



A high bar for economic policymaking – demographics and public debt are weighing on our economy

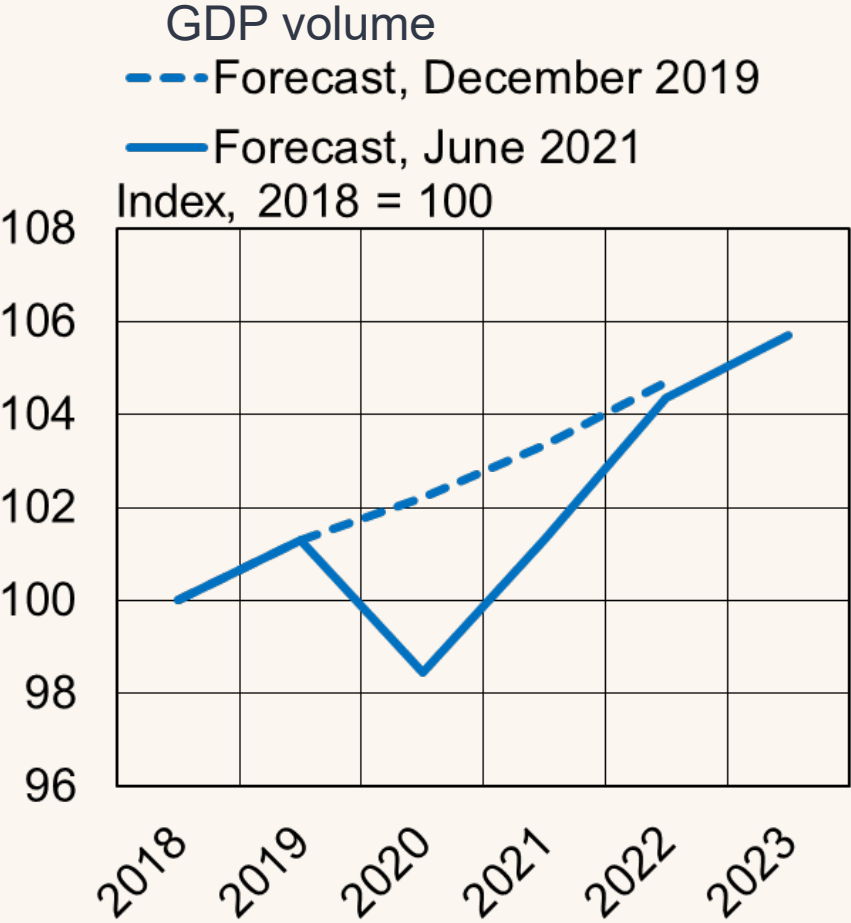
Bank of Finland Bulletin press conference 15 June 2021

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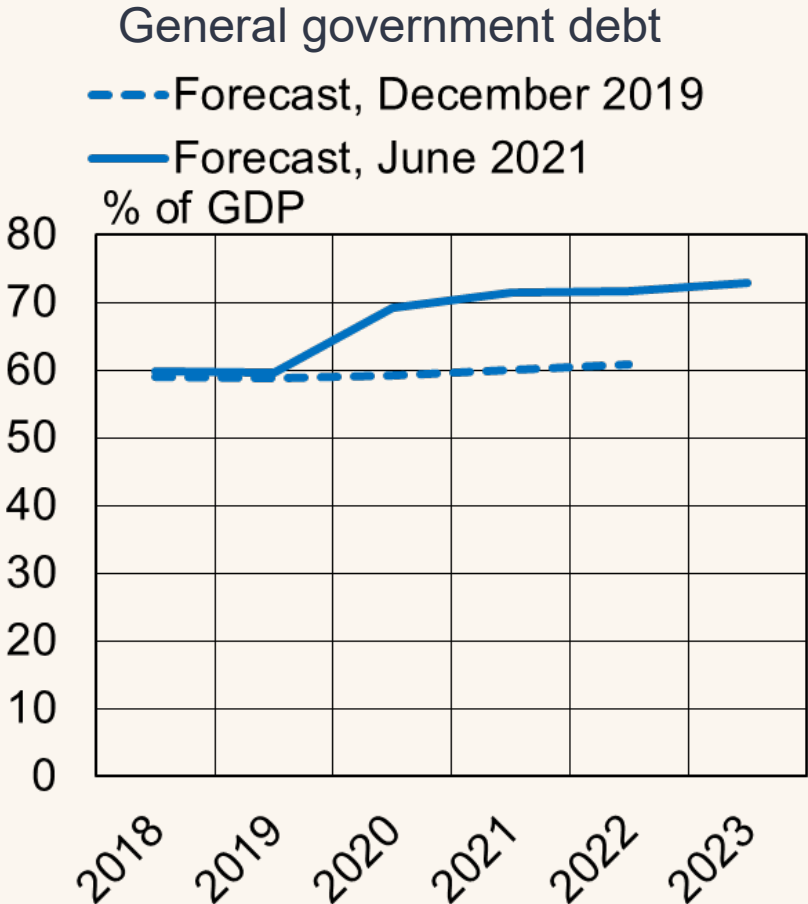
The ECB Governing Council confirmed its highly accommodative monetary policy stance

