements concluded in the spring will boost labour costs in the labour-intensive municipal sector. Earnings in the municipal sector are also expected to increase more rapidly than general earnings in 2027 and 2028. This is due to the pay system development programme in the sector.

The volume of municipal administration consumption expenditure will decline during the outlook period. However, the TE service reform will temporarily increase the volume of municipal administration consumption in 2025. As a result of the reform, municipalities will become more sensitive to cyclical fluctuations, and changes in the employment situation will have a stronger impact on their finances. Especially in regions with high structural unemployment, the costs of unemployment may increase substantially. The reform has also been introduced at a time of weak economic growth, which has increased the costs of financing municipal unemployment security more than was originally anticipated. However, the focus of municipal basic services will remain on educational and cultural services, and the combined need for these services is decreasing. However, the decrease in service needs has been slowed in the forecast because the need for fewer services will not lead to a decrease in costs in the same proportion. The participation rate in early childhood education and care and the need for special support have also increased in recent years.

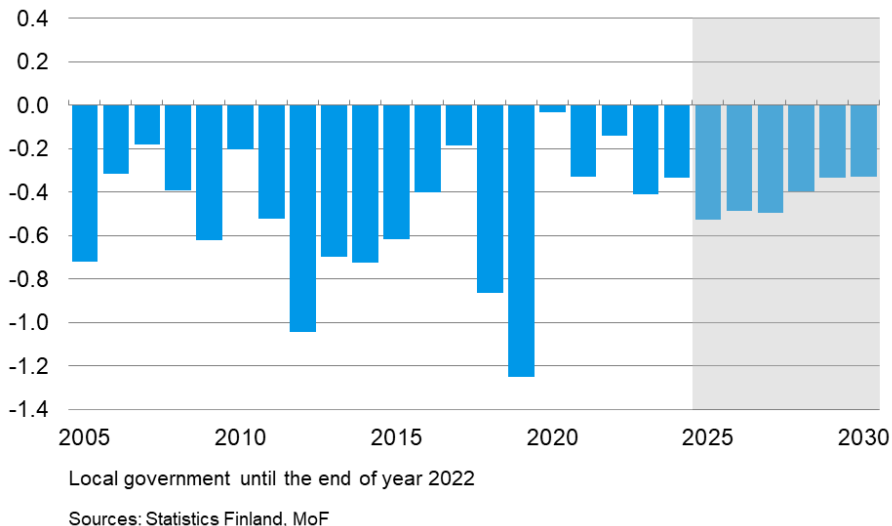
Declining birthrates and internal immigration are widening the gaps between municipalities. In municipalities with a decreasing population, the revenue base is weakening, and the working-age population is shrinking. At the same time, in growth centres where the population is increasing, there is a need for large-scale investment. A substantial proportion of municipal inputs involves essential investment such as buildings, roads and other basic infrastructure. Despite the differences between municipalities, the overall investment level will remain high during the outlook period.

Taxes are the most important source of municipal revenue. Despite an imbalance between revenue and expenditure, just over 10% out of all municipalities have raised their local income tax rates for 2026. The weighted average local income tax rate will increase to 7.62%, which is expected to boost annual municipal tax revenue by about EUR 50 million. In the medium term and as economic growth picks up, growth in municipal tax revenue will accelerate to about four per cent in the period 2026–2030.

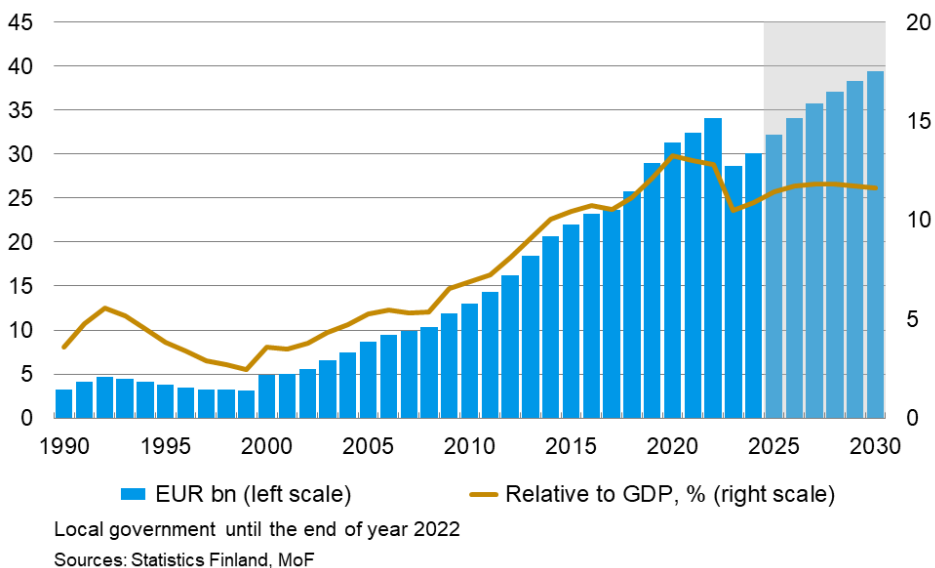
Transfers from central government to municipalities will grow this year, as the TE service reform is expanding municipalities' duties and funding responsibilities. At the same time, however, central government transfers will be reduced by the existing cuts in central government transfers for basic services. The municipal administration deficit decreases slightly after 2027 as the temporary reductions in central government transfers expire. However, revenue will not be sufficient to meet all expenditure needs, and the municipal administration deficit will remain at about 0.3% of GDP.

