

## Finland: Rising tide lifts all boats

The Finnish economy grew by a healthy 1.1% QoQ in Q4 and has started 2018 on a strong footing



Once a growth laggard, Finland has just ended a year of GDP growth well above the Eurozone average. Finland has profited significantly from the surprising global economic uptick in 2017 as exports to most of its larger trading partners grew significantly over the year. Growth is not just about net exports picking up, as domestic demand also continued to grow favourably. Even though a detailed breakdown of GDP has not been released yet, it is likely that household consumption continued to grow in Q4 as monthly consumption indicators have performed well over the quarter. This is despite continued wage moderation, with Finland already recording the weakest growth in labour costs in the European Union during Q3 2017, at -3% YoY, the latest quarter with comparable data.

Just like for the rest of the Eurozone, Finland seems to be off to a good start to 2018 as well. Consumer confidence hit its highest level on record in January and employment expectations among businesses are near an all-time high as well. This means that the outlook for consumption at the beginning of the year is favourable as stronger employment growth will support household spending. The question is how long that can be maintained with current negative wage growth and inflation returning, so over the course of the year, we expect domestic demand growth to weaken somewhat. With 2.6% GDP growth for the year, we do expect that Finland will continue to beat the Eurozone average in 2018 as well.

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