



Main Features of the Finnish Economy 2011 - 2013

- 1. Global economic outlook remains exceptionally uncertain; growth will slow down in any case.***
- 2. Asia, and especially China will still be the growth engine of the world economy even though also these countries are affected by the weak foreign demand. Economic growth in the U.S. is expected to decelerate to 1.5 per cent in 2011 and to recover just slightly after that. In the Euro Area, the GDP growth will decelerate to 1 per cent in 2012 due to the sovereign debt crisis. Even in Germany, the GDP growth will decelerate to 1.5 per cent.***
- 3. Inflation will decelerate due to the weakening demand and the decline in raw material prices. The ECB will keep the key interest rates at the current level and decrease them if the economic situation weakens. Fiscal policy must be tightened in several countries to reduce the public sector deficits.***
- 4. Finnish merchandise exports will grow slightly in 2011 but service exports will decline due to the diminishing exports of the business services. Growth will decelerate in all main export sectors.***
- 5. Growth in investments of the business sector will slow down because of the uncertain demand prospects. Growth in the residential construction will come to a standstill in 2012.***
- 6. Private consumption will grow 2-2.5 per cent annually in 2012-2013. Growth will decelerate from the 3 per cent in 2011 because of a smaller improvement in employment.***



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- 7. Finland's GDP will grow by less than 3 per cent in 2011; next year growth will subside to 2 per cent.*
- 8. Unemployment rate is forecast to decrease to 7.9 per cent in 2011 from 8.4 per cent in 2010. The decrease will be minimal in 2012. The aging of the population will diminish the labour supply. New jobs will be created especially in private services.*
- 9. The central government deficit will stay at about 3.5 per cent of GDP in 2011-2013. The EMU debt will increase to 53.8 per cent in relation to GDP in 2013. The so-called EMU deficit will disappear in 2012-13 due to the surplus in the social security funds. (The social security funds do not practically have gross debt.) The economic growth and the agreed austerity measures will not be sufficient to turn the gross public debt (in relation to GDP) to a decline during the current cabinet period (2011-2014).*
- 10. Consumer prices (the national measure) will increase by 3.4 per cent in 2011 due to a rise in the energy and food prices. In 2012 inflation will decelerate to 2.6 per cent due to the weakening demand and declining raw material prices.*
- 11. The financial problems of the Euro area are the dominant risk. The financial market is vulnerable also in several other countries.*