The forecast includes both upside and downside risks. Municipal administration expenditure may remain lower than expected if the municipalities and joint municipal authorities succeed in adjusting their operations in accordance with declining service needs and reduced funding. However, other expenditure increases such as higher-than-expected rental income losses from health and social services properties or the costs related to the financing unemployment benefits could weaken the outlook.

### Municipal government financial balance relative to GDP, %



### Municipal government debt



**Table 18.** Municipal administration<sup>1</sup>

	2024	2025*	2026*	2027*	2028*
<b>EUR billion</b>					
Taxes	14.0	14.0	14.7	15.3	15.9
municipal tax	10.0	10.1	10.7	11.1	11.6
corporate tax	1.7	1.6	1.7	1.8	1.9
real estate tax	2.3	2.4	2.4	2.4	2.5
Sales and fee income	6.3	6.4	6.3	6.4	6.5
Transfers from the central government	8.3	8.8	9.0	9.0	9.5
Other revenue	2.2	2.2	2.2	2.3	2.3
<b>Total revenue</b>	<b>30.7</b>	<b>31.4</b>	<b>32.3</b>	<b>33.0</b>	<b>34.2</b>
Compensation of employees and intermediate consumption	22.9	23.3	23.8	24.5	25.2
Social allowances and social transfers in kind	0.5	0.8	0.8	0.8	0.8
Other current transfers	1.7	2.2	2.3	2.3	2.3
Property expenditure	0.8	0.9	0.9	0.9	0.9
Gross capital formation	5.6	5.7	5.9	6.0	6.2
Other expenditure	0.1	0.0	-0.1	-0.1	-0.1
<b>Total expenditure</b>	<b>31.7</b>	<b>32.9</b>	<b>33.7</b>	<b>34.5</b>	<b>35.5</b>
Consumption expenditure	21.6	22.3	23.1	24.0	24.8
<b>Net lending (+) / net borrowing (-)</b>	<b>-0.9</b>	<b>-1.5</b>	<b>-1.4</b>	<b>-1.5</b>	<b>-1.2</b>
Primary balance <sup>2</sup>	-0.1	-0.6	-0.5	-0.6	-0.3

<sup>1</sup> Excl. Helsinki's social welfare and health care services and rescue services<sup>2</sup> Net lending excluding gross interest expenses

## 2.4 Wellbeing services counties

**Growth in the expenditure of wellbeing services counties has slowed significantly during 2025, and major increases in central government financing have improved counties' budgetary position. However, large deficits accumulated during previous years mean that significant adjustments will also be required in the future.**

The budgetary position of the wellbeing services counties remained weak in 2024: they posted a deficit of EUR 1.6 billion, or -0.6% of GDP. However, the rate of expenditure growth normalised after extremely rapid increases in 2023. The financial data indicates that expenditure growth also remained slow in the first three quarters of 2025. This year, the budgetary position of the wellbeing services counties will be balanced as a result of moderate growth in expenditure and a rapid increase in central government funding. The growth in expenditure will be slowed by consolidation measures, and central government funding will be boosted by the payment of EUR 1.4 billion in 2025, based on the retrospective review of the 2023 performance.

In 2026 and 2027, the wellbeing services counties' budgetary position will be close to balance, and expenditure will grow at an average rate of 3.6% each year. Expenditure growth in the outlook period is mainly the result of the rapid increase in prices. Personnel costs will increase faster than general earning levels as a result of negotiated increases and pay schemes. Expenditure growth will be curbed by the decisions made by Prime Minister Orpo's Government and the continuation of the consolidation measures taken by the wellbeing services counties. However, according to the preliminary budgets of the counties, investment expenditure will be higher in 2026 than in this year.

