

Economic Survey **Spring 2026**

Economic Prospects

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Economic Survey

Spring 2026

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Abstract

The recovery of the Finnish economy will be delayed because of the crisis in the Middle East and rising energy prices. GDP will grow by only 0.6 per cent in 2026, but growth is expected to accelerate to 1.7 per cent in 2027 and 2028. Rising oil prices will weaken external demand and households' purchasing power, which will slow both exports and private consumption. Defence and energy transition projects will support investments, but housing construction will remain at a subdued level. Unemployment remains high, and the improvement in employment is delayed, which slows the recovery of domestic demand.

Despite sluggish economic growth, the general government deficit narrowed to 3.4 per cent of GDP in 2025. Although the adjustment measures will strengthen general government finances, the recording of fighter jet purchases as expenditure will increase the general government deficit this year. At the same time, the economic impacts of the crisis in the Middle East will also be gradually felt in Finland's general government finances. In 2026–2029, the deficit will be 4.6 per cent of GDP. The deficit will gradually narrow towards the end of the outlook period but will remain high. Defence and interest expenditures are growing rapidly, while economic growth will be sluggish. As a result, the deficit will still amount to 4.4 per cent of GDP in 2030. The debt-to-GDP ratio is expected to reach about 91 per cent this year, and in 2030, the debt is expected to exceed 99 per cent of GDP.

Keywords economic prospects, public finance, economic development, spending limits negotiations.

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Taloudellinen katsaus

Kevät 2026

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Kieli	Suomi	Sivumäärä	122

Tiivistelmä

Talouden toipuminen viivästyy Lähi-idän kriisin ja energian hinnan nousun vuoksi. BKT kasvaa vain 0,6 prosenttia vuonna 2026, mutta kasvun odotetaan vahvistuvan 1,7 prosenttiin vuosina 2027–2028. Öljyn kallistuminen heikentää ulkoista kysyntää ja kotitalouksien ostovoimaa, mikä hidastaa sekä vientiä että yksityistä kulutusta. Puolustukseen ja energiasiirtymään liittyvät hankkeet tukevat investointeja, mutta asuntorakentaminen pysyy heikkona. Työttömyys on korkealla ja työllisyyden paraneminen viivästyy, mikä jarruttaa kotimaisen kysynnän elpymistä.

Julkisyhteisöjen alijäämä koheni 3,4 prosenttiin suhteessa BKT:hen vuonna 2025 vaisusta suhdannetilanteesta huolimatta. Vaikka sopeutustoimet vahvistavat julkista taloutta, hävittäjähankintojen kirjautuminen menoihin kasvattaa julkisyhteisöjen alijäämää tänä vuonna, minkä lisäksi Lähi-idän kriisin taloudelliset seuraukset alkavat tuntua myös julkisessa taloudessa. Vuosina 2026–2029 alijäämä on 4,6 prosenttia suhteessa BKT:hen. Alijäämä paranee hivenen ennustejakson lopulla, mutta pysyy edelleen suurena. Kun puolustus- ja korkomenot kasvavat nopeasti mutta talous verkkaisesti, alijäämä on 4,4 prosenttia vielä vuonna 2030. Velkasuhteen arvioidaan nousevan tänä vuonna noin 91 prosenttiin, ja vuonna 2030 velan odotetaan olevan yli 99 prosenttia suhteessa BKT:hen.

Asiasanat talousnäkömät, julkinen talous, taloudellinen kehitys, kehysneuvottelut.

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Ekonomisk översikt

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Referat

Den ekonomiska återhämtningen fördröjs till följd av krisen i Mellanöstern och stigande energipriser. BNP växer endast med 0,6 procent år 2026, men tillväxten väntas stärkas till 1,7 procent under åren 2027–2028. De högre oljepriserna försvagar den externa efterfrågan och hushållens köpkraft, vilket dämpar både exporten och den privata konsumtionen. Investeringarna stöds av projekt kopplade till försvar och energiomställning, men bostadsbyggandet förblir svagt. Arbetslösheten är hög och förbättringen av sysselsättningen dröjer, vilket bromsar återhämtningen i den inhemska efterfrågan.

Underskottet i de offentliga finanserna förbättrades till 3,4 procent i förhållande till BNP år 2025 trots det svaga konjunkturläget. Även om anpassningsåtgärder stärker de offentliga finanserna, ökar bokföringen av stridsflygplansanskaffningar utgifterna i år och därmed underskottet, samtidigt som de ekonomiska följderna av krisen i Mellanöstern också börjar märkas i de offentliga finanserna. Under åren 2026–2029 är underskottet 4,6 procent i förhållande till BNP. Underskottet förbättras en aning i slutet av prognosen men förblir stort. Underskottet är 4,4 procent ännu år 2030, eftersom försvars- och ränteutgifter ökar snabbt emedan ekonomin växer långsamt. Skuldkvoten beräknas stiga till cirka 91 procent i år, och år 2030 väntas den överstiga 99 procent i förhållande till BNP.

Nyckelord ekonomiska utsikter, offentlig ekonomi, ekonomisk utveckling, ramförhandlingar.

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SYMBOLS AND CONVENTIONS USED

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

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

TO THE READER

This Economic Survey offers projections of economic developments in 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). In addition, in accordance with Act 1441/2025, the Finnish Economic Policy Council endorses the macroeconomic forecast prepared by the department responsible for forecasting at the Ministry of Finance, which serves as the basis for the government budget proposal and the planning of public finances.

The forecasts are based on national accounts data published by Statistics Finland in March 2026 and on other public statistical sources, which have been available by 16 March 2026 for the forecast of the real economic developments presented in chapter 1 and by 25 March 2026 for the forecast of public finances presented in chapter 2.

Helsinki, April 2026,

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The Finnish Economic Policy Council has endorsed the spring 2026 macroeconomic forecast presented in this Survey in a confirmation letter signed 10 April 2026.

Contents

To the reader	7
Preface	10
Summary	13
1 Economic Outlook	22
1.1 Global Economy.....	22
1.1.1 Growth prospects.....	22
1.1.2 Financial markets and commodities.....	24
1.1.3 Global trade.....	26
1.2 Foreign Trade.....	31
1.2.1 Exports and imports.....	31
1.2.2 Current account.....	34
1.3 Prices and costs.....	36
1.4 Wages and incomes.....	40
1.4.1 Wages.....	40
1.4.2 Households' incomes.....	43
1.5 Consumption.....	45
1.6 Investments.....	51
1.7 Domestic production.....	57
1.7.1 GDP and productivity.....	57
1.7.2 Sectors.....	59
1.8 Labour market.....	63
1.9 Medium-term outlook for 2029–2030.....	67
2 General Government Finances	76
2.1 General government.....	76
2.2 General government debt.....	85
2.3 Central government.....	88
2.4 Municipal administration.....	97
2.5 Wellbeing services counties.....	101
2.6 Social security funds.....	106
2.6.1 Employment pension schemes.....	106
2.6.2 Other social security funds.....	109
2.7 Long-term sustainability of public finances.....	111

Appendices	114
Appendix 1. On-budget entities and national accounts.....	114
Appendix 2. Key Assumptions for Tax Revenue Calculation	118
Appendix 3. Appendix tables	121

Themes:

Rise in oil prices as a result of the crisis in the Middle East and its impacts on output and inflation	28
A scenario of less favourable development in the impacts of the crisis in the Middle East	71
Fiscal stance.....	81
Central government on-budget activities in 2027–2030.....	93

Appendices outside the publication:

The appendix is available as a separate file at <https://urn.fi/URN:ISBN:978-952-367-398-4>

PREFACE

The air has been thick with questions ever since the crisis in the Middle East blew up in March. The economy was well on its way to recovery, and the prolonged recession seemed to be finally passing, but what will happen now?

The only thing that is certain is that the crisis increases instability and uncertainty, as well as slows economic growth and accelerates inflation.

The depth and duration of the impact of the crisis on Finland's economy depends on several factors.

How long will the Strait of Hormuz remain closed? How much productive capacity will be destroyed? How high will oil and natural gas prices rise, and how long will they remain high? How quickly and broadly will the oil and natural gas prices be passed on to the prices of other goods and services, to price increase expectations and to demands for wage rises that would compensate for the price increases? How swiftly and extensively will central banks increase their policy rates in order for inflation expectations to be anchored to price stability? How will the increased uncertainty be reflected in consumption, saving and investments by households and companies?

When no answers are readily available, prices in the financial and raw material markets can provide some indications.

The baseline of the Ministry of Finance's forecast assumes that the crisis in the Middle East will be fairly short-lived and will not spread materially outside the Persian Gulf, and that once the crisis has blown over, the economy will start recovering quickly.

This assumption is reflected in the prices in the financial and raw material markets. The prices indicate that the actual increase in oil and natural gas prices will not be passed on to the prices of other commodities, goods and services, the inflation expectations of households and companies will not materially deviate from the European Central Bank's price stability anchor, and the increase in prices will not be passed on to wage rise demands. The markets expect that the European Central Bank will take only moderate measures that tighten the financing situation.

According to our forecast, with this potential course of events, the economy would grow by 0.6 per cent this year, and growth would be boosted to 1.7 per cent in 2027–2028. The Economic Policy Council confirmed the macroeconomic forecast in a confirmation letter on 10 April 2026.

Apart from the baseline, we prepared an alternative scenario of a less favourable development, in which the crisis would be prolonged, the oil and natural gas prices would rise higher, and the increase would be passed on to other prices, and the European Central Bank would therefore increase interest rates slightly more than is presented in the baseline. The alternative outlined in the scenario is not particularly unfavourable or implausible. Nevertheless, the economy would not grow at all this year according to the scenario. It is quite possible that the economy will end up somewhere between the baseline and the scenario.

Continued uncertainty will weaken households' and companies' outlook concerning their own economic situation in the future and their overall confidence in the future. Especially if it is prolonged, the crisis already lends itself to making stronger the brakes that have slowed economic recovery in Finland during the past couple of years in particular.

Higher interest rates than before will continue to burden Finnish households and companies, and there is a threat of interest rates rising again. Households will see prices increasing quickly again, and the expectations of faster price increases and a decreased purchasing power will grow. Households will fear that the decline in the prices of housing will continue, which will drive them to patch their decreasing net worth by saving. The deepening plight of general government finances will cause households to be proactive and prepare to save for a bill that will fall due in the future.

The brakes are a risk that may postpone economic recovery, even if the crisis gradually subsides. At the same time, citizens crave positive surprises. If the crisis is resolved quickly, demand in the export markets, as well as investments, consumption and employment, may also recover more briskly than forecast.

There is no way of knowing which direction the crisis will eventually take.

A weakening of the economy will weaken general government finances, deepen deficits and accelerate general government debt. In the forecast, the general government deficits will remain around 4.5 per cent in relation to GDP and the combined debt-accumulating deficit of central and local government will be 5.5 per cent throughout the decade. General government debt will reach 99 per cent in relation to GDP in 2030.

The persistent general government deficits stem from the rapidly increasing public expenditure in particular – defence, care, interest rates and so on – which is further increased by the rise in prices and expenses caused by the crisis in the Middle East.

According to the Ministry of Finance's forecast, net expenditure in general government finances will grow faster in 2027 and 2028 than the net expenditure path set for Finland in the excessive deficit procedure would allow.

If the forecast's estimate of the net expenditure increase proves correct, there is a risk that Finland will be found to be in breach of the recommendations issued to it in the excessive deficit procedure in 2027. Finland should correct the excessive deficit by 2028, but according to the forecast, it will not happen. Obtaining an extension to the deadline for correcting the excessive deficit will require compliance with net expenditure path. If net expenditure grows as forecast in 2027 and 2028, there is a substantial risk that Finland will not be given a deadline extension.

The outlook places great demands on the next parliamentary term and the efforts to exit the excessive deficit procedure and for the goal that has been tentatively set by the Parliamentary Working Group on Fiscal Policy for the combined budgetary position of central and local government in relation to GDP in 2031.

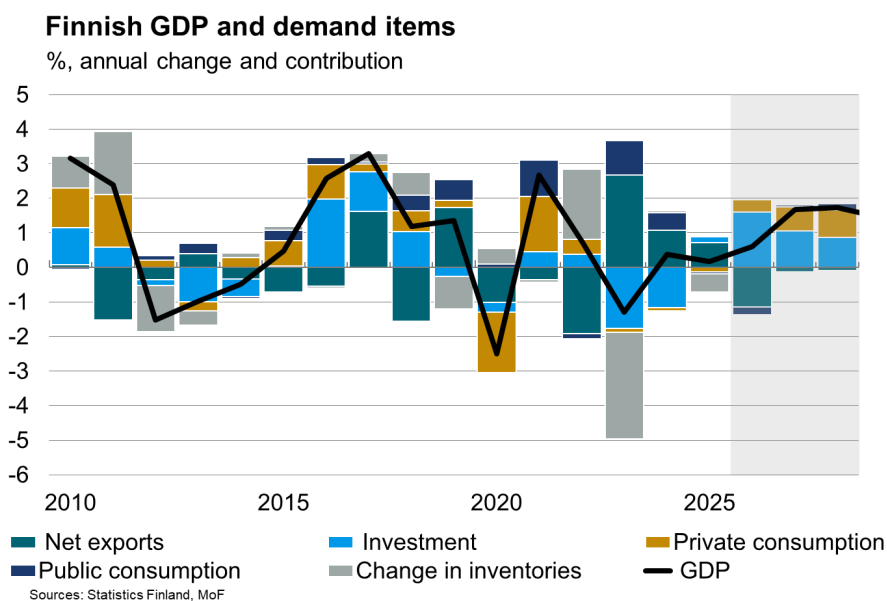
Finland certainly did not need this exacerbation of its already difficult general government finances by a crisis in the Middle East.

SUMMARY

Economic Outlook 2026–2028

Economic recovery in Finland will be delayed as a result of the crisis in the Middle East. The global economy was growing more strongly than expected before the crisis in the Middle East came to a head. The Finnish economy was also on a growth path during the last months of 2025, and the gradual economic recovery was expected to continue in 2026. However, rising oil prices will substantially slow economic growth. GDP will grow by only 0.6 per cent in 2026. Economic output is below its potential level, which together with the subsequent fall in oil prices will support economic growth towards the end of the outlook period. GDP growth is expected to accelerate to 1.7 per cent in 2027 and 2028.

It is assumed in the forecast that the crisis in the Middle East will be short-lived, will not spread, will not have any major multiplier effects on commodity prices, will not lead to significantly higher inflation expectations and will not result in major fiscal tightening in the euro area. The forecast is accompanied by an alternative scenario presenting a more unfavourable outlook, in which an additional rise of 30 per cent in oil prices would result in economic growth stagnating this year.



Rising oil prices will slow global economic growth

The crisis in the Middle East has led to significant increases in oil prices. Based on the future prices used in the forecast, average oil prices will be almost 30 per cent higher in 2026 than in 2025. However, the rise will be followed by a rapid decline, and in 2027, oil prices will be lower – but still above 2025 levels.

Rising oil prices will slow economic growth in Finland and at a global level, and the crisis will also have a direct negative impact on global trade. More sluggish growth in the export markets will also adversely affect Finnish exports this year. Next year, exports will recover at the same rate as the markets, but the impact of net exports on economic growth will remain negative in the outlook period. This is because imports, which are primarily boosted by investments, will grow at a more rapid rate than exports.

Rising energy prices will boost inflation and curb purchasing power

Driven primarily by rising energy prices, inflation will accelerate this year. The impacts on other prices will remain fairly limited, and core inflation will remain below two per cent. With the exception of energy prices, price pressures are dampened by protracted economic stagnation and capacity underutilisation. The rise in service prices has slowed, demand remains weak, and no major changes are expected in electricity prices.

Dampened by price rises and the weak employment situation, households' purchasing power will grow only slowly this year, even though tax cuts and pay rises will boost the disposable income of wage earner households. Uncertainty about the economic outlook and the adjustment of general government finances has made households more cautious, which will manifest itself in postponed consumption and higher savings rates. Private consumption will grow at a slow rate in 2026, but growth will pick up in 2027 as purchasing power increases, and savings rates gradually fall.

Investments will be boosted by energy, technology and defence projects

This year, investments will be primarily boosted by defence purchases such as the deliveries of fighter jets. Investments in energy and technology transition will also support growth in machinery and equipment investments. At the same time, however, the recovery of housing construction will be further delayed as a result of sluggish demand.

In the labour market, the supply of labour has been boosted by employment measures and immigration. The number of employed persons has remained stable since the autumn of 2024, but unemployment has exceeded 10 per cent. According to projections, the employment rate will only start rising in 2027, and no decline in unemployment is expected before that year.

Because of protracted sluggish growth, economic output remains well below the potential level. The economic recovery will continue in 2029 (growth rate about 1.5%) and 2030 (about 1.3%). Growth will be supported in particular by private investments in the energy and technology transition and the increased defence expenditure. The employment rate will increase to 72.8 per cent by 2030 and the unemployment rate will decrease to 8.2 per cent.

The crisis in the Middle East will have a multitude of impacts on general government finances, but the effects have been limited thus far

Despite sluggish economic growth, the general government deficit narrowed to 3.4 per cent of GDP in 2025. The improvement was primarily the result of the adjustment measures introduced last year. In 2026, the deficit will reach 4.6 per cent of GDP as the crisis in the Middle East will slow economic growth, the fighter jet purchases are recorded as expenditure, and the pace of adjustment slows.

The crisis in the Middle East is only expected to have a limited impact on general government expenditure this year. The unfavourable effects of the crisis on general government finances will be more strongly felt next year, as price rises will have a delayed impact on public-sector prices and costs, and the crisis will manifest itself more clearly in consumption and taxes collected from the wage bill. The assumption in the projection for general government finances is that the crisis will not substantially reduce property income, which is a major source of revenue for pension funds.

The general government deficit remains deep throughout the forecast period, standing at 4.6 percent of GDP in 2026–2029 and improving only slightly toward the end of the period. Defence and interest expenditure will grow rapidly while the economy will stagnate, and the deficit-to-GDP ratio will therefore still be 4.4 per cent in 2030.

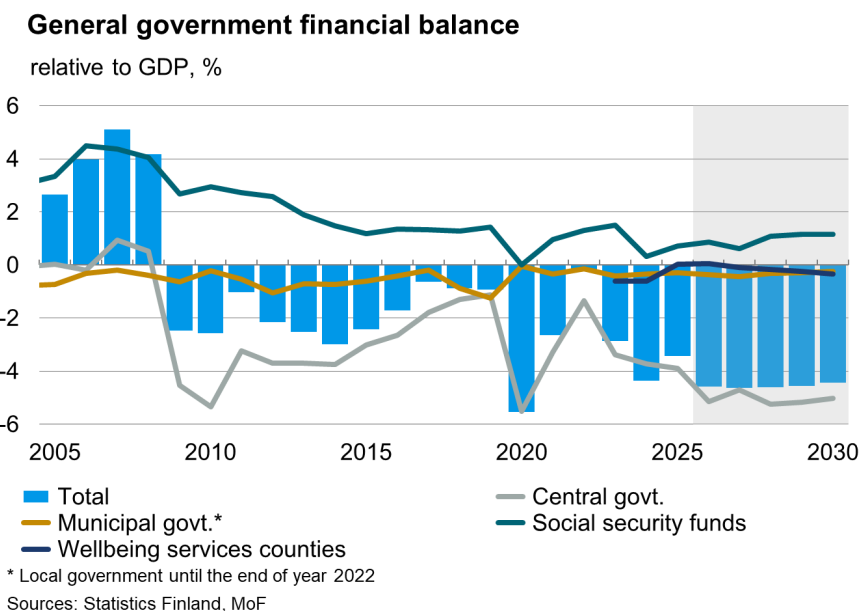
The central government deficit will remain high. The deficit will reach five per cent this year, as the expenditure on F-35 fighter jets will boost spending by more than two billion euros. This year's tax revenue will be reduced by cuts in income taxation; at the same time, one-off items will also increase 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. In the following years, the deficit will remain at about five per cent.

Local government will remain in deficit throughout the outlook period. Growth in local government expenditure is mainly driven by a rapid rise in prices and wages. The budgetary position of the wellbeing services counties will remain roughly balanced in 2026 and 2027, even though it will gradually weaken from 2027 onwards as a result of increasing expenditure. At the same time, growth in wellbeing services counties' revenue will be slowed by the overhaul of the Act on the Funding of Wellbeing Services Counties and the fact that the retrospective review is based on the projected sum allocated in the spending limits, which will remain below what was estimated in the pressure calculation for the period 2028–2030. In 2026 and 2027, the municipal administration deficit will amount to 0.4 per cent of GDP and will narrow slightly by 2030. In local government, the impacts of the crisis in the Middle East will primarily manifest themselves in higher prices and costs.

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 gradually recover from this year's deficit and will become balanced during the outlook period. The crisis in the Middle East is expected to slow growth in property income. The crisis is only expected to have a limited impact on unemployment expenditure and social security contribution revenue.

The increase in general government net expenditure has been set as a key indicator for the EU's fiscal policy monitoring in the Union's overhauled fiscal policy rules. Factors such as the adjustment measures already carried out and changes in the timing of defence expenditure decreased net expenditure by 0.6 per cent last year. Net expenditure is projected to grow by 4.4 per cent in 2026 and by 3.3 per cent in 2027. The assessment of Finland's compliance with the EU's fiscal policy rules will be presented in the General Government Fiscal Plan 2027–2030.

Debt-to-GDP ratio exceeded 88 per cent in 2025, and it will exceed 91 per cent this year. The debt ratio will continue to grow throughout the outlook period and will reach 99 per cent in 2030. The general government sustainability gap will be about 3 per cent of GDP, or about EUR 9.5 billion at 2030 levels.



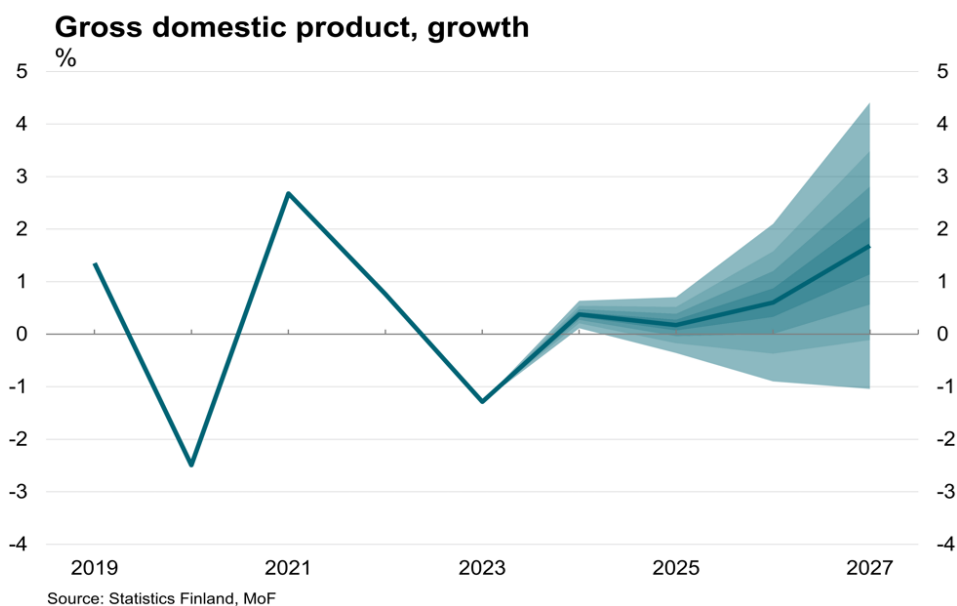
Key risks in the outlook

The forecast involves an exceptional degree of uncertainty, especially in the short term. A worsening of the crisis in the Middle East may lead to further rises in the prices of oil, gas, plastics and other raw materials, and in the worst case, it may set off an upward spiral in prices and wages. All this may cause a sharp slowdown in economic growth. At the same time, a rapid cooling of the situation would lower energy prices and support growth. The oil price is therefore the key factor for

inflation and economic prospects. Moreover, the global economic risks arising from the Russian aggression against Ukraine, US tariff policy and investments in AI have not disappeared.

Growth based on domestic demand involves both upside and downside risks. Households' income and savings may boost consumption, but uncertainty and the weak employment situation may encourage savings and slow consumption. Even though the investment outlook is upbeat, it remains unclear how many of the envisaged projects will actually be implemented and when.

A protracted crisis in the Middle East will inevitably weaken Finland's general government finances more than forecast as rising prices are passed on to public-sector costs, and the revenue base erodes. Moreover, if there are strong fluctuations in the valuation of shares and government bonds in the financial markets, and a reassessment and pricing of risks in general, the value of the employment pension institutions' assets and property income (which are part of general government) will suffer. In this case, general government revenue would grow more slowly than projected. Property expenses and social security expenditure also involve a significant downside risk.



