

Economic Survey **Summer 2026**

Economic Prospects

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Economic Survey

Summer 2026

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Abstract

The recovery of the Finnish economy is being disrupted by uncertainty and the crisis in the Middle East. GDP will grow by 0.8% in 2026. Growth is expected to accelerate to 1.6% in 2027 and 1.7% in 2028. Rising oil prices will weaken external demand and household purchasing power, which will slow both exports and private consumption. Defence-related and energy transition projects are boosting investments, but housing construction will remain sluggish until next year. Unemployment remains high, and there has yet to be any improvement in the employment situation, which will slow the recovery of domestic demand. Unemployment will exceed 10% this year.

The state of general government finances will remain weak despite the economic upturn. The general government deficit will reach 4.4% of GDP this year, due mainly to higher investment expenditure. Although the economic upturn will boost indirect tax revenue, high unemployment will still slow growth in earned income tax revenue and keep unemployment expenditure high. The deficit will stand at about 4.5% of GDP in the period 2027–2030. The debt-to-GDP ratio will probably exceed 90% this year, and in 2030, the debt is expected to be almost 99% of GDP.

Keywords economic prospects, public finance, economic developments.

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Tiivistelmä

Suomen talouden toipumista häiritsevät Lähi-idän kriisi ja epävarmuus. BKT kasvaa 0,8 prosenttia vuonna 2026. Kasvun odotetaan vahvistuvan 1,6 prosenttiin vuonna 2027 ja 1,7 prosenttiin vuonna 2028. Öljyn kallistuminen heikentää ulkoista kysyntää ja kotitalouksien ostovoimaa, mikä jarruttaa sekä vientiä että yksityistä kulutusta. Puolustukseen ja energiasiirtymään liittyvät hankkeet lisäävät investointeja, mutta asuntorakentamisen kasvu siirtyy ensi vuoteen. Työttömyys on korkealla ja työllisyyden paraneminen viivästyy, mikä jarruttaa kotimaisen kysynnän elpymistä. Työttömyysaste on tänä vuonna yli 10 prosenttia.

Julkisen talouden tilanne pysyy heikkona suhdanteen kohenemisesta huolimatta. Julkisyhteisöjen alijäämä heikkenee tänä vuonna 4,4 prosenttiin suhteessa BKT:hen erityisesti investointimenojen kasvun myötä. Taloussuhdanteen piristymisen kasvattaa välillisiä verotuloja, mutta toistaiseksi vaisu työllisyyskehitys hidastaa ansiotuloverotulojen kasvua ja pitää työttömyysmenojen tason korkeana. Vuosina 2027–2030 alijäämä on noin 4,5 prosenttia suhteessa BKT:hen. Velkasuhteen arvioidaan nousevan tänä vuonna yli 90 prosenttiin, ja vuonna 2030 velan odotetaan olevan lähes 99 prosenttia suhteessa BKT:hen.

Asiasanat talousnäkömät, julkinen talous, taloudellinen kehitys.

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Referat

Återhämtningen av den finska ekonomin störs av krisen i Mellanöstern samt av osäkerhet. BNP växer med 0,8 procent år 2026. Tillväxten förväntas förstärkas till 1,6 procent år 2027 och 1,7 procent år 2028. Den dyrare oljan försvagar den externa efterfrågan och hushållens köpkraft, vilken bromsar exporten och den privata konsumtionen. Satsningar på försvar och energiomvandling ökar investeringarna, emedan tillväxten inom bostadsproduktionen förskjuts till nästa år. Arbetslösheten är hög och förbättringen av sysselsättningen dröjer, vilket bromsar upp återhämtningen av den inhemska efterfrågan. Arbetslöshetsgraden är detta år över 10 procent.

Den ekonomiska situationen inom den offentliga ekonomin förblir svag trots att konjunkturen förbättras. Visserligen leder den gynnsammare konjunkturutvecklingen till ökade intäkter från indirekta skatter, men den än så länge dämpade sysselsättningsutvecklingen försvagar ökningen av förvärvsinkomstskatteintäkterna samtidigt som nivån på arbetslöshetsutgifterna hålls hög. Under åren 2027–2030 är underskottet cirka 4,5 procent i förhållande till BNP. Skuldkvoten bedöms detta år överstiga 90 procent, och år 2030 bedöms skulden vara nästan 99 procent i förhållande till BNP.

Nyckelord ekonomiska utsikter, offentlig ekonomi, ekonomisk utveckling.

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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
IEA	International Energy Agency
IMF	International Monetary Fund
MEAE	Ministry of Economic Affairs and Employment
MoF	Ministry of Finance
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

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

TO THE READER

This Economic Survey offers projections of economic developments in 2026–2028. 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 May 2026 and on other public statistical sources available by 11 June 2026.

Helsinki, June 2026

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PREFACE

Is Finland finally past the economic downturn that has burdened us for so many years? There are high hopes of an upturn, and the initial figures for the first quarter of 2026 give plenty of reasons for optimism. The economy grew rapidly, and growth was broad-based. Exports did well, and households started spending. Investments also increased, and public-sector defence investments performed particularly well. The business sector is more optimistic about the future.

At the same time, however, housing construction and home sales are still at a low point. The number of employed persons is falling again, and unemployment is still increasing. Households are again losing confidence in the economy, and it seems that they are still reluctant to make large purchases.

The second quarter of 2026 will be crucial for the economic upturn and the year as a whole. Most of the economic impacts of the crisis in the Middle East will only be felt in the second quarter. The crisis has also proved more complex and long-lasting than was generally believed when it erupted in March. The longer the crisis lasts, the higher the risk that the economic upturn will be stopped in its tracks.

On the eve of the parliamentary election year and the next government term, the prospects for the real economy remain hazy. We will know more in the autumn when we prepare an estimate of the outlook for the Finnish economy for the 2027 Budget. On the positive side, growth is likely to pick up with the de-escalation of the crisis in the Middle East, and when oil starts flowing again through the Strait of Hormuz.

At the same time, however, the outlook for Finland's general government finances remains unambiguous. The economic upturn will not be enough to reduce the general government deficit to a sufficient degree, and it will definitely not correct the structural imbalance that has arisen in Finland's general government finances.

Although we expect economic growth to accelerate and output to gradually reach its potential level, our estimate is that the general government deficit will remain at about 4.5% and general government debt will be close to 100% of GDP in 2030.

In January 2026, the Council of the EU decided, in accordance with the Union's fiscal policy rules, that Finland's general government deficit is too high. Finland should limit the growth of its general government expenditure in accordance with the corrective net expenditure path set for Finland by the Council and correct the excessive deficit by 2028.

Complying with the EU fiscal policy rules primarily requires that Finland take direct adjustment measures with a rapid impact. According to the latest estimates, this would mean spending cuts and tax increases totalling at least eight billion euros. The measures should also be front-loaded.

These measures will inevitably affect growth, employment, purchasing power and consumption in the short term. This effect is included in the assessment of the needed scope of measures. Structural reforms strengthening the basis for economic growth are unlikely to slow net expenditure growth or reduce the deficit to the extent that the adjustment requirement for the parliamentary term would be significantly reduced.

Finland is facing a grim reality. Expenditure can only be increased if we make additional spending cuts or raise taxes.

General government finances (spending on different purposes and taxation financing the spending) is not a group of separate processes. All public expenditures have alternative uses. The alternative to taxation is a situation where no taxes are collected. The benefits and costs of taxation and public expenditure should therefore be examined from a broad perspective.

The public sector has a wide range of different tasks that are well suited to it. It is quite justified for the public sector to fund benefits and provide services that the market-based private sector would be unable to provide to a sufficient extent. National defence, health care, education, research, and transport and energy infrastructure are some of the services that have been highlighted in the public debate in recent years.

The tight framework for the management of general government finances reflects the role of the public sector, the benefits it funds, and the services it provides as part of the national economy and society at large. In other words, it reflects the service promise given by the public sector. Our elected representatives and the Government appointed from among them will have to make concrete decisions on this service promise during the next parliamentary term.

A public-sector service promise that is sustainably reconciled with economic resources and the structural policy providing the basis for Finnish labour, expertise and capital as effective instruments generating prosperity and wellbeing will serve as a framework for the national economy and a smoothly functioning society.

Nevertheless, it is ultimately belief in the future and in the opportunities it creates in Finland that will provide the basis for growth. Belief in these opportunities makes us less risk-averse and better prepared to tolerate uncertainty. Belief in opportunities boosts investments, encourages companies to hire workforce, and makes education and training offerings more attractive. The wide range of opportunities opening up before us feeds optimism and reinforces the belief that Finland is a good place to work, run a business, start a family and build a meaningful life.

Belief in the future is perhaps the most important driver of sustainable economic growth and sustainable growth in wellbeing. It is the only way to create a self-reinforcing positive cycle in the economy.

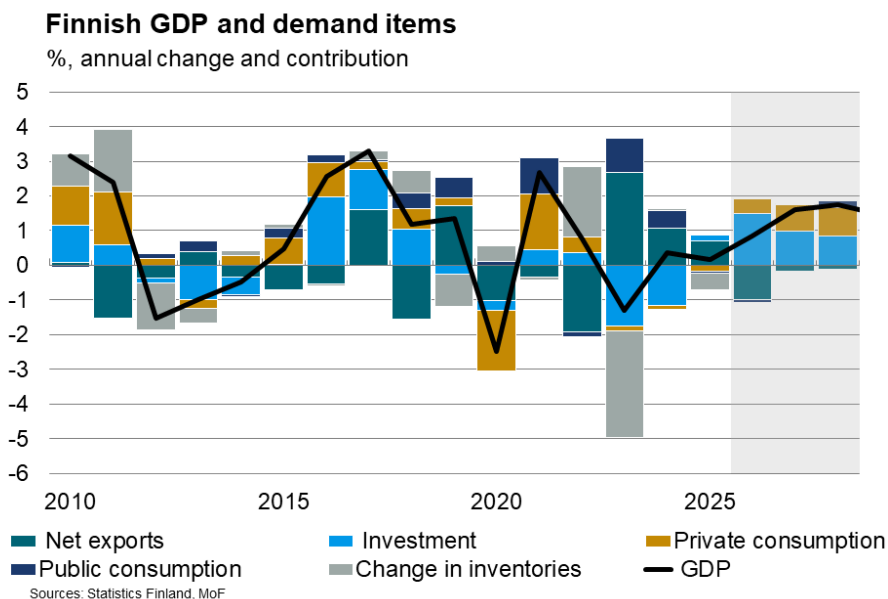
SUMMARY

Economic outlook for 2026–2028

The forecast was prepared before the information received on June 15, 2026, regarding the preliminary peace agreement between the United States and Iran. If the agreement leads to lasting peace and the reopening of the Persian Gulf, it will have a positive impact, particularly on economic growth this year. However, the effect on the forecast is not substantial, as the crude oil futures prices on which the forecast is based have consistently incorporated the assumption that an agreement would be reached during the course of this year. The increases in oil prices and interest rates that have already occurred have imposed economic costs, which weigh on growth, especially this year.

The Finnish economy is recovering from a long period of sluggish growth, but the recovery is still overshadowed by the crisis in the Middle East, high oil prices and economic uncertainty. In the early months of this year, economic growth has been stronger than expected, but the growth is partly due to short-term factors and gives an overly optimistic picture of the economic upturn. GDP is expected to rise by 0.8% in 2026, 1.6% in 2027 and 1.7% in 2028.

Based on oil future prices, the forecast assumes that the crisis in the Middle East will de-escalate towards the end of the year. However, oil prices will remain high, and central banks will raise interest rates this year. The economic growth involves a great deal of uncertainty. A prolonged crisis may boost oil prices and interest rates even further, slowing global economic growth and growth in the Finnish economy significantly more than forecast.



Rising oil prices and high interest rates are slowing global economic growth

The crisis in the Middle East has boosted oil prices and remains a source of uncertainty in the global economy. Oil prices are expected to be slightly higher than was assumed in the spring forecast. Higher oil prices and rising interest rates will slow global economic growth and weaken demand in the export markets. Sluggish growth will therefore characterise Finnish export markets this year.

Finnish exports are doing relatively well given the US tariff policy, the crisis in the Middle East and geopolitical uncertainty. Exports have been growing steadily, and this growth is expected to continue. However, the impact of net exports on economic growth will remain negative, as imports are growing more rapidly, especially as a result of the fighter jet purchase and other investment-related imports.

Wages and tax cuts are boosting purchasing power, while oil prices and interest rates are having the opposite effect

Rising oil prices and higher interest rates will weaken household purchasing power. However, compared with other countries, inflation in Finland will remain at moderate levels. It is estimated that consumer prices will increase at an average rate of 2.0% in 2026. Price pressures outside the energy sector are still relatively modest, and the Finnish inflation rate is not expected to accelerate on a broad basis.

Household incomes have grown steadily. Growth in earnings will pick up as a result of relatively high agreed wage increases, while cuts in earned income taxes will boost disposable income. Moreover, on average, households will be in a position to spend more, but economic uncertainty has made Finns cautious and keeps saving rates high. Private consumption is projected to increase by 0.8% in 2026, and this growth is expected to accelerate in the coming years.

Consumption grew exceptionally rapidly during the early part of the year, but it was almost exclusively due to growth in the use of nondurables. A spike in energy consumption caused by a cold spell early in the year was probably a major contributor to the growth. Growth in consumption is likely to level off towards the end of the year.

Investments will support growth, even though housing construction remains at a low point

Investments will grow substantially in 2026. The growth is primarily due to the purchase of the F-35 fighter jets, which will be reflected in public sector investments. As the fighter jets are import items, they will only have a limited impact on domestic output and GDP growth. Growth in investments will also be supported by energy and technology transition projects, construction of data centres, and intangible investments. Investments in machinery and equipment have remained at a high level.

The outlook for the construction sector is twofold. The construction of business premises and data centre projects have significantly boosted the number of building permits. At the same time, housing construction remains stagnant. The downward trend in housing prices has continued, home sales are decreasing

again, and few consumers are planning to purchase one. Rising interest rates and uncertainty have again weakened the market situation. Housing construction is expected to contract slightly in 2026, and a recovery is only forecast for 2027.

Labour market remains weak

The Finnish labour market has not improved as expected. The number of employed persons is falling again, and unemployment has grown more than forecast. The decrease in permanent and full-time jobs in the private sector is particularly worrying. Unemployment will reach 10.4% in 2026 and will remain high throughout the outlook period.

The economic upturn is expected to lead to lower unemployment in 2027, but the recovery will be slow. The employment rate will remain at 75.6% in 2026 and will only improve towards the end of the outlook period.

State of general government finances will remain weak despite the economic upturn

State of general government finances will remain weak despite the economic upturn. The general government deficit will reach 4.4% of GDP this year, due mainly to higher investment expenditure. Although the economic upturn will boost indirect tax revenue, high unemployment will still slow growth in earned income tax revenue and keep unemployment expenditure high. The rise in interest rates, triggered by the crisis in the Middle East, will boost interest expenses throughout the outlook period.

Driven mainly by a widening imbalance between revenue and expenditure in local government, the deficit will reach 4.6% in 2027. There will be little improvement in the budgetary position in the long term: it will still be at 4.5% of GDP in 2030 due to higher defence spending, rising interest expenses and moderate economic growth.

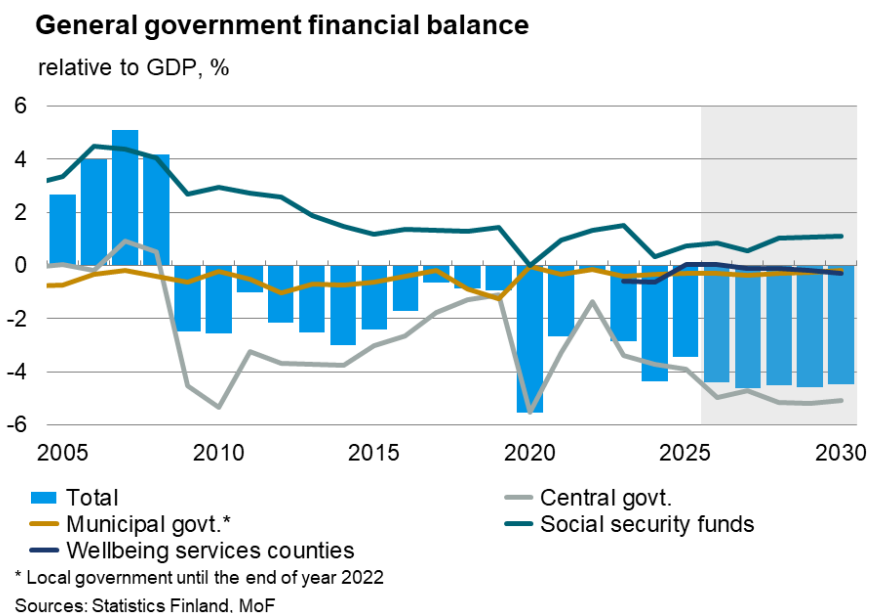
The central government deficit will remain high. This year, the deficit will reach 5.0% of GDP, due mainly to defence equipment purchases and rising interest expenses. In 2027, there will be a temporary improvement in the central government deficit as a result of a transfer from the State Pension Fund. However, the deficit will grow again after this and will amount to 5.1% at the end of the outlook period.

During the outlook period, local government expenditure will be primarily boosted by rapid increases in prices and wages, which are also the main factors behind the deficit. The wellbeing services counties' budgetary position will remain roughly balanced this year, but it will weaken from 2027 onwards because expenditure growth will outpace funding growth. The combined local government deficit will remain more or less unchanged in the outlook period, as the municipal administration budgetary position will gradually improve due to growing tax revenue and the end of the temporary cuts in central government transfers to municipalities.

Overall, social security funds will remain in surplus, particularly due to the strong financial position of the employment pension institutions. The surplus is mainly based on property income and employment pension contribution revenue. Other social security funds will still be in deficit this year but will gradually be able to post slight surpluses and remain balanced throughout the outlook period. The strengthening of the current year's financial position is supported by factors such as the increase in unemployment insurance contributions, and unemployment expenditure will also decrease gradually towards the end of the outlook period.

General government debt-to-GDP ratio will exceed 90% this year. The debt ratio will grow steadily throughout the outlook period, and in 2030, the debt will be close to 99% of GDP.

Growth in net expenditure is the key indicator used by the EU in its fiscal policy monitoring. In this forecast, Finland's general government net expenditure will grow by 4.4% this year, by 3.4% in 2027 and by 3.3% in 2028.



Key risks in the outlook

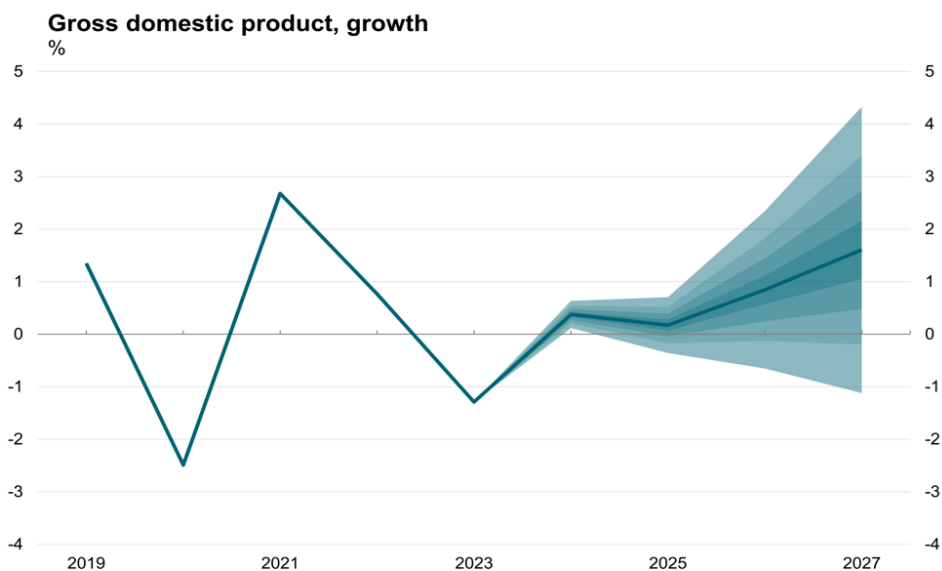
The forecast involves a great deal of uncertainty. The most important risk concerns the crisis in the Middle East. A prolonged crisis could raise energy prices and interest rates, slowing global economic growth and growth in the Finnish economy significantly more than forecast. At the same time, a quick end to the crisis would lower oil prices, reduce uncertainty and accelerate the economic recovery.

