



BANK OF FINLAND
Monetary Policy and Research Department

Outlook for the Finnish Economy
2005 – 2007

Forecast tables

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The forecast is based on data available at 28 February 2005.

1. THE INTERNATIONAL ENVIRONMENT

Bank of Finland forecast

	2003	2004	f 2005	f 2006	f 2007
% change on previous year					
GDP					
Whole world	3.8	4.6	4.0	4.0	3.9
USA	3.0	4.4	3.4	2.9	2.9
EU15	0.8	2.2	1.8	2.2	2.2
Japan	1.4	2.6	0.8	1.8	1.8
Imports					
Whole world	5.3	8.7	7.5	7.3	7.1
USA	4.4	9.9	5.7	4.0	4.1
EU15	1.9	5.8	5.8	6.5	6.3
Japan	3.8	9.2	7.4	6.0	5.7
Indices 2000 = 100 and % change on previous year					
Import volume in Finnish export markets	110.5	119.6	129.0	138.6	148.5
	5.4	8.3	7.8	7.4	7.2
Export prices (excl. oil) of Finland's trading partners, national currencies	99.9	100.8	102.1	103.6	105.2
	-0.1	0.9	1.4	1.4	1.5
Export prices (excl. oil) of Finland's trading partners, in euro	91.1	90.5	90.4	91.1	92.1
	-5.6	-0.7	-0.1	0.8	1.1
Industrial raw materials, HWWA index	102.7	128.2	142.4	146.0	149.3
	17.3	24.8	11.0	2.6	2.3
Oil price, USD per barrel	28.9	38.3	48.3	44.6	40.0
	15.7	32.7	26.1	-7.7	-10.3
Finland's nominal competitiveness indicator ¹	100.1	101.6	102.8	103.4	103.9
	4.8	1.5	1.2	0.6	0.5
US dollar value of one euro	1.13	1.24	1.32	1.34	1.35
	19.9	10.0	6.2	1.4	1.3

¹ Narrow plus euro area, 1999Q1 = 100

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

EUR million and % change on previous year

	2003	2004	f 2005	f 2006	f 2007
GDP at market prices	137 647	142 695	146 945	151 277	155 186
	2.4	3.7	3.0	2.9	2.6
Imports of goods and services	46 067	48 269	50 608	52 870	55 782
	2.7	4.8	4.8	4.5	5.5
Total supply	183 714	190 964	197 553	204 147	210 968
	2.5	3.9	3.5	3.3	3.3
Exports of goods and services	59 118	61 183	64 000	67 045	70 292
	1.4	3.5	4.6	4.8	4.8
Consumption	98 397	101 214	103 827	106 656	109 765
	3.4	2.9	2.6	2.7	2.9
Private	69 501	71 713	74 011	76 399	79 022
	4.4	3.2	3.2	3.2	3.4
Public	28 896	29 501	29 816	30 257	30 742
	1.2	2.1	1.1	1.5	1.6
Fixed investment	25 547	26 721	27 842	28 987	30 137
	-1.5	4.6	4.2	4.1	4.0
Private	21 392	22 610	23 677	24 795	25 905
	-3.0	5.7	4.7	4.7	4.5
Public	4 155	4 111	4 165	4 191	4 232
	6.8	-1.1	1.3	0.6	1.0
Inventory change + stat discrepancy, % of previous year's total demand	652	1 846	1 884	1 458	774
	0.4	0.6	0.0	-0.2	-0.3
Total demand	183 714	190 964	197 553	204 147	210 968
	2.5	3.9	3.5	3.3	3.3
Total domestic demand	124 596	129 781	133 553	137 101	140 676
	3.0	4.2	2.9	2.7	2.6