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

Table 1. Key forecast figures

	2024	2025	2026*	2027*	2028*
Change in volume, %					
GDP at market prices	0.4	0.2	0.6	1.7	1.7
Imports	-0.8	1.7	3.3	2.7	2.7
Total supply	0.0	0.6	1.4	2.0	2.0
Exports	1.8	3.4	0.5	2.4	2.5
Consumption	0.5	-0.2	0.2	1.0	1.3
private	-0.2	-0.2	0.7	1.4	1.6
public	2.0	-0.2	-0.8	0.2	0.7
Investment	-5.0	0.8	7.3	4.5	3.6
private	-8.2	0.4	2.3	7.0	4.6
public	10.2	2.4	27.1	-3.2	0.2
Total demand	0.4	0.8	1.4	2.0	2.0
domestic demand	-0.1	-0.3	1.8	1.8	1.8

Table 2. Key public finance forecast figures

	2024	2025	2026*	2027*	2028*
Relative to GDP, %					
General government expenditure	57.7	57.5	58.4	57.5	57.0
Tax ratio	42.3	42.6	42.8	42.2	42.0
General government net lending	-4.4	-3.4	-4.6	-4.6	-4.6
Central government net lending	-3.7	-3.9	-5.2	-4.7	-5.2
General government debt	82.4	88.5	91.2	92.8	94.7
Central government debt	61.4	66.9	69.4	71.2	73.5

Table 3. Other key forecast figures

	2024	2025	2026*	2027*	2028*
GDP, nominal, EUR bn	276	281	290	300	313
GDP deflator, change, %	0.7	1.5	2.6	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	0.9	1.0	1.1
Employed labour force, change, %	-1.0	-0.5	-0.1	0.9	0.7
Employment rate (20–64 yrs), %	76.7	76.0	75.6	76.1	76.4
Unemployment rate, %	8.4	9.7	9.8	9.4	9.0
Consumer price index, change, %	1.6	0.3	2.0	1.4	1.9
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	-0.9	-0.8	-0.9
Current account, relative to GDP, %	-0.4	1.3	-0.3	-0.3	-0.3
Short-term interest rates (3-month Euribor), %	3.6	2.2	2.1	2.1	2.1

1 Economic Outlook

1.1 Global Economy

The outlook is exceptionally uncertain as the crisis in the Middle East has cast a shadow over the global economy. The impacts of the current energy crisis on the basic outlook are moderate, but if prolonged, the crisis may have considerable global impacts on inflation and economic growth. Global trade in goods will be disturbed due to the closure of the Strait of Hormuz.

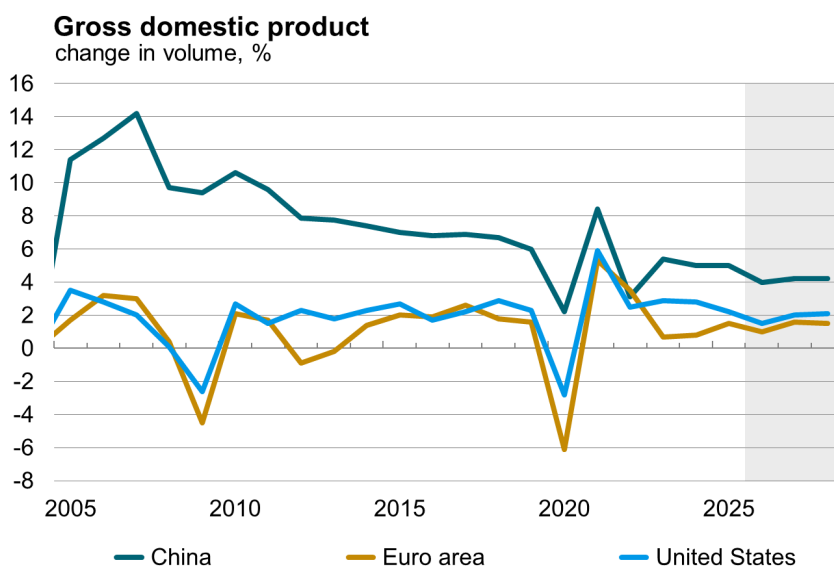
Global economic growth has been fairly strong, but the crisis in the Middle East has radically changed the outlook. The closure of the Strait of Hormuz in particular has resulted in enormous disturbances in the energy market, raised interest rates and inflation expectations, and increased uncertainty globally. If the crisis remains short, its impacts on the global economy will be limited. However, a prolongation of the crisis and the impacts thus being long-term and massive cannot be ruled out. In the basic outlook, global economic growth will slow from last year's 3.4 per cent to 2.8 per cent in the current year. Growth will recover to 3.4 per cent in 2027.

1.1.1 Growth prospects

Growth in the euro area was fairly rapid in 2025 but slowed towards the end of the year. The growth prospect for the current year has weakened since the crisis in the Middle East broke out. Although the volume of crude oil imported to the euro area from the Persian Gulf is minimal, the steep increase in the price of Brent crude oil will accelerate inflation. The increase in the price of natural gas important for many economies in the euro area will also generate cost pressures. The latest leading indicators suggest a weakening outlook for service companies. The upturn in new orders in German industry seemed to indicate a brighter outlook, but the energy crisis has dimmed the prospects again. Economic growth in the euro area will slow to 1.0 per cent in 2026 but will pick up to 1.6 per cent in 2027.

The US economy has been performing strongly despite political turmoil, with private consumption supporting economic growth. The outlook in the US has also weakened since the energy crisis broke out. The US is largely self-sufficient in crude oil, but the price of WTI crude oil has increased and generated cost pressures. Purchasing Managers' Indices indicate a weakening outlook. Consumers are pessimistic regarding the expectations in particular. Their view of the current situation is also declining. Government bond yields have increased as a result of the inflation outlook and the increased uncertainty. Somewhat unexpectedly, the US dollar exchange rate has strengthened, reflecting the currency's position as a safe haven. The trade policy is also giving rise to concern, and there are global worries concerning potential new tariffs. Growth will slow to 1.5 per cent this year but will again recover to 2.0 per cent next year.

The outlook in China is challenging. Growth has remained rapid, supported primarily by exports, while growth in domestic consumption continues to be modest. The government supports export companies extensively. China is fairly dependent on oil from the Middle East, but it does have sizeable emergency stockpiles. The rise in consumer prices has been near zero for an extended period, but prices have recently increased. Consumer confidence continues to be low. The confidence of both service and export companies has unexpectedly improved during the first months of the year, probably reflecting the strong performance of exports. The weak exchange rate of the yuan is supporting exports. Growth will slow to four per cent in 2026 but will increase to 4.2 per cent in 2027.



Sources: Statistical authorities, MoF

Growth in India will remain relatively rapid, and growth prospects are supported by the closer economic relationships with the EU and other economies. The energy crisis is hitting Japan's economy hard, where outlook was otherwise improving, supported by a stimulating fiscal policy. The nascent recovery in the United Kingdom may also come to a halt due to the cost increases resulting from the energy crisis. It is estimated that the pressure of cost increases is higher than in the euro area. Surprisingly, the economic outlook in Russia has improved with the increase in the price of crude oil, but the burden caused by the war of aggression on the federation's economy is still massive. Fast inflation is weakening the position of consumers. The outlook in Sweden is also overshadowed by the energy crisis, although growth remains fairly rapid and broad-based.

The outlook presented above includes considerable, mainly downside, risks. A prolonged crisis in the Middle East is a tangible risk. The prices of oil and natural gas remaining high for an extended period would cause large-scale negative impacts on the global economy. A prolonged closure of the Strait of Hormuz would worsen the energy crisis. Additionally, a potential closure of the Bab el-Mandeb Strait by the Houthi rebels would stop marine transports through the Suez Canal, resulting in considerable costs in world trade. The geopolitical tensions related to US trade and foreign policy are still in the background, and their exacerbation is a potential risk. Russia's war of aggression ending unfavourably for Ukraine would increase uncertainty in Europe in particular. The artificial intelligence sector is associated with short-term risks which would have large-scale impacts on investments.

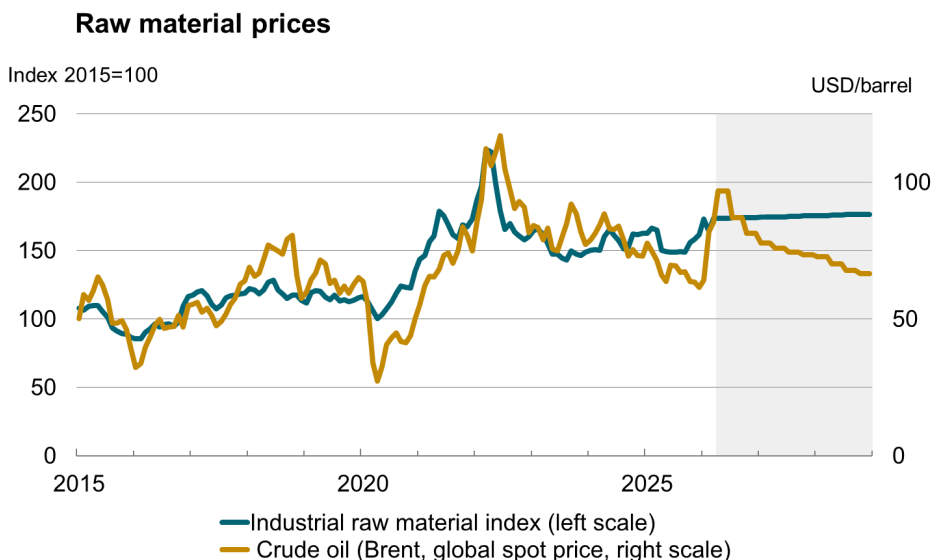
At the same time, the crisis in the Middle East ending sooner than expected and the impacts of the crisis not being as severe as feared can be considered an upside risk. The reconstruction of Ukraine would improve sentiments in Europe. The positive productivity-increasing impacts of artificial intelligence may support growth more than expected on a global scale.

1.1.2 Financial markets and commodities

The financial markets have reacted strongly to the energy shock caused by the crisis in the Middle East. Stocks and interest rates have fluctuated strongly with changes in prices of crude oil. There has been a steep increase in government bond yields in particular, reflecting an increase in inflation expectations. Monetary policy

is expected to start tightening in many areas. In the currency market, the increase in the US dollar exchange rate is noteworthy, reflecting the position of the dollar as a safe haven. The uncertainty related to the sustainability of the financing of other than listed companies in the US is a new cause for concern.

In the commodities markets, the main focus is on the increase of the prices of crude oil and natural gas. Their futures have increased steeply, although their trend is downward, which indicates that there are expectations that the crisis will end. However, the crisis may have longer-term repercussions if the energy infrastructure of the Persian Gulf countries suffers large-scale damage. The prices of industrial raw materials were increasing even before the crisis broke out. The global trade in fertilisers has been disrupted by the closure of the Strait of Hormuz, and this may have serious impacts on agriculture globally. In addition, the global trade in the helium required for the manufacture of semiconductors and in the pharmaceutical industry is suffering from the closure.

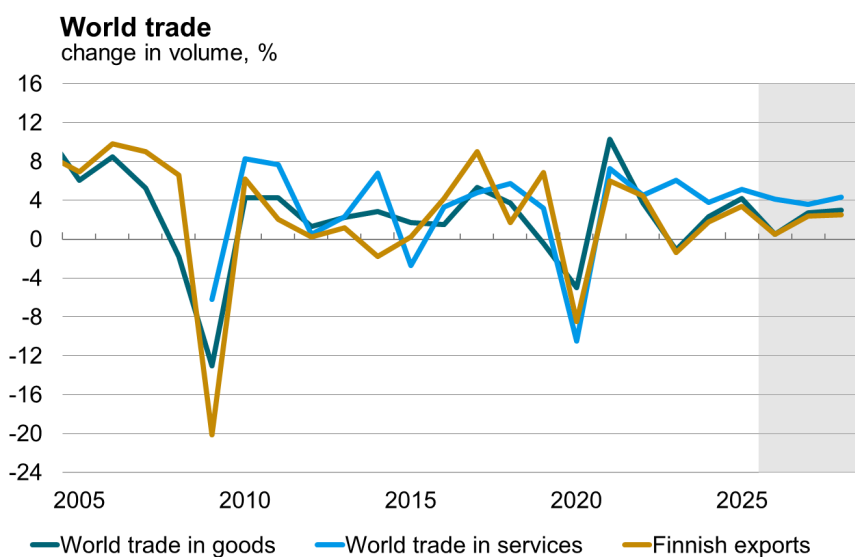


Sources: HWWI, Macrobond, MoF

1.1.3 Global trade

Global trade in goods declined at the end of 2025, and the outlook for the current year is subdued. Imports in the euro area in particular are growing slowly due to the global political situation. In the US, the erratic trade policy is slowing trade in goods. Trade in the emerging economies remains reasonable, largely driven by China. Growth in the trade in goods will slow to 0.5 per cent in 2025 and pick up to 2.7 per cent in 2026.

The outlook for the global trade in services was positive at the beginning of the year, largely supported by trade related to artificial intelligence and other digital services. However, marine transports and travel have been hit hard by the crisis. Trade in services will grow by 4.1 per cent in the current year, but growth will slow to 3.6 per cent next year, reflecting consumers' caution in the tense geopolitical situation.



Sources: CPB Netherlands Bureau for Economic Policy Analysis, WTO, national statistical authorities, MoF

Table 4. Gross domestic product

	2024	2025	2026*	2027*	2028*
Change in volume, %					
World (PPP)	3.3	3.4	2.8	3.4	3.0
Euro area	0.8	1.5	1.0	1.6	1.5
EU	0.9	1.5	1.1	1.6	1.5
Germany	-0.5	0.4	0.6	1.6	1.2
France	1.1	0.9	0.9	1.5	1.5
Sweden	1.0	1.8	1.7	2.3	2.2
United Kingdom	1.1	1.3	0.5	1.6	1.5
United States	2.8	2.2	1.5	2.0	2.1
Japan	-0.2	1.1	0.0	1.2	0.8
China	5.0	5.0	4.0	4.2	4.2
India ¹	6.5	7.5	6.1	6.4	6.3
Russia	4.9	1.0	0.9	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	4.2	0.5	2.7	3.0
World trade in services, change in volume, %	3.8	5.1	4.1	3.6	4.3
USD/EUR	1.08	1.13	1.16	1.18	1.19
Industrial raw material price index, %	3.5	-1.0	11.7	0.7	0.7
Crude oil (Brent), \$/barrel	79.7	68.0	85.6	75.4	69.3
3-month Euribor, %	3.6	2.2	2.1	2.1	2.1
Government bonds (10-year), %	2.9	3.0	3.2	3.0	3.0
Import prices, change, %	-1.0	-1.2	3.1	1.0	1.6

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

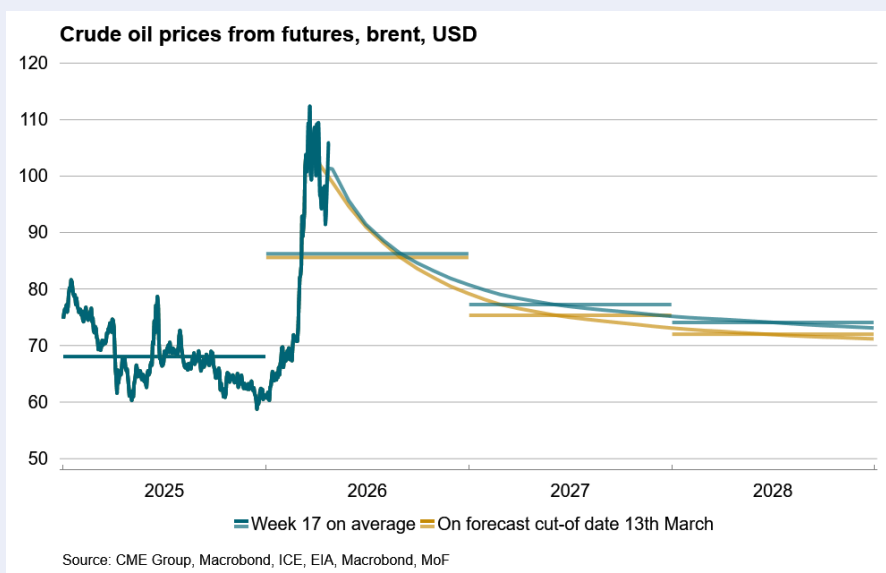
Rise in oil prices as a result of the crisis in the Middle East and its impacts on output and inflation

Rise in oil prices

Crude oil prices have risen as a result of the crisis in the Middle East, and the prices have fluctuated substantially. At the end of 2025, the per-barrel price of Brent crude was just over USD 60, and the average price last year was about 68 dollars. At one point, the price climbed to almost USD 120 within a period of 24 hours (9 March 2026). However, the highest daily price has been slightly lower, at about USD 112, and on average, crude oil prices since the beginning of the crisis have been around 100 dollars (by 24th April 2026).

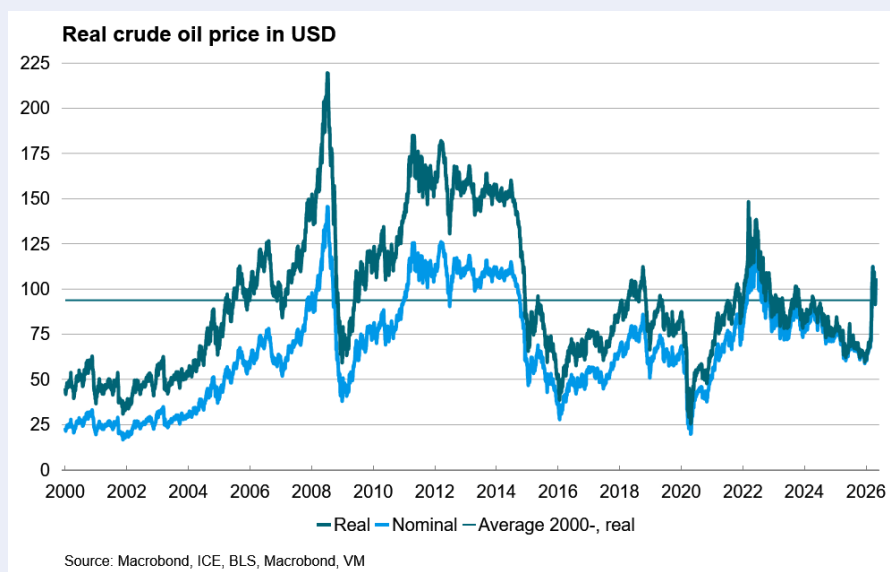
Based on futures, the assumption in the market has been that the price rises will be relatively short-lived, and that a decline will soon follow.

The forecast has been made based on the information available on 16 March 2026. Based on the futures of the preceding market day (13 March 2026), average oil prices in 2026 will be almost 30 per cent higher than in 2025, and in 2027 just over 10 per cent lower than in 2026. In spite of fluctuation of prices, the path of futures prices has not changed substantially from the baseline path of the forecast, at least by week 17 (by 24th April 2026).



Despite the rapid increase, oil prices have been surprisingly low so far given the intensity of the conflict and the fact that it has also hit oil production and transports. The Persian Gulf region accounts for about 20 per cent of global oil output.

Nominal oil prices have been higher on several occasions over the last two decades. In real terms, since the outbreak of the crisis, average oil prices have been only slightly above the average of the last two decades (USD 93).



Impact of oil prices on total output

A rise in oil prices has a negative impact on economic growth. It weakens households' purchasing power and drives up costs for companies. The impacts are first felt in purchasing power because rising crude oil prices are quickly passed on to fuel prices and prices of fresh food products. Weakening of purchasing power dampens household consumption.

If oil prices remain high for a prolonged period, the price rises will also be gradually reflected in other prices and expectations of prices rises. As a result, interest rates will also go up, which will further slow economic growth.

Based on the empirical literature, a ten per cent rise in crude oil prices will have a negative impact of between 0.1 and 0.3 per cent on GDP. The impact is non-linear: if the shock is short-lived, the impact will be at the lower end of the range; in a prolonged shock, the impacts will be at the upper end of the range or even beyond it. The Ministry has made model-based estimates of similar magnitude in conjunction of the forecast. The survey presents one such estimate in the theme A scenario of less favourable development in the impacts of the crisis in the Middle East at the end of chapter 1.

Impact of oil prices on inflation

Oil prices have a direct and quick impact on inflation. A rise in oil prices has an immediate impact on consumers' energy basket (as higher prices of fuels and heating oil). Moreover, rising gas prices impact the daily lives of many consumers in the euro area, even though the impacts are only indirectly felt in Finland. These are the 'first-round impacts', which are quickly passed on to inflation (typically within one to three months).

Oil is a key raw material and an intermediate product for many sectors. When the price of energy goes up, companies' production costs rise, which will be gradually passed on to the prices of end products. Prices of transports and agricultural products will go up first, while the prices of services will be slower to react. These indirect impacts are slower; they emerge with a delay of 6 to 18 months. However, they are more extensive and can also have an impact on core inflation (HICP excl. energy and food).

If the assumption is that the increases in energy and other prices are permanent, wage earners will demand compensation to secure their real pay levels. The emergence of a price-wage spiral is the most important of the factors that may trigger permanent inflation. Moreover, the unanchoring of inflation expectations from the ECB's target could intensify this spiral.

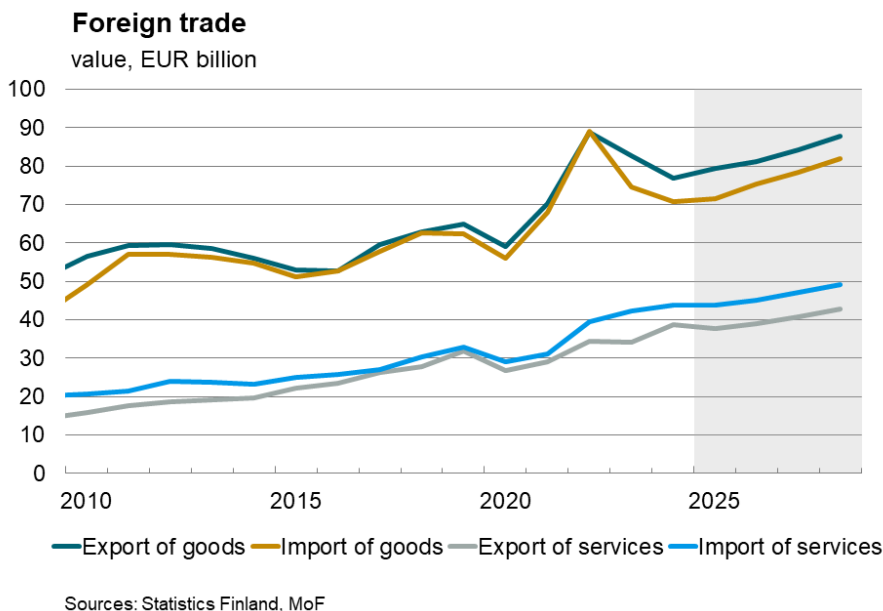
1.2 Foreign Trade

In 2025, Finland's net exports grew, and the current account was in considerable surplus. At the beginning of 2026, in addition to the crisis in the Middle East, the uncertainty caused by other geopolitical tensions is high, which is why the growth prospects for both exports and imports have been lowered. Export growth is weak in 2026 but will recover during 2027. Import growth is strong, as the fighter aircraft deliveries in 2026 will increase imports of goods. In addition, investments will grow, and domestic consumption will recover towards the end of the forecast period. The current account will revert to deficit in 2026, but foreign trade will be close to being balanced.

1.2.1 Exports and imports

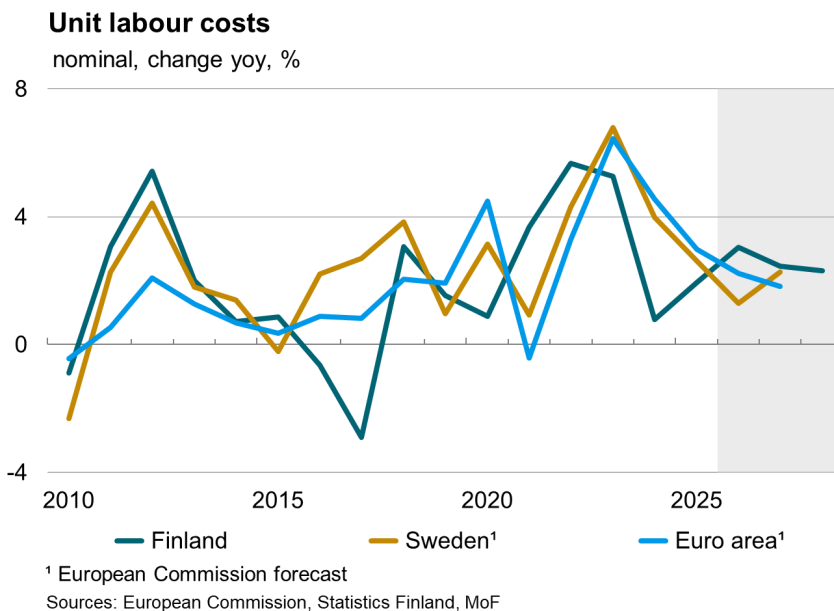
In 2025, external demand was stronger than anticipated. The global economy and trade grew reasonably well, although trade in goods decreased during the last quarter of the year. Companies operating in the US quickly increased imports at the beginning of the year by replenishing their inventories in anticipation of the tariffs taking effect. Elsewhere in the world, companies prepared by mapping new market areas. Global trade in services grew powerfully, and the volume of services imported to Europe, in particular, was high. However, domestic demand in Finland was weak, as consumption did not pick up despite the increase in income, and growth in imports was slower than exports in 2025. In Finnish exports, the outgoing annual ship deliveries in 2025–2028 were reflected in strong growth in 2025. As a result of the ship deliveries, the level of exports will remain high in 2026–2027, but the deliveries will no longer affect the growth figures.

The crisis in the Middle East has negative impacts on the availability and prices of not only oil and gas but also many raw materials, as well as on travel and transports, and this will be reflected in both exports and imports in 2026. The availability of containers in maritime transport has weakened, and traffic in the Suez Canal has not recovered since the end of 2023, which increases the prices of transports and affects transport times in Europe as well. The impacts of the crisis will mostly target trade in goods, but growth in the foreign trade of services will also become slower.



Export growth is weak in 2026, amounting to only 0.5 per cent, but will recover to 2.4 per cent during 2027. Export growth was expected to slow even before the crisis in the Middle East as geopolitical tensions remained high at the beginning of the year. At the same time, there were also signs of improvement in industrial demand in the first months of the year, and technology industry companies reported stronger order books. It is therefore expected that Finland's export demand will strengthen and drive growth in exports from 2027 onwards.