Household incomes are growing steadily, and the saving rate remains high, which provides a basis for growth in consumption in excess of projections. At the same time, uncertainty, high unemployment and the envisaged adjustment of general government finances may keep households cautious and slow consumption.

The investment outlook involves major growth risks. Data centre, energy and defence projects may boost growth more than expected, but their implementation and timing involve a great deal of uncertainty.

Recovery in the labour market and housing markets has been delayed. If unemployment remains high, and the housing markets remain weak for longer than expected, the impacts may be felt in consumption, construction and economic growth more extensively than forecast.

A prolonged crisis in the Middle East and the resulting price pressures may boost general government expenditure more than forecast. Continuing economic uncertainty may delay improvements in the employment situation, which would keep unemployment expenditure high for longer than expected. Moreover, a prolonged crisis may adversely affect financial market returns, which would mean lower-than-forecast surpluses for employment pension funds.



Source: Statistics Finland, MoF

Table 1. Key forecast figures

	2024	2025	2026*	2027*	2028*
Change in volume, %					
GDP at market prices	0.4	0.2	0.8	1.6	1.7
Imports	-0.8	1.7	4.0	1.5	2.7
Total supply	0.0	0.6	1.8	1.6	2.0
Exports	1.8	3.4	1.5	1.1	2.4
Consumption	0.5	-0.3	0.4	1.0	1.3
private	-0.2	-0.3	0.8	1.5	1.6
public	2.0	-0.2	-0.3	0.1	0.9
Investment	-5.0	0.8	6.9	4.3	3.6
private	-8.2	0.4	2.4	6.3	4.4
public	10.2	2.3	24.5	-2.1	0.9
Total demand	0.4	0.8	1.8	1.6	2.0
domestic demand	-0.1	-0.3	1.9	1.8	1.9

Table 2. Key public finance forecast figures

	2024	2025	2026*	2027*	2028*
Relative to GDP, %					
General government expenditure	57.7	57.5	58.4	57.6	57.1
Tax ratio	42.3	42.6	42.9	42.2	42.1
General government net lending	-4.4	-3.4	-4.4	-4.6	-4.5
Central government net lending	-3.7	-3.9	-5.0	-4.7	-5.1
General government debt	82.4	88.5	90.7	92.3	94.1
Central government debt	61.4	66.9	69.1	71.0	73.2

Table 3. Other key forecast figures

	2024	2025	2026*	2027*	2028*
GDP, nominal, EUR bn	276	281	290	301	314
GDP deflator, change, %	0.7	1.5	2.5	2.1	2.4
Services, change in volume, %	-0.1	-0.2	0.5	1.2	1.3
Industry, change in volume, %	3.8	1.6	1.8	2.4	2.4
Labour productivity, change, %	1.2	1.4	0.8	0.9	1.1
Employed labour force, change, %	-1.0	-0.5	-0.4	0.9	0.7
Employment rate (20–64 yrs), %	76.7	76.0	75.6	76.0	76.4
Unemployment rate, %	8.4	9.7	10.4	10.0	9.7
Consumer price index, change, %	1.6	0.3	2.0	1.9	2.0
Index of wage and salary earnings, change, %	3.4	3.0	3.6	3.2	3.4
Current account, EUR bn	-1.2	3.5	-0.4	-0.5	-1.0
Current account, relative to GDP, %	-0.4	1.3	-0.2	-0.2	-0.3
Short-term interest rates (3-month Euribor), %	3.6	2.2	2.2	2.6	2.5

1 Economic Outlook

1.1 Global Economy

Global economic growth will slow in 2026 due to the crisis in the Middle East. In addition to the energy crisis, the risk of a global food crisis has increased. Geopolitics is characterised by tensions. Despite pessimism, private consumption has remained fairly strong in industrialised countries. The outlook for the coming years is cautiously optimistic.

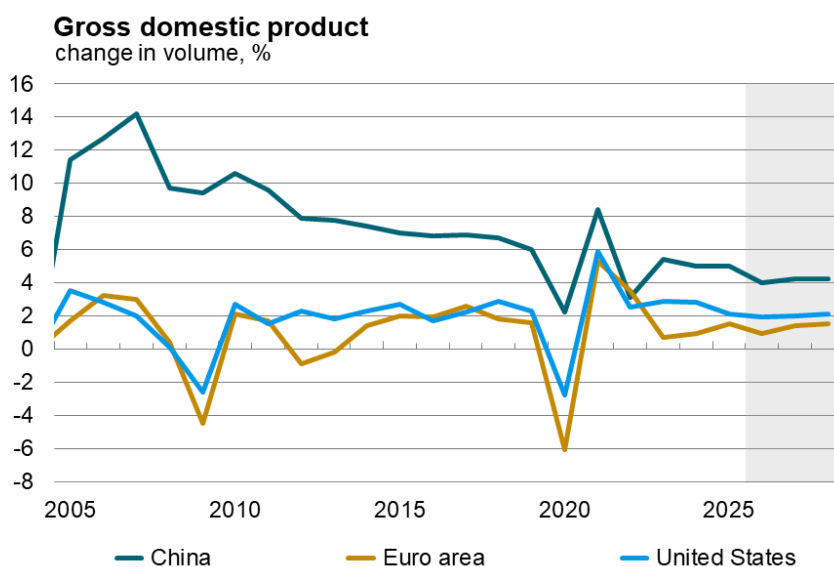
The prolongation of the crisis in the Middle East will weaken the global economic outlook. The price of crude oil has remained high, and based on the futures, the price will slowly decrease by the end of 2028. If prolonged, the crisis in the Middle East could have serious consequences for global food production, as the availability of fertilisers from the Persian Gulf area has been disrupted. There are also difficulties in the availability of many raw materials, and this will have negative impacts on the global economy. The greatest impacts of the crisis will target the economies of Asian countries, but Europe will also be broadly affected. Growth in the global economy will slow to 2.8% this year. Growth will accelerate to 3.4% next year, as it is expected that the crisis will be over by then.

1.1.1 Growth prospects

The increase in the price of crude oil and the resulting acceleration of inflation will slow economic growth in the euro area. The increased prices of many oil products, fertilisers and raw materials will also increase inflationary pressures. The crisis in the Middle East will have even more far-reaching negative impacts in the euro area. Many services such as air traffic and travel will suffer. In the first quarter of the year, private and public consumption supported growth, whereas the contribution of net exports was significantly negative. The Purchasing Managers' Indices for services, anticipating the prospects for the near future, have weakened rapidly. The prospects have been slightly brighter for industry, but they also weakened broadly in May. Economic growth in the euro area will slow to 0.9% this year and accelerate to 1.4% next year.

Economic growth in the USA will continue to be fairly fast, boosted by private consumption and investment. Consumer perceptions of the current state of the economy are fairly good, while their expectations concerning the future are highly pessimistic. Inflation has accelerated rapidly since the crisis in the Middle East broke out, and this will have negative impacts on private consumption. Investment is supported by the rapid expansion of the use of artificial intelligence. Based on the anticipatory indicators, the prospects in industry are bright. Similarly, the development of employment has been strong. Nevertheless, social and political tensions will weaken sentiment. Economic growth will slow to 1.9% this year but will again accelerate to 2% next year.

In China, retail growth, which serves as an indicator of private consumption, has slowed rapidly. Economic growth is therefore maintained by continued strong exports, which the government supports extensively. Exports to Southeast Asia and Europe in particular have been strong, whereas exports to the United States have been restricted by trade barriers. Inflation, which was subdued for an extended period, has accelerated rapidly during the first months of the year. This may further weaken prospects in retail. Producer prices have also taken a rapid upward turn during the early part of the year. Unlike in the euro area and in the United States, Purchasing Managers' Indices are significantly stronger in services than in industry. Economic growth will slow to 4% this year and increase slightly to 4.2% in 2027.



Sources: Statistical authorities, MoF

The crisis in the Middle East will weaken the economic outlook in India considerably, as accelerating inflation will limit growth in private consumption. Japan is also highly dependent on energy from the Middle East, but its emergency stockpiles are good. In the United Kingdom, inflation will accelerate as the price of energy has increased, while unemployment is rising. Economic development in Russia has weakened considerably during the first months of the year despite the increase in the price of oil. Recently, however, the development has stabilised slightly. Investments have contracted considerably, while private consumption is growing. Economic growth in Sweden continues to be relatively fast. However, the rapid increase in defence expenditure will weaken general government finances.

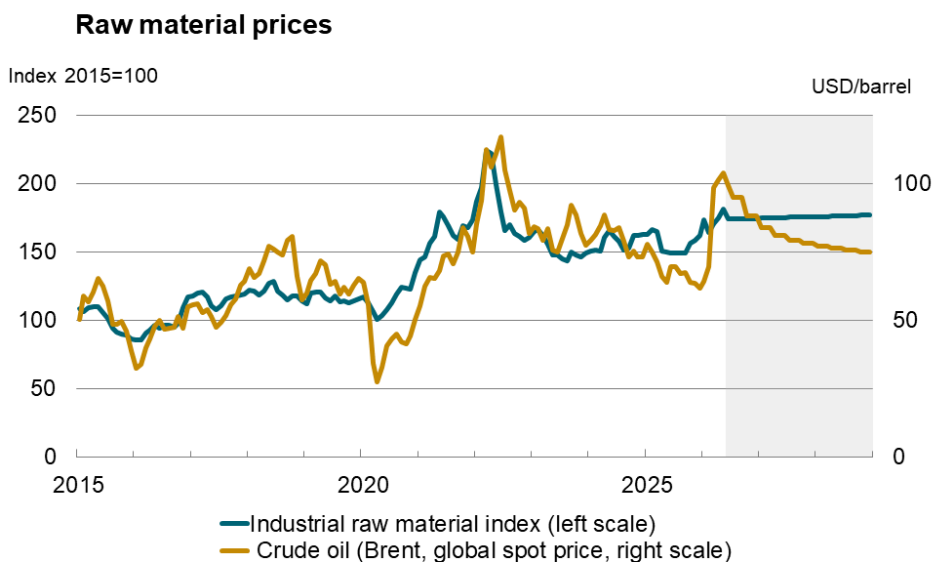
The risks related to the basic outlook described above tend to be rather negative. A key risk in the global economy is the prolongation or even re-escalation of the crisis in the Middle East. Besides oil and other raw materials, the weak availability of fertilisers may have considerable impacts on the global food supply. The level of stockpiles is fairly good in industrial countries, but the impact of the food crisis may be devastating on developing countries. The impacts of the foreign policy and trade policy measures of the United States on the global economy may be more serious than expected. The unpredictability of the trade policy is a key factor causing uncertainty. Extreme weather events may have even greater negative impacts on the economy than expected. A risk of a negative correction in valuation levels of artificial intelligence is real.

The crisis in the Middle East ending soon and the Strait of Hormuz opening permanently for shipping are the most significant positive risks in the economic outlook. This would return the prices of oil and other raw materials to the level preceding the crisis. Depending on the results of the midterm elections in the United States, US trade policy may become more consistent than expected. Russia's economic and political predicament may result in the war of aggression ending and the reconstruction of Ukraine starting. In this context, defence-related investments may result in a faster than expected boost in economic growth in Europe. Artificial intelligence may have more profound positive global impacts on the economy than expected.

1.1.2 Financial markets and commodities

The financial markets' reaction to the crisis in the Middle East has been rather strong. Short-term interest rates in particular, but also government bond yields, have increased since the crisis broke out. Short-term interest rates indicate increased inflation expectations, and policy rates are forecast to increase broadly. There is still a risk appetite in the stock market, driven largely by artificial intelligence. The development in US technology stocks was strong in the spring. European banks are, on average, profitable and solvent. The US dollar has remained strong. The uncertainty related to the sustainability of the financing of other than listed companies in the US continues.

The prices of crude oil and oil products remain high due to the prolongation of the crisis in the Middle East. The prices of fertilisers, helium and aluminium, among others, are also high. By contrast, the price development for natural gas has been strikingly moderate, as unlike oil prices, the prices of natural gas are determined regionally. The price of electricity has been stable in Europe. The prices of precious metals have decreased slightly from their peak levels.



Sources: HWWI, Macrobond, MoF

1.1.3 Global trade

Global trade in goods has grown fairly rapidly in the first months of the year despite the geopolitical tensions. In particular, imports in the United States and the developing countries have been strong, whereas in Europe, imports have been subdued. At the same time, the container transport index decreased in the spring. In addition, the Strait of Hormuz has remained nearly completely closed. Growth in the global trade in goods will slow to 0.3% in the current year and recover to 2.3% next year, driven largely by the emerging economies.

The development has been stronger in the global trade in services than in trade in goods despite the crisis in the Middle East. Digital services will grow rapidly, but the energy crisis will limit the growth of transport and travel. Trade in services will grow by 3.3% this year, and growth will accelerate to 3.5% next year as artificial intelligence boosts growth in digital services.

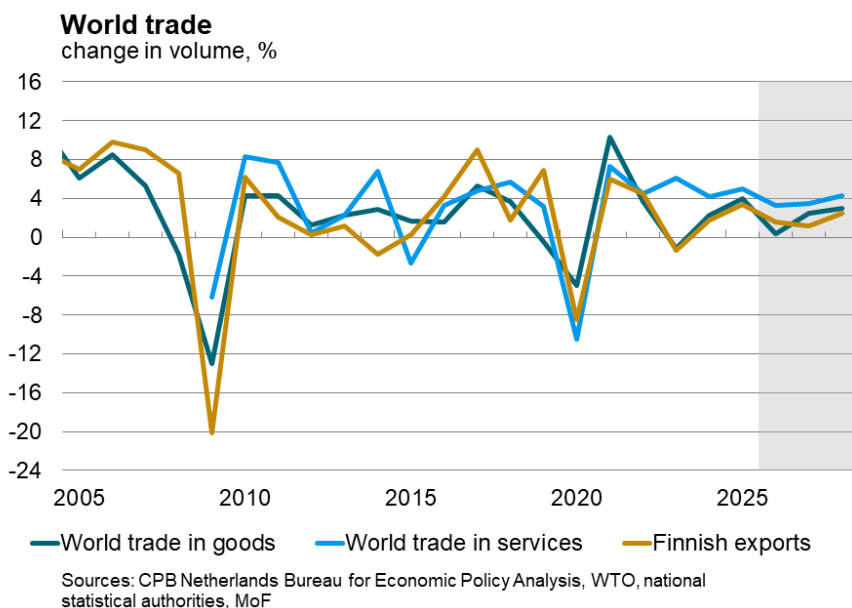


Table 4. Gross domestic product

	2024	2025	2026*	2027*	2028*
Change in volume, %					
World (PPP)	3.3	3.2	2.8	3.4	3.0
Euro area	0.9	1.5	0.9	1.4	1.5
EU	1.0	1.5	1.0	1.4	1.5
Germany	-0.5	0.3	0.5	1.6	1.2
France	1.1	0.9	0.8	1.5	1.5
Sweden	1.0	1.8	1.6	2.3	2.2
United Kingdom	1.0	1.4	0.4	1.6	1.5
United States	2.8	2.1	1.9	2.0	2.1
Japan	-0.2	1.1	0.3	1.2	0.8
China	5.0	5.0	4.0	4.2	4.2
India ¹	6.5	7.6	5.9	6.4	6.3
Russia	4.9	1.0	0.8	1.0	1.0

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

Table 5. Background assumptions

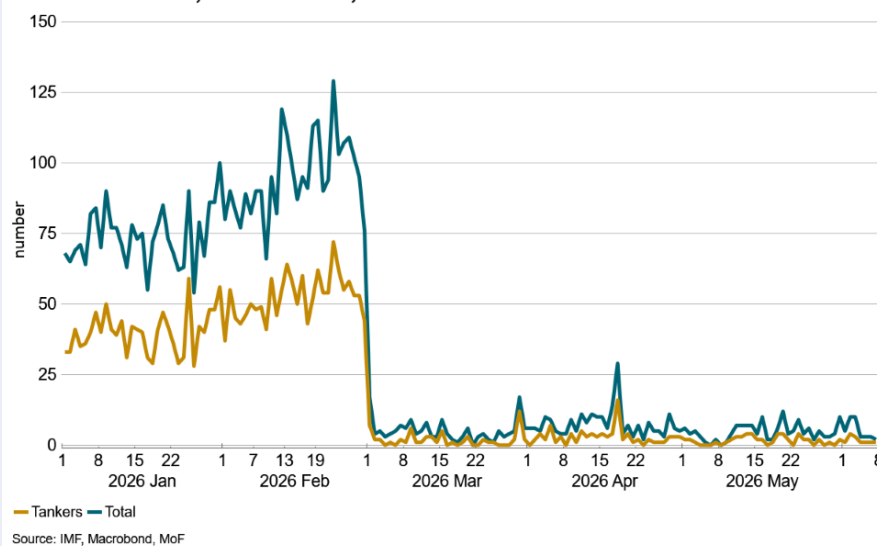
	2024	2025	2026*	2027*	2028*
World trade in goods, change in volume, %	2.3	4.0	0.3	2.3	2.8
World trade in services, change in volume, %	4.2	5.0	3.3	3.5	4.3
USD/EUR	1.08	1.13	1.17	1.18	1.20
Industrial raw material price index, %	-0.2	3.9	9.8	1.1	0.7
Crude oil (Brent), \$/barrel	79.7	68.0	90.5	80.5	76.0
3-month Euribor, %	3.6	2.2	2.2	2.6	2.5
Government bonds (10-year), %	2.9	3.0	3.2	3.0	3.0
Import prices, change, %	-1.0	-1.2	3.9	1.3	1.6

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

The impacts of the closure of the Strait of Hormuz on global trade

Iran closed the Strait of Hormuz after the United States and Israel started air strikes on Iran on 28 February 2026. Marine traffic through the strait has contracted to a fraction of the level preceding the military operations. Additionally, it is estimated that more than 1,500 ships are stuck in the Persian Gulf, and it is therefore likely that a return to normal of the situation will take time, even if a solution is found through negotiations between the parties. Ultimately, the magnitude of the economic impacts will largely depend on how long the closure continues (OECD, 2026).

Strait of Hormuz, Transit Calls, number



The war in Iran has led to significant increases in oil prices. The increased energy and fuel prices have resulted in higher costs of transport, production and living on a global scale. The gradual acceleration of inflation has also broadly increased the upward pressure on interest rates. At the same time, based on futures, the markets are not setting a price on a prolonged crisis lasting longer than 12 months. The industry's purchasing managers' indices also forecast growth to continue despite the continued uncertainty. However, the purchasing managers' indices anticipate contracted production in services.

Asia and poor countries being hit hardest

The scale of economic impacts varies widely between different countries and regions. Asian countries are highly dependent on imported energy and fertilisers from the Middle East, which is why they are particularly exposed to the impacts of the war. The UN (UN Trade and Development, 2026) estimates that poor and developing countries, in particular, in regions such as Southern Asia and Sub-Saharan Africa will suffer from the situation relatively more due to their weaker economic buffers and greater dependence. In these regions, the impacts are gradually starting to show as challenges in the availability of food. The dwindling trade in fertilisers is also threatening agricultural operating conditions regarding the harvests of the end of the current year and next year elsewhere in the world.

For the time being, the consequences of the situation for Western countries have been comparatively less severe, mainly because their trade is more decentralised, and their stockpiles are more extensive. However, these stockpiles are being constantly consumed. Western countries will therefore also be more exposed to negative impacts as the war drags on. European countries have considerably reduced their dependence on fossil fuels, contributing to the alleviation of the impacts of the closure. However, the economic outlook has weakened more steeply in Europe than in the United States, where strong growth has continued.

Bottleneck of international production chains

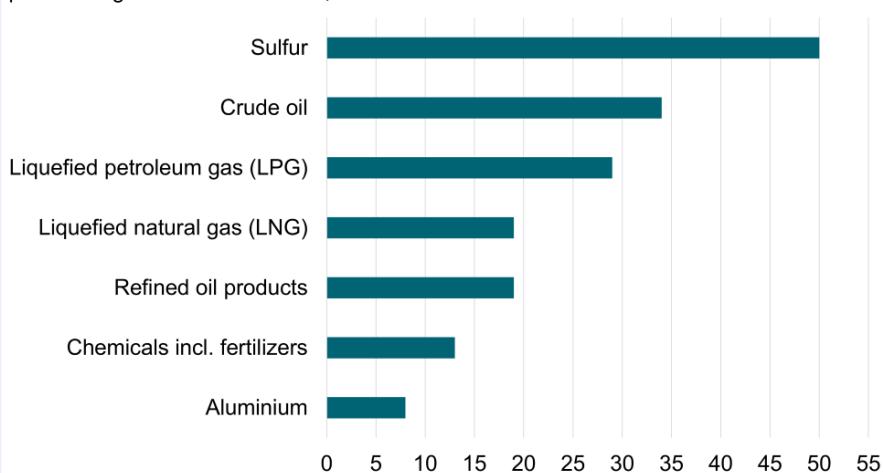
International production chains are globally affected by the disturbances caused by the closure, although in part with a delay. Rerouting trade that goes through the strait is challenging. Other oil and trade routes available in the Persian Gulf region are scarce. It may also be difficult to renegotiate agreed trade agreements or to change suppliers, which limits the opportunities to alleviate the negative impacts of the closure in the short term (Hintz et al., 2026).

