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Outlook for the Finnish Economy 2006 – 2008

Forecast tables

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The forecast is based on data available at 1 March 2006.

1. THE INTERNATIONAL ENVIRONMENT

Bank of Finland forecast

	2004	2005	f 2006	f 2007	f 2008
% change on previous year					
GDP					
Whole world	4.8	4.5	4.3	4.0	4.0
USA	4.2	3.5	3.1	2.9	3.0
EU15	2.1	1.5	2.2	2.2	2.1
Japan	2.3	2.8	3.0	2.0	2.0
Imports					
Whole world	9.6	7.0	7.3	7.0	7.0
USA	10.7	6.4	5.4	4.1	4.1
EU15	6.2	4.7	6.0	5.7	5.6
Japan	8.5	6.1	6.3	6.9	6.7
Indices 2000 = 100 and % change on previous year					
Import volume in Finnish export markets	121.6	131.1	142.4	153.7	165.7
	9.5	7.8	8.6	8.0	7.8
Export prices (excl. oil) of Finland's trading partners, national currencies	100.2	102.6	105.3	107.1	108.6
	0.4	2.4	2.6	1.7	1.4
Export prices (excl. oil) of Finland's trading partners, in euro	90.4	91.9	94.4	95.8	96.8
	-0.8	1.6	2.8	1.4	1.1
Industrial raw materials, HWWA index	128.2	146.9	164.5	161.3	160.3
	24.8	14.5	12.0	-2.0	-0.6
Oil price, USD per barrel	38.3	54.4	63.1	60.5	56.7
	32.7	42.1	15.9	-4.1	-6.2
Finland's nominal competitiveness indicator ¹	1.0	1.0	1.0	1.0	1.0
	1.6	-0.1	-0.2	0.3	0.3
US dollar value of one euro	1.24	1.24	1.21	1.23	1.25
	10.0	0.0	-2.6	1.8	1.5

¹ Narrow plus euro area, 1999Q1 = 100

2. BALANCE OF SUPPLY AND DEMAND, VOLUMES AT 2000 PRICES

EUR million and % change on previous year

	2004	2005	f 2006	f 2007	f 2008
GDP at market prices	143 418	146 411	151 440	156 002	160 356
	3.6	2.1	3.4	3.0	2.8
Imports of goods and services	49 260	54 323	58 537	62 299	65 713
	6.0	10.3	7.8	6.4	5.5
Total supply	192 678	200 734	209 977	218 301	226 068
	4.2	4.2	4.6	4.0	3.6
Exports of goods and services	62 332	66 717	71 379	75 969	80 407
	5.6	7.0	7.0	6.4	5.8
Consumption	102 541	105 475	108 313	110 876	113 405
	2.7	3.0	2.6	2.3	2.2
Private	72 833	75 312	77 745	79 925	82 106
	3.2	3.4	3.2	2.8	2.7
Public	29 708	30 163	30 567	30 950	31 300
	1.6	1.5	1.3	1.3	1.1
Fixed investment	26 835	27 278	28 649	29 989	30 786
	5.2	2.0	5.2	4.9	2.9
Private	22 592	23 297	24 707	26 027	26 806
	5.6	3.1	6.1	5.3	3.0
Public	4 243	3 981	3 942	3 962	3 980
	2.1	-6.2	-1.0	0.5	0.5
Inventory change + stat discrepancy, % of previous year's total demand	970	1 264	1 636	1 468	1 470
	0.2	0.2	0.2	-0.1	0.0
Total demand	192 678	200 734	209 977	218 301	226 068
	4.2	4.2	4.6	4.0	3.6
Total domestic demand	130 346	134 017	138 598	142 332	145 661
	3.5	2.8	3.4	2.7	2.3