3. BALANCE OF SUPPLY AND DEMAND, PRICE DEFLATORS

Indices 2000 = 100 and % change on previous year

	2003	2004	f 2005	f 2006	f 2007
GDP at market prices	104.1	104.9	106.6	107.9	109.7
	-0.2	0.8	1.6	1.2	1.7
Imports of goods and services	95.1	97.8	99.3	101.5	101.1
	0.7	2.8	1.6	2.2	-0.3
Total supply	101.9	103.1	104.7	106.3	107.5
	0.0	1.2	1.6	1.5	1.1
Exports of goods and services	90.0	90.9	92.0	92.0	91.3
	-3.0	1.0	1.2	-0.1	-0.7
Consumption	107.8	109.6	111.6	113.7	116.0
	1.1	1.7	1.8	1.9	2.0
Private	107.0	108.0	109.2	110.9	112.9
	0.2	0.9	1.2	1.6	1.8
Public	109.7	113.6	117.4	120.7	124.0
	3.4	3.6	3.3	2.8	2.7
Fixed investment	103.0	104.4	106.3	108.8	111.0
	0.6	1.3	1.8	2.4	2.0
Private	102.9	104.3	106.3	108.8	111.0
	0.6	1.4	1.9	2.4	2.0
Public	103.6	104.6	106.3	108.8	111.0
	0.2	1.0	1.7	2.4	2.0
Total demand	101.9	103.1	104.7	106.3	107.5
	0.0	1.2	1.6	1.5	1.1
Total domestic demand	107.5	108.9	110.8	113.3	115.5
	1.2	1.3	1.8	2.2	2.0

4. BALANCE OF SUPPLY AND DEMAND, CURRENT PRICES

EUR million and % change on previous year

	2003	2004	f 2005	f 2006	f 2007
GDP at market prices	143 337	149 742	156 676	163 299	170 302
	2.2	4.5	4.6	4.2	4.3
Imports of goods and services	43 811	47 189	50 261	53 644	56 413
	3.4	7.7	6.5	6.7	5.2
Total supply	187 148	196 931	206 937	216 943	226 715
	2.5	5.2	5.1	4.8	4.5
Exports of goods and services	53 207	55 619	58 890	61 655	64 170
	-1.7	4.5	5.9	4.7	4.1
Consumption	106 057	110 956	115 868	121 280	127 328
	4.6	4.6	4.4	4.7	5.0
Private	74 365	77 432	80 857	84 761	89 213
	4.6	4.1	4.4	4.8	5.3
Public	31 692	33 524	35 010	36 519	38 115
	4.6	5.8	4.4	4.3	4.4
Fixed investment	26 316	27 895	29 596	31 543	33 452
	-1.0	6.0	6.1	6.6	6.1
Private	22 012	23 596	25 168	26 982	28 754
	-2.4	7.2	6.7	7.2	6.6
Public	4 304	4 299	4 428	4 561	4 698
	7.0	-0.1	3.0	3.0	3.0
Inventory change + stat discrepancy, % of previous year's total demand	1 568	2 461	2 583	2 464	1 765
	0.6	0.5	0.1	-0.1	-0.3
Total demand	187 148	196 931	206 937	216 943	226 715
	2.5	5.2	5.1	4.8	4.5
Total domestic demand	133 941	141 312	148 047	155 288	162 545
	4.2	5.5	4.8	4.9	4.7

5. BALANCE OF SUPPLY AND DEMAND

% of GDP at current prices

	2003	2004	f 2005	f 2006	f 2007
GDP at market prices	100.0	100.0	100.0	100.0	100.0
Imports of goods and services	30.6	31.5	32.1	32.9	33.1
Exports of goods and services	37.1	37.1	37.6	37.8	37.7
Consumption	74.0	74.1	74.0	74.3	74.8
Private	51.9	51.7	51.6	51.9	52.4
Public	22.1	22.4	22.3	22.4	22.4
Fixed investment	18.4	18.6	18.9	19.3	19.6
Private	15.4	15.8	16.1	16.5	16.9
Public	3.0	2.9	2.8	2.8	2.8
Inventory change + stat discrepancy,	1.1	1.6	1.6	1.5	1.0
Total demand	130.6	131.5	132.1	132.9	133.1
Total domestic demand	93.4	94.4	94.5	95.1	95.4

6. FOREIGN TRADE PRICES

Indices 2000 = 100 and % change on previous year

	2003	2004	f 2005	f 2006	f 2007
Exports of goods and services	90.0	90.9	92.0	92.0	91.3
	-3.0	1.0	1.2	-0.1	-0.7
Imports of goods and services	95.1	97.8	99.3	101.5	101.1
	0.7	2.8	1.6	2.2	-0.3
Terms of trade, goods and services	94.6	93.0	92.7	90.6	90.3
	-3.7	-1.7	-0.4	-2.2	-0.4
Export prices (excl. oil) of Finland's trading partners, in euro	91.1	90.5	90.4	91.1	92.1
	-5.6	-0.7	-0.1	0.8	1.1
Industrial raw materials, HWWA index	102.7	128.2	142.4	146.0	149.3
	17.3	24.8	11.0	2.6	2.3
Oil price, USD per barrel	28.9	38.3	48.3	44.6	40.0
	15.7	32.7	26.1	-7.7	-10.3

