

SPRING 2011 ECONOMIC OUTLOOK FOR FINLAND: ANSWERS FROM EK

MAIN FORECAST

Annual % change	2010	2011
Real GDP growth	3,1	3,5
Consumer price inflation	1,2	2,5
Unemployment rate	8,4	7,7
Employment growth	-0,4	1,1
Government net lending (% of GDP)	-2,5	-1,8
Gross public debt (% of GDP)	48,4	0,0
Current account balance (% of GDP)	2,9	2,5

Components of aggregate demand - in real terms

Annual % change		
Private consumption	2,6	2,0
Public consumption	0,4	1,0
Investment (Gross Fixed Capital Formation)	0,8	8,0
Private non-residential investment	-9,5	9,0
Exports	5,1	10,0
Imports	2,6	9,0

ECONOMIC SENTIMENT

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>			
Trend in business climate over the next 6 months	Industry					
	Services					
Trend in profitability over the next 6 months	Industry					
	Services					
Investment intentions over the next 6 months	<i>Increase (faster pace)</i>	<i>Increase (slower pace)</i>	<i>Unchanged</i>	<i>Decrease (slower pace)</i>	<i>Decrease (faster pace)</i>	
		Industry Services				
Influence on companies' investment decisions	<i>Global demand</i>	<i>Domestic demand</i>	<i>Cost of finance</i>	<i>Availability of finance</i>	<i>Company Profitability</i>	<i>Capacity Utilisation</i>
	positive	positive	positive	negative	neutral	negative
Driving force behind investment decisions in the next 6 months	<i>Replacement</i>	<i>Extension</i>	<i>Rationalisation</i>	<i>Innovation</i>		
	positive	negative	positive	neutral		
Overall trend in employment	<i>Industry: past 6 months Industry: next 6 months Services: past 6 months Services: next 6 months</i>					
	Same	Up	Up	Up		

ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

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

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

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

POLICY MIX

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