At its narrowest point, the Strait of Hormuz is only 54 kilometres wide, forming a considerable bottleneck in the international trade of several key commodities such as oil and gas. Before the strait was closed, it was a route for approximately 25% of the world's oil trade by sea (including refined oil products), of which about 80% targeted Asia. Nearly 20% of the global trade in liquefied natural gas was transported through the strait, with the majority of it (nearly 90%) to the Asian market. Europe's dependence on the energy imported through the strait was lower: approximately 4% for oil and about 10% for liquefied natural gas.

According to the International Energy Agency (International Energy Agency, n.d.), the supply shock of oil is broadly reflected in commodities refined from oil, not just in diesel and aviation fuel, for example. This phenomenon is most obvious in fertilisers (including urea, ammonia, phosphorus), approximately a third of which was transported through the Strait of Hormuz before the war broke out. Similar repercussions have also been observed in chemicals, the majority of which are by-products of oil production.

Trade volume passing through the Strait of Hormuz

percent of global seaborne trade, %



Source: IEA, UNCTAD, World Bank, MoF

Sulphur is especially highlighted among individual raw materials due to its significant share in global trade (approximately 50%). In addition to its use in fertilisers, sulphur is used for refining critical minerals such as nickel, copper and zinc. Moreover, disruptions in the production chain of SBP gasoline (naphtha), which accounts for approximately a third of global trade, cause shortages of plastics, packaging and medical instruments, among other things.

Other noteworthy commodities include helium and aluminium. Approximately a third of the global production of helium originates in the Middle East through the Strait of Hormuz. This may especially affect the development of the artificial intelligence infrastructure, as helium is a critical input in the manufacture of semiconductors and in the cooling systems of data centres, for example (OECD, 2026). Helium is also used in space technology and MRI equipment. The share of aluminium is approximately eight per cent of global production. Although the aluminium market has been characterised by oversupply in recent decades, the steep decrease in inventories may have impacts on sectors such as construction and transport in the long term.

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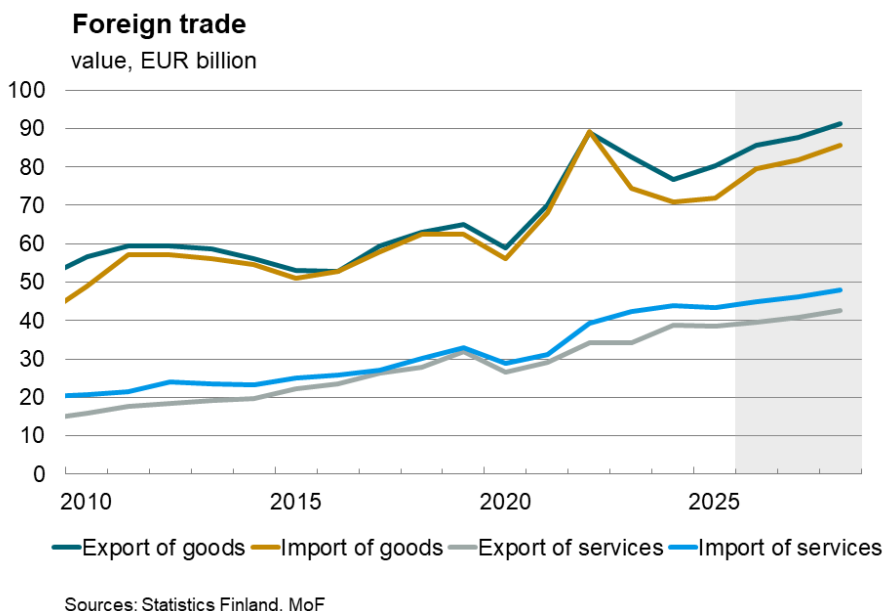
1.2 Foreign Trade

The outlook for foreign trade is twofold. On one hand, inflationary and interest rate pressures are rising as a result of the crisis in the Middle East, and growth expectations have declined globally. On the other, growth in foreign trade was strong in the first quarter of 2026, and the export outlook in many industries has remained favourable in Finland throughout the spring. The good growth in the first months of 2026 improves the growth forecast for foreign trade in 2026, but the growth prospects for the remainder of the year and for 2027 have weakened due to the conflict in the Middle East.

1.2.1 Exports and imports

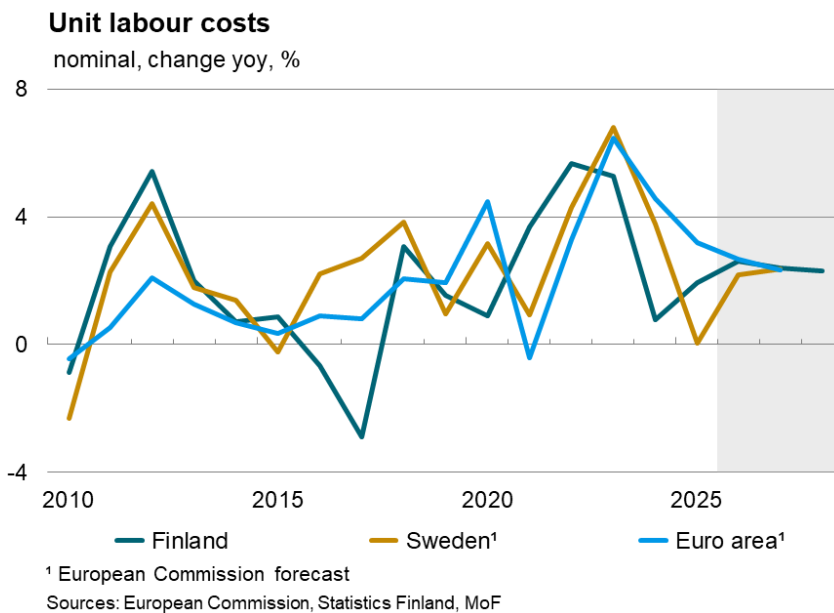
The outlook for Finland's foreign trade is overshadowed by the closure of the Strait of Hormuz. Prices have been increasing internationally, and the prolongation of the conflict in the Middle East has increased the upward pressure on interest rates. Globally, the decreased supply of oil has to some extent been compensated for by tapping into stockpiles and increasing production elsewhere, and demand has also shown flexibility. However, the negative impacts on the availability and prices of not only oil and gas but also fertilisers and other raw materials, as well as on travel and transport, are increasing the longer it takes to resolve the situation.

In the first quarter of 2026, Finland's foreign trade was strong, as exports and imports grew in both goods and services. The good export and import figures in the first months of the year increase the growth forecasts for 2026 as a whole. In the foreign trade forecast, the weakening of international and domestic demand due to the crisis in the Middle East will be manifested in slower growth in 2027. However, growth will be positive in both exports and imports until the end of the forecast period. Defence investments, for example, are increasing in both Finland and elsewhere in Europe. Data centres are being built worldwide, which will generate new orders for Finnish export companies. Domestic investments that are projected to grow rapidly will increase imports. A substantial share of the foreign trade in services in Finland is linked to foreign trade in industrial goods. Additionally, the development of artificial intelligence and digitalisation offers growth opportunities for ICT services, which are important for Finland's foreign trade in services.



The export volume has been growing favourably in the first months of 2026. The export figures of goods reflected improved demand in manufacturing and strengthened order books, but service exports also increased. Although the crisis in the Middle East weakens the international operating environment and also affects Finnish export companies, the positive first months of the year, combined with the cruise ship delivery in the summer, will further boost growth in exports, and exports will grow by 1.5% in 2026. The impacts of the prolongation of the crisis in the Middle East, combined with the interest rate increases anticipated by the markets, will extend to 2027. Growth will slow slightly from the previous year to 1.1% in 2027, but will increase to 2.4% in 2028.

Imports grew rapidly in the first months of the year, and growth will continue, amounting to 4% in 2026. Investment will grow considerably, and the fighter jet deliveries will increase imports. However, it is estimated that consumption development will be weak after the first months of the year. Growth will continue in 2027, supported by investment and consumption. By contrast, the exceptional peak in the growth of public investment in 2026, resulting from the commencement of the fighter jet purchase, will have an opposite effect on the growth rate of imports in 2027. Slower growth in exports will also curb imports in 2027, and growth will remain at 1.5%. In 2028, imports will grow as much as 2.7%, as broad-based growth is anticipated in Finland's economy.

**Table 6.** Foreign Trade

	2024	2025	2026*	2027*	2028*
Change, %					
Export volume	1.8	3.4	1.5	1.1	2.4
Import volume	-0.8	1.7	4.0	1.5	2.7
Export prices ¹	-2.7	-0.7	3.8	1.6	1.7
Import prices ¹	-1.0	-1.2	3.9	1.3	1.6

¹ As calculated in the national accounts

1.2.2 Balance of payments

The Strait of Hormuz has remained closed since the beginning of March, and this has been reflected in prices in foreign trade. The export and import indices of producer prices increased considerably in March–April. Internationally, the prices of many raw materials have increased, and inflation has accelerated globally. Both export and import prices will grow considerably in 2026 as a result of the rapid increase in the prices of goods in foreign trade. However, the acceleration of growth will not be as fast as in 2021–2022, when price increases were attributable to both the recovery from the coronavirus pandemic and, from the beginning of 2022, the impacts of Russia’s war of aggression. The increase in foreign trade prices will slow from 2027 onwards as interest rates have a decreasing impact on inflation, and no great fluctuations are expected in the terms of trade in the forecast period because the development pace of export and import prices will be fairly synchronised.

The previous year’s strong surplus in the trade balance will be decreased in the forecast period as a result of faster growth in imports than in exports, but the trade balance’s substantial surplus will continue. Goods and services will be nearly balanced because the service account continues to be in deficit. As a result, the current account will be nearly balanced, although the deficit will increase towards the end of the forecast period.

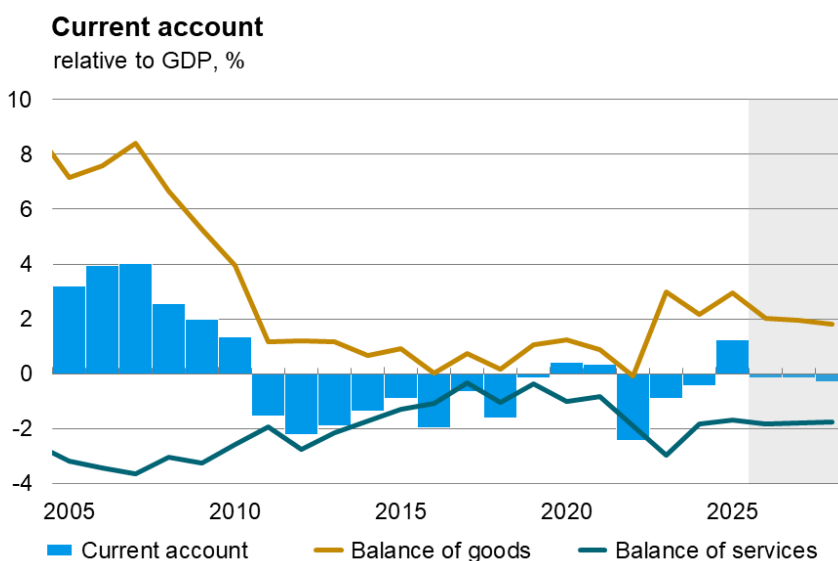


Table 7. Current Account

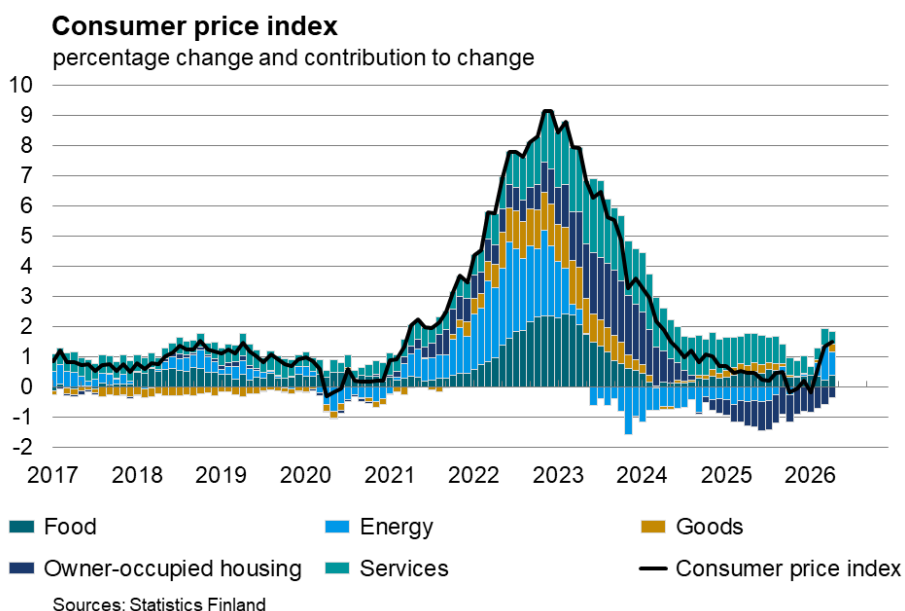
	2024	2025	2026*	2027*	2028*
EUR bn					
Balance of goods and services	1.0	3.5	0.6	0.5	0.2
Factor incomes and income transfers, net	-2.2	-0.0	-1.1	-1.0	-1.2
Current account	-1.2	3.5	-0.4	-0.5	-1.0
Relative to GDP, %					
Current account	-0.4	1.3	-0.2	-0.2	-0.3

1.3 Prices and costs

Inflation will accelerate in the current year due to the increased prices of energy in particular. Otherwise, price pressures are moderate, and at the beginning of the year, core inflation in Finland was slower than in the euro area on average. However, due to the uncertainty caused by the crisis in the Middle East, there are risks of inflation accelerating.

As a result of the crisis in the Middle East, the price of oil has increased considerably. The forecast average price of oil is expected to be 28% higher this year than last year. This will have an increasing direct impact on fuel prices and will also be reflected to a certain extent in other consumer prices such as those for fresh food. However, the forecast assumes that the crisis will not be prolonged, and the increase in the price of oil will not therefore be passed on to other consumer prices on a large scale. Core inflation will thus remain at 1.6% this year and increase moderately to 2% next year. The prolongation of the crisis is a risk. Should this happen, oil prices being passed on to other prices would increase inflation considerably more than forecast.

Before the crisis in the Middle East, price pressures were very moderate. In private services in particular, the increase in prices had slowed, as the greatest impacts of the value added tax increase were no longer included in the comparison, the prices of financial and insurance services decreased, and demand remained weak. The increase in the prices of goods was also very moderate, and import prices decreased as a result of the strong euro, among other things. In January–April, core inflation was thus significantly slower in Finland than in the euro area on average. The increase in the prices of processed food slowed at the end of the year and was very close to the long-term average in the first months of the year. Electricity was expensive at the beginning of the year due to the cold weather, which is why energy had an accelerating impact on inflation even before the crisis in the Middle East broke out. This also increased the price of fresh food. However, the price surges in the first months of the year were not considered to be an indication of the future development of the price of electricity.

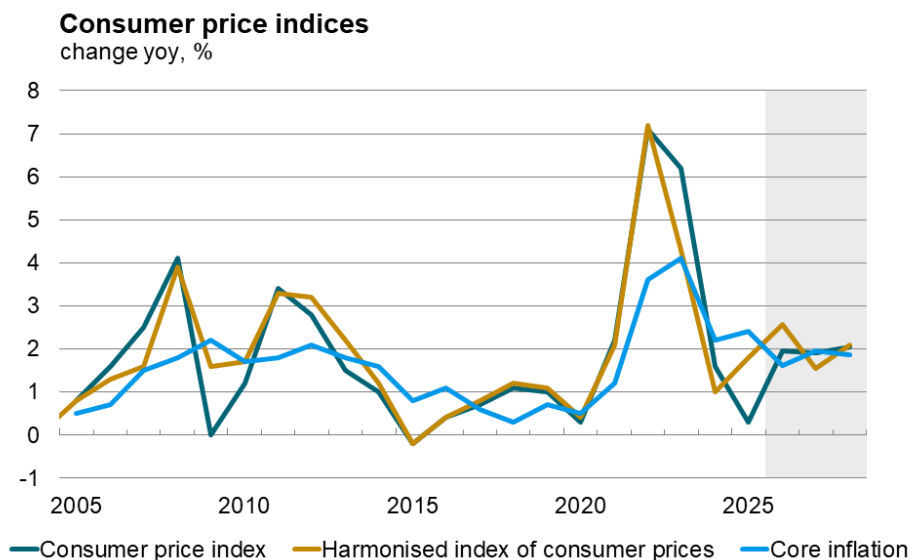


At the beginning of the year, different inflation indicators offered a very different picture of the increase in prices, but the difference will be evened out during the current year. The annual change in the consumer price index (CPI) was only an average of 0.8% in January–April, whereas at the same time, the harmonised index of consumer prices (HICP) indicated that prices had increased by 1.9% in a year. This difference is largely explained by the downward impact of housing loan and consumer credit interest rates. The interest rates are included in the CPI but not in the HICP. This impact, which slows the CPI, will gradually dissipate during the current year because the decrease in short market interest rates ended last year, and the rates increased in the spring as a result of the crisis in the Middle East. In other words, the CPI will also increase in the current year not only due to energy prices but also because interest rates will accelerate inflation. Global food prices took an upward turn in the spring as a result of more expensive vegetable oil and cereal products.

At the beginning of the outlook period, inflation is maintained specifically by the more expensive energy, but as early as next year, inflation will be slowed by the decrease in energy prices. The price of oil is expected to decrease by 12% in 2027 and another 7% in 2028. In 2028, the decrease in the prices of fuels will be slowed by the increase in the distribution obligation and the expansion of the emissions trading system (ETS2). The prices of electricity futures have not increased considerably in Finland, although in Europe, natural gas prices have increased; in this respect, the impact on inflation will remain low.

The increase in the prices of goods is expected to be very moderate, although no return to the previous downward trend is anticipated. The increase in the producer prices of services has accelerated considerably in the first months of the year; however, this has in part been due to technical reasons. The general line for wage increases agreed earlier in the negotiations on collective agreements and the gradually increasing demand will nevertheless maintain the increase in service prices in the outlook period.

Inflation measured by the CPI will average 2.0% in 2026, 1.9% in 2027 and 2.0% in 2028. In the current year, inflation is increased by the higher energy prices and by the increase in the prices of owner-occupied housing as a result of interest rates taking an upward turn. By contrast, inflation measured by the HICP will increase to 2.6%. Energy prices decreasing next year from the current year's high level will slow inflation, but core inflation will accelerate slightly as last year's energy price increases are passed on moderately to other prices.



Sources: Statistics Finland, MoF

Due to the crisis in the Middle East, there are risks that inflation will mostly accelerate. If energy prices increase more and over a longer term than assumed in the forecast, they will be passed on to other commodities more broadly. For example, global prices of fertilisers and some raw materials have increased, and if this is a prolonged situation, the prices of food, intermediate goods and end

products will rise. Despite the progress of the green transition, oil continues to be a key raw material and an intermediate product for many sectors. When the price of energy increases, companies' production costs rise, which is gradually passed on to the prices of end products. This happens fastest in transport and agriculture prices, while this impact is slowest in the prices of goods and services. 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.

Otherwise, for their part, the risks are skewed to the downside. Prices may certainly be pushed up by the changes in US trade policy becoming increasingly abrupt, the increase in defence spending in Europe and the reconstruction in Ukraine, but for the time being, the considerable uncertainty has decreased demand and dampened inflation. Domestically, the risks are skewed to the downside. Demand is still dampened by the weak employment situation. Additionally, consumer perceptions of inflation differ significantly from actual inflation, which curbs demand. If this continues, demand may continue to decline more than expected, further slowing price increases as well.