Import growth is strong in the outlook period, although the forecast has been lowered due to the crisis in the Middle East. However, defence materiel purchases will increase imports considerably in 2026, as the fighter aircraft deliveries planned for 2025 were postponed to this year and will continue in the coming years. Additionally, data centre investments and intangible investments in digitalisation and artificial intelligence will increase imports. Domestic consumption is expected to grow towards the end of the outlook period and support import growth. Imports will grow by 3.3 per cent in 2026 and settle at 2.7 per cent in 2027.

**Table 6.** Foreign Trade

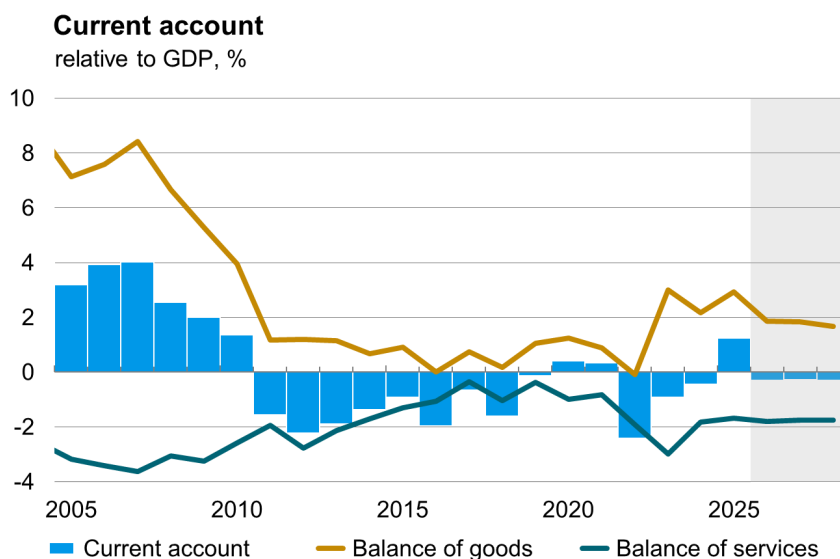
	2024	2025	2026*	2027*	2028*
Change, %					
Export volume	1.8	3.4	0.5	2.4	2.5
Import volume	-0.8	1.7	3.3	2.7	2.7
Export prices ¹	-2.7	-0.7	3.0	1.3	1.5
Import prices ¹	-1.0	-1.2	3.1	1.0	1.6

¹ As calculated in the national accounts

1.2.2 Current account

In 2025, the current account was in considerable surplus, at approximately EUR 3.5 billion, as the surplus in trade balance increased, driven by growth in the value of exports. However, during the outlook period foreign trade is nearly balanced, and the current account will show a deficit of EUR -0.9 billion in 2026. This year, the delivery of the fighter aircraft purchases contributes to the weakening of the surplus in foreign trade, which was strong in 2025. However, in exports, the considerable annual ship deliveries will keep foreign trade balanced until the end of the outlook period.

The increase in the prices of oil and raw materials will increase the prices of goods in foreign trade in particular, but the prices will also increase in service imports and exports. In 2026, the prices of goods will increase for the first time in three years, but 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 the impacts of Russia’s war of aggression from the beginning of 2022. The increase in prices in foreign trade will slow from 2027 onwards, but no return to decreasing prices is expected.



Sources: Statistics Finland, MoF

Table 7. Current Account

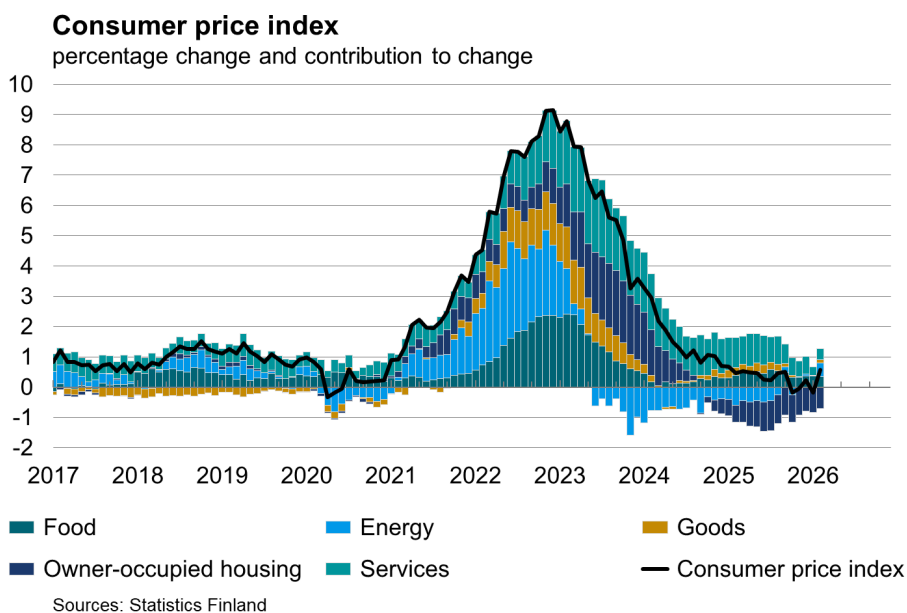
	2024	2025	2026*	2027*	2028*
EUR bn					
Balance of goods and services	1.0	3.5	0.2	0.3	-0.2
Factor incomes and income transfers, net	-2.2	-0.0	-1.1	-1.1	-0.7
Current account	-1.2	3.5	-0.9	-0.8	-0.9
Relative to GDP, %					
Current account	-0.4	1.3	-0.3	-0.3	-0.3

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, Finland had the slowest core inflation in the euro area. 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. In the forecast, average price of oil is expected to be 26 per cent 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 unprocessed food. However, according to the forecast, the duration of the crisis is expected to be short, and the increase in the price of oil will therefore not be passed on to other consumer prices on a large scale. Core inflation will thus remain at 1.7 per cent this year and increase moderately to 2 per cent 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 services in particular, the increase in prices had slowed, as the greatest impacts of the value added tax increases were no longer included in the comparison, the increase in the prices of healthcare services was slower, 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. Core inflation in Finland was thus the slowest in the euro area overall in January–February. 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. Global food prices had also started to decrease. 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 unprocessed food. However, the price surges in the winter were not considered to be an indication of the future development of the price of electricity.

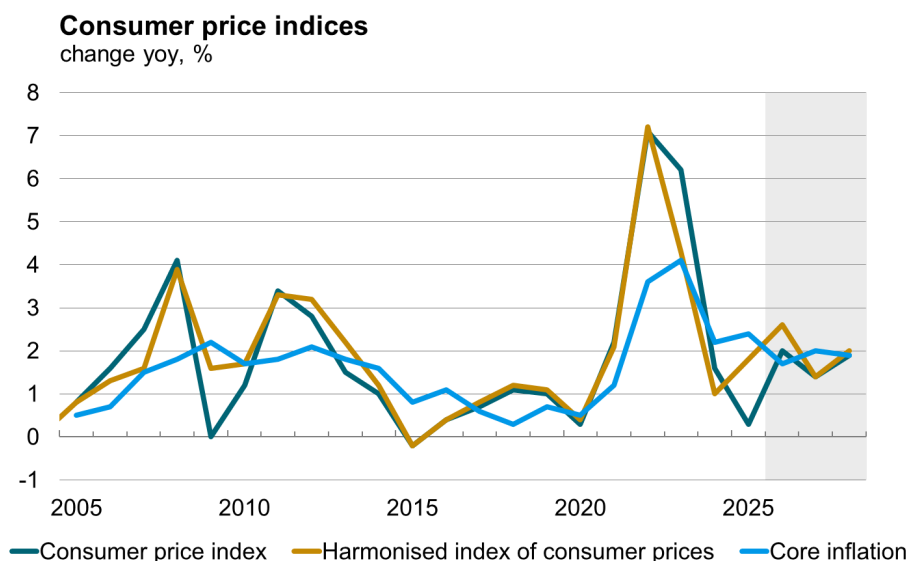


At the beginning of the year, different inflation indicators offered a very different picture of the increase in prices, but the difference will be evened out during the current year. The annual change in the consumer price index (CPI) was only an average of 0.2 per cent in January–February, whereas at the same time, the harmonised index of consumer prices (HICP) indicated that prices had increased by 1.4 per cent 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 March as a result of the crisis in the Middle East. In other words, the CPI will increase in the current year not only due to energy prices but also because interest rates are no longer slowing inflation.

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 per cent in 2027 and another 8 per cent 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 slowed to the low levels before the pandemic. 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 per cent in 2026, 1.4 per cent in 2027 and 1.9 per cent in 2028. In the current year, inflation is accelerated by the increase in the prices of energy and by the negative effect from owner-occupied housing disappearing as the decline in interest rates ended. By contrast, inflation measured by the HICP will increase to 2.6 per cent. Energy prices decreasing next year from the current year's high level will slow inflation, but core inflation will accelerate slightly as current 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 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 fertiliser prices have increased, which will raise the prices of food if the high price level is prolonged. 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 will be 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.

Otherwise, the risks are mainly 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 decline more than expected, further slowing price increases as well. Over the longer term, factors such as a further slowdown in globalisation, efforts to improve the resilience of supply chains and the economic impacts of climate change mitigation could drive prices higher than usual.

Table 8. Price indices

	2024	2025	2026*	2027*	2028*
Change, %					
Export prices ¹	-2.7	-0.7	3.0	1.3	1.5
Import prices ¹	-1.0	-1.2	3.1	1.0	1.6
Consumer price index	1.6	0.3	2.0	1.4	1.9
Harmonised index of consumer prices	1.0	1.8	2.6	1.4	2.0
Core inflation ²	2.2	2.4	1.7	2.0	1.9
Basic price index for domestic supply, including taxes	-1.2	-0.4	2.6	1.1	2.0
Building cost index	0.0	0.9	1.3	1.0	1.7

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.

The rate of increase in nominal wages slowed by half a percentage point (to 3.0 per cent) compared with the previous year. This was the result of lower negotiated wages compared with the previous year. The rate of increase in negotiated wages slowed as much as that of the index of wage and salary earnings; in other words, wage drifts were maintained at approximately half a percent across the economy. Changes in performance-based bonuses had little impact on earnings growth, in contrast to the situation in the previous year.

The rate of increase in earnings last year was fastest in certain public administration sectors, especially in wellbeing services counties, where earnings rose by 6.1 per cent from the previous year. In other local government, the rate of increase in earnings was approximately the same as across the economy on average. The rise in private sector earnings fell short of this, which was 2.8 per cent, as did the rise in earnings in the government, which was 2.0 per cent. 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, earnings grew above the average in the forest industry, wholesale and retail trade, transport, and in parishes. In contrast, wage growth fell below the average in the construction sector, metal industry, hotel and restaurant sector, information and communication services, and in financing and the real estate and entertainment sectors.

The current collective agreements are generally for three years, with the possibility of cancelling the contracts of final year, that is, 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 cent 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 cent per year in recent years, and this level is expected to continue. Nominal earnings will therefore increase by an average of 3.6 per cent 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 per cent. 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 three per cent, and the rate of increase in negotiated wages across the economy is therefore expected to be approximately three per cent. Considering the average wage drift of 0.4 per cent, nominal earnings are expected to increase by about 3.5 per cent in 2028.

Between 2021 and 2023, real wages fell by a total of 6.6 per cent. Last year, real earnings rose for the second consecutive year, as the rate of increase in nominal 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 per cent between 2021 and 2023.

In addition to nominal earnings growth, the wage bill is influenced by the general development of employment and the sectoral distribution of wage earners. In 2026, employment will decline, and as a result, the wage bill will grow by approximately 3.5 per cent. In 2027, both higher earnings and an improvement in employment will drive the wage bill up by approximately four per cent, and the situation will be the same in 2028.

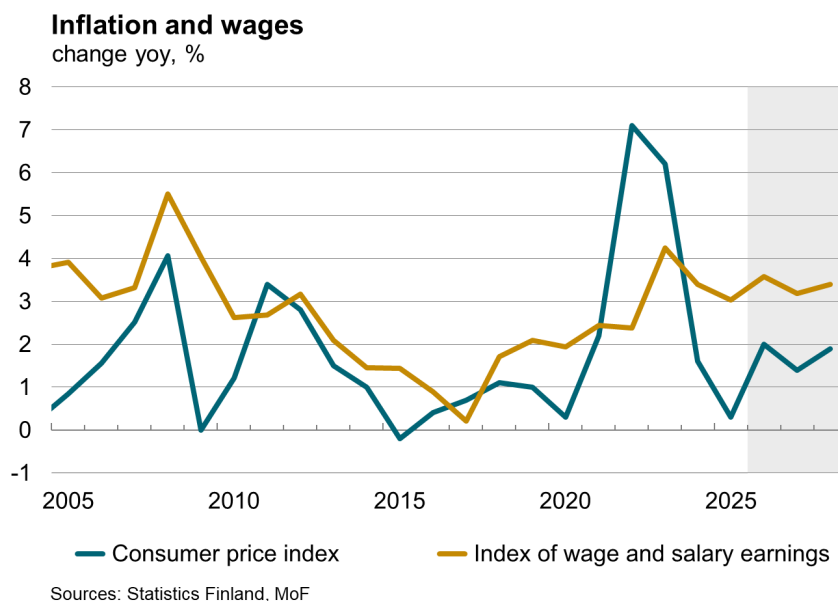


Table 9. Index of wage and salary earnings and labour costs per unit of output

	2024	2025	2026*	2027*	2028*
Change, %					
Index of negotiated wage rates	2.7	2.5	3.2	2.8	3.0
Wage drift, etc.	0.7	0.5	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	1.8	1.5
Sum of wages and salaries	2.0	1.6	3.6	4.2	4.1
Average earnings ²	2.5	3.0	3.8	3.5	3.4
Labour costs per unit of output whole economy ³	0.8	1.9	3.0	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.

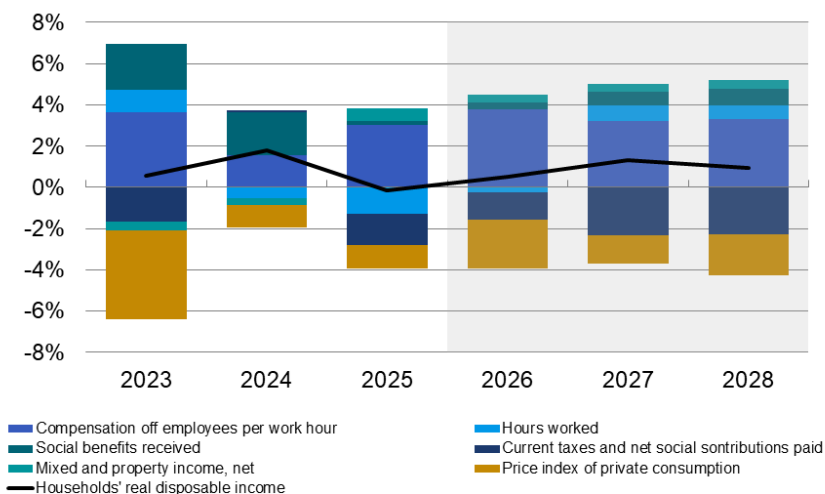
1.4.2 Households' incomes

Households' purchasing power will grow slowly in 2026 due to the weak employment and the increase in fuel prices, although lower income taxation will slightly increase disposable income. In 2027, purchasing power is projected to improve more briskly as a result of slower inflation and the rising wage bill.

Real disposable income, measuring households' combined purchasing power, decreased by 0.1 per cent in 2025. Purchasing power fell as a result of the decrease in the number of hours worked in particular. The increases in the value added tax rates in September 2024 and January 2025 raised private consumption prices, thus reducing real disposable income.

Households' real disposable income

change and contributions to growth, %



Sources: Statistics Finland, MoF

Households' 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, purchasing power is forecast to increase by approximately half a per cent, 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 down purchasing power growth. 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. Growth in social benefits is slow in the outlook period due to the indexation freeze in unemployment, housing, student and childcare benefits in 2024–2027.

In 2027, real disposable income is forecast to grow by 1.3 per cent as the employment situation improves and inflation slows. Purchasing power will be boosted by wage increases under collective agreements. Net property income is also expected to grow, as the average interest rate on housing loans is not expected to increase considerably during the outlook period.

1.5 Consumption

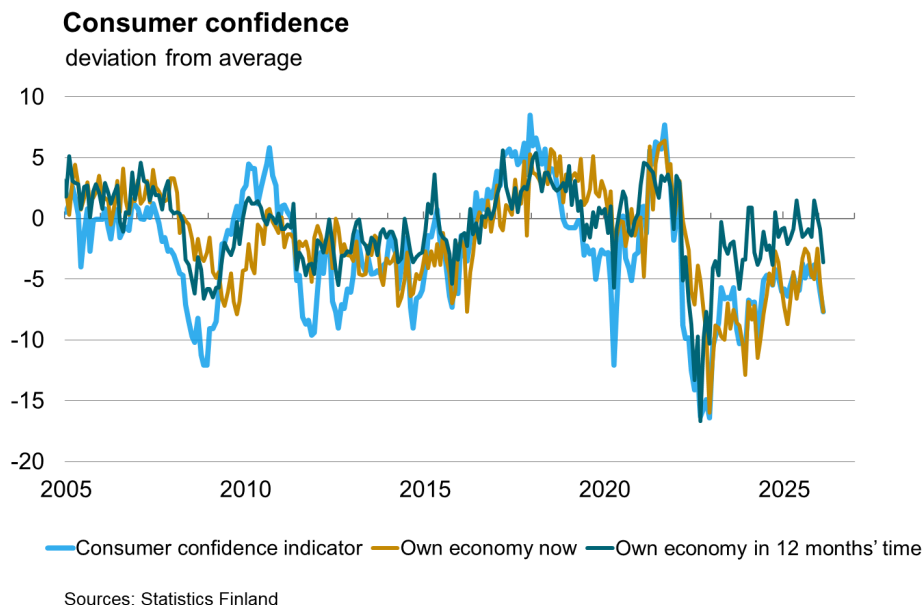
The weak employment situation and uncertainties related to the geopolitical situation and to the ongoing consolidation of public finances have been weighing down consumer confidence for an exceptionally long period. The caution of consumers is not expected to dissipate during the spring, which is why growth in private consumption in 2026 will be slower than previously expected. 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 will take a slight upward turn starting in 2027 as the government’s adjustment measures are reduced.

Last year, private consumption decreased by 0.2 per cent. Consumption of non-durables declined for a fourth consecutive year, and the growth in the consumption of services was also minimal.

The outlook for private consumption for 2026 has again weakened compared with the previous forecast, and consumption is now forecast to grow only 0.7 per cent this year. Consumer confidence has declined in the first months of the year, and due to the war in Iran, it is unlikely that it will increase in the coming months. High unemployment lowers households' incomes and confidence. 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 approximately half a percent as a result of the increases in negotiated wages and the reduction in the tax rates on wage earnings.

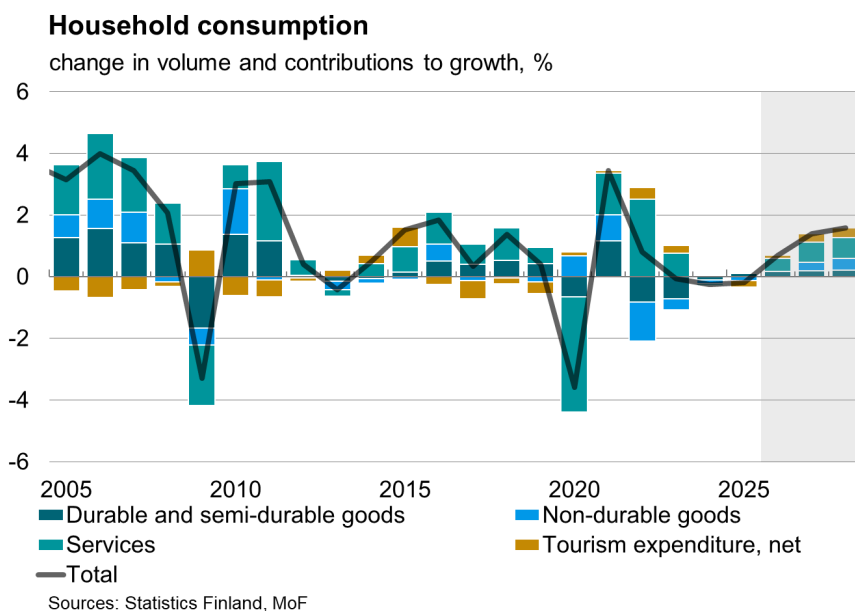
In 2027, growth in private consumption will accelerate as the unemployment starts to decrease, and the wage increases negotiated in collective agreements increase disposable income. The saving rate is expected to decrease to a level of approximately three per cent in 2028, with consumption growing faster than incomes.

Prices in private consumption are expected to increase by 2.4 per cent in 2025 as the war in Iran increases the prices of energy. The increase in prices is expected to slow to 1.4 per cent in 2027 as energy prices decrease.



The confidence of consumers in both their own economic situation and the Finnish economy declined considerably in February. The high electricity prices in January–February, among other things, may have contributed to the decline.

For a long time, consumer confidence has been weighed down by the threat of unemployment, which is clearly above average. Additionally, the completed and future consolidation measures in general government finances may have decreased consumer confidence and/or 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.

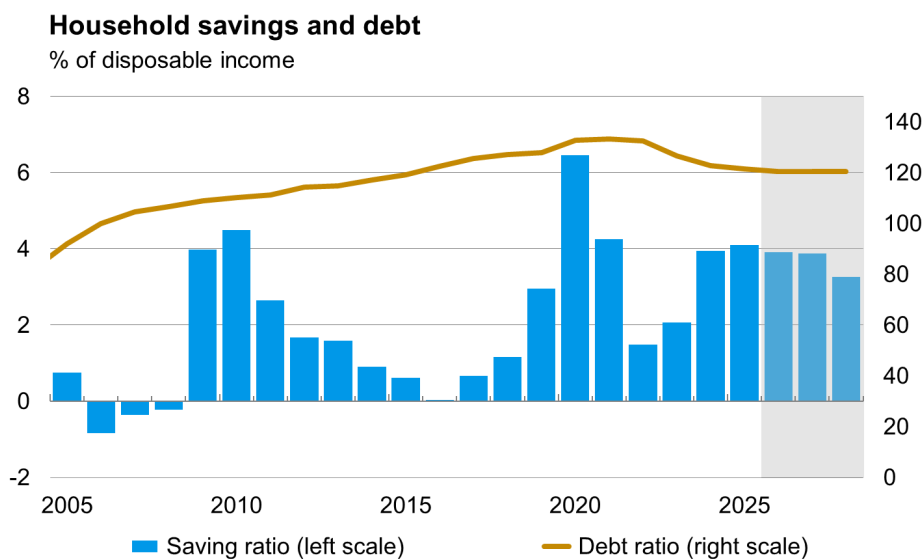


According to the consumer confidence statistics, consumers' intentions of purchasing durable goods have remained lower than average in the first months of the year. First registrations of passenger cars remained low in January–February 2026, and the sale of used cars has not grown either. At the same time, retail sales increased slightly in November–January. The consumption of durable goods in 2026 is expected to grow by approximately one per cent. Most of this growth, however, is passed through from last year. In recent years, the consumption of durable goods in relation to disposable income has reached its lowest level in the 2000s.

The consumption of non-durables such as food, energy and fuels decreased by half a percent in 2025. The war in Iran will increase the prices of energy considerably this year, which will reduce the consumption of fuel in particular. We forecast, that the consumption of non-durables will not increase in 2026.

Service consumption increased by only 0.1 per cent in 2025. The volume of services was increasing in December–January in the hotel and restaurant sector, and in information and communications services. This year, the slight increase in real incomes is expected to be reflected in the consumption of services, which is forecast

to grow by just under one per cent. Next year, the increase in the consumption of services will accelerate slightly as a result of the increase in employment and real incomes.



Sources: Statistics Finland, MoF

Households' net saving rate rose to 4.1 per cent in 2025. Saving is at the same level as during the 2009–2010 financial crisis or the second year of the coronavirus pandemic in 2021. Consumers clearly consider the economy to be in a some kind of crisis and prepare for the threat of unemployment by saving a higher share of their income than before.

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. In Finland, the consolidation measures of general government will also continue in the coming years, which may slow the decrease in the saving rate. 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 per cent 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 per cent 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 per cent in 2027–2028, as the loan stock will grow at the same pace as disposable income.

Public consumption fell by 0.2 per cent in 2025 due to the government's adjustment measures, among other things. In addition, the adjustment measures implemented by municipalities and wellbeing services counties slowed the growth of consumption expenditure.

Although the ageing of the population increases the need for health and social services, and defence investments are higher than before, total public consumption is expected to decrease further by 0.8 per cent in 2026. Expenditure growth will be slowed by the spending cut measures by local government, in addition to the Government's spending cuts. However, consumption will grow slightly by 0.2 per cent in 2027 and accelerate to 0.7 per cent in 2028, as the impact of the adjustment measures decreases, and defence expenditure increases.