3. BALANCE OF SUPPLY AND DEMAND, PRICE DEFLATORS

Indices 2000 = 100 and % change on previous year

	2004	2005	f 2006	f 2007	f 2008
GDP at market prices	104.4	106.1	106.8	107.8	108.8
	0.5	1.6	0.7	0.9	1.0
Imports of goods and services	98.5	100.5	103.3	104.8	105.7
	3.6	2.1	2.8	1.5	0.8
Total supply	102.9	104.6	105.9	106.9	107.9
	1.2	1.7	1.2	1.0	0.9
Exports of goods and services	90.9	90.1	90.1	89.5	88.9
	1.0	-0.8	0.0	-0.7	-0.7
Consumption	108.6	110.3	112.0	114.2	116.3
	1.2	1.6	1.6	1.9	1.9
Private	106.7	108.0	109.2	110.8	112.4
	0.1	1.3	1.1	1.5	1.5
Public	113.3	116.0	119.3	122.8	126.5
	3.7	2.4	2.8	2.9	3.0
Fixed investment	105.1	109.1	111.9	114.4	117.0
	2.0	3.8	2.6	2.2	2.3
Private	104.9	108.8	111.6	114.0	116.7
	1.9	3.7	2.5	2.2	2.3
Public	106.2	110.6	114.1	116.6	119.3
	2.5	4.2	3.1	2.2	2.3
Total demand	102.9	104.6	105.9	106.9	107.9
	1.2	1.7	1.2	1.0	0.9
Total domestic demand	108.6	111.8	114.0	116.2	118.4
	1.4	2.9	2.0	2.0	1.9

4. BALANCE OF SUPPLY AND DEMAND, CURRENT PRICES

EUR million and % change on previous year

	2004	2005	f 2006	f 2007	f 2008
GDP at market prices	149 725	155 320	161 809	168 116	174 507
	4.1	3.7	4.2	3.9	3.8
Imports of goods and services	48 499	54 606	60 470	65 313	69 433
	9.8	12.6	10.7	8.0	6.3
Total supply	198 224	209 926	222 279	233 429	243 940
	5.5	5.9	5.9	5.0	4.5
Exports of goods and services	56 631	60 145	64 326	67 999	71 453
	6.6	6.2	7.0	5.7	5.1
Consumption	111 352	116 349	121 365	126 572	131 930
	3.7	4.7	4.3	4.3	4.2
Private	77 694	81 346	84 892	88 567	92 327
	3.4	4.7	4.4	4.3	4.2
Public	33 658	35 003	36 473	38 005	39 603
	5.4	4.0	4.2	4.2	4.2
Fixed investment	28 204	29 755	32 064	34 302	36 018
	7.2	5.5	7.8	7.0	5.0
Private	23 698	25 351	27 565	29 679	31 268
	7.7	7.0	8.7	7.7	5.4
Public	4 506	4 404	4 499	4 622	4 750
	4.7	-2.3	2.2	2.7	2.8
Inventory change + stat discrepancy, % of previous year's total demand	2 037	3 677	4 525	4 556	4 538
	0.3	0.8	0.4	0.0	0.0
Total demand	198 224	209 926	222 279	233 429	243 940
	5.5	5.9	5.9	5.0	4.5
Total domestic demand	141 593	149 781	157 954	165 430	172 487
	5.0	5.8	5.5	4.7	4.3

5. BALANCE OF SUPPLY AND DEMAND

% of GDP at current prices

	2004	2005	f 2006	f 2007	f 2008
GDP at market prices	100.0	100.0	100.0	100.0	100.0
Imports of goods and services	32.4	35.2	37.4	38.8	39.8
Exports of goods and services	37.8	38.7	39.8	40.4	40.9
Consumption	74.4	74.9	75.0	75.3	75.6
Private	51.9	52.4	52.5	52.7	52.9
Public	22.5	22.5	22.5	22.6	22.7
Fixed investment	18.8	19.2	19.8	20.4	20.6
Private	15.8	16.3	17.0	17.7	17.9
Public	3.0	2.8	2.8	2.7	2.7
Inventory change + stat discrepancy,	1.4	2.4	2.8	2.7	2.6
Total demand	132.4	135.2	137.4	138.8	139.8
Total domestic demand	94.6	96.4	97.6	98.4	98.8

6. FOREIGN TRADE PRICES

Indices 2000 = 100 and % change on previous year

	2004	2005	f 2006	f 2007	f 2008
Exports of goods and services	90.9	90.1	90.1	89.5	88.9
	1.0	-0.8	0.0	-0.7	-0.7
Imports of goods and services	98.5	100.5	103.3	104.8	105.7
	3.6	2.1	2.8	1.5	0.8
Terms of trade, goods and services	92.3	89.7	87.2	85.4	84.1
	-2.6	-2.8	-2.7	-2.1	-1.5
Export prices (excl. oil) of Finland's trading partners, in euro	90.4	91.9	94.4	95.8	96.8
	-0.8	1.6	2.8	1.4	1.1
Industrial raw materials, HWWA index	128.2	146.9	164.5	161.3	160.3
	24.8	14.5	12.0	-2.0	-0.6
Oil price, USD per barrel	38.3	54.4	63.1	60.5	56.7
	32.7	42.1	15.9	-4.1	-6.2

