

## NOVEMBER 2011 ECONOMIC OUTLOOK FOR FINLAND: ANSWERS FROM EK

### MAIN FORECAST

| Annual % change                    | 2011 | 2012 |
|------------------------------------|------|------|
| Real GDP growth                    | 3,0  | 2,0  |
| Consumer price inflation           | 3,4  | 2,6  |
| Unemployment rate                  | 7,9  | 7,7  |
| Employment growth                  | 1,1  | 0,7  |
| government net lending (% of GDP)  | -1,2 | -0,8 |
| gross public debt (% of GDP)       | 51,2 | 52,6 |
| current account balance (% of GDP) | 1,2  | 1,9  |

### Components of aggregate demand - in real terms

| Annual % change                            |     |     |
|--|-----|-----|
| Private consumption                        | 3,0 | 2,5 |
| Public consumption                         | 0,5 | 0,5 |
| Investment (Gross Fixed Capital Formation) | 5,5 | 2,5 |
| Private non-residential investment         | 6,5 | 4,0 |
| Exports                                    | 0,0 | 5,5 |
| Imports                                    | 0,5 | 5,0 |

### ECONOMIC SENTIMENT

|   | Positive | Negative | Unchanged |
|---|----------|----------|-----------|
| <b>Trend in business climate over the next 6 months</b> |          | Industry |           |
|   |          | Services |           |

|  | Positive | Negative | Unchanged |
|--|----------|----------|-----------|
| <b>Trend in profitability over the next 6 months</b> |          | Industry |           |
|  |          | Services |           |

|   | Increase (faster pace) | Increase (slower pace) | Unchanged | Decrease (slower pace) | Decrease (faster pace) |
|---|------------------------|------------------------|-----------|------------------------|------------------------|
| <b>Investment intentions over the next 6 months</b> |                        | Industry               |           |                        |                        |
|   |                        | Services               |           |                        |                        |

|   | Global demand | Domestic demand | Cost of finance | Availability of finance | Company Profitability | Capacity Utilisation |
|---|---------------|-----------------|-----------------|-------------------------|-----------------------|----------------------|
| <b>Influence on companies' investment decisions</b> | neutral       | negative        | positive        | neutral                 | negative              | negative             |

|   | Replacement | Extension | Rationalisation | Innovation |
|---|-------------|-----------|-----------------|------------|
| <b>Driving force behind investment decisions in the next 6 months</b> | positive    | negative  | positive        | neutral    |

|                                    | Industry: past 6 months | Industry: next 6 months | Services: past 6 months | Services: next 6 months |
|------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Overall trend in employment</b> | Same                    | Down                    | Up                      | Same                    |

**ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH**

|   |                                |                            |                |                      |
|---|--------------------------------|----------------------------|----------------|----------------------|
| <i>Compared to 6 months ago, cost/access to finance has been...</i> | <b>sharply up / restrained</b> | <b>up / more difficult</b> | <b>same</b>    | <b>down / easier</b> |
| <i>for SMEs</i>   |                                | Cost<br>Access             |                |                      |
| <i>for larger companies (&gt;250 employees)</i>                     |                                |                            | Cost<br>Access |                      |

|   |                                |                            |             |                      |
|---|--------------------------------|----------------------------|-------------|----------------------|
| <i>Over the next 6 months, cost /access to finance will be...</i> | <b>sharply up / restrained</b> | <b>up / more difficult</b> | <b>same</b> | <b>down / easier</b> |
| <i>for SMEs</i>   |                                | Access                     | Cost        |                      |
| <i>for larger companies (&gt;250 employees)</i>                   |                                | Access                     | Cost        |                      |

|   | <i>Consolidation of banking sector balance sheets</i> | <i>Access to capital markets</i> | <i>Engcouraging equity financing through tax reforms</i> | <i>Better use of existing EU instruments (including EIB)</i> | <i>Greater potential for Public-Private-Partnerships</i> |
|---|---|----------------------------------|--|--|--|
| <i>Measures to alleviate current financial difficulties for SMEs</i>                        | Important effect                                      | Moderate effect                  | Moderate effect  | Very limited effect  | Very limited effect                                      |
| <i>Measures to alleviate current financial difficulties for midsize and large companies</i> | Important effect                                      | Important effect                 | Important effect   | Important effect   | Moderate effect  |

**POLICY MIX**

|  | <i>Tight, appropriate for the euro area</i> | <i>Tight</i>                    | <i>Appropriate</i><br>yes               | <i>Loose</i>               | <i>Loose, appropriate for the euro area</i> |
|--|---|---------------------------------|---|----------------------------|---|
| <b>Monetary policy is...</b>   |   |                                 |   |                            |   |
| <b>Consistency between fiscal and monetary policies</b>                                  | <i>adequate</i><br>yes                      | <i>inadequate</i>               |   |                            |   |
| <b>Regarding the sustainability of public</b>  | excellent committment                       | satisfactory committment<br>yes | neither satisfactory nor unsatisfactory | unsatisfactory committment | no clear committment creating an extremely  |
| <b>Exit Strategies</b>   | excessive focus                             | sufficient focus                | satisfactory nor unsufficier            | unsufficient focus         | so far ignored                              |
| <b>Tight fiscal rules and more effective institutions</b>                                |   | yes                             |   |                            |   |
| <b>Greater efficiency of public</b>  |   |                                 | yes                                     |                            |   |
| <b>Credible cost-cutting measures</b>  |   |                                 | yes                                     |                            |   |
| <b>Increased scope of public-private</b>   |   |                                 |   | yes                        |   |
| <b>Reform of pension systems</b>   |   |                                 |   | yes                        |   |
| <b>Improved efficiency of healthcare sector</b>  |   |                                 |   | yes                        |   |
| <b>Entry Strategies</b>  | excessive focus                             | sufficient focus                | satisfactory nor unsufficier            | unsufficient focus         | so far ignored                              |
| <b>More and better-targeted education and training</b>                                   |   |                                 | yes                                     |                            |   |
| <b>More and better targeted R&amp;D and Prioritisation of infrastructure investments</b> |   | yes                             |   |                            |   |
| <b>Growth enhancing tax reforms</b>  |   | yes                             |   | yes                        |   |
| <b>In 2015, the government deficit will...</b>   | respect the 3% limit<br>yes                 | be in balance<br>yes            |   |                            |   |