Table 8. Price indices

	2024	2025	2026*	2027*	2028*
Change, %					
Export prices ¹	-2.7	-0.7	3.8	1.6	1.7
Import prices ¹	-1.0	-1.2	3.9	1.3	1.6
Consumer price index	1.6	0.3	2.0	1.9	2.0
Harmonised index of consumer prices	1.0	1.8	2.6	1.5	2.1
Core inflation ²	2.2	2.4	1.6	2.0	1.9
Basic price index for domestic supply, including taxes	-1.2	-0.4	2.9	1.9	2.0
Building cost index	0.0	0.9	1.6	1.5	1.8

¹ As calculated in the National Accounts

² Harmonised index of consumer prices, excluding energy and food

1.4 Wages and incomes

1.4.1 Wages

Collective agreements will lead to higher wage rises this year. Real wages are expected to reach 2021 levels in 2027, but the real wage bill reached the 2021 level last year.

In January–March, the rate of increase in nominal wages was just over half a percentage point faster (3.6%) than in the previous year. This was the result of higher negotiated wages than in the previous year. The rate of increase in negotiated wages picked up as much as that of the index of wage and salary earnings; in other words, wage drifts were maintained at approximately 0.5% across the economy. Changes in performance-based bonuses had little impact on earnings growth.

In the early part of the year, earnings rose fastest in local government sectors, especially in wellbeing services counties, where earnings rose by 5.7% from the previous year. In other local government, the rate of increase in earnings was approximately the same as across the economy on average. By contrast, the rise in private sector earnings (3.4%) and central government earnings (2.7%) fell short of this. These differences are partly due to the timing of agreed pay rises and to the local government sector's pay structure reform. In addition to the public sector, wage growth exceeded the average in the metal industry, financial and insurance sectors, and in some business services. However, wage growth fell below the average in the transport sector, primary production and the entertainment sector.

The current collective agreements are generally for three years, with the possibility of cancelling the contracts of the final year, that is, the conditions of next year. The local government sector is an exception; there the agreement duration is longer. The total cost impact of the agreed wage increases, taking last year into account, averages out at around 2.5% per year, with the largest increases scheduled for 2026 in many sectors. The retail sector is an exception; there the highest increases already occurred last year. In 2026, the impact of local government wage increases will diminish compared with this year. Wage drift has averaged approximately 0.4% per year in recent years, and this level is expected to continue. Nominal earnings will therefore increase by an average of 3.6% across the economy this year.

In 2027, agreed increases in other sectors, with the exception of local government, will be smaller, and the pace of wage growth will slow to an average of less than 3%. Thus far, there are few private sector collective agreements for 2028. Typically, the agreed increases for the first year of a new agreement period are larger than those in the preceding year, as is assumed in the forecast for 2028. The local government agreements provide for increases of more than 3%, and the rate of increase in negotiated wages across the economy is therefore expected to be approximately 3%. Considering the average wage drift of 0.4%, nominal earnings are expected to increase by about 3.5% in 2028.

Between 2021 and 2023, real wages fell by a total of 6.6%. Real earnings started to grow in 2024. In the first months of 2026, real wages increased by 3.0% cent, as the rate of increase in real wages was higher than inflation. Although the increase in wages will accelerate, and inflation will remain close to the official monetary target over the next few years, the 2021 level of real wages will not yet be reached in 2026. Only in 2027 are real wages expected to recover to their 2021 level. Taking the development of employment into account, the real wage bill across the economy reached the 2021 level last year because the real wage bill decreased by 1.7% 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 2026, employment will decline, and as a result, the wage bill will grow by just over 3%. In 2027, both higher earnings and an improvement in employment will drive the wage bill up by approximately 4%, and the situation will be the same in 2028.

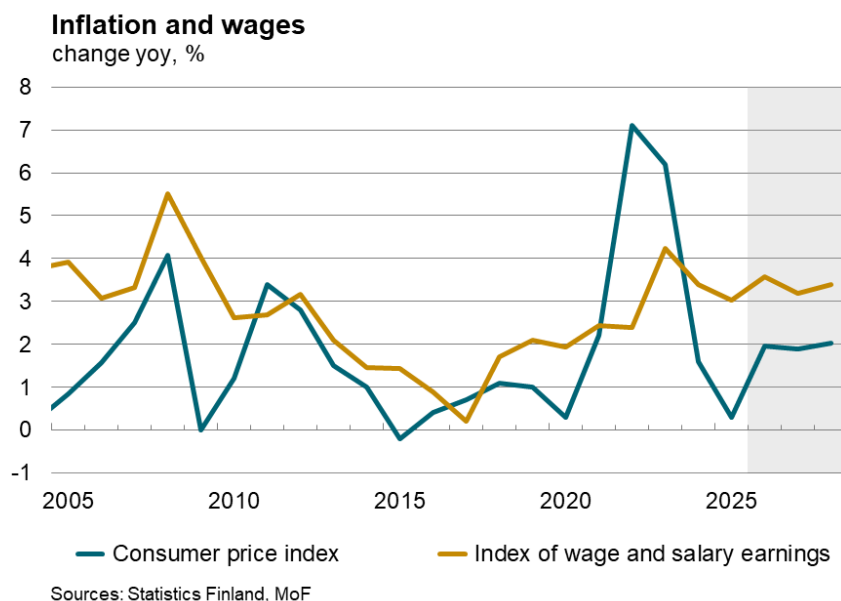


Table 9. Index of wage and salary earnings and labour costs per unit of output

	2024	2025	2026*	2027*	2028*
Change, %					
Index of negotiated wage rates	2.7	2.9	3.2	2.8	3.0
Wage drift, etc.	0.7	0.1	0.4	0.4	0.4
Index of wage and salary earnings	3.4	3.0	3.6	3.2	3.4
Real earnings ¹	1.8	2.7	1.6	1.3	1.4
Sum of wages and salaries	2.0	1.6	3.3	4.1	4.1
Average earnings ²	2.5	3.0	3.3	3.3	3.5
Labour costs per unit of output whole economy ³	0.8	1.9	2.6	2.4	2.3

¹ The index of wage and salary earnings divided by the consumer price index.

² 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.

³ Compensation of employees divided by gross value added in volume at basic prices.

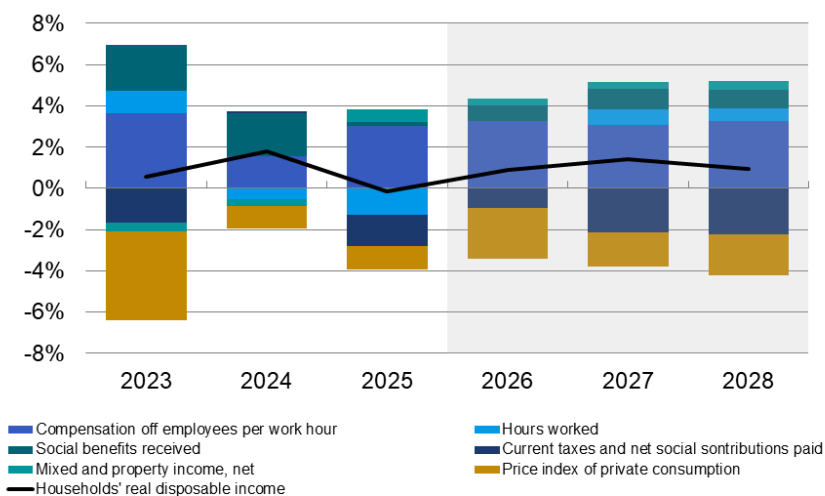
1.4.2 Households' income

Households' combined purchasing power is forecast to grow by just under 1% in 2026. Wage increases and lower income taxation will increase disposable income, but the continued weak employment situation and the increase in fuel prices will in turn slow down purchasing power growth. In 2027, purchasing power is projected to improve more briskly as inflation slows, and the employment situation improves.

Real disposable income, measuring households' combined purchasing power, decreased by 0.1% in 2025. In 2026, purchasing power is forecast to increase by just under 1%, with average earnings growing faster than consumer prices. Employment is no longer expected to decrease considerably, but the increase in consumer prices resulting from the war in Iran will slow purchasing power growth. The price index of private consumption is expected to increase by 2.5% in the current year.

Households' real disposable income

change and contributions to growth, %



Household real disposable income¹

- 1 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, the reduction in earned income taxation will also raise disposable incomes, 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. With the exception of pensions, growth in social benefits is slow in the outlook period due to the freeze in unemployment, housing, student and childcare benefits in 2024–2027.

In 2027, purchasing power is forecast to grow by 1.4% as the employment situation improves, and inflation slows. Average earnings and purchasing power will be boosted by wage increases under collective agreements. The price increases caused by the war in Iran will pass through to pension indexation starting from 2027, which will raise the social benefits paid.

1.5 Consumption

The weak employment situation and uncertainties related to the geopolitical situation and to the need to adjust public finances will continue to weigh down consumer confidence. Despite the high electricity consumption at the beginning of the year, the increase in prices and interest rates will slow growth in private consumption, and growth will remain at just under 1% in 2026. The rise in real income will boost private consumption in 2027–2028, and the saving rate will gradually decrease. Public consumption is expected to decrease in the current year, but it will take a gradual upward turn starting from 2027, as the adjustment measures are reduced.

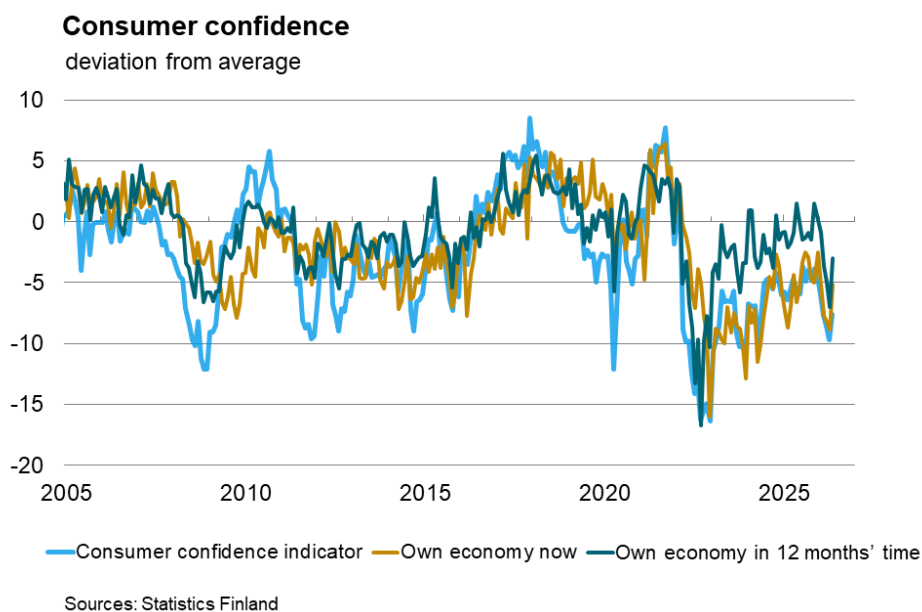
In the first quarter of 2026, private consumption grew by 0.9% compared with the previous quarter. Growth was mainly generated by the consumption of nondurables, which in turn was increased by the record-high electricity consumption due to the severe freezing weather in January–February. It is very likely that the consumption of nondurables will decrease in the second quarter, and growth in private consumption will therefore slow as well.

The outlook for private consumption has mainly remained subdued, but there have also been some positive signs. In the first part of the year, consumer confidence has again declined, and the situation in the labour market has remained alarmingly weak. The increase in energy prices resulting from the war in Iran is slowing the growth of households' real incomes in the current year, but purchasing power is still expected to grow by just under 1% as a result of the increases in negotiated wages and the reduction in the tax rates on wage earnings. The Euribor rates have again taken an upward turn, which will weaken the situation of mortgage holders in particular. At the same time, sales grew considerably in retail in January–April. Private consumption is forecast to grow by 0.8% this year.

In 2027, growth in private consumption will accelerate as unemployment starts to decrease, and the wage increases negotiated in collective agreements increase disposable income. No significant increases are expected in the interest rate level in 2027. The saving rate is expected to decrease in 2028, as consumption will grow faster than incomes.

Prices in private consumption are expected to increase by 2.5% in 2026 as the war in Iran increases the prices of energy. The increase in prices is expected to slow to 1.6% in 2027 as energy prices decrease.

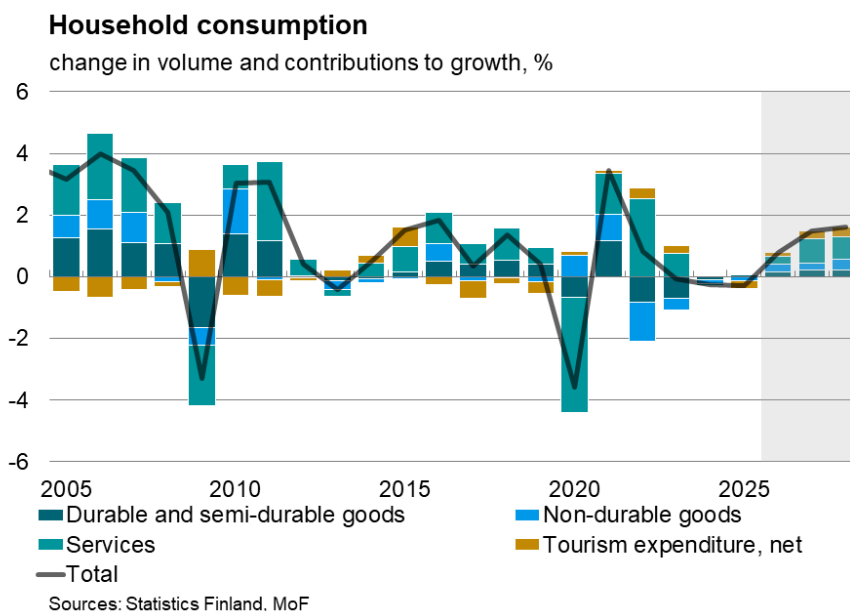
The key risks in the forecast concern the prolongation of the war in Iran and the development of employment. If the Strait of Hormuz does not open by the end of the summer, prices and interest rates may increase faster and over a longer term than expected. If there is still no upward turn in employment next year, households' available income will remain lower than forecast. In both scenarios, growth in private consumption may be slower than forecast.



The confidence of consumers in both their own financial situation and the Finnish economy declined considerably in the first part of the year. The high electricity prices in January–February and the war in Iran, among other things, may have contributed to the decline. For a long time, consumer confidence has also been weighed down by the threat of unemployment, which is considered serious.

Additionally, the completed and future adjustment measures in general government finances may have decreased consumer confidence and increased saving; although the confidence of senior salaried employees and entrepreneurs

has been restored to the level preceding Russia's invasion, the confidence of groups receiving social benefits, such as students, pensioners and workers, has remained lower than average.



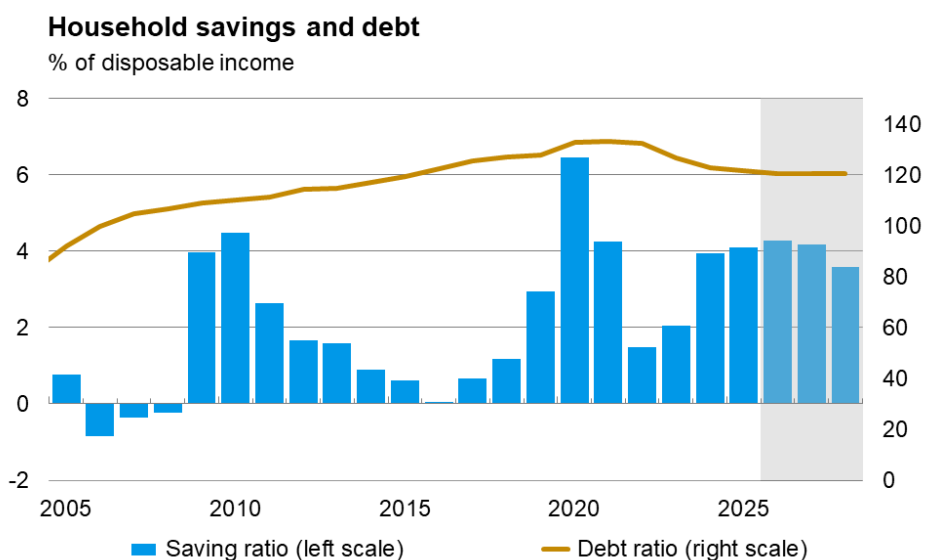
The consumption of durable goods decreased in the first quarter of 2026, and consumers' intentions of purchasing durable goods have remained lower than average. First registrations of passenger cars have remained low in the first part of 2026, and the sale of used cars has not grown either. The consumption of durable goods is not expected to increase in 2026.

By contrast, the consumption of semi-durables such as clothes and footwear has started to grow, which is also manifested as growth in retail sales. The consumption of semi-durables is forecast to grow by approximately 2% in the current year.

The consumption of nondurable goods such as food, energy and fuels grew by 2.4% in the first quarter of the year. In January, Finland's electricity consumption was the highest on record, and in the first quarter of the year, year-on-year electricity consumption was 17% higher (Source: Finnish Energy, electricity consumption, excluding industrial consumption). In April, electricity consumption returned closer to the normal level, and it is likely that the growth in the consumption of

nondurables will slow in the second quarter. The war in Iran is forecast to raise energy prices considerably this year, which in turn may reduce households' fuel consumption. It is estimated that the consumption of nondurables will grow by about 1% in 2026.

The consumption of services did not grow in the first quarter of the year. However, in the last months of the year the slight increase in real incomes is expected to be reflected in the consumption of services, which is forecast to grow by 0.5% in 2026. Next year, the increase in the consumption of services will accelerate as a result of the increase in employment and real incomes.



Sources: Statistics Finland, MoF

Households' net saving rate increased to 4.1% in 2025. Saving was at the same level last year as during the 2009–2010 financial crisis or the second year of the coronavirus pandemic in 2021.

Due to the war in Iran, the geopolitical situation and the global economy will also remain unstable this year, and the saving rate is not expected to decrease markedly in 2026. As the employment situation improves, the saving rate will decrease gradually towards the end of the outlook period, although it is still expected to remain higher than average.

The household debt ratio declined to 121.6% last year. The value of new mortgages purchased by households has not taken an upward turn in the first months of the year, and the household loan stock has remained stable for the last 12 months. The debt ratio is expected to decrease to approximately 120% this year, as the loan stock will grow more slowly than disposable income. Debt ratio is expected to remain at a level of approximately 120% in 2027–2028, as the loan stock will grow at the same pace as disposable income.

Public consumption fell by 0.2% in 2025. This development was explained in particular by the Government's adjustment measures and the balancing measures by municipalities and wellbeing services counties, which slowed the growth of consumption expenditure.

In the coming years, there will be factors that will develop public consumption in a different direction. The ageing of the population will increase demand for social welfare and healthcare services, and for its part, the increase in defence expenditure will increase public consumption. At the same time, the adjustment measures by the Government and local government will curb consumption growth. As a whole, public consumption will still contract by an estimated 0.3% in 2026. The forecast includes a total of approximately EUR 0.4 billion of local government's own adjustment measures for the current year.

Developments in public consumption will vary across sectors. In wellbeing services counties, consumption will increase due to the increase in service needs resulting from the ageing population. At the same time, service needs in municipalities will decrease as the younger age groups become smaller, and this will curb the growth of consumption volume. This will contribute to balancing the development of public consumption overall.

In 2027, public consumption will start to grow slightly by approximately 0.1%, as the impacts of the adjustment measures will decrease. Growth will accelerate to approximately 0.9% in 2028, driven in particular by the increase in defence expenditure.

The volume of public consumption will still contract during the current year, but the value of consumption will grow throughout the forecast period as a result of price increases. Prices of public consumption will increase by an average of about 3% per

year. Wage increases in the public sector will increase costs in local government in particular, where earnings growth will exceed the general wage guidelines in the coming years. Additionally, the increase in the price of energy caused by the crisis in the Middle East will accelerate inflation, which will increase cost pressures in general government finances.