The value of public consumption will grow in the outlook period as the price of consumption will increase. The rise in consumption prices will be accelerated by the wage increases agreed in the public sector. Due to the pay system development programmes in the municipal and welfare sector, local government earnings will continue to develop more rapidly than general earnings. 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

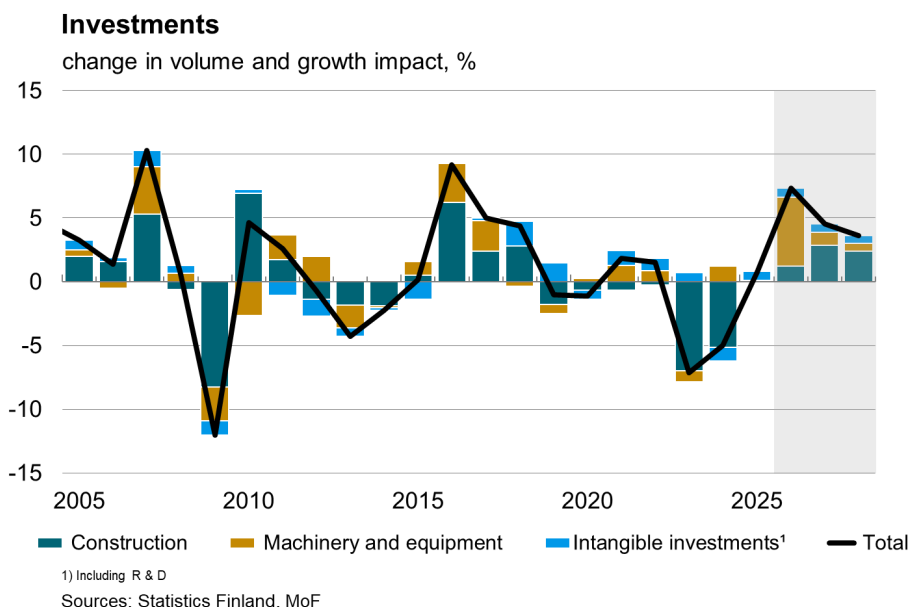
	2024	2025	2026*	2027*	2028*	2025 Share, %
Change in volume, %						
Private consumption	-0.2	-0.2	0.7	1.4	1.6	100.0
Households	-0.3	-0.2	0.7	1.4	1.6	96.0
Durables	-1.7	0.5	1.0	1.6	1.7	6.9
Semi-durables	0.0	1.0	1.7	1.3	1.7	6.9
Non-durable goods	-0.5	-0.5	0.0	1.2	1.7	28.8
Services	-0.1	0.1	0.9	1.5	1.5	53.4
Consumption by non-profit institutions	1.8	-1.4	1.0	1.4	1.5	3.6
Public consumption	2.0	-0.2	-0.8	0.2	0.7	
Total	0.5	-0.2	0.2	1.0	1.3	
Change, %						
Private consumption deflator	1.0	1.1	2.4	1.4	2.0	
Public consumption deflator	0.7	1.8	3.8	3.5	3.6	
Households' disposable income	2.9	1.0	2.9	2.7	2.9	
Households' real disposable income	1.8	-0.1	0.5	1.3	0.9	
Percent						
Consumption in relation to GDP (at current prices)	77.2	76.8	76.7	76.2	76.0	
Household savings ratio	3.9	4.1	3.9	3.9	3.3	
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

Construction will take a cautious upward turn in 2026, driven by construction of business premises, and a more extensive upward turn in the sector will start as the housing production recovers in 2027–2028. At the same time, investments will be accelerated by an exceptional growth boost, as the deliveries of the F-35 fighter aircraft will result in an increase of more than 20 per cent in machinery and equipment investments. Despite these positive signals, the investment outlook continues to be overshadowed by the considerable uncertainty generated by the geopolitical crises and the development of interest rates.

Total investments are forecast to grow rapidly in 2026, and substantial growth is also expected in the following years. Public defence expenditure accounts for by far the single greatest growth boost. In the construction sector, the turnaround will be maintained by the building of data centres and security of supply. A clearer boost in residential construction and the infrastructure sector will not take place until 2027 and 2028. Although the green transition, the stable strengthening of R&D activities and defence materiel purchases provide a solid foundation for growth in the coming years, obstacles to a more broad-based recovery remain. Subdued consumer confidence, a volatile interest rate level and the repercussions of the geopolitical tensions in energy prices will maintain uncertainty in the markets throughout the outlook period.

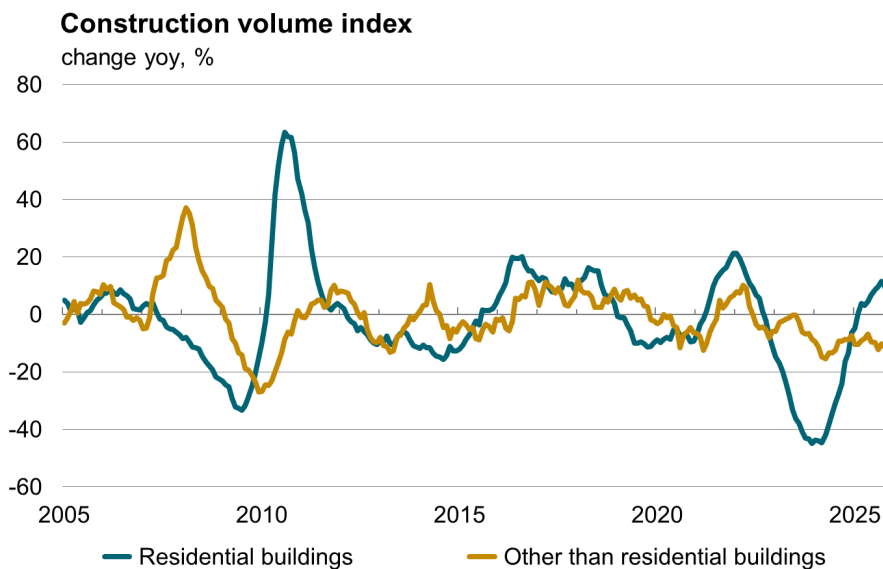


Although the change in the total volume of construction was slightly negative in 2025, the year-end indicators are showing cautious signs of a turnaround. Geopolitical risks such as the crisis in the Middle East and the resulting increase in energy prices still create considerable uncertainty in the recovery. Despite the uncertainties, it is expected that construction will take an upward turn in 2026 and strengthen in 2027 and 2028. Growth in 2026 will rely heavily on the construction of business premises. The outlook for residential construction continues to be weak in the near future.

Investments in residential construction have hit an exceptional low. The volume of new housing starts has fallen by more than 60 per cent from the peak levels of 2021 by 2025. The share of new housing in the total amount of money spent on construction has halved from 22 per cent in 2022 to 11 per cent in 2025. The focus of production is mainly on state-subsidised construction, which accounted for more than 65 per cent of new apartment building starts in 2025. The recovery in the housing market is hindered by the oversupply of housing, the large reserves of completed unsold housing, and the considerable difference between the price of new and old housing. In addition, consumer confidence is low and undermined by uncertainty about the interest rate level.

Prices of previously owned housing are expected to decrease slightly further in 2026. The demand basis is supported by population growth in large cities, but at the same time, housing allowance cuts have slowed the generation of new households. Although the number of new apartment starts is low, production volume is supported by the increased average size of apartments. The apartments being currently built and completed are larger in their floor area than before. New housing construction is forecast to increase slightly from the preceding year in 2026, and stronger growth is expected for 2027 and 2028.

Other building construction – in other words, the construction of business premises – has been the driver of construction overall, and its volume has not decreased nearly as steeply as that of housing construction. The construction of business premises is driven by the rapidly increasing construction of data centres, but industrial and commercial construction are also on the rise. In addition, Finland's NATO membership has increased the volume of construction and infrastructure projects by the Finnish Defence Forces and the defence industry.



Source: Statistics Finland

Civil engineering volume is forecast to remain at the preceding year's level in 2026. Zero growth is due to several concurrent factors that hinder growth. One of the most significant factors is the significant winding down of the construction of on-shore wind power from the peak levels of previous years. Additionally, the prolonged subdued building construction, and housing production in particular, is directly reflected in infrastructure construction. When no new residential areas are started, the need for foundation engineering, new municipal engineering and street networks is also minimal. The situation in the sector is also burdened by the strict spending cuts by the Government and municipalities, which will result in postponed new transport infrastructure and other infrastructure projects. In addition, orders by public-sector clients in the maintenance and paving of roads are reduced due to the perpetually high cost level.

However, slight growth is again expected in civil engineering in the next couple of years (2027–2028). The upward turn is driven by the major investments required by the energy transition in particular, including the extensive strengthening of the main electricity grid, industrial-scale solar farms, and the launch of the construction of a national hydrogen infrastructure. In addition, the forecast gradual recovery of housing construction will begin to generate new demand for basic infrastructure

with a delay. The sector's moderate growth path is also supported in part by the needs of the defence administration and security infrastructure that will increase as a result of the NATO membership.

The energy transition and the changed geopolitical operating environment are significantly boosting machinery and equipment investments. The availability of clean and reliable energy has made Finland an attractive destination for new industrial investments. However, the overall growth in machinery and equipment investments will be dominated by public-sector defence expenditure in the coming years. In 2026, the estimated growth is as much as more than 20 per cent as the first deliveries of the F-35 multirole fighter aircraft begin. Additionally, investments are supported by the powerful inputs in the green transition and data centres, among other things.

Solid growth will continue in immaterial investments such as research and development (R&D). This development is significantly affected by Finland's strategic objective of increasing R&D expenditure to four per cent of GDP by 2030. Reaching this objective is secured by means of the Act on Research and Development Funding, which secures long-term growth of public funding, as well as the R&D tax incentive targeting businesses and EU-level innovation funding.

Public investments grew moderately, by slightly over two per cent, last year. This year, investments are expected to grow by a quarter. The awaited start of the deliveries of the major defence materiel purchases is the factor behind growth. The deliveries of the new multirole fighter aircraft and ships will maintain a high level of public investments for the next five years. In addition, the general increase in defence expenditure, which accounts for a large share of investment expenditure, contributes to the high level of investments. The R&D expenditure will also increase public investments until 2030.

In local government, investment prospects vary regionally. Investment pressures in growth centres will remain high, keeping municipal investments at a high level. However, rising financing expenses and challenges in municipal finances may slow down the implementation of investments.

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

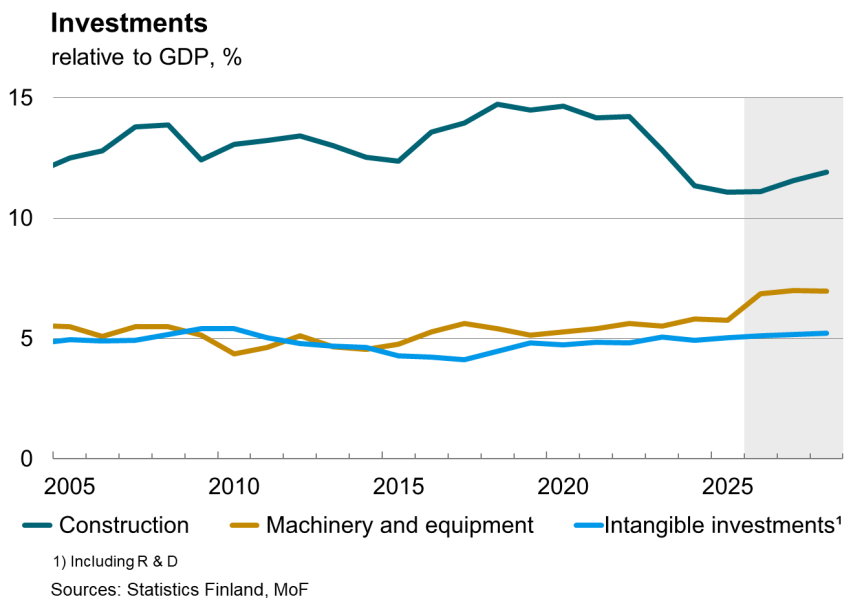


Table 11. Fixed investment by type of capital asset

	2024	2025	2026*	2027*	2028*	2025 Share, %
Change in volume, %						
Buildings	-9.5	-0.4	2.9	7.0	5.8	41.9
Residential buildings	-17.7	0.3	1.0	6.0	7.5	20.1
Non-residential buildings	1.1	-1.2	5.0	8.0	4.0	20.5
Civil engineering construction	-8.9	1.6	0.0	1.0	1.0	9.5
Machinery and equipment	5.3	0.3	20.7	3.5	2.0	26.3
Intangible investments ¹	-5.1	3.2	3.0	3.0	3.0	22.3
Total	-5.0	0.8	7.3	4.5	3.6	100.0
Private	-8.2	0.4	2.3	7.0	4.6	79.9
Public	10.2	2.4	27.1	-3.2	0.2	20.1
Investment deflator	0.3	-0.1	1.6	2.0	2.2	
Investment to GDP ratio (at current prices)						
Fixed investment	22.1	21.8	23.1	23.7	24.1	
Private	17.6	17.4	17.5	18.4	18.9	
Public	4.4	4.5	5.5	5.3	5.2	

¹ Includes also R&D-investments.

1.7 Domestic production

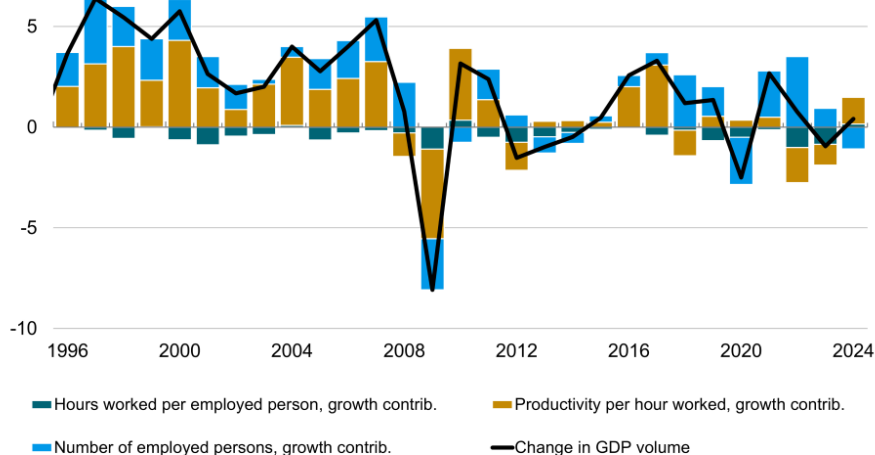
Growth of total output is picking up. This is a result of the continued growth in manufacturing, and of the improving development of construction and services.

1.7.1 GDP and productivity

Value added across the economy grew by 0.3 per cent in 2025. Primary production and industrial production increased, while services and construction decreased. Value added grew on a large scale in the subsectors of both primary production and industrial production. The forest and metal industries, which decreased in 2024, also took an upward turn last year. In the service industries, there was a large-scale decrease in the commerce, transport, finance and insurance sectors. Value added in construction has been declining for seven years, and its level was slightly more than 22 per cent lower than in 2018.

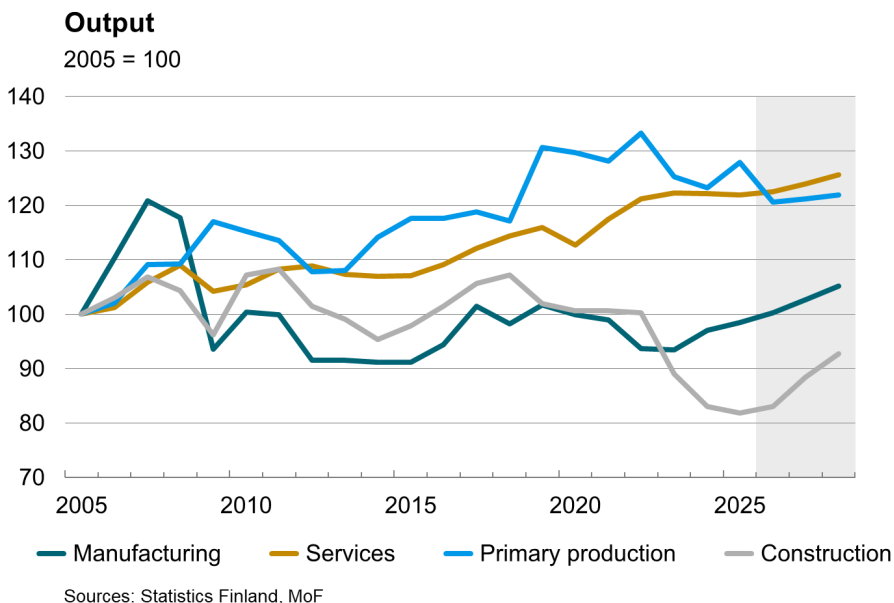
Productivity growth in the Finnish economy has been weak in recent years. Between 2021 and 2025, value added per hour worked improved by an average of 0.3 per cent. On average, productivity fell in construction and manufacturing in particular, whereas in service sectors it improved slightly. In 2026–2028, however, productivity is expected to grow by approximately one per cent per year as economic growth begins. Productivity is expected to improve in all main industries.

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 approximately 0.5 per cent this year. Industrial output will benefit from the recovery of the order book. 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 cent per year, which is more than double the average growth rate in the 2010s.

1.7.2 Sectors

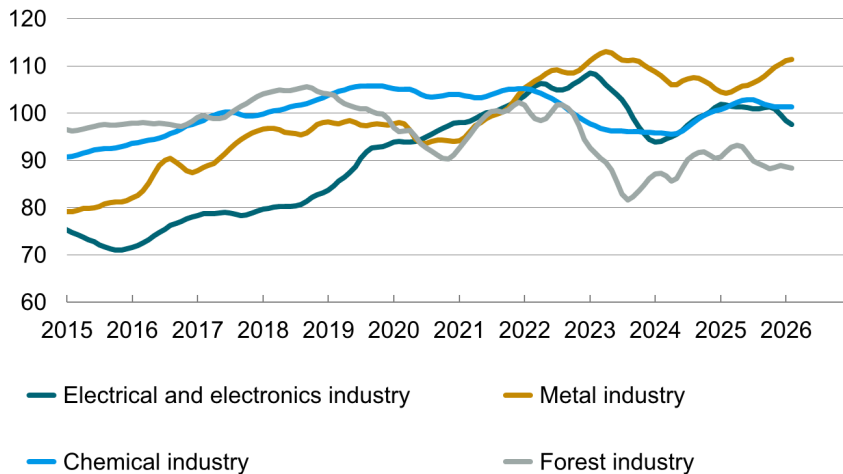
The volume of value added increased in all sectors of industrial output in 2025. Growth in the chemical industry and the electrical and electronic industry continued to be strong. The volume of value added in the forest industry and metal industry took an upward turn after the decrease in recent years. Although the outlook in the first months of the year was positive, the crisis in the Middle East has lowered growth prospects. The value added across industry is expected to grow by 1.8 per cent this year, after which growth will accelerate to 2.4 per cent in 2027 and 2028.

The industry turnover grew in 2025, driven by demand from abroad. The export turnover grew well, but domestic turnover continued to decrease, although only slightly. Turnover in 2025 was about one per cent higher than in the previous year. The strong growth in the electrical and electronic industry turnover continued, but the metal and chemical industries also experienced good growth. Forest industry turnover decreased despite the growth in the value-added volume.

New orders in industry grew during 2025. At the end of the year, growth in orders was strong in the metal and chemical industries. The first months of 2026 have also been strong for the metal industry. During the winter, the Helsinki and Rauma shipyards received icebreaker orders. According to the TechnoBaro Technology Industry Barometer in March, the accumulation of new orders and the order books have strengthened.

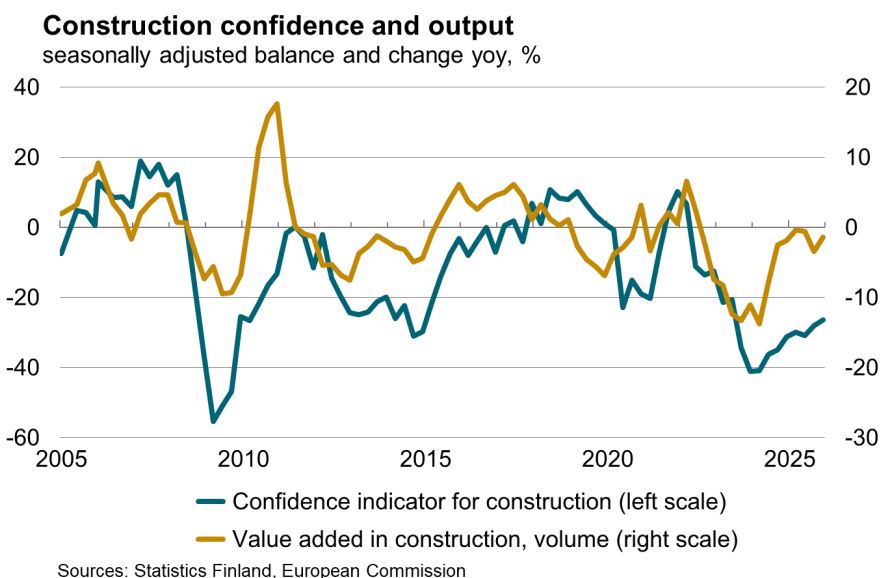
Volume index for industrial production

2021 = 100, trend

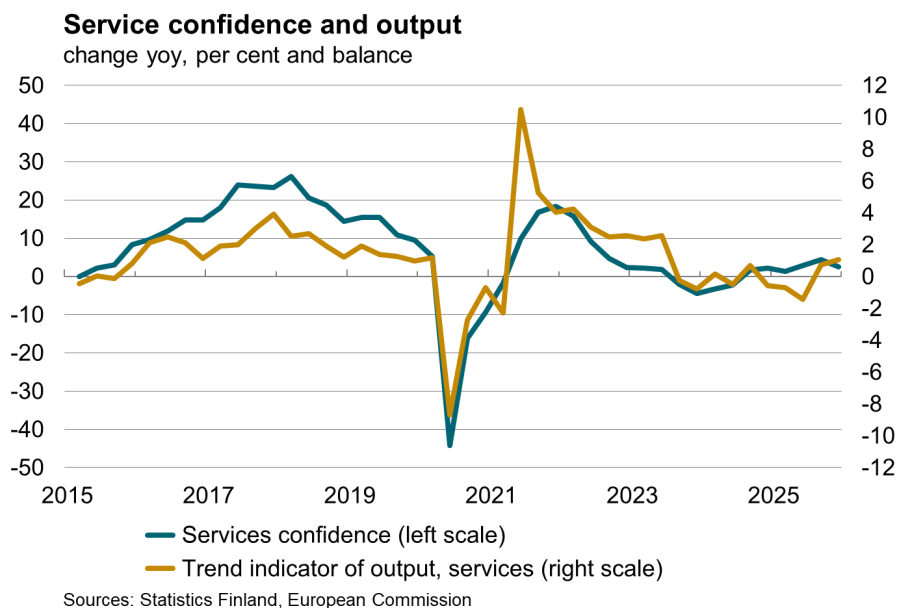


Source: Statistics Finland

The nadir in the economic situation in construction has been passed. The outlook continues to be overshadowed by considerable uncertainties, the situation continues to be weaker than normal, and recovery is slow. In 2026, value added in construction is forecast to grow only moderately, but growth is expected to become brisk in the following years. The development is supported in particular by energy transition investments, construction related to security of supply, and the recovery of housing construction.



In the trade sector, the volume of value added decreased by one per cent in 2025. However, in January 2026, the trend volume of trade had taken a slight upwards turn. The confidence indicator for retail was significantly above its average in February, but the war in Iran may weaken the outlook during the spring.



In other private services, value-added volume grew by 0.7 per cent in 2025. The confidence indicator for the service industries continued to be at a slightly lower than average level in February 2026 (the average of the balance figure shown in the graph is 11), but was still above zero. In 2026, the value added in services (including trade and public services) is expected to grow by half a percent, as the value added in public services will continue to decrease, and the value added in private services will grow by approximately one per cent. In 2027, services will grow by about one per cent, as the growth in manufacturing and construction will increase the 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	-1.5	1.5	6.4	5.0	5.7
Agriculture and forestry	-1.7	3.8	-5.7	0.5	0.6	2.8
Manufacturing and construction	1.4	0.9	1.7	3.2	3.0	26.1
Services	-0.1	-0.2	0.5	1.2	1.3	71.1
Total production at basic prices	0.3	0.2	0.6	1.7	1.7	100.0
GDP at market prices	0.4	0.2	0.6	1.7	1.7	
Labour productivity in the whole economy	1.2	1.4	0.9	1.0	1.1	

¹ Share of total value added at current prices

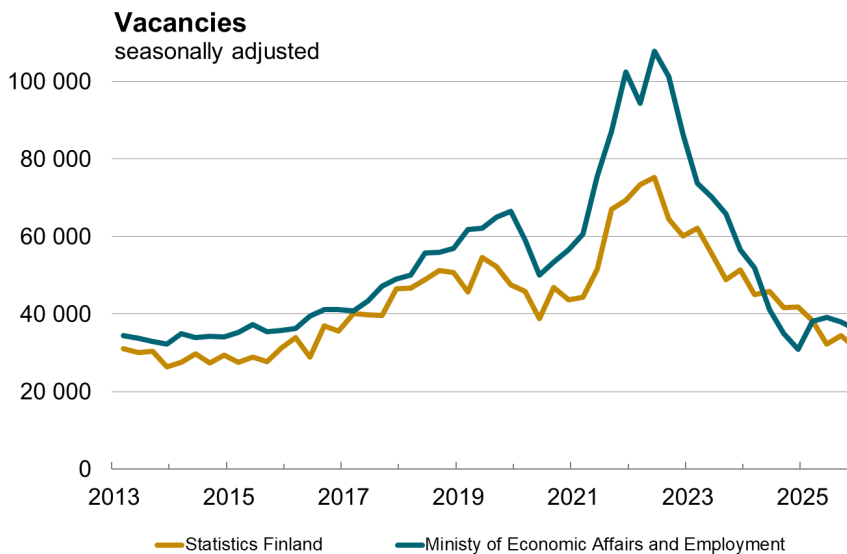
1.8 Labour market

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 2025, the number of employed people decreased for a second consecutive year, although by only half the previous year's number. At the same time, the number of unemployed increased at the same pace as in the previous year, and the unemployment rate increased to nearly ten per cent. As the number of persons not included in the labour force has decreased, there is now an abundance of labour force in the labour market, and the participation rate is nearly at the highest level in its history.

