

## FINLAND

Output continued to decline in Finland over the first half of the year, as the collapse in exports deepened. However, a recovery should get underway by the end of 2009 with a bounce in exports from the current very low levels and substantial restocking. Harmonised inflation has remained above the euro area average due to large negotiated wage increases. The unemployment rate has climbed sharply, and is expected to continue to rise, magnified by significant labour market rigidities.

The government's initial response to the downturn, including assistance to banks and businesses and a modest fiscal stimulus, provided material support to activity. Further significant fiscal loosening is planned but it may be counterproductive if it comes just as the recovery gets underway. While some consolidation measures have been announced, a coherent plan for a substantial fiscal consolidation should be articulated as soon as possible, and put in place once the recovery is on a firm footing. The forthcoming wage negotiations should align outcomes more closely to productivity within firms.

## Finland: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	85.9	3.3	1.5	-2.8	0.2	1.8
Government consumption	36.6	0.6	1.7	1.3	0.2	0.7
Gross fixed capital formation	32.3	8.6	0.4	-11.8	-4.4	4.9
Final domestic demand	154.8	3.8	1.3	-3.8	-0.7	2.1
Stockbuilding <sup>1,2</sup>	4.2	0.3	-0.6	-1.6	0.5	0.1
Total domestic demand	159.0	4.0	0.6	-5.5	-0.1	2.2
Exports of goods and services	75.4	8.1	7.5	-26.5	3.7	6.5
Imports of goods and services	67.2	6.5	6.9	-25.2	0.3	6.4
Net exports <sup>1</sup>	8.3	1.4	1.0	-3.4	1.5	0.7
GDP at market prices	167.2	4.1	0.8	-6.9	0.4	2.4
GDP deflator	–	3.1	2.0	1.0	1.2	1.5
<i>Memorandum items</i>						
GDP without working day adjustments	–	4.2	1.0	..	..	..
Harmonised index of consumer prices	–	1.6	3.9	1.7	1.5	1.4
Private consumption deflator	–	2.3	3.5	1.5	1.5	1.4
Unemployment rate	–	6.9	6.4	8.3	9.7	9.7
General government financial balance <sup>3</sup>	–	5.2	4.4	-2.3	-4.8	-5.2
Current account balance <sup>3</sup>	–	3.7	2.8	0.8	0.9	0.9

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. Including statistical discrepancy.

3. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

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