7. FOREIGN TRADE VOLUMES AT 2000 PRICES

EUR million and % change on previous year

	2003	2004	f 2005	f 2006	f 2007
Exports of goods and services	59 118	61 183	64 000	67 045	70 292
	1.4	3.5	4.6	4.8	4.8
Imports of goods and services	46 067	48 269	50 608	52 870	55 782
	2.7	4.8	4.8	4.5	5.5
Import volume in Finnish export markets, index 2000 = 100	110.5	119.6	129.0	138.6	148.5
	5.4	8.3	7.8	7.4	7.2

8. LABOUR MARKET

1000 persons and % change on previous year

	2003	2004	f 2005	f 2006	f 2007
Labour force survey (15–74-year-olds)					
Employed persons	2 365	2 365	2 387	2 393	2 401
	-0.3	0.0	0.9	0.3	0.3
Unemployed persons	234	229	224	223	219
	-1.1	-2.2	-2.2	-0.4	-1.8
Labour force	2 599	2 594	2 611	2 616	2 620
	-0.4	-0.2	0.7	0.2	0.2
Working-age population (15–64-year-olds)	3 484	3 489	3 500	3 496	3 513
	0.1	0.1	0.3	-0.1	0.5
Labour force participation rate, %	66.2	65.9	66.1	66.0	65.8
Unemployment rate, %	9.0	8.8	8.6	8.5	8.4
Employment rate (15–64-year-olds), %	67.3	67.2	67.5	67.8	67.7

9. WAGES AND PRODUCTIVITY

% change on previous year

	2003	2004	f 2005	f 2006	f 2007
Whole economy					
Index of wage and salary earnings	4.0	3.4	3.3	3.3	3.3
Compensation of employees	3.0	4.3	3.8	3.3	3.3
Unit labour costs	0.9	1.3	1.5	1.1	1.4
Labour productivity	2.1	2.9	2.2	2.2	1.9
Private sector					
Index of wage and salary earnings	4.1	3.3	3.2	3.2	3.1
Compensation of employees	2.8	4.2	3.7	3.3	3.2
Unit labour costs	0.1	0.9	1.1	0.4	0.8
Labour productivity	2.7	3.3	2.6	2.9	2.4
Public sector					
Index of wage and salary earnings	3.9	3.8	3.4	3.5	3.6
Compensation of employees	3.6	4.3	3.8	3.4	3.6
Unit labour costs	3.6	3.0	3.3	3.6	3.4
Labour productivity	0.0	1.3	0.6	-0.1	0.1

10. PRICES

Indices 2000 = 100 and % change on previous year

	2003	2004	f 2005	f 2006	f 2007
Consumer price index	105.1	105.3	106.5	108.1	110.2
	0.9	0.2	1.1	1.6	1.9
Harmonised index of consumer prices (1996 = 100)	113.5	113.7	114.8	116.4	118.5
	1.3	0.1	1.0	1.4	1.8
Private consumption deflator	107.0	108.0	109.2	110.9	112.9
	0.2	0.9	1.2	1.6	1.8
Private investment deflator	102.9	104.3	106.3	108.8	111.0
	0.6	1.4	1.9	2.4	2.0
Exports of goods and services deflator	90.0	90.9	92.0	92.0	91.3
	-3.0	1.0	1.2	-0.1	-0.7
Imports of goods and services deflator	95.1	97.8	99.3	101.5	101.1
	0.7	2.8	1.6	2.2	-0.3
Value-added deflators					
Value-added, gross at basic prices	104.1	105.7	107.2	108.9	110.9
	-0.3	1.5	1.4	1.6	1.9
Private sector	102.8	104.1	105.2	106.4	108.2
	-1.1	1.3	1.1	1.2	1.6
Public sector	110.3	113.3	116.7	120.4	124.2
	3.4	2.7	3.0	3.2	3.1