Counties' accounts are expected to show a slight surplus for the period 2025–2027. The counties have prepared major consolidation measures for their budgets and about EUR 0.25 billion of them are considered in this forecast for the year 2025 and EUR 0.3 billion for the year 2026. The consolidation estimate for 2026 is based on the expenditure trends envisaged in the counties' budgets now under preparation. However, it is cautious in relation to the counties' own plans. Consolidation needs will remain substantial because of the sizeable deficits accumulated during the first years of the wellbeing services counties. However, the legislative amendment

under preparation on extending the period of covering the counties' deficits beyond the original 2026 deadline may give counties more time to adjust their finances. The focus in the counties' consolidation programmes is on instruments such as the management of personnel costs, streamlining of the service structure and digitalisation. There are major differences in the consolidation efforts between counties, which is partly due to the different initial financial situations of the counties.

Central government funding and client fees account for most of the revenue of the wellbeing services counties. The retrospective review covering 2026 and 2027 will total EUR 1.3 billion. In the period 2028–2030, the budgetary position of the sector will weaken because of expenditure growth, and because in the forecast, central government funding is based on a sum allocated in the spending limits, and this sum will be significantly reduced in 2028. In the forecast, the retrospective review of the subsequent years will be based on the General Government Fiscal Plan (including the spending limits provision made in the retrospective review) and not on the cost trends based on the pressure calculation.

The forecast involves several risks. The counties' expenditure may remain lower than estimated if they manage to make more spending cuts and efficiency improvements than forecast. Similarly, the consolidation measures failing or new spending increases may weaken the financial situation in the wellbeing services counties.

**Table 19.** Welfare services counties<sup>1</sup>

	2024	2025*	2026*	2027*	2028*
<b>EUR billion</b>					
Sales and fee income	5.7	6.0	6.2	6.4	6.6
Transfers from the central government	26.2	28.7	29.7	30.6	30.6
Other revenue	0.3	0.2	0.3	0.3	0.3
<b>Total revenue</b>	<b>32.2</b>	<b>34.9</b>	<b>36.1</b>	<b>37.3</b>	<b>37.5</b>
Compensation of employees and intermediate consumption	25.8	26.4	27.3	28.1	29.2
Social benefits and social transfers in kind	6.4	6.7	7.0	7.3	7.6
Property expenditure	0.2	0.2	0.2	0.2	0.2
Gross capital formation	1.3	1.3	1.7	1.5	1.3
Other expenditure	0.1	0.1	0.1	0.1	0.1
<b>Total expenditure</b>	<b>33.8</b>	<b>34.7</b>	<b>36.3</b>	<b>37.2</b>	<b>38.3</b>
Consumption expenditure	26.7	27.4	28.4	29.3	30.4
<b>Net lending (+) / net borrowing (-)</b>	<b>-1.6</b>	<b>0.2</b>	<b>-0.2</b>	<b>0.0</b>	<b>-0.8</b>
Primary balance <sup>2</sup>	-1.5	0.4	-0.0	0.2	-0.6
Index of welfare services counties, change, %	2.53	3.00	3.25	2.74	2.84
Index of wage and salary earnings of welfare services counties, change, %	3.5	5.8	4.8	4.1	4.0

<sup>1</sup> Incl. Helsinki's social welfare and health care services and rescue services

<sup>2</sup> Net lending excluding gross interest expenses

**Table 20.** Local government (Municipal finances + Welfare services counties)

	2024	2025*	2026*	2027*	2028*
<b>EUR billion</b>					
Sales and fee income	11.9	12.3	12.5	12.8	13.1
Taxes and social security contributions, total	14.0	14.0	14.7	15.3	15.9
Transfers from the central government	34.6	37.6	38.7	39.7	40.2
Other transfers	0.3	0.3	0.3	0.3	0.3
Other revenue	2.1	2.1	2.2	2.2	2.2
<b>Total revenue</b>	<b>62.9</b>	<b>66.3</b>	<b>68.4</b>	<b>70.3</b>	<b>71.7</b>
Compensation of employees and intermediate consumption	48.7	49.7	51.2	52.6	54.4
Social benefits and social transfers in kind	7.0	7.5	7.8	8.2	8.5
Other current transfers	1.8	2.3	2.4	2.4	2.4
Property expenditure	1.0	1.1	1.1	1.1	1.1
Gross capital formation	6.9	7.0	7.6	7.5	7.5
Other expenditure	0.1	0.1	0.0	0.0	0.0
<b>Total expenditure</b>	<b>65.5</b>	<b>67.6</b>	<b>70.0</b>	<b>71.8</b>	<b>73.8</b>
Consumption expenditure	48.4	49.7	51.5	53.3	55.2
<b>Net lending (+) / net borrowing (-)</b>	<b>-2.6</b>	<b>-1.2</b>	<b>-1.6</b>	<b>-1.5</b>	<b>-2.1</b>
Primary balance <sup>1</sup>	-1.6	-0.2	-0.5	-0.4	-0.9