Table 10. Consumption

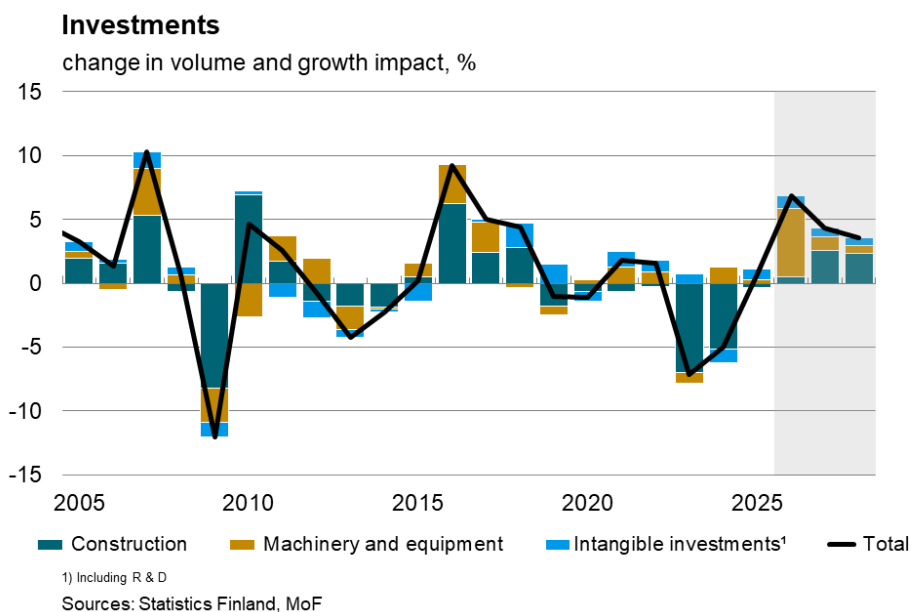
	2024	2025	2026*	2027*	2028*	2025 Share, %
Change in volume, %						
Private consumption	-0.2	-0.3	0.8	1.5	1.6	100.0
Households	-0.3	-0.3	0.8	1.5	1.6	96.0
Durables	-1.7	0.3	0.0	2.1	1.8	6.9
Semi-durables	0.0	0.7	2.3	1.2	1.7	6.9
Non-durable goods	-0.5	-0.6	1.1	1.0	1.5	28.8
Services	-0.1	0.0	0.5	1.7	1.6	53.4
Consumption by non-profit institutions	1.8	-1.4	1.0	1.0	1.2	3.6
Public consumption	2.0	-0.2	-0.3	0.1	0.9	
Total	0.5	-0.3	0.4	1.0	1.3	
Change, %						
Private consumption deflator	1.0	1.1	2.5	1.6	2.0	
Public consumption deflator	0.7	1.8	3.2	3.3	3.4	
Households' disposable income	2.9	1.0	3.4	3.1	3.0	
Households' real disposable income	1.8	-0.1	0.9	1.4	1.0	
Percent						
Consumption in relation to GDP (at current prices)	77.2	76.8	76.6	76.2	75.9	
Household savings ratio	3.9	4.1	4.3	4.2	3.6	
Household debt ratio ¹	122.8	121.6	120.5	120.5	120.5	

¹ Household debt at end-year in relation to disposable income

1.6 Investments

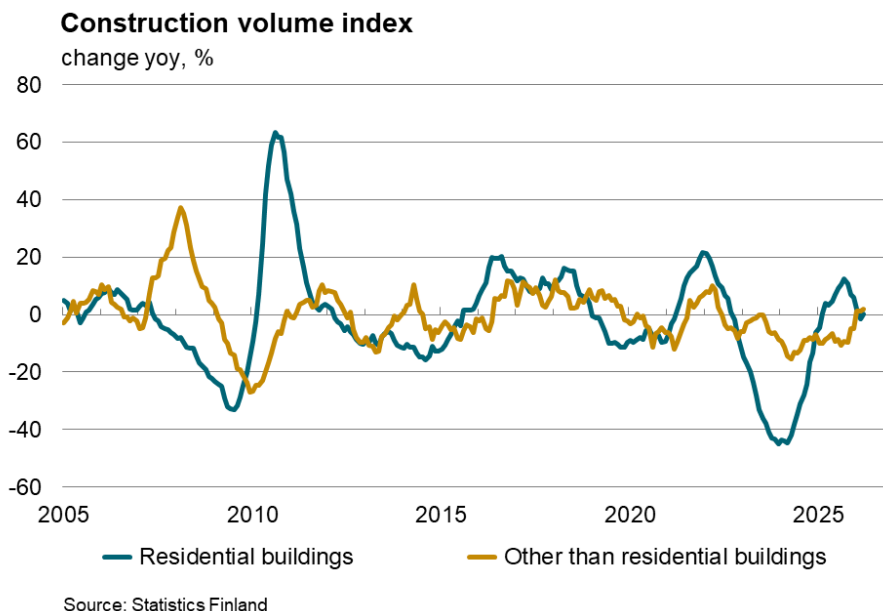
The timing of the defence materiel purchases will give machinery and equipment investments an unexceptional growth boost of more than 20%. At the same time, the outlook in the construction sector is twofold. Non-residential building construction is already picking up considerably, but growth is not expected in residential construction until next year. Despite the positive signals in the economy, the investment environment is still darkened by geopolitical crises, fragile consumer confidence and the uncertainty introduced by the interest rate outlook.

Strong investment growth is expected to continue throughout the forecast period. In addition to the public defence expenditure, the investment basis will be strengthened by R&D investments and the green transition in manufacturing. However, external risks will slow recovery in construction. The energy shock prolonged by the crisis in the Middle East and the Strait of Hormuz in particular will maintain high inflationary pressures, which will be directly manifested as consumer caution, and companies will face challenges in managing interest rate risks.



The total volume of construction still decreased in 2025, although cautious positive signs were already visible in the indicators at the end of the year. Investments in residential construction in particular have hit an exceptional low. The volume of new housing starts has fallen by more than 60% from the peak level of 2021, and the share of new housing in the total amount of money spent on construction halved to 11% in 2025. As market-based production struggled, the focus shifted to state-subsidised construction, the volume of which will nevertheless decrease considerably from this year onwards as a result of the reduced granting authorisations for interest subsidy loans. The recovery continues to be hindered by the oversupply of housing, the large reserves of unsold new housing, and the considerable difference between the price of new and old housing. The prices of previously owned apartments in housing companies are still expected to decrease slightly in 2026. Although the number of new apartment starts is low, the real production volume is supported by the increased average size of apartments, as the apartments currently being built and completed are larger in their floor area than previously. Housing production is forecast to decrease in 2026, but to take a significant upward turn next year and to accelerate further in 2028.

To some extent, the decline in the housing market has been balanced by the construction of business premises, the volume of which has remained considerably more stable. The absolute driver of this sector is currently the exceptional boom in data centre construction, and a significant boost is also seen in industrial projects. An additional boost in investments is given by the significant increase in defence and security of supply projects, and the related construction and infrastructure projects. The construction of business premises is forecast to grow considerably in the current year, and growth is expected to accelerate further next year, boosted by the extensive new energy technology projects.



The situation in civil engineering is currently weighed down by several concurrent factors, the most visible of which is the significant winding down of the construction of onshore wind power from the peak levels of previous years. The prolonged subdued housing production is also directly reflected in infrastructure construction, as the lack of new residential areas minimises the need for foundation engineering, new municipal engineering and street networks. The situation is further hindered by the public sector's strict economic framework, due to which both the state and municipalities are postponing new infrastructure projects. This, combined with the continued high cost level, creates a situation in which the gap between the budgets of public-sector clients and the need for regular maintenance and paving of roads continues to widen. As a result of the myriad of challenges, the volume growth in civil engineering is expected to slow in 2026 and remain at a couple of per cent.

During the next two years (2027–2028), civil engineering is forecast to slow slightly but still grow slightly. In particular, this positive development is based on the major investments required by the energy transition, including the strengthening of the main electricity grid, industrial-scale solar farms, and the continued good level of data centre construction. In addition, the housing market's gradual recovery

will create new, albeit delayed, demand for basic infrastructure, and the sector's moderate growth path is also supported in part by the increased needs of defence administration and security infrastructure as a result of NATO membership.

Machinery and equipment investments are currently boosted considerably by the energy transition and the changed geopolitical operating environment. The availability of clean energy with reliable security of supply has made Finland an attractive destination for new industrial projects, and this will increase demand for equipment. Nevertheless, the overall situation in the coming years will still be dominated by defence expenditure. According to forecasts, investments will grow by approximately 20% in 2026 as a result of the timing of entries related to the F-35 fighter jet purchase. This exceptional surge is supported by the green transition in manufacturing and the sizeable equipment purchases required by data centres.

The development of immaterial investments will continue on a stable growth path, driven by research and development (R&D) inputs. Public- and private-sector activities will be accelerated by Finland's strategic objective of increasing R&D expenditure to 4% of GDP by 2030. This long-term development will be secured through statutory R&D funding, and in addition, tax incentives and companies will use EU-level innovation funding to encourage investment by companies. Besides R&D activities, a considerable increase in intangible asset items will be provided by extensive software investments related to data centre projects.

Public investments will grow by approximately 25% this year. This rapid growth is mainly due to central government purchases related to national defence and security. Moreover, the aforementioned R&D Funding Act will increase central government investment in research and development activities.

The first deliveries of the multirole fighter aircraft for the Air Force will significantly boost growth in investments this year. 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 widely 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 the realisation of investments. The

main focus of investments in the wellbeing services counties will be on the service network, buildings and ICT systems, and investments are expected to grow specifically in 2026.

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.

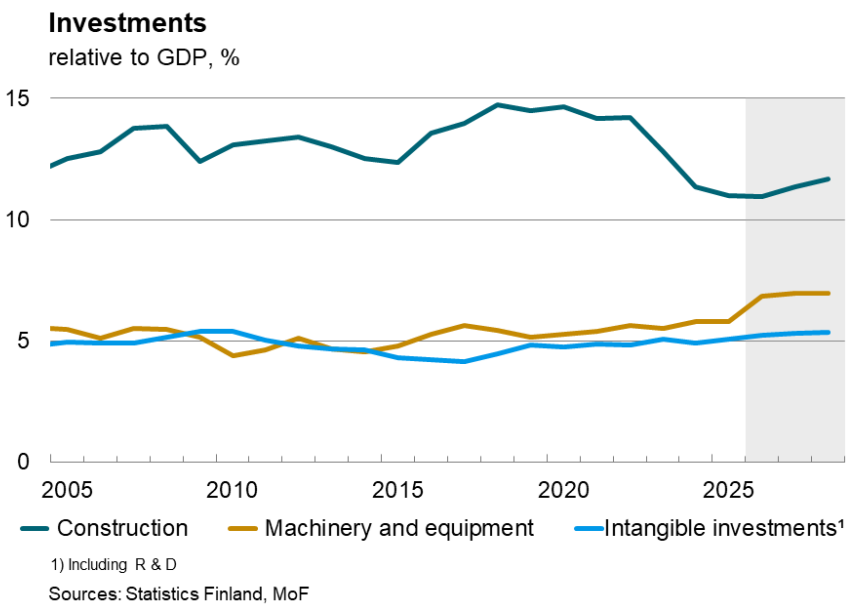


Table 11. Fixed investment by type of capital asset

	2024	2025	2026*	2027*	2028*	2025 Share, %
Change in volume, %						
Buildings	-9.5	-1.8	0.8	6.5	5.7	41.9
Residential buildings	-17.7	0.4	-3.0	5.0	7.5	20.1
Non-residential buildings	1.1	-4.0	5.0	8.0	4.0	20.5
Civil engineering construction	-8.9	4.1	2.0	1.0	1.0	9.5
Machinery and equipment	5.3	0.9	20.0	3.5	2.0	26.3
Intangible investments ¹	-5.1	3.9	4.5	3.0	3.0	22.3
Total	-5.0	0.8	6.9	4.3	3.6	100.0
Private	-8.2	0.4	2.4	6.3	4.4	79.9
Public	10.2	2.3	24.5	-2.1	0.9	20.1
Investment deflator	0.3	-0.1	2.0	2.0	2.2	
Investment to GDP ratio (at current prices)						
Fixed investment	22.1	21.8	23.0	23.6	24.0	
Private	17.6	17.4	17.6	18.4	18.8	
Public	4.4	4.5	5.5	5.3	5.2	

¹ Includes also R&D-investments.

1.7 Domestic production

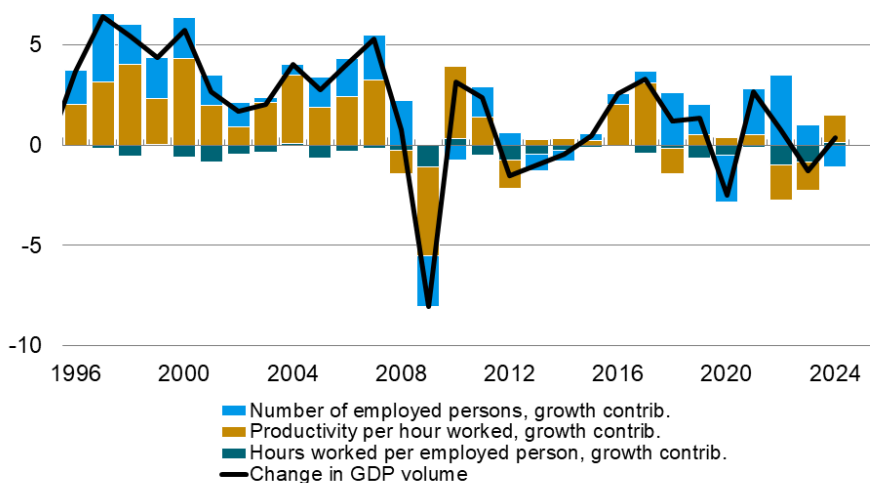
1.7.1 GDP and productivity

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

In January–March, value added across the economy grew by 0.9% from the previous year. This was significantly faster than in 2025 on average. Growth was broad-based, as primary production was the only main industry which contracted. Value added in construction grew for the first time in 15 quarters, showing the fastest growth among the main industries. However, the level of value added in construction is just over 22% lower than during the previous peak in 2018.

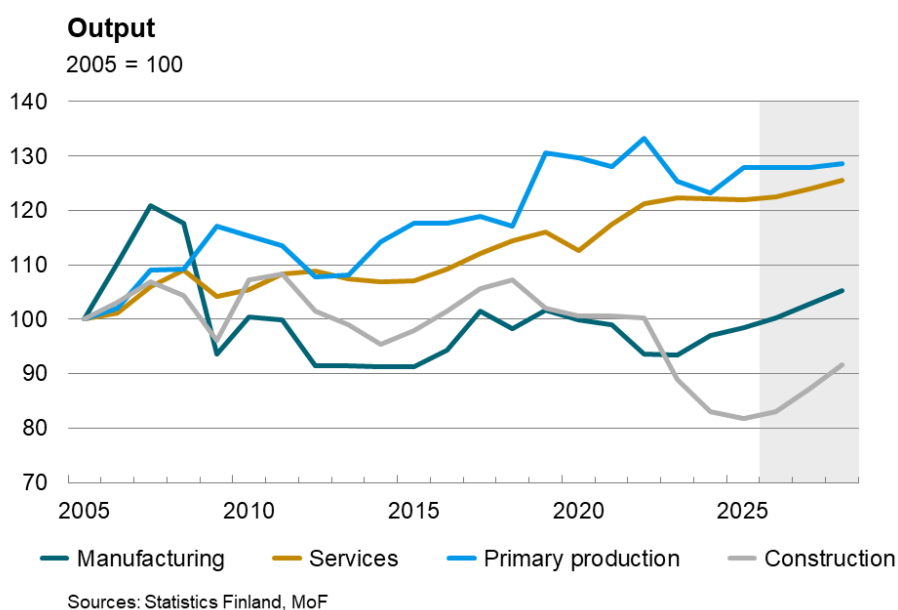
Productivity growth in the Finnish economy has been weak in recent years. Between 2021 and 2025, value added per hour worked improved by an average of 0.2%. On average, productivity fell in construction and manufacturing in particular, whereas in service sectors it improved slightly. In 2026–2028, productivity is expected to grow by just under 1% per year on average, as economic growth begins. Productivity is expected to improve in all main industries, with the exception of primary production.

Growth of GDP divided by employment, hours, and productivity



Sources: Statistics Finland

The growth prospects for total output for 2026 are modest, as the crisis in the Middle East overshadows the development of the global economy and export demand, which is important for Finland. Additionally, consumption demand in Finland is subdued. The total value added will grow by just under 1% this year. Industrial output will benefit from the recovery of the order book, while construction will benefit from the recovery in non-residential building construction. In other sectors, demand continues to be so modest that growth will remain meagre this year.



In 2027, construction will become a key driver of economic growth as increasing confidence and pent-up demand will boost output in the sector. Service provision will also grow faster due to consumption demand. In 2027–2028, the annual growth rate of total output is expected to be slightly more than 1.5% per year, which is considerably higher than the average growth rate in the 2010s.

1.7.2 Sectors

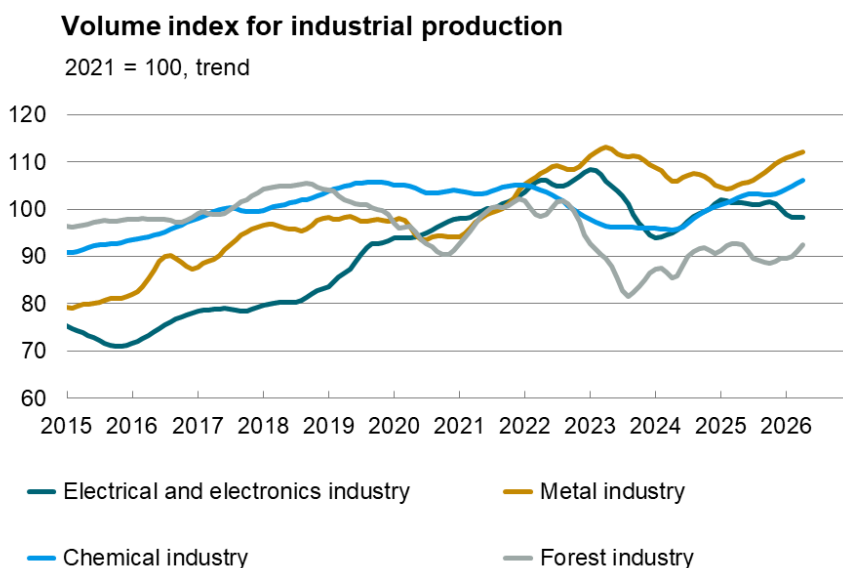
The trend in seasonally adjusted industrial output has been upward in the first months of the year. Output grew at the beginning of the year compared with the corresponding months in the previous year. Based on statistics up to April, nearly all main industries have experienced growth. The industry turnover has also been rising in the main industries in the first months of the year. Value added in industrial output grew in the first quarter of 2026. In the first months of the year, manufacturing growth has been aligned with international development, in which the good production outlook is considered to have continued in manufacturing in many countries even after the closure of the Strait of Hormuz. However, the increase in prices of energy and raw materials will decrease value added and the outlook for energy-intensive industries in the forecast period in particular.

The outlook for the metal industry is the most positive among the main industrial sectors. The volume index in the metal industry output has been growing favourably, and the order book for new orders is active. Turnover development has also been positive. At the beginning of 2026, value added remained nearly unchanged compared with the previous quarter and also year-on-year. The good order book will support the industry's outlook, despite the continued closure of the Strait of Hormuz, and shipbuilding orders, slated to continue until the medium term of the forecast, will support the development of the industry throughout the forecast period.

Value added in the chemical industry grew in the first months of the year. During the spring, the volume index and turnover of the chemical industry grew considerably, and exports developed well. Exports grew as a result of the strong growth in the exports of pharmaceutical industry products, and the outlook in the pharmaceutical industry continues to be good. Otherwise, the chemical industry outlook is weighed down by the increase in the prices and weakened availability of oil and gas, as well as some raw materials. These factors will increase production costs in the industry and weaken demand.