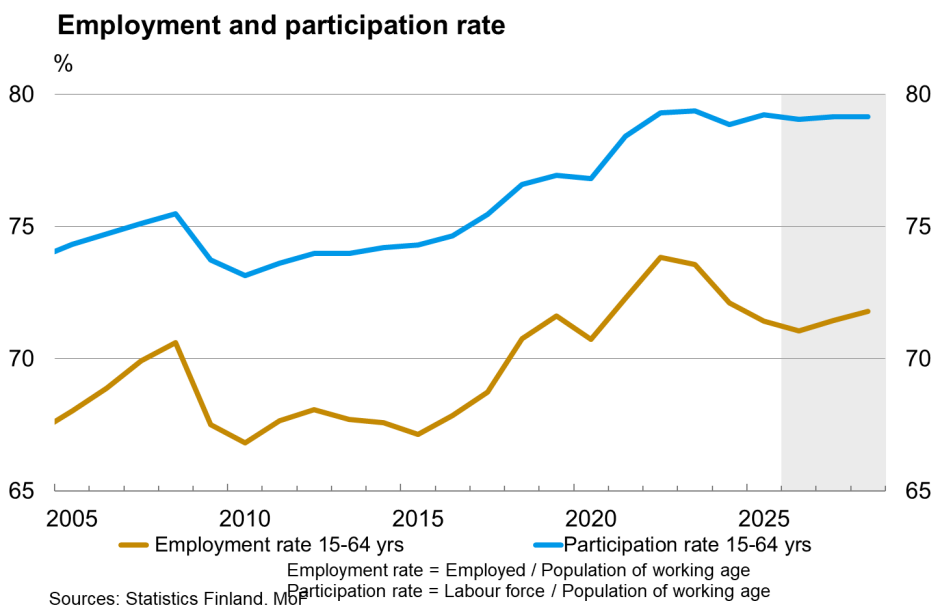
Last year, the greatest reduction in employment occurred in primary production, the forest and chemical industries and in the trade and information and communications service sectors. At the same time, the number of employed people increased considerably in the food industry, logistics, hotel and restaurant services, and in property management and arts and entertainment. The number of hours worked decreased more than twice as much as the number of employed people, which means that the average hours worked per employed person decreased. An increase in the number of part-time wage earners and a decrease in the number of full-timers contributed to this trend.

The employment trend in the 20–64 age group was 75.8 per cent in February, which was 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 continued decrease in the number of available jobs indicate continued weak development in employment. The private sector's intentions of providing employment demand have not yet improved broadly, although there already seems to be a clear need for increasing personnel in industry. At the same time, the value of new orders in industry decreased at the turn of the year, so it is unlikely that demand for labour force will increase considerably in the first months of the year. Intentions of providing employment will be scarce in the service sector and construction. As the number of part-time jobs increases, the number of hours worked will fall more considerably than employment levels. Immigration contributes to the supply of labour. At the same time, growth in labour input will increase the number of unemployed people. The number of employed people will decrease by an average of 0.1 per cent this year.

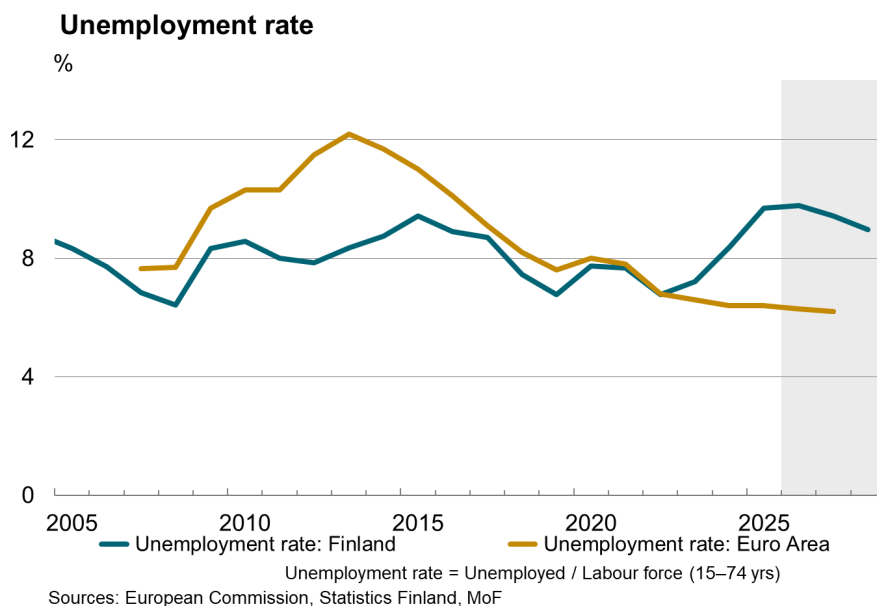


Source: MEAE, SF, MoF

In 2027–2028, the economy will grow faster, and employment will increase by an average of just under one per cent annually. Growth will be broad-based and also supported by the measures taken by the Government since 2024 to promote the supply of the labour force. The employment rate (20–64 age group) will rise to approximately 76.5 per cent but will still remain below the peak level of nearly 78.1 per cent in 2022. Employment will also be boosted by growth in the working-age population, which is due to immigration in particular: it is estimated that there will be nearly 28,000 more people aged 20–64 in 2028 than in 2025.



Last year, the number of unemployed people continued to rise broadly and substantially. Unemployment among women in particular rose by 20 per cent. Unemployment rose particularly sharply among those aged 35–44. Among the occupational groups, the increase in unemployment affected those in specialist and service and sales occupations in particular. In contrast, unemployment fell in primary production occupations.



The unemployment trend increased to 10.5 per cent in February, which was slightly higher than at the end of last year. During the first months of the year, unemployment among men increased more than unemployment among women, in particular in the age groups of the young and approximately 50-year-olds. In 2026, unemployment will continue to grow, as the number of employed people will decrease. 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 per cent. 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 nine per cent, well above the estimated level of approximately 8 per cent in structural unemployment in Finland that year.

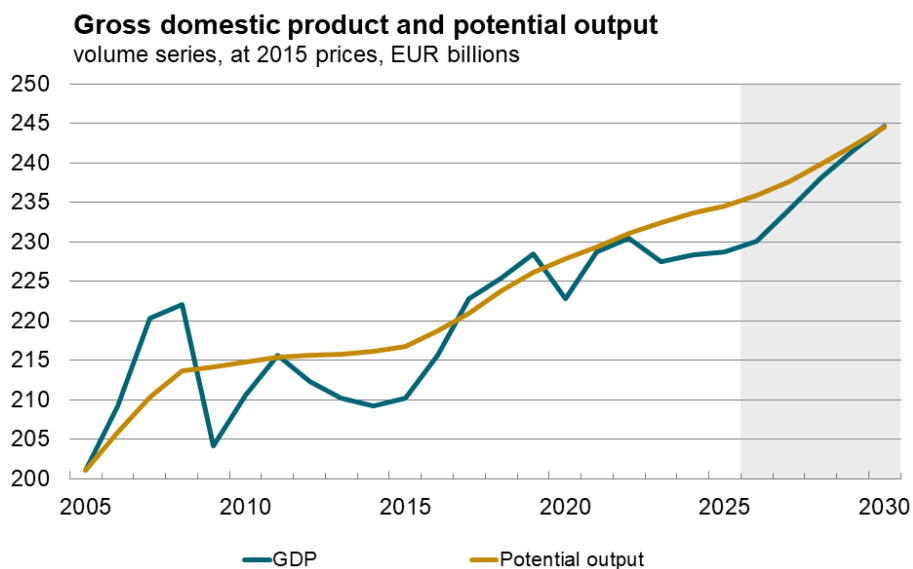
Table 13. Labour market

	2024	2025	2026*	2027*	2028*
Annual average, 1,000 persons					
Population of working age (15–74 yrs)	4 153	4 167	4 179	4 187	4 195
Population of working age (15–64 yrs)	3 473	3 493	3 506	3 517	3 524
Labour force (15–74 yrs)	2 841	2 868	2 867	2 880	2 885
Employed (15–74 yrs)	2 602	2 590	2 586	2 608	2 626
of which 15–64 yrs	2 504	2 495	2 491	2 513	2 530
Unemployed (15–74 yrs)	238	278	280	271	259
Change in volume, 1,000 persons					
Population of working age (15–64 yrs)	31	20	13	11	7
Employed (15–64 yrs)	-28	-9	-4	21	18
Percent					
Employment rate (15–64 yrs)	72.1	71.4	71.1	71.4	71.8
Employment rate (20–64 yrs)	76.7	76.0	75.6	76.1	76.4
Unemployment rate (15–74 yrs)	8.4	9.7	9.8	9.4	9.0
1,000 persons per annum					
Immigration, net	47	35	35	33	30

1.9 Medium-term outlook for 2029–2030

Finland's economy is expected to grow by 1.5 per cent in 2029 and by 1.3 per cent in 2030. The employment rate will rise to 72.8 per cent in 2030. In the outlook period, gross domestic product will grow faster than potential output.

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.



Sources: MoF

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 1.3 per cent per year respectively. Growth will be supported by the strong development of private investment, boosted by the investments required by the green transition. GDP growth will also be supported by the public defence spending increases for 2029 in particular.²

The employment rate (15–64 age group) is expected to increase to 72.3 per cent in 2029 and to 72.8 per cent in 2030. The development of employment is affected by both the economic cycle and the Government's structural policy measures. At the same time, the unemployment rate is projected to fall moderately, and the unemployment gap is expected to close in 2030, when the unemployment rate is forecast to be 8.2 per cent. The increase in consumer prices is projected to reach the 2 per cent inflation target set by the European Central Bank as early as 2029 and to remain at that level in 2030 as well.

In 2026–2030, potential output is projected to grow by an average of 0.8 per cent per year. The growth will consist of the development of labour input, capital stock and total factor productivity. The impact of labour input is projected to be 0.1 percentage points on average per year. The growth contribution of labour input is weakened by the long-standing negative development in the growth impact of hours worked per employed person. The positive growth impact of the working-age population will also fade towards the end of the outlook period.

The development of the capital stock will support potential output growth by an average of 0.4 percentage points per year in 2026–2030. 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 with the early 2020s. However, TFP growth will remain modest relative to the early 2000s. The sluggish

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.

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 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.

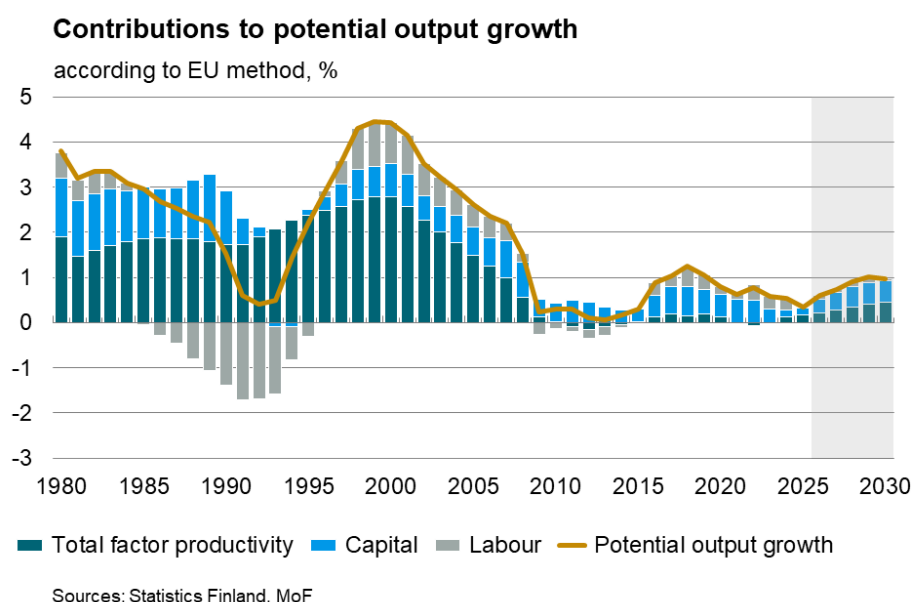


Table 14. Key forecast figures for the medium term

	2024	2025	2026*	2027*	2028*	2029*	2030*
GDP at market prices, change in volume, %	0.4	0.2	0.6	1.7	1.7	1.5	1.3
GDP, nominal, EUR bn	276	281	290	300	313	325	337
Consumer price index, change, %	1.6	0.3	2.0	1.4	1.9	2.0	2.0
Unemployment rate, %	8.4	9.7	9.8	9.4	9.0	8.5	8.2
Employment rate, %	72.1	71.4	71.1	71.4	71.8	72.3	72.8
Output gap, % of potential output ¹	-2.3	-2.5	-2.5	-1.5	-0.7	-0.3	0.0
Potential output growth, % ¹	0.5	0.3	0.6	0.7	0.9	1.0	1.0

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

Table 15. Key public finance forecast figures for the medium term

Relative to GDP, %	2024	2025	2026*	2027*	2028*	2029*	2030*
General government net lending	-4.4	-3.4	-4.6	-4.6	-4.6	-4.6	-4.4
Central government	-3.7	-3.9	-5.2	-4.7	-5.2	-5.2	-5.0
Municipal finances	-0.3	-0.3	-0.4	-0.4	-0.3	-0.3	-0.2
Wellbeing services counties	-0.6	0.0	0.1	-0.1	-0.2	-0.2	-0.3
Social security funds	0.3	0.7	0.9	0.6	1.1	1.2	1.2
Financial balance of of central and local government	-4.7	-4.2	-5.4	-5.3	-5.7	-5.7	-5.6
Structural balance	-3.0	-2.0	-3.1	-3.7	-4.2	-4.4	-4.4
General government debt	82.4	88.5	91.2	92.8	94.7	97.0	99.3
Central government debt	61.4	66.9	69.4	71.2	73.5	76.0	78.4

A scenario of less favourable development in the impacts of the crisis in the Middle East

This calculation presents a scenario in which Finland's economic growth comes to a halt in 2026. The goal of the calculation is to illustrate what kind of development in the international economy could slow Finland's GDP growth to zero, and how it would affect general government finances in Finland. The real economy calculation has been prepared using the KOOMA model developed at the Economics Department of the Ministry of Finance. In the model, the impacts of the crisis have been modelled by means of price, interest rate and demand shocks. The response of general government finances to the economic development presented in the scenario is assessed through the general government finances scenario model.¹ In the scenario, it is anticipated that new fiscal policy decisions will not be made. Changes in public sector finances and expenditure will follow macroeconomic changes, and the functioning of automatic stabilisers will be unrestricted.

In the calculation, the price of oil will rise higher than anticipated in the Ministry of Finance's spring forecast. The assumption in the Ministry of Finance's forecast is that the average dollar price of crude oil per barrel will be slightly less than 30 per cent higher in 2026 than in 2025. An alternative scenario assumes that the impacts of the crisis will intensify in 2026 in relation to this baseline, meaning the price of oil will be 30 per cent higher than the baseline price. This would mean that the price of oil per barrel would be approximately 110 dollars on average in 2026. The crisis will have prolonged impacts on the price, and the price of oil will therefore also be significantly higher than the baseline in 2027.

Shocks affecting the prices of oil and other imported raw materials increase the import sector prices in the model. Additionally, Finland's export prices will increase, which is why external competitiveness does not change in the scenario. The higher price of oil and the weakening of the availability of raw materials

¹ The general government finances scenario model is a forecasting model developed by the Department of Economics at the Ministry of Finance.

produced in the Middle East will be broadly passed on to other prices, and interest rates are also expected to respond to this development. The nominal interest rate will first rise by 0.25 percentage points higher, and from mid-2026 by 0.5 percentage points above the baseline, curbing inflation but also weakening economic growth. However, the interest rate will return to the baseline level in 2028.

The impacts of the crisis will spread to Finland not only through the price shocks but also through demand shocks, as both international and domestic demand will weaken. In the calculation, the world trade will decline 1.1 per cent more than in the baseline in the first year. As a result, demand for Finnish products of companies linked to foreign trade will decline. The greatest impact in the calculation will thus be felt in foreign trade, which is typical of a small open economy such as Finland. The calculation also assumes that consumer confidence will weaken during 2026, and this will decrease domestic consumption.

Table 1 provides a summary of the impacts of the scenario compared with the baseline, the spring 2026 forecast by the Economics Department of the Ministry of Finance. Due to the disturbances in the global economy, Finland's GDP will decrease and will be 0.6 percentage points lower than in the forecast. In other words, GDP growth will come to a halt in 2026. As a result of the price shocks, the prices of domestic end products such as consumer goods will increase. Inflation will accelerate by 1 percentage point in relation to the baseline, and the annual change in the consumer price index will be three per cent in 2026. Employment will decrease as a result of the shocks, and the unemployment rate will increase to 10.2 per cent in 2026. Despite the declining trend in the price of oil in 2027, the price level will be higher in relation to the baseline. As a result, GDP growth will be slower and inflation faster than in the baseline.

Table 1 Baseline and scenario variables

	Baseline					Scenario					Difference				
	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
Oil price on average, \$/barrel	85.6	75.4	69.3	69.3	69.3	111.0	103.3	83.3	75.0	71.7	25.5	27.9	14.0	5.7	2.3
Interest rate 3 mths, %	2.1	2.1	2.1	2.1	2.1	2.4	2.5	2.1	2.1	2.1	0.3	0.4	0.0	0.0	0.0
GDP volume, change %	0.6	1.7	1.7	1.5	1.3	0.0	1.6	2.1	1.7	1.4	-0.6	-0.1	0.4	0.2	0.1
GDP price, change %	2.6	2.1	2.4	2.3	2.3	3.2	2.2	2.0	2.1	2.2	0.6	0.2	-0.4	-0.2	-0.1
Private consumption volume, change %	0.7	1.4	1.6	1.4	1.5	-0.1	1.0	2.1	1.8	1.6	-0.8	-0.4	0.5	0.4	0.2
Private consumption price, change %	2.4	1.4	2.0	2.0	2.0	3.3	1.6	1.3	1.7	1.9	1.0	0.2	-0.6	-0.3	0.0
Consumer price index, change %	2.0	1.4	1.9	2.0	2.0	3.0	1.6	1.3	1.7	2.0	1.0	0.2	-0.7	-0.3	0.0
Index of wage and salary earnings, change %	3.6	3.2	3.4	3.0	3.0	3.5	2.7	3.4	3.3	3.3	-0.1	-0.5	0.0	0.3	0.3
Wage bill, change %	3.6	4.2	4.1	3.9	3.8	2.8	3.8	4.5	4.3	4.0	-0.8	-0.4	0.4	0.4	0.2
Operating surplus, change %	2.8	4.3	4.9	3.8	3.6	0.2	3.1	7.3	5.1	3.7	-2.6	-1.2	2.4	1.3	0.1
Unemployment rate, %	9.8	9.4	9.0	8.5	8.2	10.2	9.6	8.8	8.2	8.0	0.4	0.2	-0.2	-0.3	-0.2
General government (consolidated) revenue, relative to GDP, %	53.8	52.9	52.4	52.5	52.2	53.4	52.5	52.0	52.2	52.0	-0.3	-0.4	-0.3	-0.2	-0.2
General government (consolidated) expenditure, relative to GDP, %	58.3	57.5	57.0	57.0	56.6	58.6	57.8	57.0	56.8	56.5	0.2	0.3	0.0	-0.2	-0.1
General government budgetary position, relative to GDP, %	-4.6	-4.6	-4.6	-4.6	-4.4	-5.1	-5.3	-5.0	-4.6	-4.5	-0.6	-0.7	-0.4	-0.1	-0.1
General government debt-to-GDP ratio, %	91.2	92.8	94.7	97.0	99.3	91.4	93.4	95.6	97.9	100.1	0.2	0.7	0.9	0.9	0.9

Economic development in accordance with the scenario would weaken the general government budgetary position and increase the general government debt-to-GDP ratio compared with the baseline (see Table 1). In the scenario, the general government finances remain smaller than the baseline throughout the period under review. In turn, public-sector expenditure will grow compared with the baseline in 2026–2027. Towards the end of the period under review, the general government debt-to-GDP ratio will nevertheless develop more moderately than the baseline, as the economy recovers from the recession caused by the shocks.

In the scenario, economic activity will slow compared with the baseline, which will, in particular, result in the tax revenue collected by the general government growing more slowly than in the baseline. At the same time, the rapid increase in prices and the unemployment rate will increase general government expenses. Social benefits and grants paid by the social security funds will increase as a result of the increase in unemployment and prices. In turn, the change in the interest rates and the development of the financial markets will affect the revenues of employment pension funds. The change in the interest rates will also have an impact on the costs of general government debt.

According to the scenario, the weaker development in general government finances and public expenditure growth, which will be faster than in the baseline in 2026–2028, will weaken the general government budgetary position at the beginning of the period under review, especially compared with the baseline. In the scenario, the estimated general government deficit is just over five per cent relative to GDP in 2026–2027, around five per cent in 2028, and about 4.5 per cent relative to GDP in 2029–2030. However, the weakening of the budgetary position will increase the general government debt-to-GDP ratio fairly moderately, as the recovery of the economy from the crisis is stronger in the scenario than in the baseline. In the scenario, the general government debt-to-GDP ratio is slightly over 91 per cent (about 0.2 percentage points higher than in the baseline) in 2026, and it will be just over 100 per cent (about 0.9 percentage points higher than in the baseline) in 2030.

References:

Koponen, Niemeläinen, Elmgren, Pönkä 2026, "KOOMA: A DSGE Model of the Finnish Economy", Publications of the Ministry of Finance, 2026:4, <https://urn.fi/URN:ISBN:978-952-367-425-7>

2 General Government Finances

2.1 General government

General government deficits will persist. Expenditure will be driven by defence and interest expenditure, and the impacts of the adjustment measures will decrease as the tax cuts take effect. General government debt will increase steadily. It will exceed 90 per cent this year and be over 99 per cent of GDP in the early 2030s.

The general government deficit narrowed to 3.4 per cent of GDP in 2025. Economic growth remained sluggish, but the adjustment measures strengthened general government finances compared with 2024. General government expenditure grew by just over one per cent. This was the slowest growth rate since 2017. The combined central government and local government deficit amounted to 4.2 per cent of GDP. The debt-to-GDP ratio reached 88.5 per cent.

This year, the deficit is expected to widen again, to 4.6 per cent of GDP. Defence equipment purchases are the main factor behind this development, but tax cuts will also slow tax revenue growth. Expenditure growth will be slowed by adjustment measures introduced to balance the increases in defence spending. The delivery of the F-35 fighter jets is the main factor driving growth in defence spending, and as they will be delivered to the Finnish Air Force, they will be entered as expenditure. Economic growth will remain sluggish, but price rises will ensure an increase in consumption tax revenue.

Defence expenditure will remain high next year. The lowering of corporation tax will slow growth in tax revenue. With private consumption stagnating, VAT revenue will also grow at a slow rate. The deficit will remain at 4.6 per cent. In comparison, a deficit of about 3½ per cent is projected for the euro area. The state of general government finances will remain unchanged between 2028 and 2030. Economic growth will pick up, but growth in tax revenue can only cover expenditure growth. Interest expenditure will grow throughout the outlook period, and defence spending will grow at a particularly rapid rate in 2029.

The central government deficit will remain high. In 2025, it amounted to 3.9 per cent. The deficit will reach over five per cent this year, as the expenditure on F-35 fighter jets will boost spending by more than two billion euros. This year's tax revenue will be reduced by cuts in income taxation; at the same time, one-off items will also increase 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. In the years after that, the deficit will remain at about five per cent.

Growth in local government expenditure during the outlook period is mainly driven by a rapid increase in prices and wages, which will keep local government finances in deficit throughout the period. The budgetary position of the wellbeing services counties will remain roughly balanced in 2026 and 2027, even though it will gradually weaken from 2027 onwards as a result of increasing expenditure. At the same time, growth in wellbeing services counties' revenue will be slowed by the overhaul of the Act on the Funding of Wellbeing Services Counties and the fact that the retrospective review is based on the projected sum allocated in the spending limits, which will remain below what was estimated in the pressure calculation for the period 2028–2030. The budgetary position of the municipal administration will be -0.4 per cent of GDP in 2026 and 2027. The deficit is then expected to narrow by 2030 as the pay system development programme and temporary cuts in central government transfers come to an end. In local government, the impacts of the crisis in the Middle East will primarily manifest themselves in higher prices and costs.

The combined central government and local government deficit is high: in 2026, it will amount to 5.4 per cent of GDP, and in 2027, 5.3 per cent of GDP. The new decade will start with an even higher imbalance: in 2030, the deficit will amount to 5.6 per cent of GDP.

As a whole, social security funds will remain in surplus, which is mainly 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 gradually turn their deficits recorded this year into a slight surplus, and the funds will remain balanced throughout the outlook period. The crisis in the Middle East is expected to have a moderate impact on property income this year, and the same applies to unemployment expenditure and social security contribution revenue.