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

% OF GDP

	2003	2004	f 2005	f 2006	f 2007
General government revenue	53.3	52.5	52.1	51.8	51.5
General government expenditure	50.9	50.7	49.9	49.7	49.5
General government primary expenditure	49.0	48.8	48.3	48.0	47.8
General government interest expenditure	2.0	1.9	1.7	1.7	1.6
General government net lending	2.3	1.9	2.2	2.1	2.1
Central government	0.3	0.1	-0.2	-0.4	-0.4
Local government	-0.5	-0.7	-0.4	-0.2	-0.2
Social security funds	2.5	2.4	2.8	2.7	2.7
General government primary balance	4.3	3.8	3.9	3.8	3.7
General government debt	45.3	45.1	43.9	43.2	42.4
Central government debt	44.2	42.6	41.1	40.2	39.4
Tax ratio	44.6	44.0	43.8	43.4	43.1

12. BALANCE OF PAYMENTS

EUR million

	2003	2004	f 2005	f 2006	f 2007
Exports of goods and services (SNA)	53 207	55 619	58 890	61 655	64 170
Imports of goods and services (SNA)	43 811	47 189	50 261	53 644	56 413
Goods and services account (SNA)	9 396	8 430	8 630	8 011	7 757
Investment income and other items, net	-2 479	-799	-922	-679	-555
Current transfers, net	-940	-877	-866	-841	-876
Current account, net	5 978	6 754	6 842	6 491	6 327
Net lending, % of GDP					
Private sector	1.9	2.7	2.2	1.9	1.7
Public sector	2.3	1.9	2.2	2.1	2.1
Current account, % of GDP	4.2	4.5	4.4	4.0	3.7

13. INTEREST RATES

%

	2003	2004	f 2005	f 2006	f 2007
3-month Euribor	2.3	2.1	2.3	2.8	3.3
Avg interest rate on deposit banks' new loans	3.8	4.1	4.3	4.7	5.0
Average rate of interest on deposits	1.1	1.0	1.1	1.3	1.4
Bank lending rate, average	3.9	3.5	3.7	4.0	4.3
Taxable government bond yield, approx. 5 years	3.3	3.3	3.2	3.5	3.8

14. CONTRIBUTIONS TO GROWTH

% of previous year's GDP

	2003	2004	f 2005	f 2006	f 2007
GDP, % change	2.4	3.7	3.0	2.9	2.6
Net exports	-0.3	-0.1	0.3	0.5	0.2
Domestic demand	2.1	2.9	2.6	2.7	2.8
of which Consumption	2.4	2.0	1.8	1.9	2.1
Investment	-0.3	0.9	0.8	0.8	0.8
Inventory change + stat discrepancy	0.6	0.9	0.0	-0.3	-0.5

15. KEY ECONOMIC INDICATORS

	2003	2004	f 2005	f 2006	f 2007
% change on previous year					
GDP	2.4	3.7	3.0	2.9	2.6
Employed	-0.3	0.0	0.9	0.3	0.3
Unemployment rate, %	9.0	8.8	8.6	8.5	8.4
Private consumption deflator	0.2	0.9	1.2	1.6	1.8
Harmonised index of consumer prices	1.3	0.1	1.0	1.4	1.8
Consumer price index	0.9	0.2	1.1	1.6	1.9
Index of wage and salary earnings	4.0	3.4	3.3	3.3	3.3
Index of wage and salary earnings, real	3.1	3.2	2.2	1.7	1.4
Labour productivity	2.1	2.9	2.2	2.2	1.9
Exports of goods and services, price deflator	-3.0	1.0	1.2	-0.1	-0.7
Imports of goods and services, price deflator	0.7	2.8	1.6	2.2	-0.3
Terms of trade (goods and services)	-3.7	-1.7	-0.4	-2.2	-0.4
Goods and services account (SNA), EUR billion	9.4	8.4	8.6	8.0	7.8
3-month Euribor, %	2.3	2.1	2.3	2.8	3.3
% of GDP					
Tax ratio	44.6	44.0	43.8	43.4	43.1
General government net lending	2.3	1.9	2.2	2.1	2.1
Compensation of employees	49.0	48.9	49.0	48.7	48.4
Current account	4.2	4.5	4.4	4.0	3.7