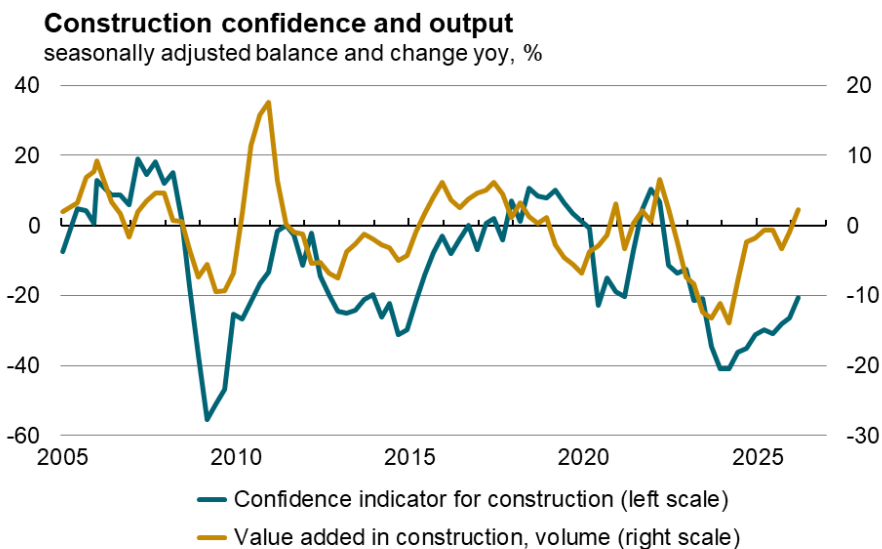
Value added in the forest industry grew at the beginning of 2026 from the previous quarter, having been in decline since the middle of 2025. In addition, production volumes and the value of exports decreased year-on-year. After the weak first quarter, the outlook is challenging for the forest industry in 2026. As an energy-intensive industry, it is affected by the increase in energy prices and rising transport

and raw material costs, which affect industry expenses, and the uncertainty will slow the recovery of global demand. However, new orders have been increasing during the spring in the paper industry, and in paper and paperboard product manufacturing.



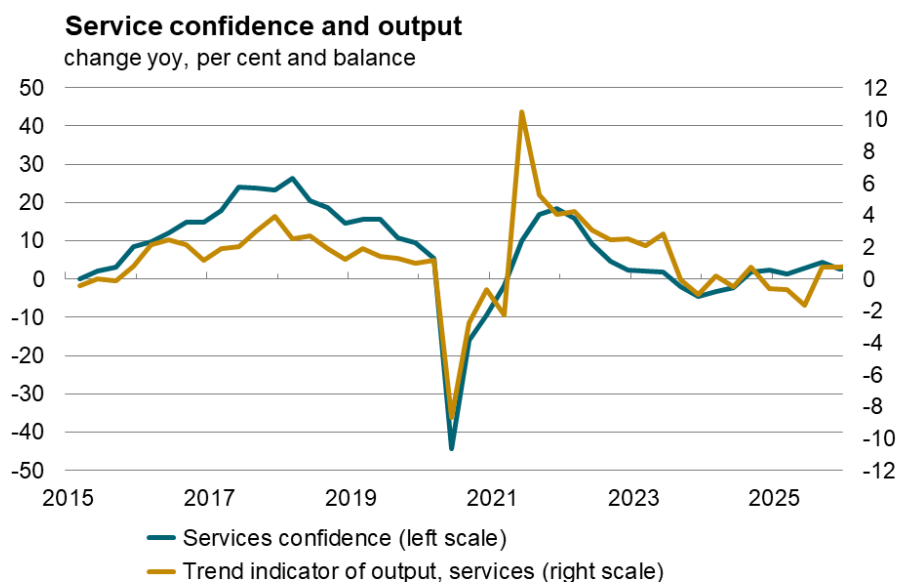
Source: Statistics Finland

Although the gloomiest stage of the economic cycle in construction has passed, activities are recovering slowly and cautiously, and the situation in the housing market continues to be exceptionally subdued. Only moderate growth is expected in value added from construction in the current year. This is due to the prolonged decline in the housing market, where the low number of new housing starts and the reserves of completed unsold housing are slowing development. The industry's short-term development is therefore being borne by non-residential construction, in which the strong boom of data centre construction and manufacturing investments is providing much-needed support. However, in the coming years, value added growth in the industry is forecast to accelerate considerably, as the housing market will gradually recover, and investments in power grids and the energy transition will continue to grow.



Sources: Statistics Finland, European Commission

In the first months of the year, the trend volume of trade has taken an upward turn in both wholesale and retail, and value added in trade grew by 3% in the first quarter of 2026. The confidence indicator for retail was significantly above its average (balance figure 10, while the average is -2) in May, and even the war in Iran has not weakened confidence in retail.



Sources: Statistics Finland, European Commission

In the first months of the year, the volume in services grew by approximately 1% year-on-year. Growth has been seen in particular in real estate, transport and storage services, and administrative and support service activities. At the same time, value added in the financial and insurance activities has decreased considerably. The confidence indicator for the service industries continued to be slightly lower than average in May 2026 (balance figure 4, while the average is 11) but still above zero.

In 2026, the value added in services (including trade and public services) is expected to grow by 0.5%, as value added in public services will continue to decrease, and value added in private services will grow by approximately 1%. In 2027, services will grow by 1.2%, as growth in manufacturing and construction will increase demand for private services.

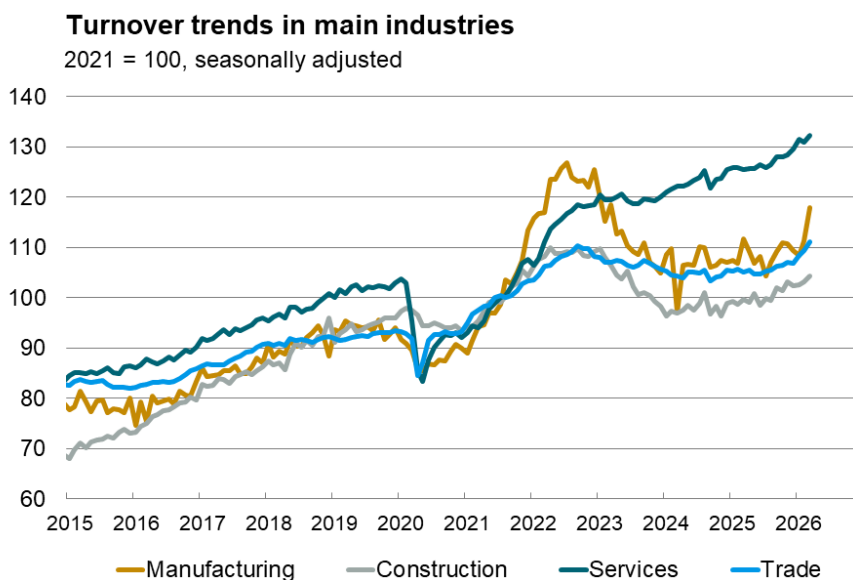


Table 12. Production by industry

	2024	2025	2026*	2027*	2028*	2025 Share, % ¹
Change in volume, %						
Manufacturing	3.8	1.6	1.8	2.4	2.4	20.4
Construction	-6.7	-1.4	1.5	5.0	5.0	5.7
Agriculture and forestry	-1.7	3.8	0.0	0.0	0.6	2.8
Manufacturing and construction	1.4	0.9	1.7	2.9	2.9	26.1
Services	-0.1	-0.2	0.5	1.2	1.3	71.1
Total production at basic prices	0.3	0.2	0.8	1.6	1.7	100.0
GDP at market prices	0.4	0.2	0.8	1.6	1.7	
Labour productivity in the whole economy	1.2	1.4	0.8	0.9	1.1	

¹ Share of total value added at current prices

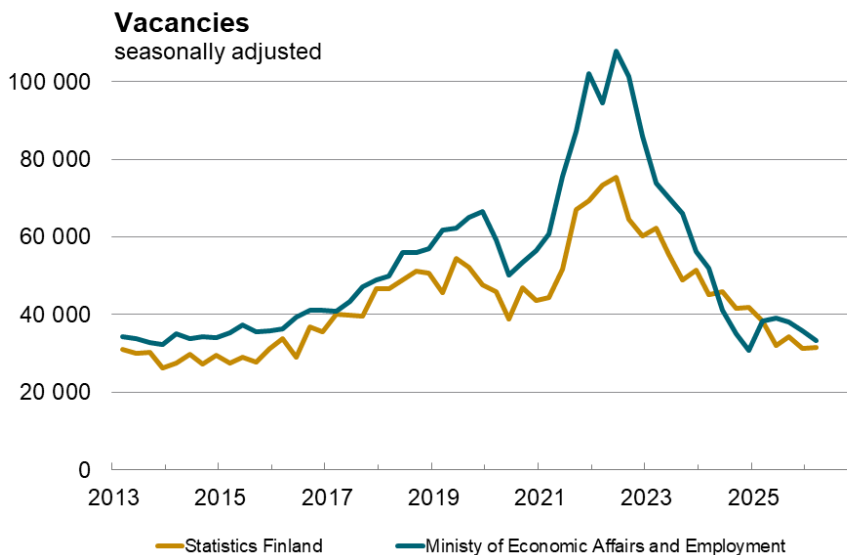
1.8 Labour market

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 again be postponed. In January–April, the number of employed people decreased by 0.5%, which was still aligned with the average pace for 2025. In the first months of the year, growth in the number of unemployed people was slightly slower than last year on average, amounting to 13.8%. The labour force therefore still grew at a rate of nearly 1%, and the number of people outside the labour force contracted by just over 1%. The labour force participation rate is therefore at nearly the highest level in its history.

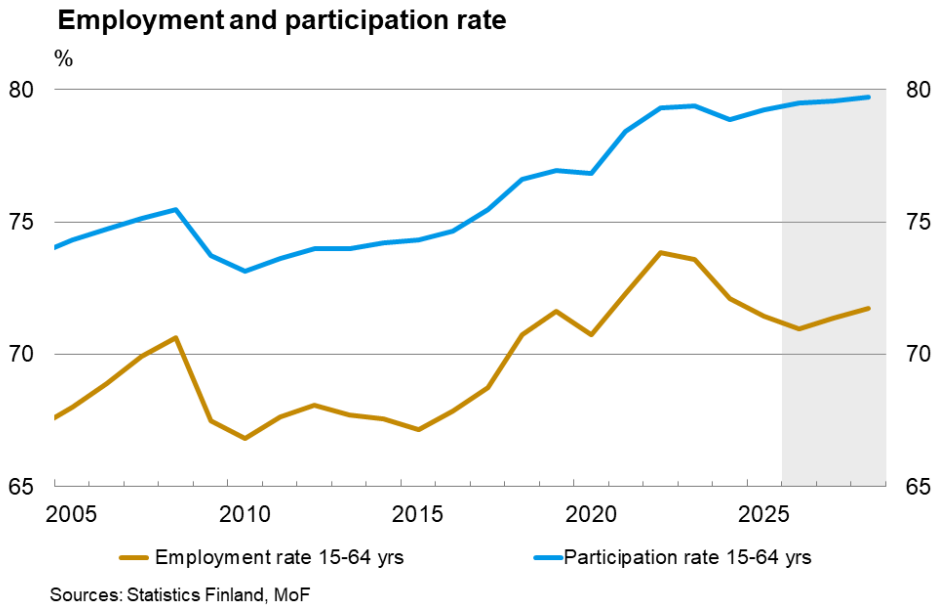
In the first months of the year, the greatest reduction in employment occurred in private service industries and manufacturing. At the same time, the number of employed people grew in certain trade, transport and accommodation sectors. The number of hours worked no longer decreased, which means that the average hours worked per employed person increased.

The employment trend in the 20–64 age group was 75.3% in February, which was nearly the same as in December 2025. The subdued economic growth will only have a minimal increasing impact on demand for labour force this year. The weak development of the number of employed people at the beginning of the year and the low number of available jobs indicate continued weak development in employment. The private sector's intentions of providing employment have yet to improve broadly. At the same time, the value of new orders in industry increased in the first months of the year, so labour force demand in industry may increase this year. According to the Business Tendency Survey, the number of companies increasing their labour force in the service industries and construction is even lower than the number of companies reducing it. Immigration contributes to the supply of labour, although net immigration will slow considerably this year due to register corrections. 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 0.4% this year.

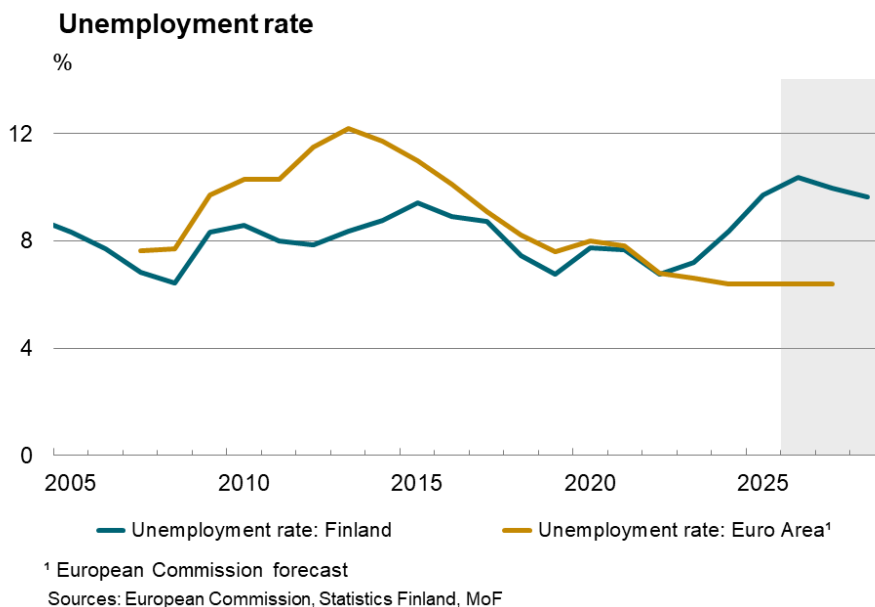


Source: MEAE, SF, MoF

In 2027–2028, the economy will grow faster, and employment will increase by an average of just under 1% annually. Growth will be broad-based and will also be supported by the measures taken by the Government since 2024 to promote the supply of the labour force. The employment rate (20–64 age group) will rise to approximately 76.5% but will still remain below the peak level of nearly 78.1% 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 24,000 more people aged 20–64 in 2028 than in 2025.



The number of unemployed people continued to rise broadly and substantially in the first part of the year. Unemployment rose particularly sharply among those aged 35–44. Male unemployment in this age group doubled. By occupational group, the increase in unemployment affected those in specialist and director positions, as well as in service and sales occupations in particular. In contrast, unemployment fell in primary production occupations.



The unemployment trend increased to 10.6% in April and was slightly higher than at the end of last year. In 2026, unemployment will continue to rise, as the number of employed people will decrease, and people outside the labour force will transfer to the labour force. In particular, the public sector's saving needs are slowing employment growth and contributing to rising unemployment. The unemployment rate will therefore rise to an average of nearly 10.5%. Measured by comparable information, the employment rate has never been this high in the last 17 years. The previous time the number of registered unemployed people, as defined by the Ministry of Economic Affairs and Employment, was as high as 2015–2016. In 2027–2028, the economic recovery will help reduce unemployment as demand for labour force increases, but higher competence requirements for skilled employees will slow this development. In 2028, the unemployment rate will remain at 9%, well above the estimated level of approximately 8.5% in structural unemployment in Finland that year.

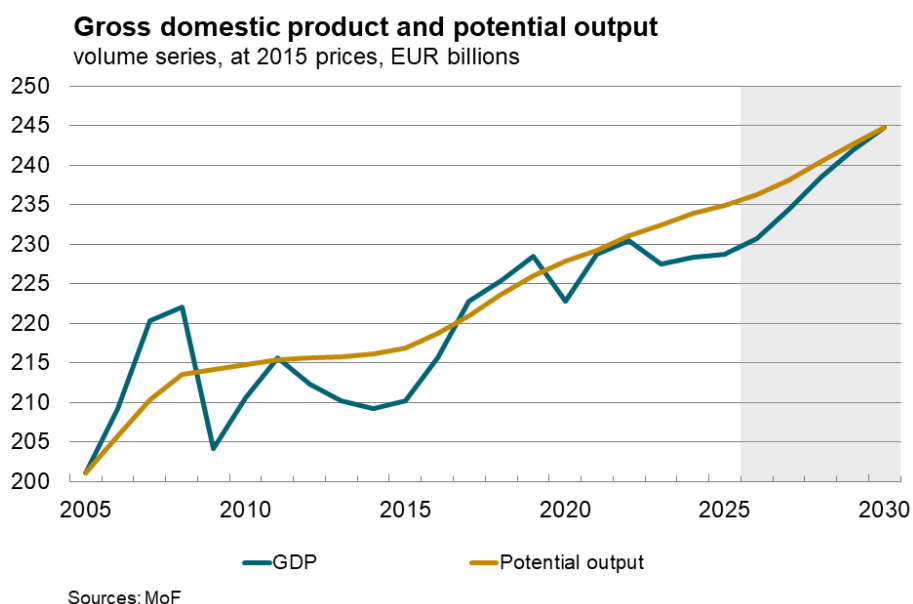
Table 13. Labour market

	2024	2025	2026*	2027*	2028*
Annual average, 1,000 persons					
Population of working age (15–74 yrs)	4 153	4 167	4 175	4 183	4 191
Population of working age (15–64 yrs)	3 473	3 493	3 502	3 513	3 520
Labour force (15–74 yrs)	2 841	2 868	2 878	2 891	2 901
Employed (15–74 yrs)	2 602	2 590	2 580	2 603	2 621
of which 15–64 yrs	2 504	2 495	2 485	2 507	2 525
Unemployed (15–74 yrs)	238	278	298	288	280
Change in volume, 1,000 persons					
Population of working age (15–64 yrs)	31	20	9	11	7
Employed (15–64 yrs)	-28	-9	-10	22	18
Percent					
Employment rate (15–64 yrs)	72.1	71.4	71.0	71.4	71.7
Employment rate (20–64 yrs)	76.7	76.0	75.6	76.0	76.4
Unemployment rate (15–74 yrs)	8.4	9.7	10.4	10.0	9.7
1,000 persons per annum					
Immigration, net	47	35	19	25	25

1.9 Medium-term outlook for 2029–2030

Finland's economy is expected to grow by 1.5% in 2029 and by 1.2% in 2030. The employment rate will rise to 72.4% 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.¹ 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.



1 When assessing potential output and the output gap, the Ministry of Finance uses the production function method jointly developed by the European Commission and EU 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 1.2% per year respectively.²

The employment rate (age group 15–64) is expected to rise to 72.1% in 2029 and to 72.4% in 2030. At the same time, the unemployment rate is projected to fall moderately, and the unemployment gap is expected to close in 2030, when the unemployment rate is forecast to be 8.6%. The increase in consumer prices is projected to reach the 2% inflation target set by the European Central Bank as early as 2029 and to remain at that level in 2030 as well.

In 2026–2030, potential output is projected to grow by an average of 0.8% 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 growth is partly explained by structural changes in the economy, where the contraction of high-productivity sectors and increasing service orientation have slowed TFP growth. Similar developments have also been observed in other advanced economies, but in Finland, productivity growth has been particularly

2 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.

slow. In 2026–2030, the contribution of total factor productivity to growth is estimated to be about 0.3 percentage points per year on average, compared with an average of around two percentage points per year in the early 2000s.

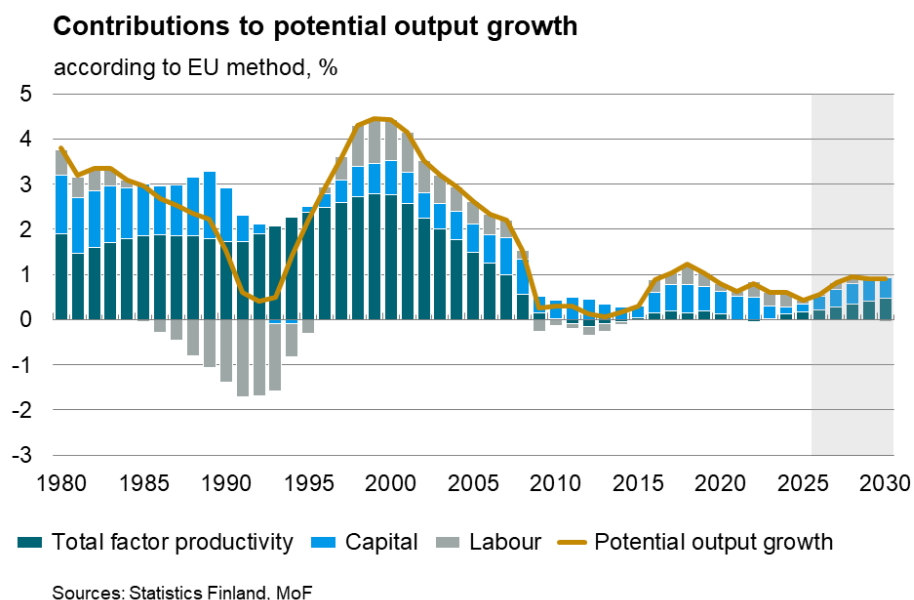


Table 14. Key forecast figures for the medium term

	2024	2025	2026*	2027*	2028*	2029*	2030*
GDP at market prices, change in volume, %	0.4	0.2	0.8	1.6	1.7	1.5	1.2
GDP, nominal, EUR bn	276	281	290	301	314	325	337
Consumer price index, change, %	1.6	0.3	2.0	1.9	2.0	2.0	2.0
Unemployment rate, %	8.4	9.7	10.4	10.0	9.7	9.1	8.6
Employment rate, %	72.1	71.4	71.0	71.4	71.7	72.1	72.4
Output gap, % of potential output ¹	-2.4	-2.6	-2.3	-1.6	-0.8	-0.3	0.0
Potential output growth, % ¹	0.6	0.4	0.6	0.8	1.0	0.9	0.9

¹ Estimated according the method developed jointly by the EU Commission and Member States

2 General Government Finances

2.1 General government

General government deficits will persist. Expenditure will primarily be boosted by defence spending and interest expenses, while at the same time, tax cuts will weaken the impact of the adjustment measures. General government debt is rising steadily and will exceed 90% of GDP this year.