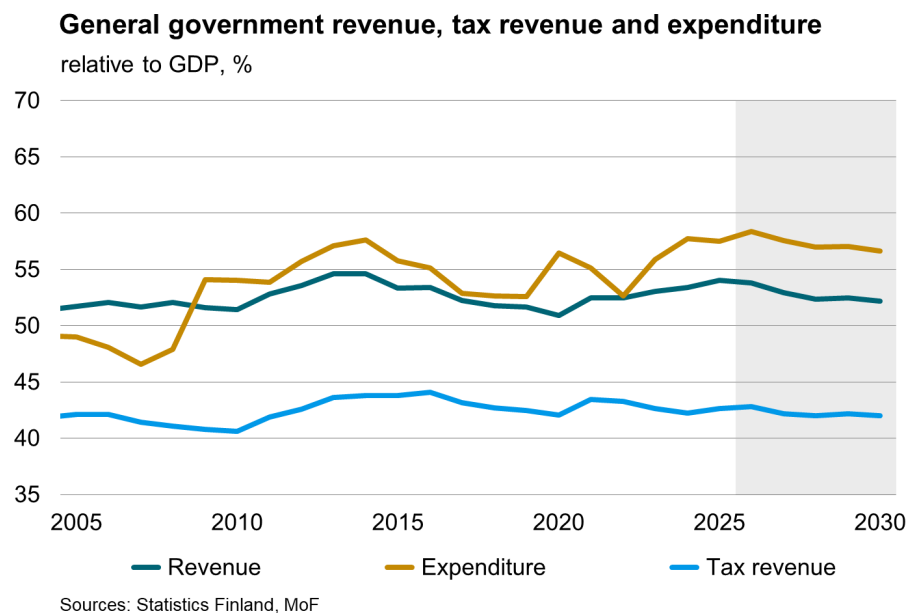
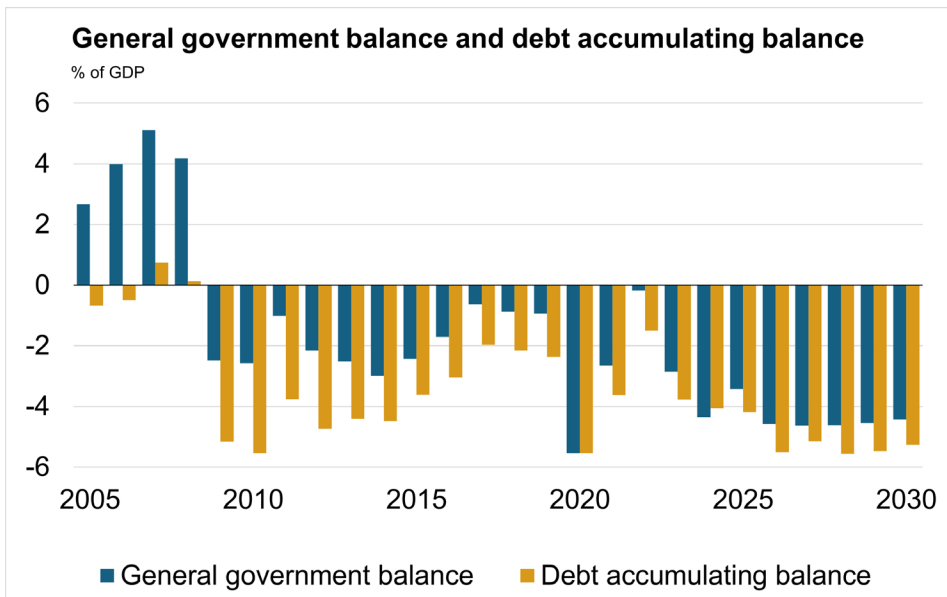


Table 16. General government finances

	2024	2025	2026*	2027*	2028*
EUR billion					
Current taxes	44.1	44.9	45.4	46.9	49.0
Taxes on production and imports	38.5	39.5	41.8	41.7	42.8
Social security contributions	32.7	34.1	35.6	37.1	38.5
Taxes and contributions, total ¹	116.6	119.6	123.9	126.7	131.4
Property income	11.0	11.7	11.6	11.9	12.1
Sales and fee income	17.5	17.9	18.3	18.7	19.2
Other revenue	2.2	2.5	2.0	1.7	1.3
Total revenue	147.4	151.7	155.7	159.0	164.0
Compensation of employees and intermediate consumption	69.2	70.4	72.1	74.0	76.9
Subsidies	3.2	3.1	3.3	3.2	3.2
Social benefits and social transfers in kind	62.2	62.7	64.0	65.8	67.3
Other current transfers	6.7	6.8	7.5	7.5	7.6
Property expenditure	4.4	4.6	5.0	5.8	6.5
Gross capital formation	12.3	12.4	15.9	15.8	16.2
Other expenditure	1.4	1.2	1.1	0.8	0.8
Total expenditure	159.4	161.3	169.0	172.9	178.5
Consumption expenditure	72.0	73.1	75.3	77.9	81.2
Net lending (+) / net borrowing (-)	-12.0	-9.6	-13.3	-13.9	-14.5
Central government	-10.2	-10.9	-14.9	-14.1	-16.4
Municipal administration	-0.9	-0.8	-1.0	-1.3	-1.0
Wellbeing services counties	-1.7	0.1	0.2	-0.3	-0.5
Employment pension schemes	2.2	2.8	2.8	1.9	3.2
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	-15.8	-15.8	-17.9
Primary balance ²	-7.7	-5.0	-8.3	-8.1	-7.9

¹ Incl. capital taxes² Net lending excluding gross interest expenses

Table 17. Main economic indicators in general government

	2024	2025	2026*	2027*	2028*
Relative to GDP, %					
Taxes and social security contributions	42.3	42.6	42.8	42.2	42.0
General government expenditure	57.7	57.5	58.4	57.5	57.0
Net lending of the general government	-4.4	-3.4	-4.6	-4.6	-4.6
Central government	-3.7	-3.9	-5.2	-4.7	-5.2
Municipal administration	-0.3	-0.3	-0.4	-0.4	-0.3
Wellbeing services counties	-0.6	0.0	0.1	-0.1	-0.2
Employment pension institutions	0.8	1.0	1.0	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	-5.4	-5.3	-5.7
General government debt	82.4	88.5	91.2	92.8	94.7
Central government debt	61.4	66.9	69.4	71.2	73.5
Primary balance ¹	-2.8	-1.8	-2.9	-2.7	-2.5
Structural balance	-3.0	-2.0	-3.1	-3.7	-4.2
General government net expenditure, annual change, % ²	-	-0.6	4.6	3.3	3.2
General government employment, 1,000 persons	707	697	695	691	693
Central government	155	147	145	141	141
Municipal administration	260	259	258	257	257
Wellbeing services counties	279	277	278	279	281

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

Fiscal stance

Despite the subdued economic growth, the general government budgetary position improved considerably in 2025. The general government budgetary position will weaken this year and remain at 4.6 per cent in relation to GDP for several years. At the end of the forecast period, general government deficit will be approximately 4.4 per cent of GDP. However, these figures cannot be used to conclude how much the deficits and the change to them can be attributed to measures taken by the Government compared with the economic situation, for example. Various methods have been developed to estimate the scope of discretionary measures, and two commonly used methods are described below.

Here the fiscal stance is examined using two methods: the change in the structural budgetary position; and the sum of the measures taken, or in other words, by totalling individual decisions on a bottom-up basis. The impact of interest expenditure is also separated from the structural budgetary position, and the focus is on the structural primary budgetary position in particular.

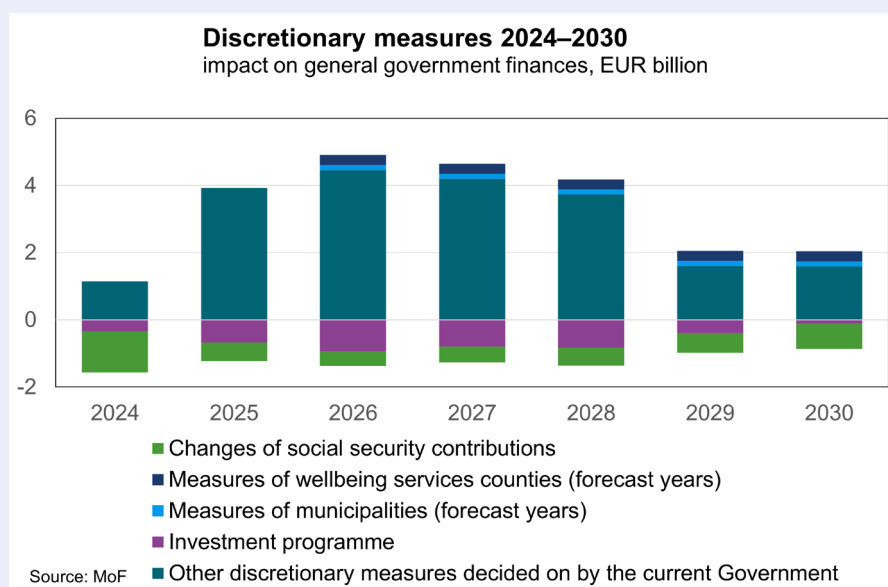
The first figure illustrates the cumulative size of the measures introduced by the Government that have an immediate impact on general government revenue and expenditure for each budget year. The indirect and dynamic impacts of the Government's employment measures on the general government budgetary position and off-budget measures, such as the impacts of the cuts in the interest subsidy loan authorisation, have not been considered in the figure. The expenditure included in the investment programme (purple bar) has been considered to the extent that decisions on the expenditure have been made.

The figure also shows measures other than those announced by the Government affecting general government finances – in other words, the estimated measures by municipalities and wellbeing services counties for the forecast years (the actual adjustment measures in 2023–2025 have not been estimated) and changes in social security contributions. The calculation includes all changes in contributions, which means that they are treated in the same manner as when net expenditure is calculated in accordance with the EU's fiscal policy rules. The measures are compared with the technical General Government Fiscal Plan of the spring of 2023, and the figures are presented as budgeted.

As shown in the figure, the measures announced by Prime Minister Orpo's Government adjusting general government finances have entered into force gradually since 2024. The additional measures announced in the spring of 2024 focused on 2025 in particular. In addition to the adjustment measures, there will also be tax cuts in 2026 and 2027. Additionally, increased defence expenditure announced during this Government term will increase expenditure in particular in 2026, as well as in 2028 and 2029.

Considering the aforementioned measures by the Government, general government finances will strengthen by just under EUR 4 billion at the 2027 level and slightly over EUR 1.6 billion at the 2029 level. Most of the impacts of the adjustment measures announced are already being felt in 2025.

Moreover, when the estimates of measures taken by municipalities and wellbeing services counties, included in the forecast, as well as the impacts of the changes in social security contributions, including their estimated impacts on tax revenue, are considered in addition to the Government decisions, the various measures will strengthen general government finances by EUR 3½ billion at the 2027 level and EUR 1.5 billion at the 2030 level.



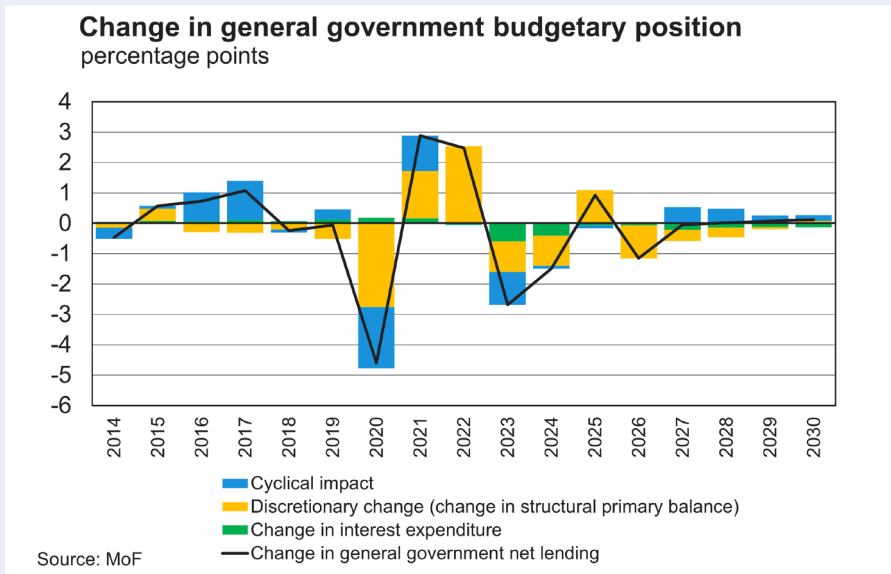
Another way to examine the fiscal stance is to assess the change in the structural budgetary position. For the structural budgetary position, the estimated cyclical impact is eliminated from the nominal budgetary position. Measured by the change in the structural budgetary position, the fiscal stance was contractionary last year. It will become stimulating this year and remain so until the end of the parliamentary term.

General government finances will weaken structurally without separate additional expenditure, as the ageing of the population, for example, increases public expenditure each year. Debt servicing costs and the considerable defence materiel purchases decided earlier will also increase public expenditure during the forecast period.

Estimating the fiscal stance is now challenged by the timing of the fighter jet purchases in particular. The fighter jets are recognised as expenses in national accounts from this year onwards. The decision on the project was already made earlier, and due to the timing of the project, it will increase expenditure in 2026 in particular. The impact of the fighter jet project has not been eliminated from this calculation, but it should be considered in the interpretation. The weakening of the primary balance this year is thus primarily due to the fighter jet purchase, which will not have a significant effect on domestic demand.

Changes in interest expenses will also affect the deficit, although they are not conscious decisions on additional expenditure but rather expenses occurring automatically. It therefore makes more sense to examine the change in the structural primary balance, or the change in the financial balance without interest rate and cyclical impacts. When the impact of interest expenses is eliminated from the analysis and the focus is on the structural primary balance, the fiscal stance for the coming years looks only slightly stimulating or nearly neutral. This is probably a better depiction of the actual fiscal policy steering than the structural budgetary position as such.

Based on the figure below, the 2023 deficit was heavily burdened by the cyclical impact, and the 2024–2025 deficits slightly less so. This year, the cyclical impact is more or less neutral. The greatest impact of interest rates broadening the deficit took place in 2023–2024. As with the bottom-up figure above, the greatest impact of the Government's measures took place last year. This year, the impact would be stimulating, which is mostly due to the expenses of the fighter jet purchases.



2.2 General government debt

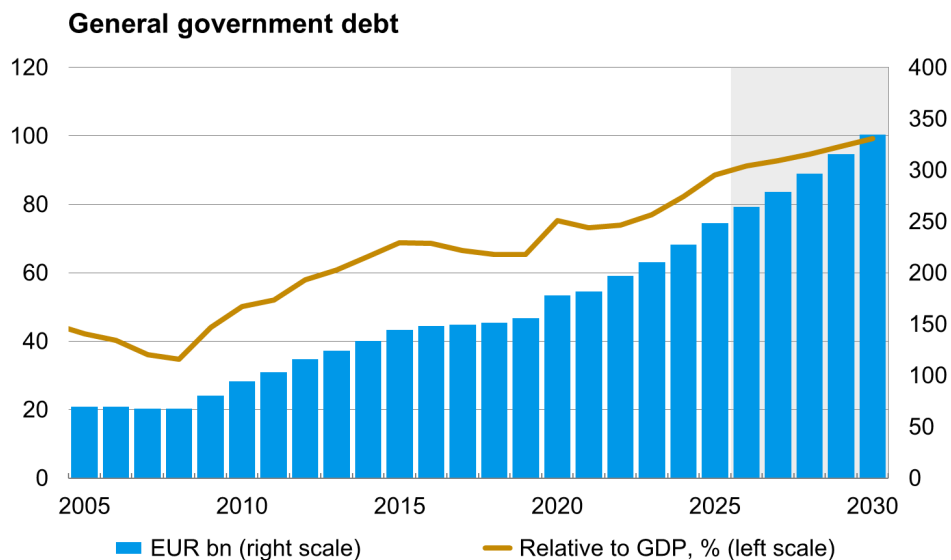
General government debt increased at a rapid rate last year, and the debt-to-GDP ratio is continuing its upward trend. However, in the next five years, growth will be slower than over the last few years. Finland's general government debt is already close to 90 per cent of GDP, and the debt ratio exceeds the average projected for the EU countries (83.8%) and the euro area (89.8%) this year. The general government deficit is the root cause of the indebtedness, and with the current economic growth rates, the situation can only be stabilised with substantial improvements in the primary balance.

General government debt rose rapidly last year, amounting to 88.5 per cent of GDP. The debt-to-GDP ratio increased by 6.2 percentage points. The general government deficit was not the only reason for the rapid rise in debt during 2025. Non-deficit factors also increased borrowing. These included growth in derivatives-related cash collateral, an increase in ARA's loan stock (classified as general government debt in the statistics) and front-loaded funding of defence purchases, which has yet to be entered in the national accounts deficit. These factors are expected to become less significant in the coming years, but the need for cash collateral, for example, will fluctuate rapidly depending on market movements.

The general government debt-to-GDP ratio will grow more slowly in the next few years at an average rate of 2.1 percentage points each year. Nevertheless, the debt ratio will continue to grow at a steady rate, and it will be driven by substantial central government and local government deficits. The substantial primary balance deficit accumulated by central and local government (budgetary position without interest expenditure) is the main reason for the debt growth. As the adjustment measures are beginning to have an impact and the economy recovers, the primary balance will improve between 2027 and 2030, but these benefits will be cancelled out by rising interest expenditure. Economic growth will lower the debt ratio by about 3.5 per cent each year.

Uncertainty concerning changes in the general government debt ratio can be illustrated with a fan graph, in which simulations are used to illustrate the uncertainty arising from projected economic growth. The graph (see below) shows the projection for the general government debt ratio that has been extended in accordance with the long-term general government pressure calculation. The graph also presents changes in simulated debt ratio values for the period 2026–2036.

The outermost segment of the fan graph accounts for 80 per cent of the simulated variation in the debt ratio, and the innermost segment (dark blue-green area) 20 per cent of the variation. According to the Ministry of Finance’s 2026 spring forecast, the general government debt ratio will be close to 99 per cent in 2030, while in the long-term pressure calculation for general government finances, the ratio is expected to be close to 112 per cent in 2036. However, these forecasts involve a great degree of uncertainty that will grow over time: in 2036, the general government debt ratio will be between 97 and 129 per cent with a probability of about 80 per cent, and between 103 and 123 per cent with a probability of about 60 per cent.



Sources: Statistics Finland, MoF

The development of the general government debt ratio involves uncertainty over the long term

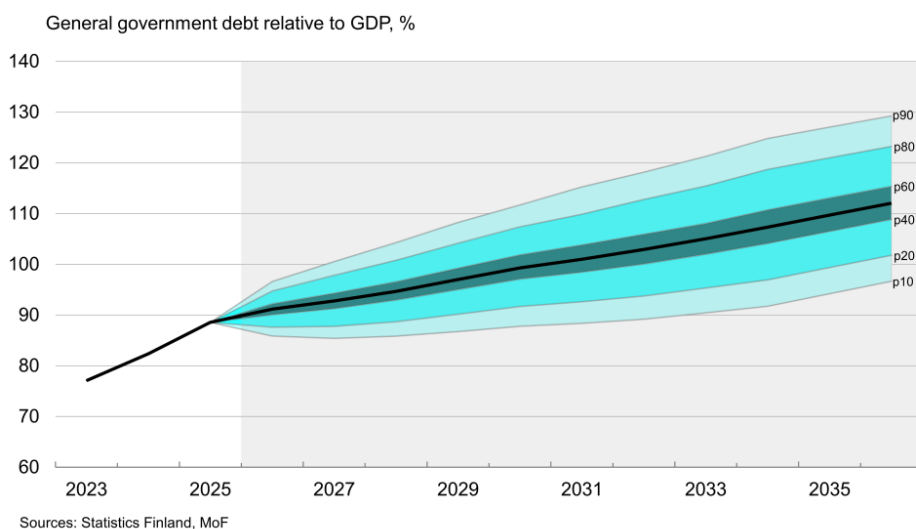


Table 18. Change in general government debt ratio and related factors

	2024	2025	2026*	2027*	2028*	2029*	2030*
Debt ratio, relative to GDP, %	82.4	88.5	91.2	92.8	94.7	97.0	99.3
Change in debt ratio	5.3	6.2	2.6	1.6	1.9	2.3	2.3
Factors impacting change in debt ratio							
Primary budgetary position (excluding employment pension funds)	3.6	2.8	3.8	3.3	3.6	3.4	3.2
Interest expenditure	1.6	1.6	1.7	1.9	2.1	2.2	2.3
Other factors ¹	1.0	3.1	-0.2	-0.3	0.0	0.2	0.1
Change in GDP	-0.9	-1.3	-2.7	-3.3	-3.8	-3.5	-3.3
Surplus of employment pension funds	0.8	1.0	1.0	0.6	1.0	1.1	1.1

¹ Includes privatization proceeds, lending and factors related to the valuation and timing of revenue and expenditure.

Plus indicates increasing effect on debt ratio, minus a lowering effect on debt ratio.

2.3 Central government

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

The central government deficit amounted to almost EUR 11 billion, or 3.9 per cent of GDP last year. Growth in tax revenue was modest compared with the tax increases introduced. At the same time, spending also grew at a slow rate. Nevertheless, total expenditure increased by EUR 2.5 billion. Funding for the wellbeing services counties grew by almost nine per cent (EUR 2.3 billion), and interest expenses increased by EUR 0.3 billion. Other central government expenditure contracted as a result of adjustment measures and other changes.

This year, the central government deficit will reach 5.2 per cent of GDP. Economic growth will remain modest, and defence spending will boost expenditure by more than two billion euros. Most of the growth can be attributed to the start of the F-35 fighter jet deliveries and the fact that they will be entered as expenditure in the national accounts deficit. The purchases of the F-35 jets are expected to burden central government finances until 2030. Tax cuts will also reduce income tax revenue this year. At the same time, the situation will be improved by a one-off revenue increase resulting from the gambling reform. As a result of the crisis in the Middle East, tax revenue growth will remain more modest, and rises in prices and interest rates will increase general government expenditure. The Government has also decided on measures for the current year to mitigate the impacts.

The central government deficit will narrow to 4.7 per cent in 2027. An additional one-off transfer of one billion euros from the State Pension Fund is a factor contributing to the improvement. Tax revenue growth will be slowed by the lowering of corporation tax and subdued private consumption, which will keep growth in VAT revenue at modest levels. In 2028, the deficit will grow again to just over five per cent, as there will no longer be any one-off transfers. The deficit will remain at about five per cent in 2030.

Expenditure growth is driven by defence and interest expenditure

Current transfers to wellbeing services counties and social security funds are the largest central government expenditure items. Funding for the wellbeing services counties will grow by more than one billion euros this year but will slow in 2027. Expenditure growth will then be driven by defence spending and interest expenses, which are rising each year. At the same time, expenditure growth will be curbed by economic adjustment, as adjustment measures will still be introduced this year and in 2027.

Defence expenditure will grow rapidly this year and at the end of the spending limits period, as they will be increased to 3.2 per cent 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 expenditure totalled EUR 3.7 billion last year, and it is expected to reach EUR 6.8 billion in 2030.

Central government consumption expenditure (central government operating expenses) decreased in 2025 and will stagnate this year as a result of factors such as adjustment measures. Growth will resume next year at a more rapid rate. After 2027, expenditure growth averages close to 6 per cent per year, owing to defence spending.

Central government investments will reach record levels this year. They will grow by almost 50 per cent compared with 2025. The increase can be primarily attributed to the deliveries of the F-35 fighter jets. In the subsequent years, the investments will also be boosted by other major purchases such as vessels for the Finnish Border Guard and the Navy, and overall increases in appropriations. There is uncertainty in the timing of central government's investments in defence equipment purchases, in particular.

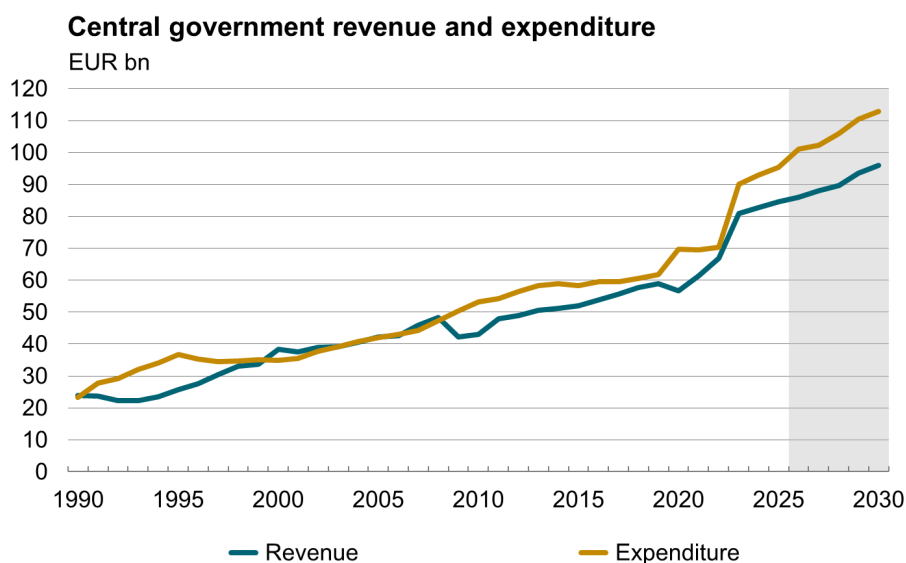
Tax cuts will slow growth in central government revenue

Central government tax revenue grew by 2.1 per cent in 2025. This year, growth will accelerate to 2.8 per cent, despite tax cuts. In particular, corporation tax and VAT revenue are expected to grow at a brisk rate, and revenue will be boosted by the one-off revenue arising from the gambling legislation reform (which is considered as tax revenue). Next year, tax revenue growth will slow to 1.5 per cent. This is because there will not be any on-off items next year, and corporation tax revenue

will contract as a result of tax cuts. Earned income taxes are also set to be reduced. On average, tax revenue will grow by about three per cent each year during the outlook period.