<sup>1</sup> Net lending excluding gross interest expenses

## 2.5 Social security funds

**The surplus of social security funds is expected to total 0.6% of GDP this year. The surplus is expected to reach 1.3% of GDP in the outlook period. Employment pension institutions remain in surplus throughout the outlook period as a result of property income and employment pension contribution revenue. Other social security funds are posting deficits this year but are expected to be balanced in 2026. This is primarily due to higher unemployment insurance contributions. In the later years of the forecast period the surplus is expected to be about 0.2% of GDP.**

### 2.5.1 Employment pension schemes

The surplus of the employment pension institutions is expected to amount to 0.8 percent of GDP this year and 0.9 percent in the following year. The surplus is expected to reach 1.2% of GDP by the end of the outlook period. In 2027, the surplus will temporarily decrease as a result of the one-time extra transfer from the State Pension Fund to the state budget.

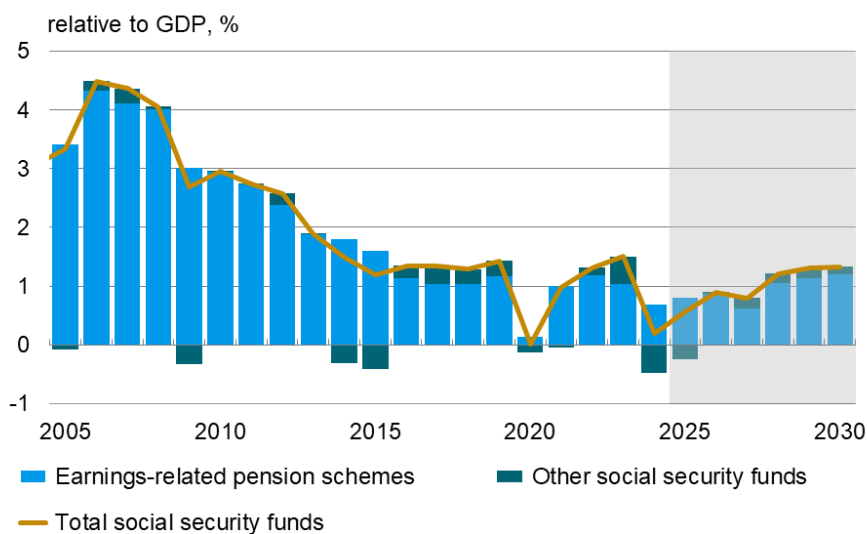
Total expenditure is expected to grow by about 2.5% this year. The growth rate is slower than in previous years due to the smaller index adjustments in earnings-related pensions. In 2026, expenditure will grow at a slightly slower rate than this year. In 2027, expenditure growth will accelerate to more than six per cent, mainly as a result of the extra transfer from the State Pension Fund announced by the Government in its spring 2025 mid-term policy review. The decision made in the 2025 budget session to boost the risk-taking capacity of the State Pension Fund and increase the annual transfer of funds from the State Pension Fund to the state budget from 2027 onwards will also increase the sector's expenditure. In 2028, the expenditure is expected to remain more or less unchanged. In 2029 and 2030, overall expenditure is expected to grow at an average rate of 3.5% due to an increase in pension expenditure.

Employment pension contributions form a considerable share of the sector's revenue. Between 2022 and 2025, the employer's pension contribution was increased to compensate for the 2020 reduction in the contribution. Property

income will also help keep the sector in surplus throughout the outlook period. Total revenue is expected to grow by 3.4% this year and just under three per cent in 2026. Towards the end of the outlook period, annual growth will average 4.2%.

The key risks related to the sector’s development involve property income. Rapid changes in interest rates have a considerable impact on both fund and interest income, and this increases uncertainty in the forecast.