This year, the general government deficit is expected to reach 4.4% of GDP. Defence equipment purchases are the main factor behind the widening deficit. Tax cuts will slow growth in tax revenue. Expenditure growth will be slowed by adjustment measures introduced to balance the increases in defence spending. The purchase of the F-35 fighters is the main factor behind higher defence spending. Economic growth will remain sluggish, but consumption tax revenue will grow rapidly, and this growth will be partly driven by price rises.

Defence expenditure will remain high next year. The lowering of corporation tax will slow growth in tax revenue. The deficit will stabilise at 4.6%. The state of general government finances will remain unchanged between 2028 and 2030. Economic growth will pick up, but growth in tax revenue will only cover expenditure growth. Interest expenses will grow throughout the outlook period, and defence spending will grow particularly rapidly in 2029.

General government debt will reach 90.7% of GDP this year. Annual debt ratio growth will slow to an average of 2.1 percentage points in the next few years. However, driven by central and local government deficits, debt will continue to grow. Debt will be close to 99% of GDP in 2030.

The central government deficit will remain particularly high. This year, the deficit will reach 5%. This year, central government tax revenue will be reduced by cuts in earned income taxation; at the same time, one-off items will also boost revenue. An additional transfer of one billion euros from the State Pension Fund will narrow

the central government deficit next year. Adjustments will also affect central government expenditure in 2026 and 2027. After a temporary improvement in 2027, the deficit will settle at about 5%.

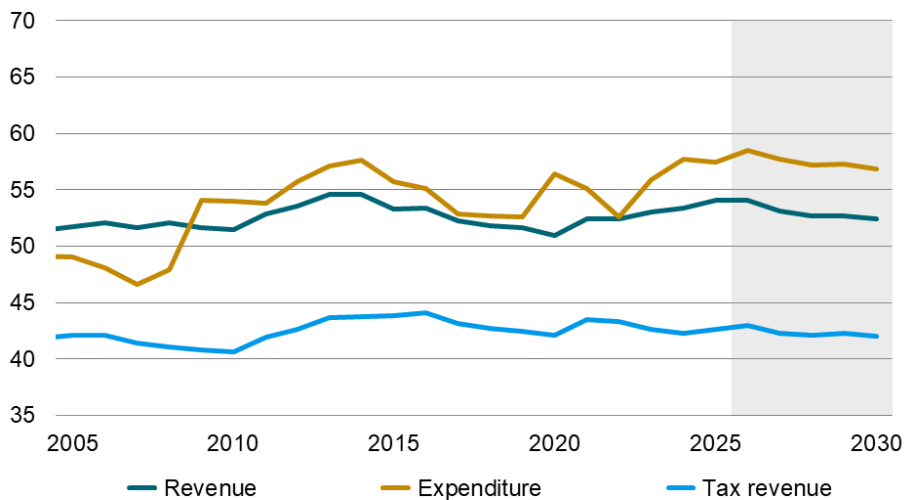
Growth in local government expenditure will mainly be driven by a rapid increase in prices and wages, which will keep local government finances in deficit throughout the outlook period. The budgetary position of the wellbeing services counties will remain balanced in 2026 but will weaken from 2027 onwards as a result of increasing expenditure. At the same time, the growth in wellbeing services counties' revenue will be slowed by changes to the Act on the Funding of Wellbeing Services Counties and the amount of the retroactive funding adjustment. The funding adjustment in the forecast is based on the sum allocated in the spending limits, which will remain below the estimate of the pressure calculation in 2029 and 2030.

The municipal administration budgetary position deficit will be an average of about 0.3% of GDP in the outlook period. The deficit is caused by growth in consumption expenditure, high level of investments and temporary cuts in central government transfers. The deficit will shrink to about 0.2% at the end of the outlook period as the cuts in central government transfers expire.

Overall, social security funds will remain in surplus throughout the outlook period, particularly due to the strong financial position of the employment pension institutions. The surplus of the employment pension institutions is mainly based on property income and employment pension contribution revenue. Other social security funds will recover from the deficits of this year, will be balanced next year and will be slightly in surplus for the remaining outlook period.

General government revenue, tax revenue and expenditure

relative to GDP, %



Sources: Statistics Finland, MoF

General government balance and debt accumulating balance

% of GDP

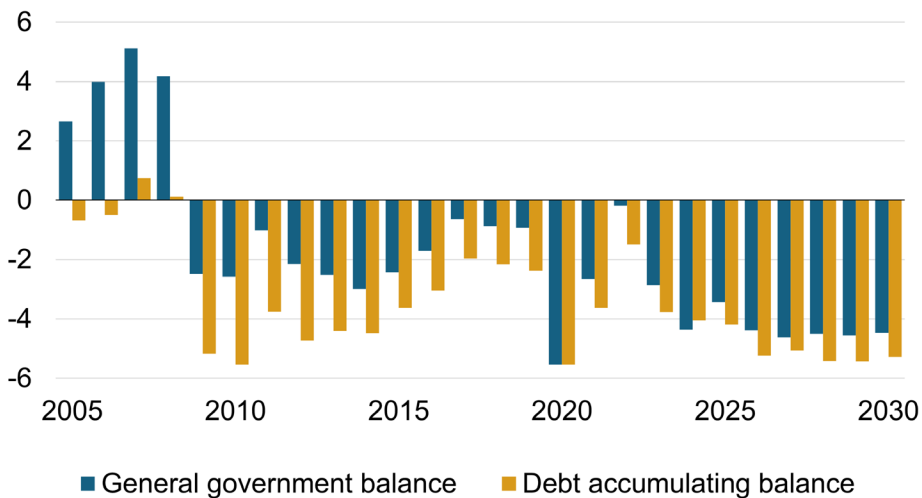


Table 15. General government finances

	2024	2025	2026*	2027*	2028*
EUR billion					
Current taxes	44.1	44.9	45.7	47.0	49.2
Taxes on production and imports	38.5	39.5	41.9	41.8	43.0
Social security contributions	32.7	34.1	35.6	36.9	38.4
Taxes and contributions, total ¹	116.6	119.6	124.4	126.9	131.9
Property income	11.0	11.7	11.6	12.0	12.3
Sales and fee income	17.5	17.9	18.4	18.8	19.3
Other revenue	2.2	2.5	2.3	1.8	1.5
Total revenue	147.4	151.7	156.7	159.5	165.0
Compensation of employees and intermediate consumption	69.2	70.4	72.2	74.0	76.8
Subsidies	3.2	3.1	3.3	3.2	3.2
Social benefits and social transfers in kind	62.2	62.7	64.1	66.1	67.7
Other current transfers	6.7	6.8	7.4	7.5	7.6
Property expenditure	4.4	4.6	5.2	6.0	6.7
Gross capital formation	12.3	12.4	15.9	15.8	16.3
Other expenditure	1.4	1.2	1.2	0.9	0.8
Total expenditure	159.4	161.3	169.4	173.4	179.2
Consumption expenditure	72.0	73.1	75.3	77.8	81.0
Net lending (+) / net borrowing (-)	-12.0	-9.6	-12.7	-13.9	-14.1
Central government	-10.2	-10.9	-14.4	-14.1	-16.1
Municipal administration	-0.9	-0.8	-0.8	-1.2	-0.9
Wellbeing services counties	-1.7	0.1	0.1	-0.3	-0.4
Employment pension schemes	2.2	2.8	2.7	1.7	3.0
Other social security funds	-1.3	-0.8	-0.3	0.0	0.2
Net lending of central and local government	-12.9	-11.6	-15.1	-15.6	-17.4
Primary balance ²	-7.7	-5.0	-7.5	-7.9	-7.5

¹ Incl. capital taxes² Net lending excluding gross interest expenses

Table 16. Main economic indicators in general government

	2024	2025	2026*	2027*	2028*
Relative to GDP, %					
Taxes and social security contributions	42.3	42.6	42.9	42.2	42.1
General government expenditure	57.7	57.5	58.4	57.6	57.1
Net lending of the general government	-4.4	-3.4	-4.4	-4.6	-4.5
Central government	-3.7	-3.9	-5.0	-4.7	-5.1
Municipal administration	-0.3	-0.3	-0.3	-0.4	-0.3
Wellbeing services counties	-0.6	0.0	0.0	-0.1	-0.1
Employment pension institutions	0.8	1.0	0.9	0.6	1.0
Other social security funds	-0.5	-0.3	-0.1	0.0	0.1
Net lending of central and local government	-4.7	-4.2	-5.2	-5.2	-5.5
General government debt	82.4	88.5	90.7	92.3	94.1
Central government debt	61.4	66.9	69.1	71.0	73.2
Primary balance ¹	-2.8	-1.8	-2.6	-2.6	-2.4
Structural balance	-3.0	-1.9	-3.0	-3.7	-4.0
General government net expenditure, annual change, % ²	-	-0.6	4.4	3.4	3.3
General government employment, 1,000 persons	707	695	695	691	692
Central government	155	146	146	141	141
Municipal administration	260	259	257	257	257
Wellbeing services counties	279	277	278	279	279
Social security funds	13	14	14	14	14

¹ Net lending excluding gross interest expenses² Regulation (EU) 2024/1263 of the European Parliament and of the Council, Article 2(2)

2.2 Central government

The central government deficit will remain high. The adjustment measures will be insufficient to cover the increase in defence spending and interest expenses in the coming years. Moreover, tax cuts will slow revenue growth, especially in 2026 and 2027.

This year, the central government deficit will reach 5.0% of GDP. Economic growth will remain slow, and expenditure will be substantially boosted by an increase in defence spending totalling more than two billion euros. The deliveries of the F-35 fighter jets and their entry in the national accounts are the main factors behind the growth. However, in on-budget accounting, this expenditure item will be timed differently. The purchase of the F-35 jets is expected to burden central government finances until 2030, and tax cuts will also reduce income tax revenue this year. At the same time, the situation is eased by a one-off revenue item arising from the gambling reform.

The central government deficit will narrow to 4.6% in 2027. An additional one-off transfer of one billion euros from the State Pension Fund will contribute to the improvement. Growth in tax revenue will be slowed by a cut in corporation tax and sluggish private demand, which is reflected in the value-added tax revenue. In 2028, the deficit will grow again to just over 5%, as there will no longer be any one-off transfers.

Expenditure growth is driven by defence spending and interest expenses

In the coming years, growth in central government expenditure will be boosted by defence spending and interest expenses, which are growing each year. Expenditure growth will be curbed by economic adjustment, as major adjustment measures will still be introduced this year and in 2027.

Defence expenditure will grow rapidly this year and towards the end of the spending limits period, as defence spending will be increased to 3.2% of GDP. The rise in interest expenses is driven by the growing debt and the fact that rising interest rates will be gradually reflected in interest expenses. Interest expenses totalled EUR 3.7 billion last year, and they are expected to reach EUR 6.9 billion in 2030.

Current transfers to wellbeing services counties, the most important central government expenditure item, will grow by EUR 1.2 billion this year, after which the growth will temporarily slow to about EUR 0.3 billion. Expenditure will also be boosted by a rapid increase in EU membership fees this year.

Central government investments will amount to 3% of GDP this year, a new record. They will grow by almost 50% compared to 2025. The increase can be primarily attributed to the deliveries of the F-35 fighter jets. In the ensuing years, investments will also be boosted by other major purchases such as the vessels for the Finnish Border Guard and the Navy, and overall increases in appropriations. There is uncertainty in the timing of central government investments in defence equipment purchases in particular.

Growth in central government revenue will be slowed by tax cuts

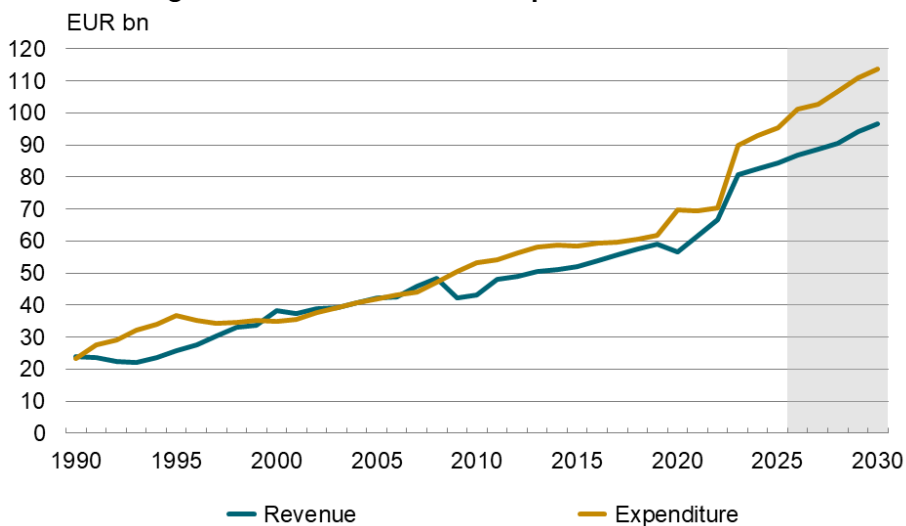
Despite tax cuts, growth in central government tax revenue will accelerate to 3.6% this year. In particular, corporation tax and value-added tax revenue will grow rapidly, and tax revenue will also be boosted by a one-off item in connection with the gambling reform.

Next year, growth in tax revenue will slow to 1%. The slowdown is due to the expiry of the one-off items of this year and a reduction in corporation tax revenue, a result of tax cuts. Cuts are also made in earned income taxation. Tax revenue will grow by an average of about 3% each year during the outlook period.

Indirect taxes will grow at an average annual rate of 3% during the outlook period. Value-added tax revenue is expected to grow by about 6% this year. Although growth in the volume of consumption remains sluggish, price increases will boost the value of consumption.

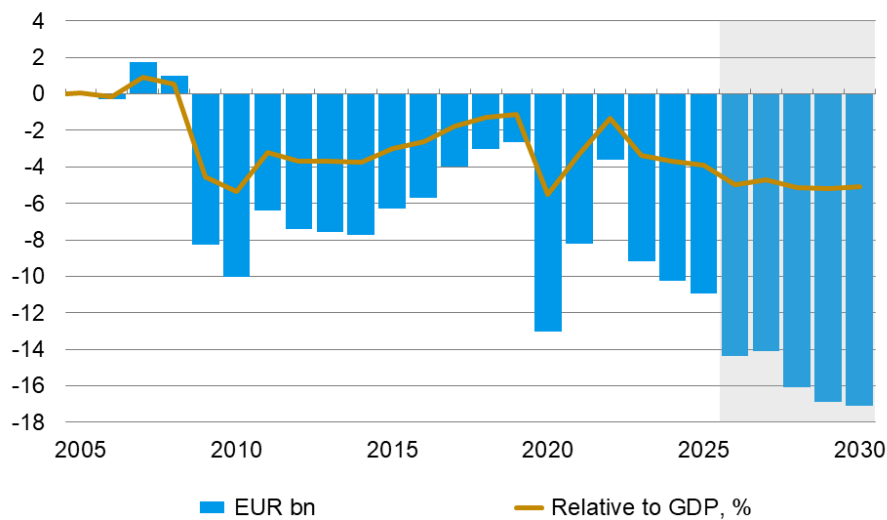
Direct tax revenue will grow by an average of 3.2% each year. Tax cuts will reduce revenue in 2026 and 2027. Earned income tax and capital income tax revenue will contract this year but will grow by nearly 5% each year from 2027 onwards. Corporation tax revenue will grow by more than 9% this year but will contract next year as a result of tax cuts.

Central government revenue and expenditure



Sources: Statistics Finland, MoF

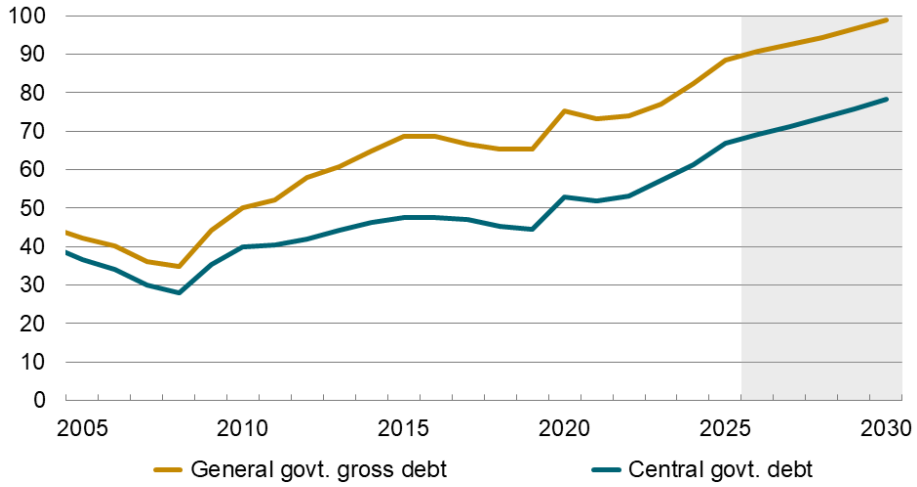
Central government financial balance



Sources: Statistics Finland, MoF

General government debt

relative to GDP, %



Sources: Statistics Finland, MoF

Table 17. Central government

	2024	2025	2026*	2027*	2028*
EUR billion					
Current taxes	32.4	33.2	33.2	34.1	35.8
Taxes on production and imports	36.2	37.2	39.5	39.3	40.5
Social security contributions	0.0	0.0	0.0	0.0	0.0
Taxes and social security contributions, total ¹	69.9	71.4	73.9	74.7	77.6
Sales and fee income	4.9	4.9	5.0	5.1	5.2
Property income	3.1	3.1	2.9	3.0	3.0
Other revenue	4.7	5.1	5.1	5.9	4.7
Total revenue	82.7	84.5	86.9	88.6	90.5
Compensation of employees and intermediate consumption	18.4	18.4	18.8	18.9	19.8
Property expenditure	3.4	3.7	4.1	4.9	5.6
Subsidies	2.8	2.6	2.7	2.6	2.6
Social benefits and social transfers in kind	5.5	5.3	5.3	5.4	5.7
Other current transfers	56.2	58.8	60.7	61.5	63.2
to general government	50.6	53.3	54.6	55.4	57.0
Gross capital formation	5.3	5.5	8.6	8.5	8.9
Other expenditure	1.3	1.1	1.1	0.8	0.7
Total expenditure	92.9	95.4	101.3	102.7	106.6
Consumption expenditure	18.9	18.7	19.0	19.6	20.8
Net lending (+) / net borrowing (-)	-10.2	-10.9	-14.4	-14.1	-16.1
Primary balance ²	-6.8	-7.2	-10.3	-9.2	-10.5

¹ Includes gift and inheritance taxes² Net lending excluding gross interest expenses

2.3 Municipal administration

On average, municipal administration deficit is expected to remain at about 0.3% of GDP. The financial imbalance is primarily due to growth in consumption expenditure, the high level of investments and cuts in central government transfers. The municipal administration deficit will contract at the end of the outlook period as the temporary cuts in central government transfers expire.

The financial situation of the municipal administration will remain difficult in the coming years. In 2026, the deficit will be at 0.3%, reach 0.4% in 2027 and decrease to 0.3% in 2028.

In the outlook period, municipal administration consumption expenditure will primarily grow due to price rises, although expenditure will decrease as a result of falling birthrates and smaller age classes. The wage agreements concluded in the municipal sector in particular will boost labour costs in a personnel-intensive sector. The highest pay rises will be granted in the next few years, and the municipal index of wage and salary earnings is expected to rise more rapidly than general earnings in 2027 and 2028.

