

## Finland: A mild pandemic limits the damage

In comparison to the rest of the eurozone, Finland has experienced a very mild pandemic despite the recent rise in the number of Covid-19 cases. Thanks to government support, bankruptcies are at an all-time low and unemployment rose by just 1.5% and 4Q20 GDP was just -1.7% lower than in 4Q19

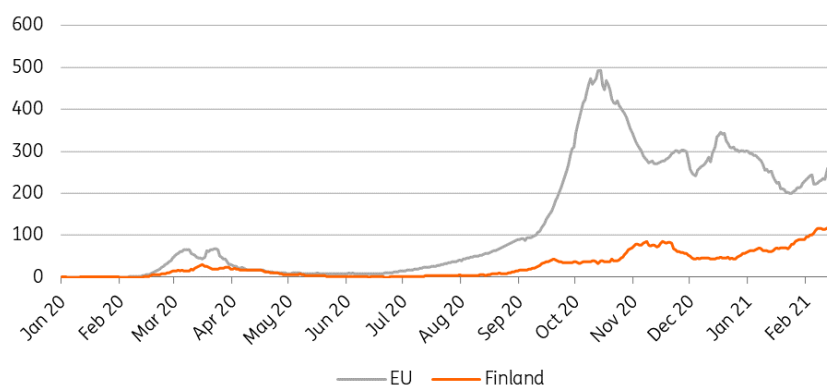


Finland's Prime Minister Sanna Marin

Source: Shutterstock

The number of cases as a percent of the total population in Finland has remained far below average rates seen in the eurozone, despite the new highs seen recently. But to put that into perspective, the latest data puts Finnish daily new cases at 115 per million, which is still considerably below average levels in the EU.

## A mild pandemic for Finland



Source: ING Research

Note: the chart shows new Covid-19 cases per million

Despite the relatively mild pandemic compared to other eurozone economies, measures have been firmed up to battle the second wave yet again.

On 1 March, the government declared a state of emergency, and all bars and restaurants were closed from 9 March until 28 March. Upper secondary schools have been instructed to homeschool in areas where the virus is spreading fast. These measures are milder than the restrictions in neighbouring countries like Sweden and other larger eurozone economies but will surely weigh on the GDP outlook for the first quarter of the year.

So far though, the impact on the economy has been small compared to other countries. Fourth-quarter GDP for 2020 was just -1.7% lower than in 4Q19. For context, in the US, this was -2.4%, Sweden -2.1%, Germany -3.6% and the UK -7.8%. This sets Finland up well for recovery with relatively limited long-term damage.

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*We expect Finland to recover to pre-pandemic levels of economic activity towards the end of 2021, which is much faster than the eurozone average*

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With all-time low levels of bankruptcies, thanks to government support and unemployment that rose by just 1.5%, most of the uncertainty is around the withdrawal of government support. Government support has been quite significant, much larger than what has been seen in Sweden and Denmark, but stimulus effects will fade rather quickly in 2021.

Cyclically adjusted net lending will decrease from -5.3 to -3.5% this year, which leaves the risk of increased economic damage when support is taken away too quickly.

In short, in comparison to many other countries, Finland seems much better geared up to limit the impact of the pandemic.

## The Finnish economy in a nutshell (%YoY)

	2020	2021F	2022F	2023F
GDP	-2.9	3.8	3.5	1.5
Private consumption	-4.9	4.5	4.0	1.4
Investment	-2.8	4.4	4.1	2.2
Government consumption	0.3	0.1	-0.3	0.1
Net trade contribution	0.1	0.2	-0.4	-0.2
Headline CPI	0.5	1.7	1.4	1.5

Source: Macrobond, all forecasts ING estimates

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