

Finland: The strongest growth in a decade

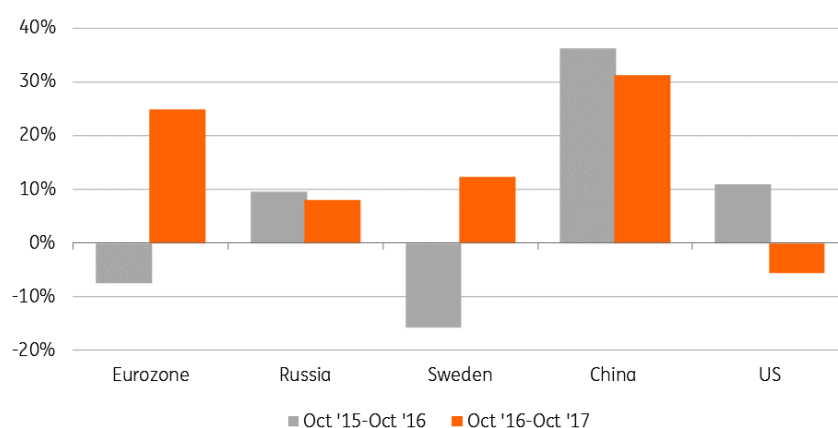
The Finnish economy is powering ahead, but domestic demand could slow



The Finnish economy continues to thrive with GDP growth likely exceeding 3% in 2017. This is the strongest growth that Finland has experienced in 10 years. Growth performed particularly well thanks to strengthening exports, which are profiting from improving global growth. Exports to other Eurozone countries increased by 25% YoY in October, after a decline of about 8% in the year before. Exports to Sweden also improved markedly at 12% YoY growth in October, with exports to Russia and China increasing as well.

Improving global growth will likely contribute to continued export growth this year as all main export partners except Sweden are expected to see GDP growth maintain its current pace or even accelerate. Domestic demand could slow somewhat with wage moderation curbing consumption. The positive impact of lower wages on competitiveness is unlikely to fully offset the effects on consumption, bringing down our forecast for Finnish growth to 2% this year. The political environment is unlikely to have much of an effect this year as the presidential elections are expected to be won by the incumbent, Sauli Niinistö.

Finnish export growth



The Finnish economy in a nutshell (%YoY)

	2016	2017F	2018F	2019F
GDP	1.9	3.1	2.6	2.3
Private consumption	1.8	2.0	1.6	1.5
Investment	7.2	6.9	4.4	3.0
Government consumption	1.2	0.7	0.3	0.1
Net trade contribution	-1.2	0.8	0.6	0.7
Headline CPI	0.5	0.9	1.1	1.5

Source: Macrobond, all forecasts ING estimates

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