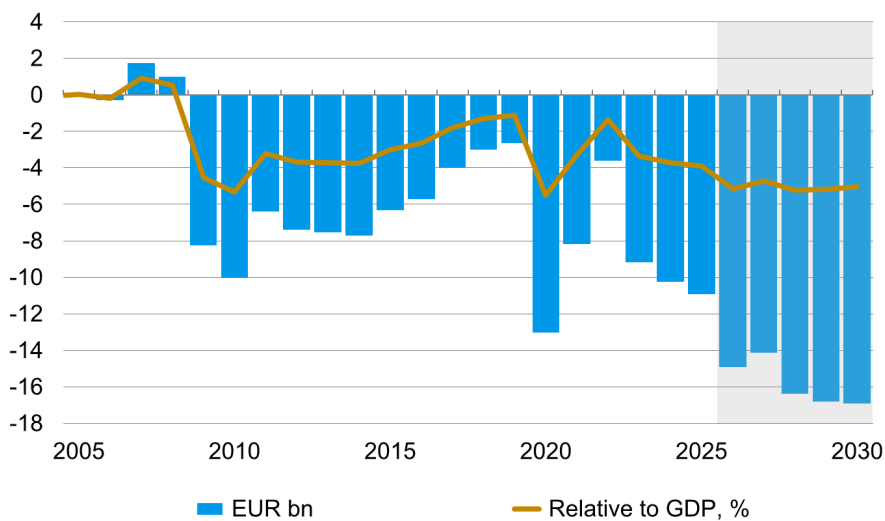
Indirect taxes will grow at an average annual rate of three per cent during the outlook period. VAT revenue grew by only 4.7 per cent last year, even though the increase in the general VAT rate helped boost revenue. This year, VAT revenue is expected to grow by five per cent. Although the crisis in the Middle East will dampen consumption, more rapid price rises will boost the value of consumption. Energy tax revenue will contract each year, and the car tax revenue will also decrease at a steady rate.

Direct tax revenue will grow by an average of 3.2 per cent each year. Direct tax revenue will be reduced by tax cuts this year and in 2027. Income tax and capital income tax revenue will contract this year but will grow by just over five per cent each year from 2027 onwards. Corporation tax revenue is expected to grow this year by nine per cent but is expected to decrease next year.



Sources: Statistics Finland, MoF

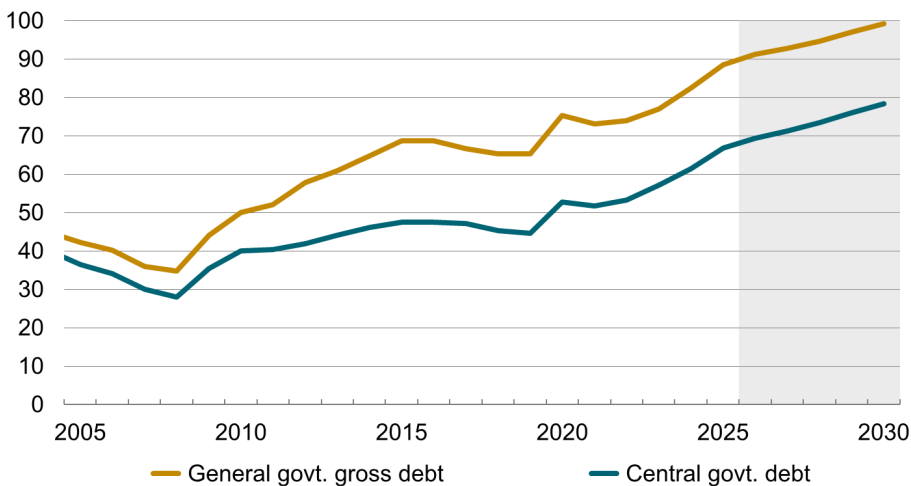
Central government financial balance



Sources: Statistics Finland, MoF

General government debt

relative to GDP, %



Sources: Statistics Finland, MoF

Table 19. Central government

	2024	2025	2026*	2027*	2028*
EUR billion					
Current taxes	32.4	33.2	33.0	34.0	35.5
Taxes on production and imports	36.2	37.2	39.3	39.2	40.3
Social security contributions	0.0	0.0	0.0	0.0	0.0
Taxes and social security contributions, total ¹	69.9	71.4	73.4	74.3	77.0
Sales and fee income	4.9	4.9	5.0	5.0	5.1
Property income	3.1	3.1	2.8	2.9	2.9
Other revenue	4.7	5.1	4.8	5.7	4.5
Total revenue	82.7	84.5	86.1	88.1	89.6
Compensation of employees and intermediate consumption	18.4	18.4	18.6	18.9	19.8
Property expenditure	3.4	3.7	4.0	4.8	5.5
Subsidies	2.8	2.6	2.8	2.6	2.6
Social benefits and social transfers in kind	5.5	5.3	5.3	5.4	5.6
Other current transfers	56.2	58.8	60.7	61.3	63.0
to general government	50.6	53.3	54.5	55.2	56.9
Gross capital formation	5.3	5.5	8.6	8.4	8.7
Other expenditure	1.3	1.1	1.1	0.8	0.7
Total expenditure	92.9	95.4	101.0	102.2	106.0
Consumption expenditure	18.9	18.7	18.8	19.6	20.7
Net lending (+) / net borrowing (-)	-10.2	-10.9	-14.9	-14.1	-16.4
Primary balance ²	-6.8	-7.2	-10.9	-9.3	-10.9

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

Central government on-budget activities in 2027–2030

On-budget expenditure for 2027 is estimated at EUR 92.0 billion, which is about EUR 1.1 billion more than in the 2026 Budget. The growth in appropriations compared with 2026 is explained by statutory and agreement-based index adjustments in 2027 (about EUR 1.3 billion). At the same time, expenditure will be reduced by the reforms and spending cuts outlined by Prime Minister Orpo's Government (about EUR 0.8 billion).

In the spending limits period, on-budget expenditure is expected to average EUR 94.8 billion at the 2027 price level. In 2030, on-budget expenditure is expected to be EUR 96.4 billion (at 2027 prices), which is about EUR 4.5 billion more than projected for 2027. The rise in expenditure is mainly due to the decision made by Prime Minister Orpo's Government to increase defence expenditure to 3.2 per cent relative to GDP (approximately EUR 2.2 billion) and the increase in the interest payments on central government debt (approximately EUR 2.2 billion).

In the 2027–2030 period, GDP value will increase by an average of about 3.9 per cent per year. Over the same period, tax revenue will grow by an average of 3.4 per cent per year. The development of tax bases primarily depends on the level of overall economic activity, but the tax bases of excise duties have grown more slowly. Excise duty revenue will decline due to a decrease in taxable consumption, cuts in energy taxes and growth in the share of renewable fuels, which are more lightly taxed than other fuels. New tax criteria changes will also lower the tax revenue estimates, as the growth package outlined by Prime Minister Orpo's Government in the spring of 2025 contains considerable tax cuts. In addition, the gambling reform, which will enter into force in 2027, is not expected to have any major impact on on-budget revenue. However, the reform will increase on-budget tax revenue, while the amount of Veikkaus Oy profits entered in the Budget will be reduced.

The central government on-budget deficit is expected to total EUR 13.2 billion in 2027, which is EUR 2.4 billion more than the deficit budgeted for 2026 (including the first supplementary budget). The deficit for 2026 will be reduced by

about EUR 2.3 billion on a one-off basis because the State Housing Fund was dissolved, and its remaining cash reserves entered in the Budget. This measure will not reduce central government or general government debt. Without this one-off transaction, the deficit would be about EUR 13.1 billion in 2026.

On-budget revenue and expenditure, EUR billion 2026–2030

	2026 Budget and supplementary budget	2027	2028	2029	2030
Revenue	80.5	78.8	80.5	83.0	85.3
Expenditure ¹	91.3	92.0	96.7	100.1	102.7
Balance	-10.8 ²	-13.2	-16.2	-17.1	-17.4

¹ The expenditure for the period 2028–2030 has been converted into nominally priced spending using the central government expenditure price index projection.

² Including entering the remaining cash receipts of the National Housing Fund, totalling approximately EUR 2.3 billion, as revenue.

Comments on developments after the previous General Government Fiscal Plan

Compared to the spring 2025 General Government Fiscal Plan, the estimate of the central government deficit for the 2027–2029 period has grown by an average of about EUR 4.2 billion. The expenditure estimate for the period 2027–2029 has increased by an average of EUR 1.6 billion compared to the previous General Government Fiscal Plan. The revenue estimate for the period under review has decreased by an average of about EUR 2.6 billion.

There are several reasons for the higher expenditure estimate. Expenditure will be increased by the additional defence expenditure announced by the Government in the spring of 2026. At the same time, expenditure will decrease as a result of the new spending cuts outlined by Prime Minister Orpo's Government in the autumn of 2025 and spring of 2026 although their net impact is reduced by increases in appropriations made to the investment programme and other

purposes. Additionally, expenditure will also be increased by revised needs estimates for several spending items in connection with EU membership fee, funding of wellbeing services counties, cyclical expenditure, interest payments on central government debt and value-added tax expenditure.

On average, tax revenue is expected to contract by EUR 2.4 billion compared to the spring 2025 General Government Fiscal Plan. New tax criteria changes will lower the net tax revenue estimates by an average of EUR 0.2 billion, as the measures outlined by Prime Minister Orpo's Government in the spring 2026 government discussion on spending limits include some tax cuts. The tax revenue estimate has also been lowered by the lower-than-expected tax revenue and a more pessimistic economic forecast.

On average, miscellaneous central government revenue is expected to decrease by EUR 0.3 billion compared with the spring 2025 General Government Fiscal Plan. Among other things, this is due to the lowered estimate for emissions trading revenue from 2027 onwards, as the estimate of the ETS1 revenue from emissions trading has been specified, and the ETS2 emissions trading will take effect later than expected. Interest and dividend income and income generated by sales of shares are estimated to be EUR 0.1 billion higher on average than in the previous General Government Fiscal Plan.

Factors affecting changes in the on-budget balance compared to the General Government Fiscal Plan of spring 2025, EUR billion

	2027	2028	2029
Estimated balance, General Government Fiscal Plan of spring 2025	-9.6	-11.7	-12.6
Revision of the expenditure estimate	-0.2	-2.2	-2.2
Increase in defence spending and support for Ukraine	-0.2	-0.1	-0.5
Other Government decisions on additional expenditure and spending cuts, net	0.2	0.0	0.2
Retrospective adjustment of wellbeing services counties and preparing for it	0.6	-0.3	-0.2
Change in EU membership fees	0.0	-0.1	-0.3
Change in debt interest expenses estimate	-0.3	-0.5	-0.7
Change in cyclical expenditure	-0.2	-0.1	-0.1
Change in value-added tax expenditure	-0.2	-0.4	0.2
Other changes in expenditure (net), including revised index adjustments	-0.2	-0.8	-0.8
Revision of revenue estimate	-3.3	-2.2	-2.2
New tax criteria changes (net)	-0.2	-0.1	-0.1
Change in estimated interest and dividend income and income generated by sales of shares	0.1	0.2	0.1
Change in the estimate of miscellaneous revenue	-0.6	-0.2	-0.2
Other factors affecting the revenue estimate (including accrual data and the new economic forecast)	-2.6	-2.2	-2.0
Total change	-3.5	-4.4	-4.5
Estimated balance, General Government Fiscal Plan of spring 2026	-13.2	-16.2	-17.1

2.4 Municipal administration

The municipal administration deficit will average 0.3 per cent of GDP in the outlook period. Expenditure growth will be mainly driven by the increase in personnel expenses resulting from wage agreements. Tax revenue will grow as economic growth picks up. The deficit will contract slightly at the end of the outlook period as the temporary cuts in central government transfers expire.

The municipal administration financial position improved slightly from 2024 and was about -0.3 per cent of GDP in 2025. Sluggish economic growth slowed the tax revenue increase, and the adjustment measures introduced by the Government reduced central government transfers to municipalities. Despite the TE service reform, municipalities managed to adjust their spending, and the increase in consumption expenditure remained at three per cent. Investments also contracted slightly from 2024.

The financial position of the municipal administration will weaken slightly in the next few years, and the deficit will amount to about 0.4 per cent of GDP in the period 2026–2028. The volume growth in consumption expenditure will decrease as a result of falling birth rates and shrinking age classes, but expenditure will increase as a result of rising prices. The wage agreements concluded in the municipal sector in particular will boost labour costs in a personnel-intensive sector. Pay increases will be at their highest in the next few years, and the municipal index of wage and salary earnings is expected to exceed the general earnings growth in 2027 and 2028. However, the growth in personnel costs will be partly offset by municipalities' own permanent adjustment measures, of which EUR 100 million has been included in the forecast for 2026.

The focus of municipal basic services is on educational and cultural services, and the combined need for these services is decreasing. However, the decreasing need for services will not translate into a proportional reduction in expenditure, as the rigidities arising from factors such as the service network, personnel structure and legislative obligations prevent full adjustment. The participation rate in early childhood education and care and the need for special support have also increased in recent years. Therefore, the decline in service need has been slightly moderated in the pressure calculation.

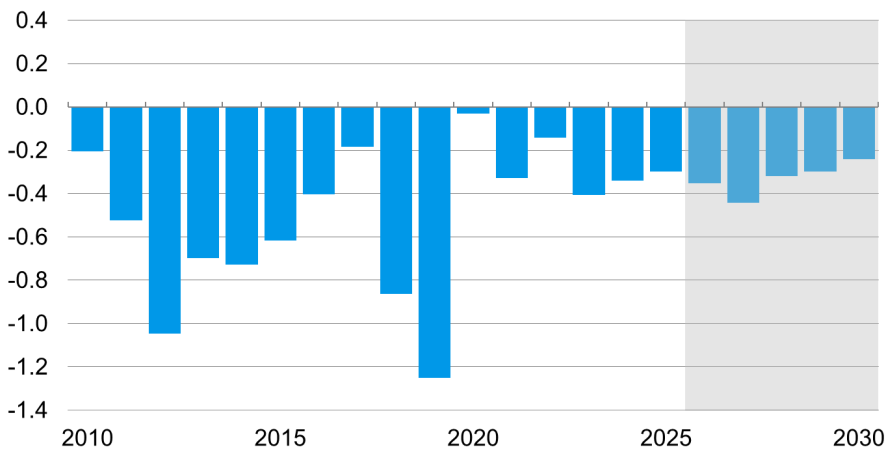
Overall, investments will remain at a high level during the outlook period despite differences between municipalities. Internal migration and demographic change are increasing regional divergence between municipalities. In particular, migration and expansion of the service network maintain high investment requirements in growing municipalities. The majority of the investments are directed at maintaining the basic infrastructure and addressing the repair backlog. Green transition investments also contribute to the high overall level of municipal investment.

Municipalities rely on local income tax, corporate tax share and central government transfers for revenue, of which taxes are the largest source. In 2026, local income tax revenue will grow by 5.7 per cent as a result of a higher average local tax rate and economic growth. Tax revenue growth will stabilise at about 3.8 per cent in the period 2027–2030.

Central government transfers to municipalities will grow at varying rates during the outlook period. In 2026, central government transfers will be boosted by the adjustment of cost-sharing and index increases. At the same time, they will be reduced by previously decided measures such as the index brake of one percentage point and a EUR 75 million reduction. In 2027, central government transfers will be further reduced by the increase in basic social assistance costs and by the one-off increase of the index brake to 2.8 percentage points. The municipal administration deficit will contract slightly as the temporary cuts in central government transfers expire.

The forecast includes both upside and downside risks. Municipalities' own adjustment measures may strengthen their fiscal position more than projected if the adjustment of the service network and personnel expenditure proves more successful than expected. At the same time, a failure of the adjustment measures or an escalation of geopolitical tensions may increase expenditure more rapidly than forecast.

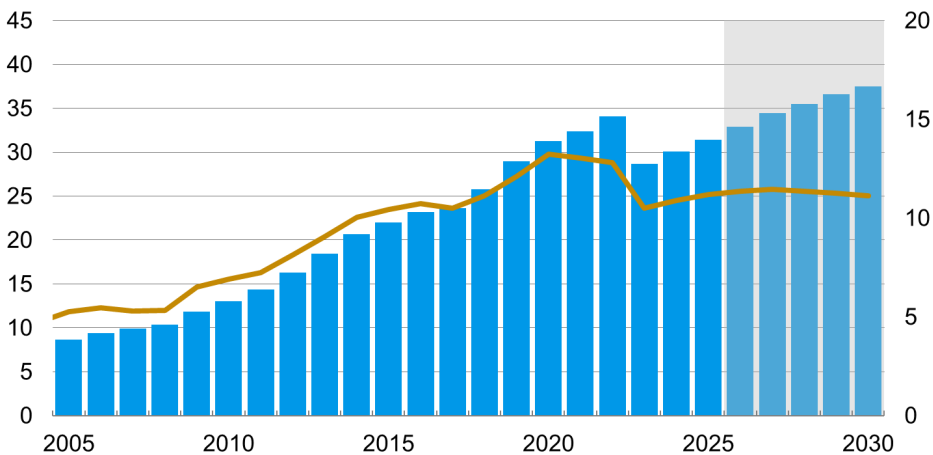
Municipal government financial balance relative to GDP, %



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 20. Municipal administration¹

	2024	2025	2026*	2027*	2028*
EUR billion					
Taxes	14.0	14.1	14.8	15.4	15.9
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	6.3	6.4	6.5
Transfers from the central government	8.3	9.2	9.4	9.4	10.0
Other revenue	2.1	2.2	2.3	2.3	2.3
Total revenue	30.5	31.9	32.8	33.4	34.8
Compensation of employees and intermediate consumption	22.8	23.6	24.2	24.9	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	5.7	5.9	6.1
Other expenditure	0.0	0.1	0.0	0.0	0.0
Total expenditure	31.5	32.7	33.9	34.7	35.8
Consumption expenditure	21.7	22.3	23.3	24.1	24.9
Net lending (+) / net borrowing (-)	-0.9	-0.8	-1.0	-1.3	-1.0
Primary balance ²	-0.1	-0.1	-0.2	-0.5	-0.2

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

2.5 Wellbeing services counties

Although the wellbeing services counties' financial position will remain roughly balanced for the next two years, expenditure will start growing more rapidly than revenue from 2027 onwards. Expenditure will primarily be boosted by rapid price rises and the growing service needs arising from the ageing of the population.

Wellbeing services counties' financial position was balanced in 2025. Although the overall financial situation of the wellbeing services county administration improved substantially, there are still major differences between counties. The growth in expenditure was slowed by the adjustment measures introduced by the counties, and central government transfers to the counties were boosted by the payment of EUR 1.4 billion in 2025, which was based on the retrospective review of the 2023 performance.

Growth in wellbeing services counties' consumption expenditure during the outlook period is mainly driven by rapidly rising prices averaging three per cent each year. Price growth is primarily driven by the counties' own pay rises, which, as a result of pay and pay system development programmes, are higher than the general increases. The ageing of the population will also increase service needs. Growth in expenditure is curbed by the decisions of Prime Minister Orpo's government and the continuation of the counties' own adjustment measures. An estimated EUR 0.3 billion resulting from the counties' own measures has been incorporated into the 2026 forecast. The estimate of the adjustment is based on the wellbeing services counties' budgets, but it has been prepared in accordance with the principle of prudence. Because of the large deficits accumulated by the wellbeing services counties in their early years, adjustment pressures will remain substantial, even though the counties can apply for an extension for covering the deficits that they have accumulated.

Wellbeing services counties have significant investment needs, which concern the overhaul of the service network, outdated building stock and the development of ICT systems. However, the implementation of these investments is hampered by tight budgets and central government steering. Driven by increased investment in building stock, machinery and equipment, the investments are expected to increase in 2026.

The wellbeing services counties' financial position is expected to begin weakening from 2027 onwards: in 2027, the deficit will amount to 0.1 per cent of GDP, rising to 0.3 per cent of GDP by the end of the forecast period in 2030. Expenditure growth is projected to average 3.3 per cent per year over 2027–2030, while revenue growth will average only 2.5 per cent. The counties' revenue consists mainly of central government funding and client fees. In the spring 2026 spending limits session, the Government decided to implement its remaining social and health care savings by increasing various client fees. This will raise fee income for the wellbeing services counties from 2027 onwards but will correspondingly reduce the amount of central government funding they receive.

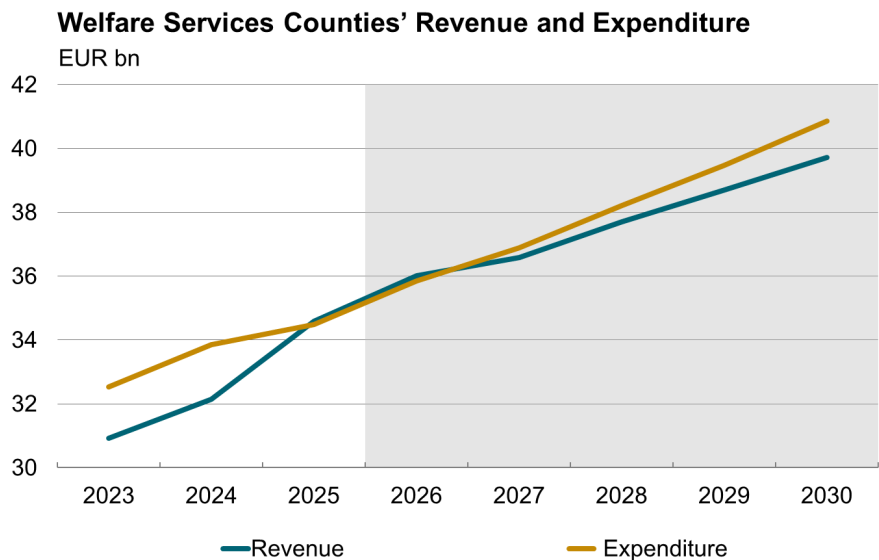
The level of central government funding is influenced by factors such as developments in the wellbeing services county index, growth in service needs and legislative changes. In addition, the Government's proposal to amend the Act on the Funding of Wellbeing Services Counties will slow the growth of funding, for example by tightening the consideration of service needs and by shifting part of the responsibility for financing transitional equalisation from central government to the wellbeing services counties.

Funding for the counties is reviewed with a delay of two years based on their performance, and the final funding levels also depend on the self-financing contribution of the retrospective review, which increases each year. The retrospective review will total EUR 0.9 billion in 2027. The retrospective review of the subsequent years will be based on the General Government Fiscal Plan (including the technical spending limits provision made in the retrospective review), not on the cost trends based on the pressure calculation.

If the wellbeing services counties' expenditure grows in accordance with the pressure calculation, the retrospective review based on the Act on the Funding of Wellbeing Services Counties would be about EUR 0.1 billion higher in 2028, about EUR 0.4 billion higher in 2029 and about EUR 0.8 billion higher in 2030 than the provisions specified in the General Government Fiscal Plan.

The forecast involves several risks. The counties' expenditure may remain lower than estimated if they manage to make more spending cuts and efficiency improvements than forecast. At the same time, the postponement or failure of the adjustment measures and unexpected new spending increases such as unexpected

price rises or increases in service provision in economically stronger wellbeing services counties could weaken the financial situation of the entire wellbeing services county administration.



Sources: Statistics Finland, MoF

Table 21. Welfare services counties¹

	2024	2025	2026*	2027*	2028*
EUR billion					
Sales and fee income	5.6	5.8	6.0	6.3	6.5
Transfers from the central government	26.2	28.6	29.8	30.0	30.9
Other revenue	0.3	0.2	0.2	0.3	0.3
Total revenue	32.1	34.6	36.0	36.6	37.7
Compensation of employees and intermediate consumption	25.8	26.3	27.2	28.0	29.2
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	1.6	1.5	1.3
Other expenditure	0.1	0.1	0.1	0.1	0.1
Total expenditure	33.8	34.5	35.9	36.9	38.2
Consumption expenditure	26.7	27.2	28.2	29.1	30.3
Net lending (+) / net borrowing (-)	-1.7	0.1	0.2	-0.3	-0.5
Primary balance ²	-1.5	0.3	0.3	-0.1	-0.3
Index of welfare services counties, change, %	2.53	3.00	3.25	2.63	2.93
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 22. Local government (Municipal finances + Welfare services counties)

	2024	2025	2026*	2027*	2028*
EUR billion					
Sales and fee income	11.7	12.1	12.3	12.7	13.0
Taxes and social security contributions, total	14.0	14.1	14.8	15.4	15.9
Transfers from the central government	34.6	37.8	39.2	39.4	40.9
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	68.9	70.0	72.5
Compensation of employees and intermediate consumption	48.5	49.9	51.4	52.9	54.8
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	1.0
Gross capital formation	7.0	6.9	7.3	7.4	7.4
Other expenditure	0.1	0.1	0.1	0.1	0.1
Total expenditure	65.3	67.2	69.7	71.6	74.0
Consumption expenditure	48.4	49.5	51.5	53.1	55.2
Net lending (+) / net borrowing (-)	-2.6	-0.7	-0.9	-1.6	-1.5
Primary balance ¹	-1.7	0.1	0.1	-0.6	-0.5

¹ Net lending excluding gross interest expenses

2.6 Social security funds

The surplus of social security funds is expected to increase to 1.2 per cent of GDP during the outlook period, mainly due to the growing surplus of the employment pension schemes. The surplus of the employment pension schemes will grow throughout the outlook period, except for 2027, when the surplus 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.