7. FOREIGN TRADE VOLUMES AT 2000 PRICES

EUR million and % change on previous year

	2004	2005	f 2006	f 2007	f 2008
Exports of goods and services	62 332	66 717	71 379	75 969	80 407
	5.6	7.0	7.0	6.4	5.8
Imports of goods and services	49 260	54 323	58 537	62 299	65 713
	6.0	10.3	7.8	6.4	5.5
Import volume in Finnish export markets, index 2000 = 100	121.6	131.1	142.4	153.7	165.7
	9.5	7.8	8.6	8.0	7.8

8. LABOUR MARKET

1000 persons and % change on previous year

	2004	2005	f 2006	f 2007	f 2008
Labour force survey (15–74-year-olds)					
Employed persons	2 365	2 401	2 440	2 454	2 456
	0.0	1.5	1.6	0.6	0.0
Unemployed persons	229	220	211	208	208
	-2.2	-3.8	-4.1	-1.4	-0.1
Labour force	2 594	2 621	2 652	2 663	2 664
	-0.2	1.0	1.2	0.4	0.0
Working-age population (15–64-year-olds)	3 489	3 496	3 501	3 518	3 523
	0.1	0.2	0.1	0.5	0.1
Labour force participation rate, %	65.9	66.4	66.9	67.0	66.8
Unemployment rate, %	8.8	8.4	8.0	7.8	7.8
Employment rate (15–64-year-olds), %	67.2	68.0	69.0	69.3	69.2

9. WAGES AND PRODUCTIVITY

% change on previous year

	2004	2005	f 2006	f 2007	f 2008
Whole economy					
Index of wage and salary earnings	3.8	3.6	3.2	3.2	3.3
Compensation of employees	4.5	3.2	3.0	3.0	3.2
Unit labour costs ¹	0.9	2.9	0.8	0.7	0.6
Labour productivity ¹	3.6	0.2	2.2	2.2	2.5
Private sector					
Index of wage and salary earnings	3.7	3.5	3.0	3.1	3.2
Compensation of employees	4.7	3.3	2.9	2.9	3.0
Unit labour costs ¹	0.3	2.9	0.5	0.3	0.1
Labour productivity ¹	4.5	0.4	2.4	2.6	2.9
Public sector					
Index of wage and salary earnings	4.0	3.9	3.5	3.4	3.6
Compensation of employees	3.8	3.2	3.3	3.2	3.4
Unit labour costs ¹	4.0	3.5	3.1	2.9	3.1
Labour productivity ¹	-0.2	-0.2	0.2	0.3	0.3

¹ Labour input is measured as number of employees.

10. PRICES

Indices 2000 = 100 and % change on previous year

	2004	2005	f 2006	f 2007	f 2008
Consumer price index	105.3	106.2	107.4	108.9	110.6
	0.2	0.9	1.1	1.4	1.6
Harmonised index of consumer prices (1996 = 100)	113.7	114.5	115.8	117.3	119.1
	0.1	0.8	1.1	1.3	1.6
Private consumption deflator	106.7	108.0	109.2	110.8	112.4
	0.1	1.3	1.1	1.5	1.5
Private investment deflator	104.9	108.8	111.6	114.0	116.7
	1.9	3.7	2.5	2.2	2.3
Exports of goods and services deflator	90.9	90.1	90.1	89.5	88.9
	1.0	-0.8	0.0	-0.7	-0.7
Imports of goods and services deflator	98.5	100.5	103.3	104.8	105.7
	3.6	2.1	2.8	1.5	0.8
Value-added deflators					
Value-added, gross at basic prices	104.7	106.6	107.6	108.7	109.8
	0.8	1.8	1.0	1.0	1.0
Private sector	102.7	104.2	104.6	105.2	105.9
	0.2	1.4	0.4	0.6	0.7
Public sector	114.5	117.9	122.4	126.3	129.8
	3.8	3.0	3.8	3.2	2.7