### Social security funds, financial balance



Sources: Statistics Finland, MoF

**Table 21.** Finances of social security funds

	2024	2025*	2026*	2027*	2028*
<b>EUR billion</b>					
Property income	5.7	6.4	6.6	6.9	7.1
Social security contributions	32.7	34.2	35.9	37.3	38.7
contributions paid by employers	20.6	21.6	22.6	23.4	24.4
contributions paid by insured	12.1	12.6	13.3	13.9	14.3
Transfers from general government	17.6	17.4	17.3	17.7	17.7
Other revenue	1.0	1.0	1.0	1.1	1.1
<b>Total revenue</b>	<b>56.9</b>	<b>59.0</b>	<b>60.9</b>	<b>62.9</b>	<b>64.7</b>
Compensation of employees and intermediate consumption	2.2	2.3	2.3	2.4	2.4
Social benefits and social transfers in kind	49.8	50.7	51.4	52.3	53.4
Other expenditure	4.3	4.4	4.6	5.9	5.0
<b>Total expenditure</b>	<b>56.4</b>	<b>57.4</b>	<b>58.3</b>	<b>60.5</b>	<b>60.9</b>
Consumption expenditure	4.8	5.0	5.1	5.2	5.2
<b>Net lending (+) / net borrowing (-)</b>	<b>0.6</b>	<b>1.6</b>	<b>2.6</b>	<b>2.4</b>	<b>3.8</b>
Earnings-related pension schemes	1.9	2.3	2.5	1.9	3.3
Other social security funds	-1.3	-0.7	0.1	0.5	0.5
Primary balance <sup>1</sup>	0.6	1.6	2.7	2.5	3.9

<sup>1</sup> Net lending excluding gross interest expenses

## 2.5.2 Other social security funds

The budgetary position of other social security funds is expected to be about -0.2% of GDP this year. The budgetary position will be balanced next year, mainly as a result of the increase in unemployment insurance contributions. In 2027, the budgetary position is expected to improve to 0.2% of GDP. The sector will remain in surplus and close to balance during the last years of the outlook period.

Total expenditure is expected to grow by about one per cent this year. The increase in unemployment has not resulted in higher overall unemployment expenditure because earnings-related unemployment expenditure has decreased. At the same time for example social transfers in kind, such as medicine reimbursements, are expected to increase this year. However, the key risk in the sector concerns future unemployment trends, and how they affect benefit expenditure in general and unemployment expenditure in particular. The expenditure in the period 2026–2028 is expected to remain roughly at this year's level. The gradual decline in the number of unemployed towards the end of the forecast period, as well as the measures outlined in the Government Programme and the consolidation measures announced in the spring 2024 spending limits discussion, are among the factors slowing spending growth. In 2029 and 2030, expenditure is expected to grow at an average rate of 1.5% each year.

Sectoral revenue is expected to grow by 4% this year, which is mainly based on the growth of health insurance contribution revenue, a result of a higher wage bill and higher contribution rates. Unemployment insurance contributions will be raised for 2026, and this is one of the factors expected to increase revenue by over 4% next year as well. In 2027, growth will slow to just under two per cent. Revenue growth will stagnate in 2028 but will accelerate to just over one per cent in 2029 and 2030. The changes are mainly due to development in social security contributions received.

The channelling solution that took effect at the beginning of 2025 will also impact the development of the social security contributions. As a result, unemployment insurance contributions will be decreased normally in accordance with the projected savings in benefits, while health insurance contributions will be simultaneously increased. This will reduce the government's share of funding in the sector's expenditure.

**Table 22.** Social security contributions rates and pension indices

	2024	2025	2026	2027*	2028*
<b>Social insurance contributions<sup>1</sup></b>					
<b>Employers</b>					
Sickness insurance	1.16	1.87	1.91	1.84	1.83
Unemployment insurance	0.82	0.61	0.92	0.92	0.92
Earnings-related pension insurance	17.34	17.38	17.10	17.10	17.10
Local government pension insurance	19.59	19.26	19.30	19.30	19.30
<b>Employees</b>					
Daily allowance contribution	1.01	0.84	0.88	0.82	0.80
Health care contribution	0.51	1.06	1.10	1.15	1.06
Unemployment insurance	0.79	0.59	0.89	0.89	0.89
Earnings-related pension insurance	7.47	7.47	7.30	7.30	7.30
<b>Benefit recipients</b>					
Sickness insurance	1.48	1.45	1.49	1.54	1.45
<b>Pension indices</b>					
Earnings-related index	3 037	3 077	3 104	3 157	3 222
National pension index	1 911	1 930	1 939	1 964	2 000

<sup>1</sup> Annual averages. The contributions of employers and the unemployment and employment pension contributions of beneficiaries as percentages of wages and salaries. The figures are weighted averages.



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