2.6.1 Employment pension schemes

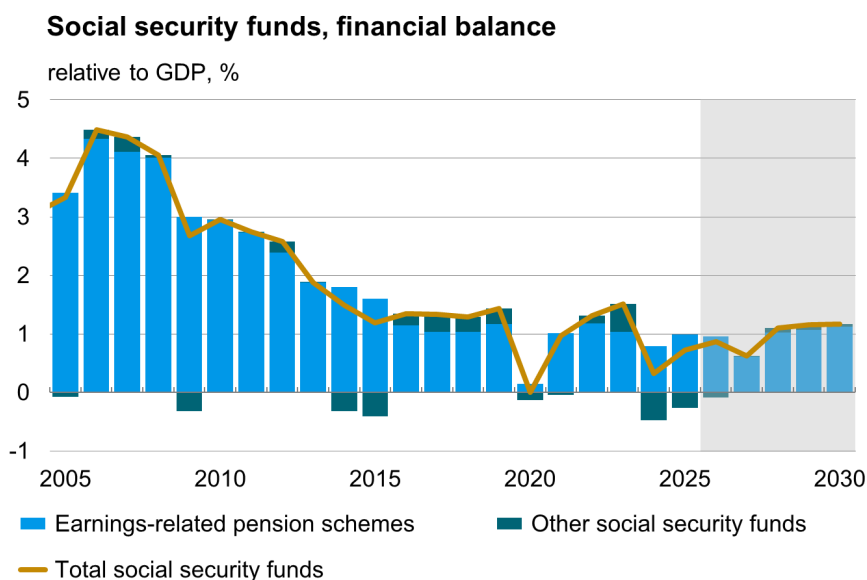
According to preliminary figures, the surplus of the employment pension schemes amounted to 1.0 per cent of GDP in 2025. The growth in the surplus was primarily due to higher property income and an increase in the social security contributions received. This year's surplus is expected to be close to 2025 levels. The surplus is expected to reach 1.1 per cent of GDP by the end of the outlook period. In 2027, the surplus will temporarily fall to 0.6 per cent of GDP because of the one-time additional transfer from the State Pension Fund to the Budget.

Overall expenditure grew by about 2.2 per cent in 2025. Growth was slower than in the previous years, mainly due to smaller index increases in earnings-related pensions. Employment pension expenditure grew by 2.5 per cent in 2025. In 2026, total expenditure is expected to increase at the same rate as in 2025. However, the index increase of earnings-related pensions will be slightly smaller than last year, and employment pension expenditure will therefore increase only by just under two per cent.

In 2027, growth in total expenditure is expected to accelerate to about seven per cent, primarily as a result of the decision made by the Government in its spring 2025 mid-term policy review. Under the decision, the transfer from the State Pension Fund to the Budget will be increased by about EUR 1,050 million on a one-off basis in 2027. 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 also decided that the amount transferred to the Budget each year would be increased by about EUR 100 million from 2027 onwards. In addition to higher current transfers from the sector, earnings-related pensions are expected to increase

more rapidly in 2027 compared with previous years. This is because the earnings-related pension index is expected to increase as a result of rising prices. In 2028, total expenditure will remain more or less at the previous year's levels. In 2029 and 2030, overall expenditure is expected to grow at an average rate of 3.5 per cent. This is mainly due to the increase in pension expenditure. Employment pension expenditure is estimated to increase by an average of just under four per cent in the period 2027–2030.

Employment pension contribution revenue accounts for a significant part of the sector's revenue (on average just over 70 per cent). In 2025, social security contributions received increased by 2.4 per cent, while total revenue grew by just under four per cent. In 2026, growth of social security contributions is expected to slow to just under two per cent, as the average TyEL contribution was lowered from the 2025 level. In the coming years of the outlook period, growth will be determined especially by changes in wage bill growth and the annual growth in employment pension contribution revenue will therefore accelerate to an average of around four per cent. Property income will also contribute to maintaining a surplus throughout the outlook period. Property income grew rapidly in 2025 despite geopolitical uncertainty that has continued into the current year. Forecasts for property income are based on the principle of prudence, according to which property income is only expected to grow at a moderate rate in 2026 and slightly faster during the last years of the outlook period. Total revenue is expected to grow by about two per cent this year, and in the last years of the outlook period, growth will average four per cent.



Sources: Statistics Finland, MoF

Table 23. Finances of social security funds

	2024	2025	2026*	2027*	2028*
EUR billion					
Property income	6.0	6.6	6.7	6.9	7.0
Social security contributions	32.7	34.1	35.6	37.0	38.5
contributions paid by employers	20.6	21.6	22.5	23.4	24.3
contributions paid by insured	12.2	12.5	13.1	13.6	14.2
Transfers from general government	17.5	17.1	17.2	17.7	17.9
Other revenue	1.0	1.0	1.0	1.1	1.1
Total revenue	57.2	58.8	60.5	62.7	64.5
Compensation of employees and intermediate consumption	2.2	2.1	2.1	2.2	2.3
Social benefits and social transfers in kind	49.8	50.2	51.2	52.6	53.5
Other expenditure	4.3	4.4	4.7	6.0	5.2
Total expenditure	56.4	56.8	58.0	60.8	61.1
Consumption expenditure	4.8	4.9	5.0	5.2	5.3
Net lending (+) / net borrowing (-)	0.9	2.0	2.5	1.9	3.4
Earnings-related pension schemes	2.2	2.8	2.8	1.9	3.2
Other social security funds	-1.3	-0.8	-0.3	0.0	0.2
Primary balance ¹	0.9	2.1	2.6	2.0	3.5

¹ Net lending excluding gross interest expenses

2.6.2 Other social security funds

According to preliminary figures, the financial position of other social security funds was -0.3 per cent of GDP in 2025. The deficit was primarily caused by the reduction in unemployment insurance contributions. However, the financial position was relatively close to balance. This was due to an increase in social security contributions from 2024, driven by higher health insurance contributions, and a decrease in social benefits paid. In 2026, the financial position is expected to improve and move closer to balance, primarily due to an increase in unemployment insurance contributions and slightly higher health insurance contributions. In the last years of the outlook period, other social security funds will be slightly in surplus as a result of factors such as lower unemployment expenditure and moderate growth in social security contributions.

Total expenditure decreased by 1.6 per cent in 2025. Unemployment expenditure remained at 2024 levels in aggregate, but expenditure on items such as the general housing allowance decreased. In 2026 and 2027, total expenditure is expected to grow at an annual rate of just under two per cent. Unemployment expenditure will decrease gradually as the number of unemployed falls. However, sector benefit expenditure is projected to increase overall despite the decline in the previous year. In 2028, total expenditure will decline slightly, due to changes such as the transfer of the responsibility for emergency medical service transports to wellbeing services counties. In the last years of the outlook period, total expenditure is expected to grow on average by slightly over one percent per year. The key expenditure risk in the sector concerns future unemployment trends, and how they affect unemployment expenditure and other benefit expenditure.

Total revenue in the sector grew at a moderate rate of 1.1 per cent in 2025. Growth in total revenue was primarily slowed by the reduction in unemployment insurance contributions and the fall in current transfers received. In 2026, total revenue is expected to grow by just over four per cent, mainly as a result of an increase in unemployment insurance contributions. During the rest of the outlook period, social security contribution revenue will grow at a more moderate rate than in the current year. In 2027, total revenue will grow by just under three per cent, after which the growth rate will slow to about one per cent.

Table 24. 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	1.11	1.09
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	1.50	1.48
Pension indices					
Earnings-related index	3 037	3 077	3 104	3 180	3 231
National pension index	1 911	1 930	1 939	1 982	2 005

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.

2.7 Long-term sustainability of public finances

In the long-term, there is an imbalance, or a sustainability gap, between general government revenue and expenditure. The sustainability gap is estimated to be approximately 3 per cent of GDP, or about EUR 9.5 billion at the 2030 level.

The ageing of the population has already increased pension expenditure over the last decade, and it will put significant pressure on the long-term sustainability of general government finances. The growth of the ageing population in the coming decades will increase care and health expenditure and the current tax-to-GDP ratio will not be enough to finance this spending in the future. At the same time, the slowdown in the growth of the working-age population and low productivity growth will keep economic growth at low levels, which reduces the tax revenue used to finance public services and social security. The projected increase in the general government debt ratio also adds to the risks facing general government finances.

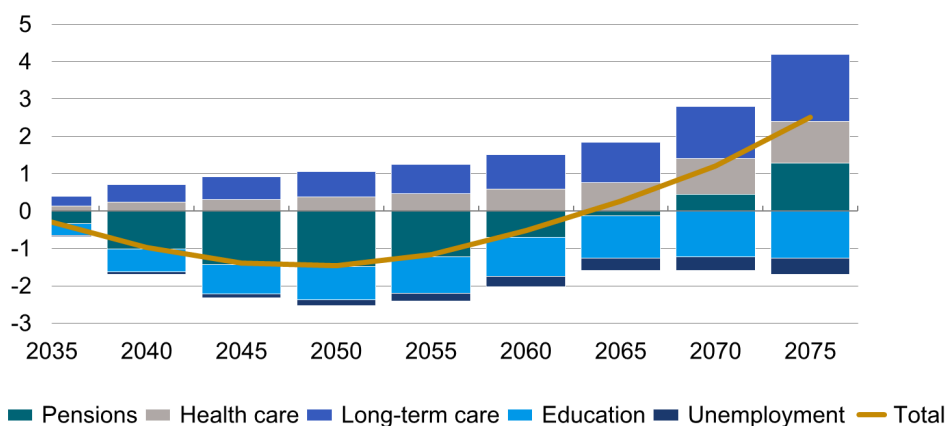
In the long-term, there is an imbalance (sustainability gap) between general government revenue and expenditure. The purpose of the sustainability gap calculations is to estimate how the ageing of the population is impacting the outlook for general government finances in the coming decades. The sustainability gap estimate describes how much general government finances should be consolidated in the near future so that general government finances will be balanced in the long term.¹

The sustainability gap is estimated to be approximately 3 per cent of GDP or about EUR 9.5 billion at 2030 levels. There has been a slight increase in the estimated size of the sustainability gap since last autumn.

¹ As the sustainability gap (S2 indicator) does not take the potentially harmful impacts of direct adjustment measures on economic growth into account, it should not be used as the sole instrument for assessing the required adjustment. There are other methods in which more consideration is given to the negative growth impacts of direct adjustment measures. Technically, the results given by the S2 indicator correspond to a situation in which the fiscal policy coefficient would be zero (the adjustment measures do not slow economic growth). The common belief is that direct adjustment measures slow economic growth. At the same time, however, many of the structural reforms do not have such adverse effects and they can also strengthen the basis for economic growth.

In the sustainability gap calculation, general government debt is not expected to stabilise at any specific level. Thus, the debt balance produced by the calculation may also be relatively high or low, depending on the level of the debt ratio at the time of the calculation and the estimated impact of the ageing of the population on public spending trends in the coming decades. For this reason, the debt sustainability of general government finances should also be examined in other ways.

Change in age-related expenditure
from year 2030, relative to GDP, %



The figure is compiled using the model developed by the Ministry of Social Affairs and Health for social expenditure analysis

Source: MoF

Table 25. Public Finances in the Long Term

	2025	2030**	2040**	2050**	2060**	2075**
Relative to GDP, %						
Total expenditure	57.5	56.0	56.4	58.1	60.8	66.9
of which age-related and unemployment expenditure	31.7	31.3	30.3	29.9	30.8	33.8
Pensions	14.5	14.2	13.2	12.7	13.5	15.5
Earnings-related pensions	13.5	13.2	12.2	11.9	12.7	14.5
National pensions	1.0	1.0	1.0	0.9	0.8	1.0
Health care	6.7	6.9	7.1	7.3	7.5	8.0
Long-term care	3.0	3.3	3.7	4.0	4.2	5.1
Education	5.3	5.0	4.3	4.1	3.9	3.7
Unemployment	2.2	2.0	1.9	1.8	1.7	1.5
Interest expenditure	1.6	2.3	3.7	5.9	7.7	11.3
Total revenue	54.1	52.2	53.5	55.0	57.2	60.9
of which: property income	3.9	3.5	5.1	6.6	8.6	11.9
of which: tax revenue from pensions	3.1	3.0	2.8	2.7	2.9	3.3
Net lending ¹	-3.4	-3.8	-2.8	-3.0	-3.6	-6.0
of which: transfer to pension funds	1.0	1.1	3.8	5.8	7.2	8.8
General government debt	85.8	95.6	116.6	150.2	196.0	286.4
General government assets, consolidated	147.2	150.1	154.6	178.1	212.7	272.2
Pension funds' financial assets, consolidated	99.5	102.3	115.5	144.8	182.7	244.3

¹ Cyclically-adjusted net lending as of 2030

Appendices

Appendix 1. On-budget entities and national accounts

Central government on-budget entities posted a deficit of EUR 12.7 billion in 2025. According to the preliminary data on national accounts, the central government budgetary position was EUR -10.9 billion. The budgetary position of the national accounts was about EUR 1.8 billion better.

The 2025 difference between the national accounts and the Budget is primarily due to timing differences between on-budget defence purchases and interest rates. The budgetary position of the national accounts was not yet burdened by the expenditure arising from the large defence equipment purchases entered in the Budget as they will only be realised when the equipment is delivered to the Finnish Defence Forces. The budgetary position of the national accounts was also weakened by the budgetary position of off-budget entities.

This year, the on-budget balance (EUR -10.8 billion) is significantly better than the budgetary position of the national accounts (EUR -14.9 billion). The on-budget defence expenditure is smaller than the national accounts expenditure arising from them. Moreover, the assets generated by the dismantling of the State Housing Fund will have no impact on the central government deficit because the State Housing Fund is already part of central government. In 2027, the deficit entered in the national accounts will narrow in relation to the Budget (budget deficit: EUR -13.2 billion, national accounts deficit: EUR -14.1 billion).

Budget deficit and central government borrowing

The need for central government borrowing cannot always be inferred from the budget deficit. Central government on-budget debt increased by about EUR 17.8 billion in 2025. Based on the budget deficit, the Government should have borrowed EUR 12.8 billion, and the sum borrowed was therefore EUR 5 billion higher than would have been required to cover the budget deficit. In 2025, the difference

between borrowing and the on-budget amount was increased by the need for more cash collateral, emission differences and shrinking cash reserves of central government funds.

On the differences between on-budget and national accounts

There are many reasons for the difference between the on-budget budgetary position and the central government budgetary position entered in the national accounts. The most important of them is that in the national accounts, the central government sector is larger than on-budget entities, which basically comprise central government agencies. In the national accounts, the central government sector comprises on-budget entities, government funds (except for the State Pension Fund), universities and their real estate companies as well as the Senate Properties. Classification decisions of public units are reassessed on a regular basis. All central government and general government units are listed on the website of Statistics Finland.

In addition to the classification, differences also arise from the entry criteria of national accounts and on-budget expenditure. The national accounts are accrual-based, whereas on-budget entities are partly based on the cash-basis principle. Because of the entry criteria, deferrable appropriations in particular generate differences between on-budget expenditure and expenditure entered in the national accounts. Deferrable appropriations are multi-year appropriations that are entered in the Budget for one year only. In the national accounts, deferrable appropriations are entered on an accrual basis in accordance with the year in which they are used (as all other expenses). The net impact of deferrable appropriations may vary greatly from year to year. Additionally, in the national accounts, taxes, subsidies and EU contributions are translated into accrual-based items by means of timing adjustments. The differences resulting from the timing adjustments can only be determined later.

Such financial investments as loans granted and repaid by the state and sales and acquisitions of shares that in the national accounts are primarily treated as financial transactions are also included as revenue and expenditure in the on-budget budgetary position. Financial transactions do not have any effect on the central

government budgetary position recognised in the national accounts. The impacts of interest-rate derivatives on interest expenses are also considered as financial transactions.

EU countries report to Eurostat twice a year on the differences between central government's on-budget entities and the figures in the national accounts in connection with reporting on deficit and debt. The difference over the past years between the budgetary position shown in the financial statements of central government (and the other general governments subsectors) and net lending in the national accounts should be explained in the reports. The reporting also addresses debt dynamics, (consistency between general government net lending and the change in general government debt).

Appendix table 1. On-budget balance and central government net lending¹

	2024	2025	2026*	2027*	2028*
EUR billion					
On-budget surplus (+) / deficit (-)	-12.1	-12.8	-10.8	-13.2	-16.2
Privatization proceeds (net proceeds from equity sales)	-0.1	-0.1	-0.5	0.1	0.2
Financial investment, net	0.7	0.1	0.2	0.1	0.2
Revenue surplus in off-budget units	-1.4	-1.4	-3.2	-0.9	-0.9
Cash / accrual basis adjustment	3.0	2.7	-1.0	-1.1	-1.0
Other adjustment items ²	-0.2	0.5	0.3	0.8	1.3
Central government net lending (+) / borrowing (-)	-10.2	-10.9	-14.9	-14.1	-16.4

¹ In National Accounts terms.

² Incl. debt cancellations, profit on reinvested foreign direct investments, impact of the difference in the recording of deferrable budgetary appropriations, superdividends

Appendix table 2. Financial position in municipal accounting and municipal administration net lending

	2024	2025	2026*	2027*	2028*
EUR billion					
Cash flow from municipalities' and joint municipal authorities' operations and investments	-0.4	-0.9	-1.1	-1.4	-1.1
Other than municipalities' and joint municipal authorities' net lending effect ¹	-0.3	-0.3	-0.3	-0.3	-0.3
Effect of municipalities' and joint municipal authorities' operations outside the municipal administration sector	0.2	0.2	0.2	0.2	0.2
Acquisitions and sales of shares	0.1	-0.1	0.0	0.0	0.0
Differences in concepts of property expenditure and income	-0.1	-0.1	-0.1	-0.1	-0.1
Timing differences	-0.2	0.1	0.0	0.0	0.0
Other differences ²	-0.2	0.3	0.3	0.3	0.3
Municipal administration net lending (+) / borrowing (-)	-0.9	-0.8	-1.0	-1.3	-1.0

¹ Corporations classified under municipal administration but not included in statistics on municipal finances as well as Government of Åland, Association of Finnish Local and Regional Authorities, Local Government Employers and Municipal Guarantee Board.

² E.g. differences in capital transfers and investment grants.

Appendix table 3. Financial position in the accounting of the wellbeing services counties and net lending of the wellbeing services county administration

EUR billion	2023	2024	2025	2026	2027	2028
Cash flow from operations and investments	-1.8	-1.5	0.4	0.0	-0.4	-0.6
The effect of sector definition	0.0	-0.1	-0.2	0.0	0.0	0.0
Differences in concepts of property income	0.0	0.0	0.0	0.0	0.0	0.0
Differences in concepts of investments	0.0	0.0	0.0	0.0	0.0	0.0
Other differences	0.2	-0.1	-0.1	0.1	0.1	0.1
Net lending in the national accounts	-1.6	-1.7	0.1	0.2	-0.3	-0.5

Appendix 2. Key Assumptions for Tax Revenue Calculation

Appendix table 1. Forecasts for certain revenue and demand items impacting taxable income and the tax base

	2025*	2026*	2027*	2028*	annual change, % 2025/2028*
Change, % per year					
Taxable earned income and capital income	1.9	3.0	3.7	3.7	3.1
Wage and salary earnings and other income	2.2	3.6	4.2	4.1	3.5
Pensions and other social security benefits	1.2	1.8	2.6	2.7	2.1
Capital income	2.0	3.0	4.0	4.1	3.3
Index of wage and salary earnings	3.0	3.6	3.2	3.4	3.3
Operating surplus	1.2	2.8	4.3	4.9	3.3
Value of household taxable consumption expenditure	-0.2	3.6	1.9	3.2	2.1
VAT base	-0.3	4.0	2.9	5.4	3.0
Petrol consumption	7.5	5.7	-0.6	5.1	4.4
Diesel consumption	-1.2	-2.3	-3.9	-4.3	-2.9
Electricity consumption	-18.6	-4.8	-4.7	-4.5	-8.1
Duty-paid alcohol consumption	-4.0	-1.2	-0.6	-0.6	-1.6
Registered new passenger cars, pcs.	71 890	76 885	84 251	91 617	-
proportion of BEV's, %	37%	52%	64%	73%	-
Imported used passenger cars, pcs.	41 092	40 000	40 000	40 000	-
proportion of BEV's, %	53%	63%	66%	68%	-
Consumer price index	0.3	2.0	1.4	1.9	1.4

Appendix table 2. Impact of change in selected tax base items on tax revenue

	Tax base	Change	Change in Tax revenue, EUR million
Tax category			
Taxes on earned income	Wage and salary earnings	1%	535, of which central govt. 327 and local govt. 89
	Pension incomes	1%	172, of which central govt. 115 and local govt. 42
Capital income tax	Investment income	1%	46
Corporate tax	Operating surplus	1%	78, of which central govt. 60 and local govt. 18
VAT	Value of private consumption	1%	152
Car tax	Sales of new cars	thousand	2
Energy tax	Electricity consumption ¹	1%	9
	Petrol consumption	1%	12
	Diesel consumption	1%	12
Duty on alcoholic beverages	Alcohol consumption	1%	14
Duty on cigarettes	Cigarette consumption	1%	8

¹ Excl. manufacturing industries, datacenters and greenhouses.

Appendix table 3. Impact of discretionary tax measures on general government tax revenue

	2026	2027*	2028*	2029*	2030*	2031*
EUR billion						
Earned income taxes	-692	-1 629	-1 200	-827	-724	-715
Average increase in municipal tax rate	80	52	0	0	0	0
Investment income tax	5	-2	-2	0	0	0
Corporate tax	32	229	-469	-400	-189	-15
Other direct taxes	7	-84	106	110	-1	0
Value-added tax	1 266	16	-23	11	11	0
Energy taxes	-20	24	-2	-23	0	0
Other indirect taxes	-136	227	229	73	31	4
Social security contributions	810	231	-45	-73	-17	-20

Appendix table 4. Central government on-budget revenue

	2025	2026*	2027*	2028*	2029*	2030*	2025-2030
EUR billion	provisional financial accounts	budget incl. supplementary budget					annual change, %
Total tax revenue estimates	65.6	67.3	68.8	71.6	74.4	76.8	3.2
Income and wealth taxes	33.0	33.0	34.0	35.7	37.4	39.0	3.4
Taxes based on turnover	23.9	24.7	25.7	26.8	28.0	28.9	3.9
Excise duties	6.5	6.6	6.6	6.5	6.4	6.3	-0.8
Other taxes	2.2	2.9	2.5	2.6	2.6	2.6	4.1
Miscellaneous revenue	7.9	10.1	7.8	6.9	6.6	6.6	-2.1
Interest income and profit entered as income	2.8	3.1	2.1	1.9	1.8	1.8	-8.0
Total revenue estimates	76.6	80.5	78.8	80.5	83.0	85.3	2.2

Appendix 3. Appendix tables

Appendix table 1. Outturn data and forecasts used in budget process

Years 2021–2025	Forecast averages, % ch.	Outcome averages, % ch.
GDP (volume)	1.8	0.8
GDP (value)	3.9	3.6
Private consumption (value)	4.2	3.9
Current account, relative to GDP, %	-0.6	-0.5
Inflation	2.1	3.5
Wage bill	3.8	4.0
Unemployment rate	7.3	7.9
Central government debt, relative to GDP, %	55.8	57.8
Central government net lending, relative to GDP, %	-3.1	-3.1
General government net lending, relative to GDP, %	-2.9	-2.9

Average forecast accuracy	Forecast under-/over-estimation ¹ , pp.	Magnitude of forecast accuracy ² , pp.
GDP (volume)	1.0	1.4
GDP (value)	0.3	2.1
Private consumption (value)	0.3	2.0
Current account, relative to GDP, %	-0.1	2.0
Inflation	-1.4	2.6
Wage bill	-0.2	2.2
Unemployment rate	-0.6	0.9
Central government debt, relative to GDP, %	-2.1	4.5
Central government net lending, relative to GDP, %	0.0	0.7
General government net lending, relative to GDP, %	-0.0	1.4

Forecasts are compared with March/June preliminary national accounts data. Averages for the past five years are calculated on the basis of spring and autumn forecasts concerning the budget year.

¹ Over- or underestimation is indicated by average forecast accuracy.

² The average of absolute accuracy values indicates the average magnitude of forecast accuracy, regardless of the direction of deviation.

Appendix table 2. National balance of supply and demand, EUR million

	2024	2025	2026*	2027*	2028*
Current prices					
GDP at market prices	275 993	280 570	289 511	300 495	313 162
Imports of goods and services	114 669	115 228	122 689	127 235	132 867
Total supply	390 662	395 798	412 200	427 730	446 029
Exports of goods and services	115 650	118 756	122 933	127 516	132 622
Consumption	213 196	215 585	222 156	229 124	237 889
private	141 165	142 447	146 859	150 972	156 401
public	72 031	73 138	75 297	78 152	81 488
Investment	60 865	61 260	66 821	71 220	75 447
private	48 619	48 773	50 686	55 258	59 122
public	12 246	12 487	15 997	15 853	16 277
Total demand	390 501	395 797	412 199	427 729	446 028
At reference year 2015 prices; not additive					
GDP at market prices	228 316	228 712	230 089	233 966	238 031
Imports of goods and services	92 153	93 734	96 826	99 420	102 140
Total supply	319 827	321 831	326 296	332 758	339 528
Exports of goods and services	94 379	97 600	98 075	100 398	102 904
Consumption	178 710	178 285	178 628	180 417	182 721
private	118 431	118 150	118 989	120 641	122 552
public	60 308	60 164	59 674	59 820	60 229
Investment	48 091	48 458	52 017	54 378	56 360
private	38 202	38 339	39 220	41 968	43 920
public	9 918	10 153	12 901	12 485	12 506
Total demand	320 886	323 452	327 939	334 434	341 239



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