11. GENERAL GOVERNMENT REVENUE, EXPENDITURE, FINANCIAL BALANCE AND DEBT

% OF GDP

	2004	2005	f 2006	f 2007	f 2008
General government revenue	53.0	53.1	53.2	53.2	53.2
General government expenditure	51.1	50.7	50.3	50.4	50.4
General government primary expenditure	49.3	49.0	48.8	48.9	49.0
General government interest expenditure	1.8	1.7	1.5	1.5	1.4
General government net lending	1.9	2.4	2.9	2.8	2.8
Central government	0.2	0.6	0.9	0.8	0.9
Local government	-0.7	-0.7	-0.6	-0.5	-0.5
Social security funds	2.3	2.6	2.6	2.6	2.5
General government primary balance	3.7	4.1	4.4	4.3	4.2
General government debt	44.9	41.1	39.6	38.3	37.0
Central government debt	42.6	38.7	36.6	34.9	33.2
Tax ratio	44.2	44.4	44.3	44.5	44.6

12. BALANCE OF PAYMENTS

EUR million

	2004	2005	f 2006	f 2007	f 2008
Exports of goods and services (SNA)	56 631	60 145	64 326	67 999	71 453
Imports of goods and services (SNA)	48 499	54 606	60 470	65 313	69 433
Goods and services account (SNA)	8 132	5 539	3 856	2 686	2 020
% of GDP	5.4	3.6	2.4	1.6	1.2
Investment income and other items, net	387	162	140	246	341
Current transfers, net	-853	-1037	-1054	-1032	-1062
Current account, net	7 666	4 665	2 942	1 900	1 299
Net lending, % of GDP					
Private sector	3.2	0.6	-1.1	-1.7	-2.1
Public sector	1.9	2.4	2.9	2.8	2.8
Current account, % of GDP	5.1	3.0	1.8	1.1	0.7

13. INTEREST RATES

%

	2004	2005	f 2006	f 2007	f 2008
3-month Euribor	2.1	2.2	3.0	3.4	3.6
Avg interest rate on new loans	4.7	4.6	5.4	5.8	6.0
Average rate of interest on deposits	1.0	1.0	1.2	1.5	1.6
Bank lending rate, average	3.5	3.4	4.0	4.6	4.7
Yield on Finnish 10-year government bonds	4.1	3.4	3.4	3.4	3.4

14. CONTRIBUTIONS TO GROWTH

% of previous year's GDP

	2004	2005	f 2006	f 2007	f 2008
GDP, % change	3.6	2.1	3.4	3.0	2.8
Net exports	0.4	-0.5	0.3	0.5	0.7
Domestic demand	2.9	2.4	2.9	2.6	2.1
of which Consumption	2.0	2.0	1.9	1.7	1.6
Investment	0.9	0.3	0.9	0.9	0.5
Inventory change + stat discrepancy	0.3	0.2	0.3	-0.1	0.0

15. KEY ECONOMIC INDICATORS

	2004	2005	f 2006	f 2007	f 2008
% change on previous year					
GDP	3.6	2.1	3.4	3.0	2.8
Employed	0.0	1.5	1.6	0.6	0.0
Unemployment rate, %	8.8	8.4	8.0	7.8	7.8
Private consumption deflator	0.1	1.3	1.1	1.5	1.5
Harmonised index of consumer prices	0.1	0.8	1.1	1.3	1.6
Consumer price index	0.2	0.9	1.1	1.4	1.6
Index of wage and salary earnings	3.8	3.6	3.2	3.2	3.3
Index of wage and salary earnings, real	3.6	2.7	2.1	1.8	1.7
Labour productivity ¹	3.6	0.2	2.2	2.2	2.5
Exports of goods and services, price deflator	1.0	-0.8	0.0	-0.7	-0.7
Imports of goods and services, price deflator	3.6	2.1	2.8	1.5	0.8
Terms of trade (goods and services)	-2.6	-2.8	-2.7	-2.1	-1.5
Goods and services account (SNA), EUR billion	8.1	5.5	3.9	2.7	2.0
3-month Euribor, %	2.1	2.2	3.0	3.4	3.6
% of GDP					
Tax ratio	44.2	44.4	44.3	44.5	44.6
General government net lending	1.9	2.4	2.9	2.8	2.8
Compensation of employees	49.0	49.5	49.7	49.6	49.3
Current account	5.1	3.0	1.8	1.1	0.7

¹ Labour input is measured as number of employees.