The focus of municipal basic services is on educational and cultural services, and the combined need for these services is decreasing. However, the decrease in service needs will not lead to a decrease in expenditure in the same proportion, as the rigidities arising from the service network, personnel structure and statutory obligations slow expenditure adjustments. Moreover, the participation rate in early childhood education and care and the need for special support have increased in recent years. The projected decrease in service needs is therefore not quite as steep.

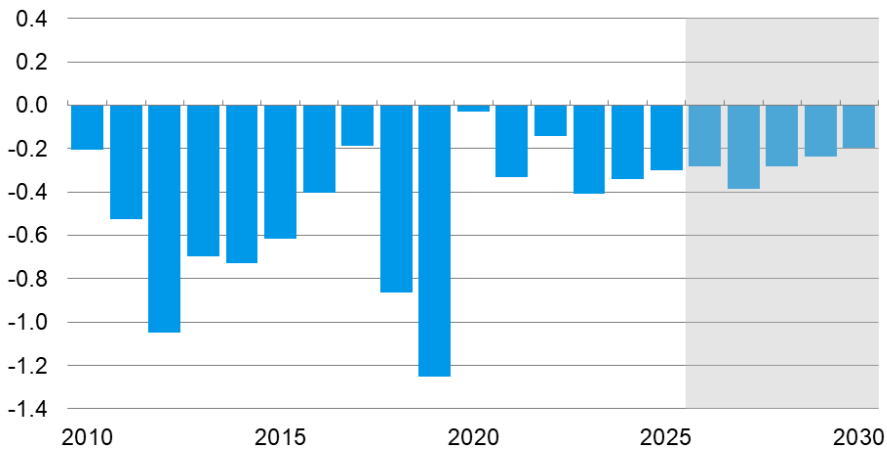
Falling birthrates and internal migration are widening the gaps between municipalities. In municipalities with a decreasing population, the revenue base is weakening, and the working-age population is shrinking. At the same time, in growing municipalities, population growth keeps investment needs at a high level. Overall, investments will remain at a high level during the outlook period, despite the fact that in many municipalities, investment needs are decreasing. Most of the inputs concern essential basic infrastructure such as buildings and roads, but green transition projects are also a factor boosting investments.

Driven by the economic upturn, municipal tax revenue will increase. In 2026, growth in tax revenue will accelerate to 5.5% as a result of a substantial increase in municipal income tax and corporation tax revenue. Growth in overall tax revenue will level off to about 3.6% in the medium term.

Current transfers received from central government will fluctuate in the outlook period. Current transfers will be boosted by the adjustment of cost sharing and index increases, but at the same time, they will be reduced by the Government-approved cuts in central government transfers for basic services. The expiry of the temporary cuts at the end of the outlook period will boost central government transfers. However, revenue will be insufficient to meet all expenditure needs, and the municipal administration deficit will settle at about 0.2% of GDP in the period 2029–2030.

The forecast involves both positive and negative risks. Municipalities' own adjustment measures may strengthen their budgetary position more than projected if the adjustment of the service network and personnel expenses progresses more smoothly than expected. At the same time, a failure of the adjustment measures or an escalation of geopolitical tensions may boost expenditure more rapidly than forecast.

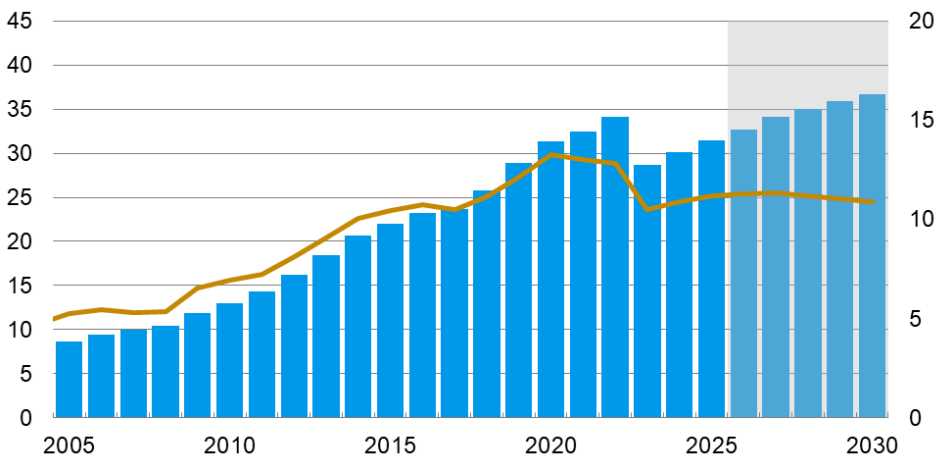
Municipal government financial balance relative to GDP, %



Local government until the end of year 2022

Sources: Statistics Finland, MoF

Municipal government debt



EUR bn (left scale) Relative to GDP, % (right scale)

Local government until the end of year 2022

Sources: Statistics Finland, MoF

Table 18. Municipal administration¹

	2024	2025	2026*	2027*	2028*
EUR billion					
Taxes	14.0	14.1	14.9	15.4	16.0
municipal tax	10.0	10.1	10.7	11.0	11.5
corporate tax	1.7	1.7	1.8	1.9	2.0
real estate tax	2.3	2.4	2.4	2.4	2.5
Sales and fee income	6.1	6.3	6.4	6.5	6.6
Transfers from the central government	8.3	9.2	9.4	9.3	9.9
Other revenue	2.1	2.2	2.3	2.3	2.4
Total revenue	30.5	31.9	32.9	33.5	34.8
Compensation of employees and intermediate consumption	22.8	23.6	24.1	24.8	25.6
Social allowances and social transfers in kind	0.5	0.7	0.7	0.7	0.7
Other current transfers	1.7	2.2	2.4	2.4	2.4
Property expenditure	0.8	0.7	0.8	0.8	0.8
Gross capital formation	5.6	5.5	5.6	5.8	6.0
Other expenditure	0.0	0.1	0.1	0.1	0.1
Total expenditure	31.5	32.7	33.8	34.7	35.7
Consumption expenditure	21.7	22.3	23.1	23.9	24.8
Net lending (+) / net borrowing (-)	-0.9	-0.8	-0.8	-1.2	-0.9
Primary balance ²	-0.1	-0.1	0.0	-0.3	-0.0

¹ Excl. Helsinki's social welfare and health care services and rescue services² Net lending excluding gross interest expenses

2.4 Wellbeing services counties

Wellbeing services counties' financial position will remain balanced in 2026 but will gradually weaken thereafter as expenditure growth outpaces revenue growth. This is primarily because expenditure pressures are accentuated by wage increases and the ageing of the population, while funding cannot keep up with expenditure growth.

Wellbeing services counties' financial position will remain balanced in 2026, but the balance will then gradually move into deficit. In 2027, the deficit will be about 0.1% of GDP and will reach 0.3% or about one billion euros by 2030. Expenditure will increase by an average of about 3.5%, and revenue by about 2.9%, each year in the period 2026–2030.

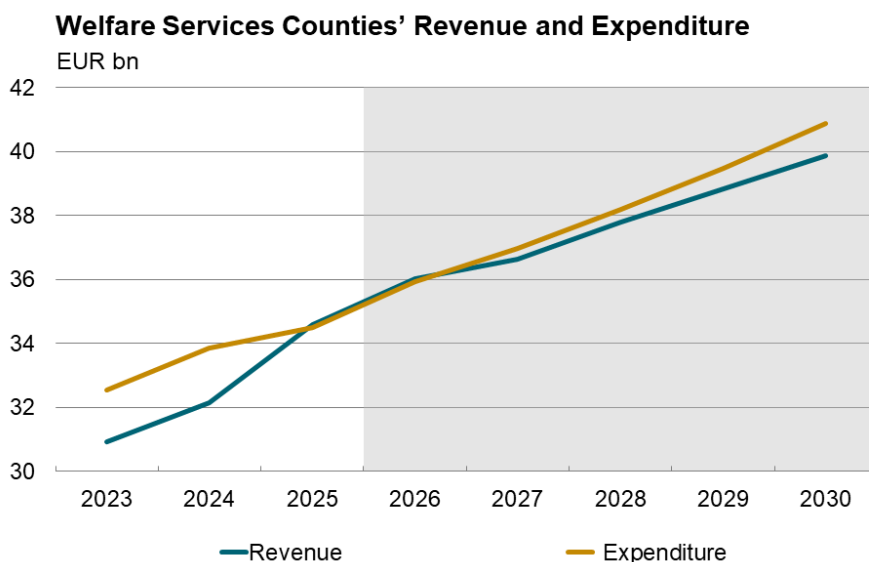
Growth in consumption expenditure during the outlook period will be driven by cost increases resulting from wage agreements and by increased demand for health and social services due to population ageing. Overall expenditure will also be driven by wellbeing services counties' investment needs, in which the focus is on the modernisation of the service network, building stock and ICT systems. Investments are expected to grow as a result of investments in buildings, machinery and equipment, and growth will be particularly rapid in 2026.

Expenditure growth will be slowed by the expenditure adjustments introduced by the Government and increases in health and social services client fees, the full impact of which will be felt in 2027. Expenditure growth will also be slowed by the adjustment measures introduced by the wellbeing services counties this year. About EUR 0.4 billion of these measures are considered in the forecast, and the estimate has been slightly revised upwards based on the moderate operating balance growth in the first quarter of the year.

Central government funding is determined by the wellbeing services counties index, growth in service demand and legislative changes. The third phase of the reform of the Act on the Funding of Wellbeing Services Counties will slow the growth of funding.

Central government funding for the counties is adjusted with a delay of two years, and the adjustment is based on the counties' accounts. In 2027, the cost adjustment will total about EUR 0.9 billion. The retrospective adjustment considered in the forecast is based on the amount allocated in the General Government Fiscal Plan. If the counties' expenditure grows in accordance with the pressure calculation, the adjustment in 2027 and 2028 would be about EUR 0.1 billion less than allocated in the General Government Fiscal Plan, but would exceed the allocated sum by about EUR 0.2 billion in 2029 and by about EUR 0.6 billion in 2030.

The forecast involves both positive and negative uncertainties. Expenditure may remain lower than estimated if the spending cuts and efficiency improvements are more successful than expected. At the same time, delays in the adjustment measures, measures proving less effective than expected, and unforeseen spending increases such as unexpectedly rapid cost increases or an increase in service production may weaken wellbeing services counties' financial position more than forecast.



Sources: Statistics Finland, MoF

Table 19. Welfare services counties¹

	2024	2025	2026*	2027*	2028*
EUR billion					
Sales and fee income	5.6	5.8	6.0	6.3	6.6
Transfers from the central government	26.2	28.6	29.7	30.1	30.9
Other revenue	0.3	0.2	0.2	0.3	0.3
Total revenue	32.1	34.6	36.0	36.6	37.8
Compensation of employees and intermediate consumption	25.8	26.3	27.2	28.0	29.1
Social benefits and social transfers in kind	6.4	6.5	6.8	7.1	7.4
Property expenditure	0.2	0.1	0.2	0.2	0.2
Gross capital formation	1.4	1.4	1.7	1.5	1.3
Other expenditure	0.1	0.1	0.1	0.1	0.1
Total expenditure	33.8	34.5	35.9	37.0	38.2
Consumption expenditure	26.7	27.2	28.1	29.0	30.2
Net lending (+) / net borrowing (-)	-1.7	0.1	0.1	-0.3	-0.4
Primary balance ²	-1.5	0.3	0.3	-0.1	-0.2
Index of welfare services counties, change, %	2.53	3.00	3.25	2.78	2.97
Index of wage and salary earnings of welfare services counties, change, %	4.7	6.1	4.8	4.1	4.2

¹ Incl. Helsinki's social welfare and health care services and rescue services² Net lending excluding gross interest expenses

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

	2024	2025	2026*	2027*	2028*
EUR billion					
Sales and fee income	11.7	12.1	12.4	12.8	13.2
Taxes and social security contributions, total	14.0	14.1	14.9	15.4	16.0
Transfers from the central government	34.6	37.8	39.1	39.4	40.8
Other transfers	0.3	0.3	0.3	0.3	0.4
Other revenue	2.1	2.1	2.2	2.2	2.3
Total revenue	62.7	66.5	69.0	70.1	72.6
Compensation of employees and intermediate consumption	48.5	49.9	51.3	52.8	54.7
Social benefits and social transfers in kind	7.0	7.2	7.5	7.8	8.1
Other current transfers	1.8	2.3	2.4	2.5	2.5
Property expenditure	1.0	0.9	1.0	1.0	1.1
Gross capital formation	7.0	6.9	7.3	7.3	7.3
Other expenditure	0.1	0.1	0.1	0.1	0.1
Total expenditure	65.3	67.2	69.7	71.6	73.8
Consumption expenditure	48.4	49.5	51.2	52.9	55.0
Net lending (+) / net borrowing (-)	-2.6	-0.7	-0.7	-1.5	-1.3
Primary balance ¹	-1.7	0.1	0.3	-0.4	-0.2

¹ Net lending excluding gross interest expenses

2.5 Social security funds

The surplus of the social security funds is expected to reach 1.1% of GDP during the outlook period. The surplus of the employment pension schemes will grow throughout the outlook period, except for 2027, when it will temporarily decrease due to the one-off transfer from the State Pension Fund. Other social security funds will remain close to balance throughout the outlook period.

2.5.1 Employment pension schemes

The surplus of the employment pension schemes is expected to be 0.9% of GDP this year. In 2027, the surplus will temporarily fall to 0.6% of GDP as a result of the one-off additional transfer from the State Pension Fund to the Budget. At the end of the outlook period, the surplus is expected to gradually rise to 1.1% of GDP.

In 2026, the sector's total expenditure is expected to grow by just over 2%, primarily due to growth in employment pension expenditure. Growth in total expenditure will accelerate to about 7% in 2027. This is primarily due to the decision made by the Government in its spring 2025 mid-term policy review to increase the transfer from the State Pension Fund to the Budget by about EUR 1,050 million on a one-off basis. The transfer will also be permanently increased by about EUR 66 million each year from 2026 onwards. In its autumn 2025 budget session, the Government decided to further increase the transfer by about EUR 100 million, starting in 2027. In addition to the growth in current transfers, employment pension expenditure will also increase in 2027 more rapidly than in 2025 and 2026 because the employment pension index is expected to rise as a result of higher prices. In 2028, total expenditure will remain at previous year's levels, and towards the end of the outlook period, expenditure will grow by an average of 3.6% each year, primarily as a result of an increase in employment pension expenditure.

Employment pension contribution revenue accounts for a significant part of the sector's revenue (on average just over 70%). Growth in social security contributions received is expected to slow to below 2% in 2026, mainly due to the lowering of the average TyEL contribution. In the coming years of the outlook period, growth will be supported by changes in wage bill growth, and the annual growth in

employment pension contribution revenue will therefore accelerate to an average of 4%. The surplus will also be supported by the property income of employment pension schemes throughout the outlook period, despite the fact that the crisis in the Middle East is expected to slow their growth at the start of the outlook period. Property income will grow moderately in 2026, but the growth rate is expected to pick up slightly towards the end of the outlook period. However, the forecast involves uncertainties due to the geopolitical situation, and this mainly applies to property income. The sector’s total revenue is expected to grow by about 2% this year and an average of 4% towards the end of the outlook period.

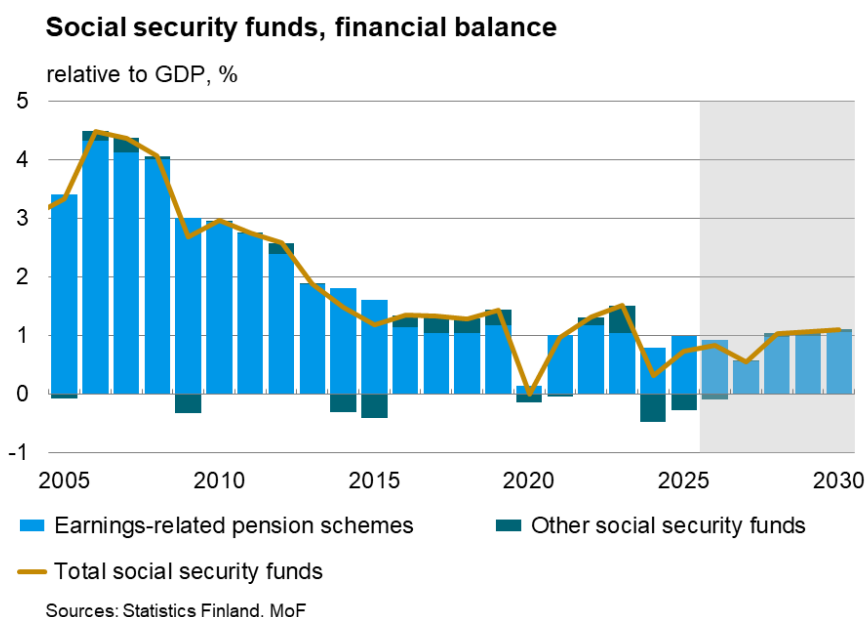


Table 21. Finances of social security funds

	2024	2025	2026*	2027*	2028*
EUR billion					
Property income	6.0	6.6	6.7	6.9	7.2
Social security contributions	32.7	34.1	35.6	36.9	38.4
contributions paid by employers	20.6	21.6	22.5	23.3	24.2
contributions paid by insured	12.2	12.5	13.1	13.6	14.1
Transfers from general government	17.5	17.1	17.3	17.9	18.1
Other revenue	1.0	1.0	1.0	1.1	1.1
Total revenue	57.2	58.8	60.6	62.8	64.7
Compensation of employees and intermediate consumption	2.2	2.1	2.1	2.3	2.3
Social benefits and social transfers in kind	49.8	50.2	51.3	52.8	53.9
Other expenditure	4.3	4.4	4.7	6.0	5.2
Total expenditure	56.4	56.8	58.2	61.1	61.5
Consumption expenditure	4.8	4.9	5.0	5.3	5.3
Net lending (+) / net borrowing (-)	0.9	2.0	2.4	1.7	3.3
Earnings-related pension schemes	2.2	2.8	2.7	1.7	3.0
Other social security funds	-1.3	-0.8	-0.3	0.0	0.2
Primary balance ¹	0.9	2.1	2.5	1.8	3.3

¹ Net lending excluding gross interest expenses

2.5.2 Other social security funds

Although the other social security funds will post deficits in 2026, they will still be nearly balanced. The trend will primarily be boosted by increase in unemployment insurance contributions and higher health insurance contributions. Other social security funds will reach balance in 2027 and will post slight surpluses towards the end of the outlook period due to factors such as a gradual decrease in unemployment expenditure and moderate growth in social security contributions.

In 2026, the sector's total expenditure will grow by 2.5% and next year by 1.6%. Unemployment expenditure will decrease gradually during the outlook period, which will slow total expenditure growth. The growth rate in total expenditure will slow in 2028, and expenditure will remain at 2027 levels. The slowdown in expenditure growth will also be due to factors such as the transfer of the responsibility for emergency medical service transports to wellbeing services counties. Towards the end of the outlook period, total expenditure is expected to grow at an average annual rate of about 1%. The key risk to the sector's expenditure concerns unemployment trends, and the resulting changes in unemployment expenditure and other benefit expenditure.

In 2026, the sector's total revenue is expected to grow by 5%, especially due to higher unemployment insurance contributions. Towards the end of the outlook period, social security contributions received will grow more slowly than this year. In a press release published on 28 April 2026, Employment Fund estimated that the combined level of employers' and employees' unemployment insurance contributions could be kept unchanged in 2027 or be increased by a maximum of 0.3 percentage points. This estimate is not considered in the forecast, but higher contributions would boost the revenue of the sector and strengthen the general government financial position. In 2027, total revenue is expected to grow by just under 3%, after which the annual growth rate will slow to about 1%.

Table 22. Social security contributions rates and pension indices

	2024	2025	2026	2027*	2028*
Social insurance contributions¹					
Employers					
Sickness insurance	1.16	1.87	1.91	1.87	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
Employees					
Daily allowance contribution	1.01	0.84	0.88	0.83	0.80
Health care contribution	0.51	1.06	1.10	1.12	1.11
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
Benefit recipients					
Sickness insurance	1.48	1.45	1.49	1.51	1.50
Pension indices					
Earnings-related index	3 037	3 077	3 104	3 186	3 243
National pension index	1 911	1 930	1 939	1 986	2 015

¹ 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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