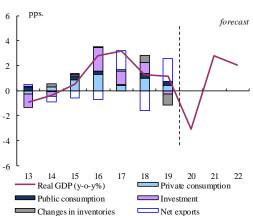## 2.19. FINLAND

Finland's real GDP is estimated to have fallen by 3.1% in 2020. Although the economy was impacted by the COVID-19 pandemic, Finland has weathered the crisis relatively well so far and is one of the least affected countries in the EU, both economically and in terms of public health. All demand components, except government consumption, are expected to fall in 2020. The main hit to GDP came from the decline in private consumption as consumers increased their precautionary savings and had fewer opportunities to spend. The economy bounced back in the third quarter and is expected to keep the same level in the fourth quarter.

Real GDP growth is forecast to rebound by 2.8% in 2021. Even the worst hit parts of the economy are expected to start recovering once the most vulnerable groups of the population are vaccinated. Growth is expected to be broad-based, with private consumption and investment posting the strongest contributions. In 2022, GDP is forecast to grow by 2.0%, weakening gradually after the boost from the recovery phase. Growth is set to be driven by domestic demand, which is expected to enjoy the support of rising consumer confidence and disposable incomes. The level of output recorded at end-2019 is forecast to be surpassed by mid-2022.

HICP inflation was very subdued in 2020 at 0.4%, as a result of the collapse in demand and energy prices. Inflation is expected to rise slightly above 1% in both 2021 and 2022. Energy prices are forecast to give a temporary boost to inflation in 2021. However, inflation is expected to remain at historical lows due to the absence of significant domestic price pressures because of the relatively high level of unemployment.

The Finnish economy showed resilience during the crisis, which could turn out to be a positive accelerator in the recovery phase. Future spending related to the Recovery and Resilience Facility is not included in this forecast and constitutes an upside risk.

Graph 2.19: **Finland - Real GDP growth and contributions**