- The Governing Council will preserve favourable financing conditions to reduce uncertainty and bolster confidence, thereby underpinning economic growth and employment and safeguarding price stability.
- Economic activity is expected to accelerate in the second half of the year as further containment measures are lifted.
 - The Governing Council expects that the euro area economy will be buoyed by stronger global and domestic demand, as well as by continued support from both monetary policy and fiscal policy also over the medium term.
- Headline inflation is expected to remain below the Governing Council's aim over the projection horizon.

Post-COVID scars

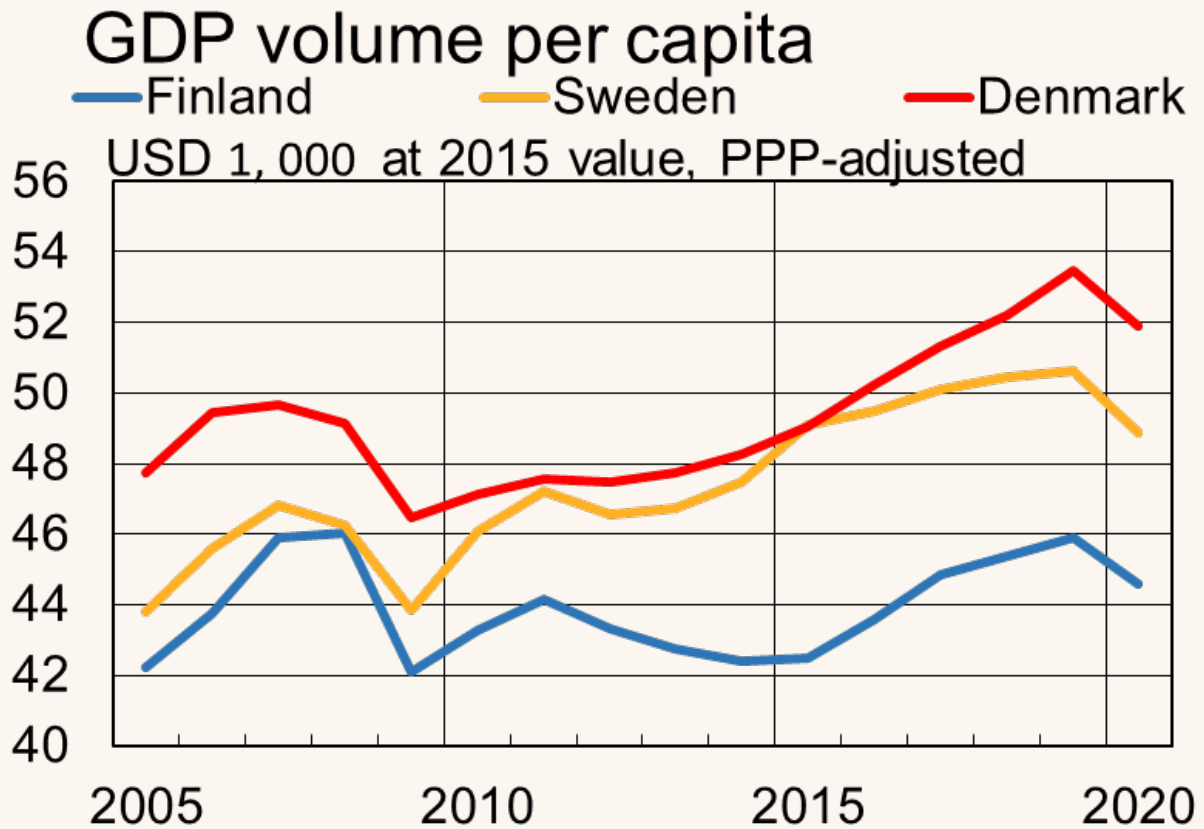


Source: Bank of Finland. 39907



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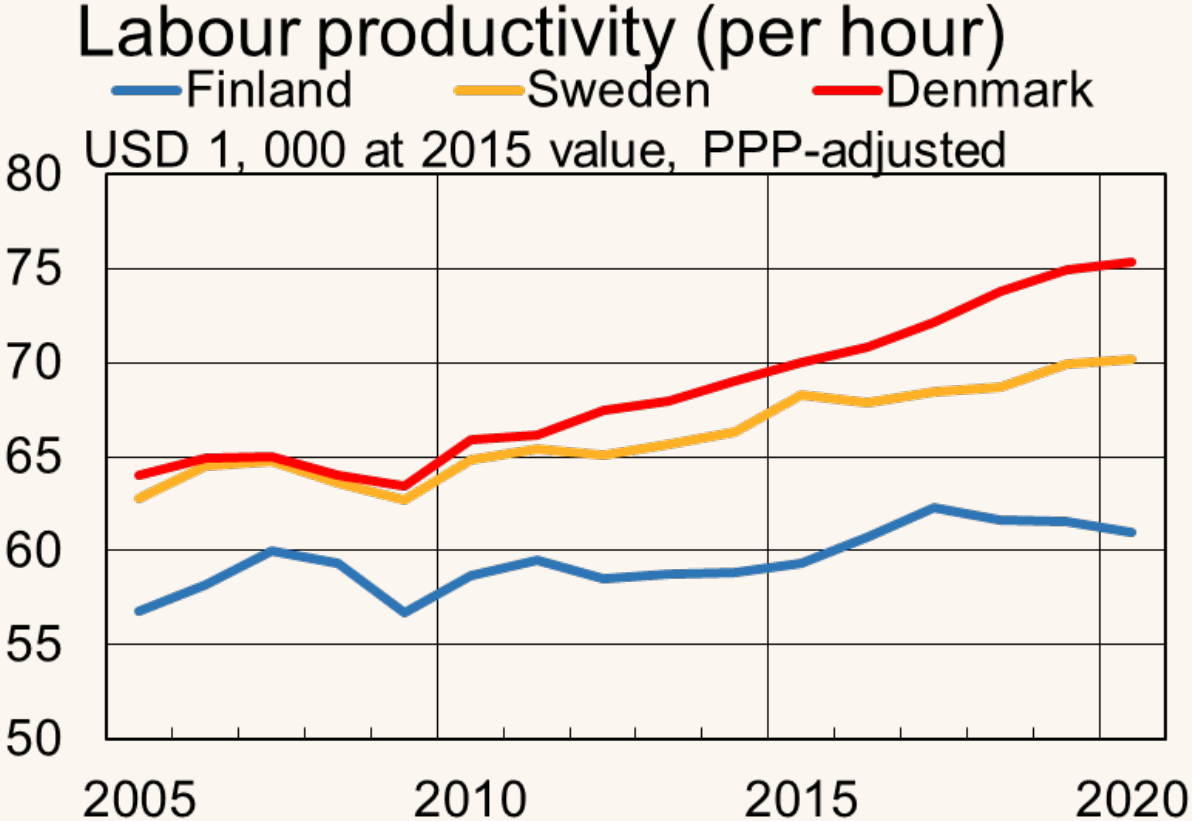
Finland has not kept up with the other Nordic countries



Source: OECD.

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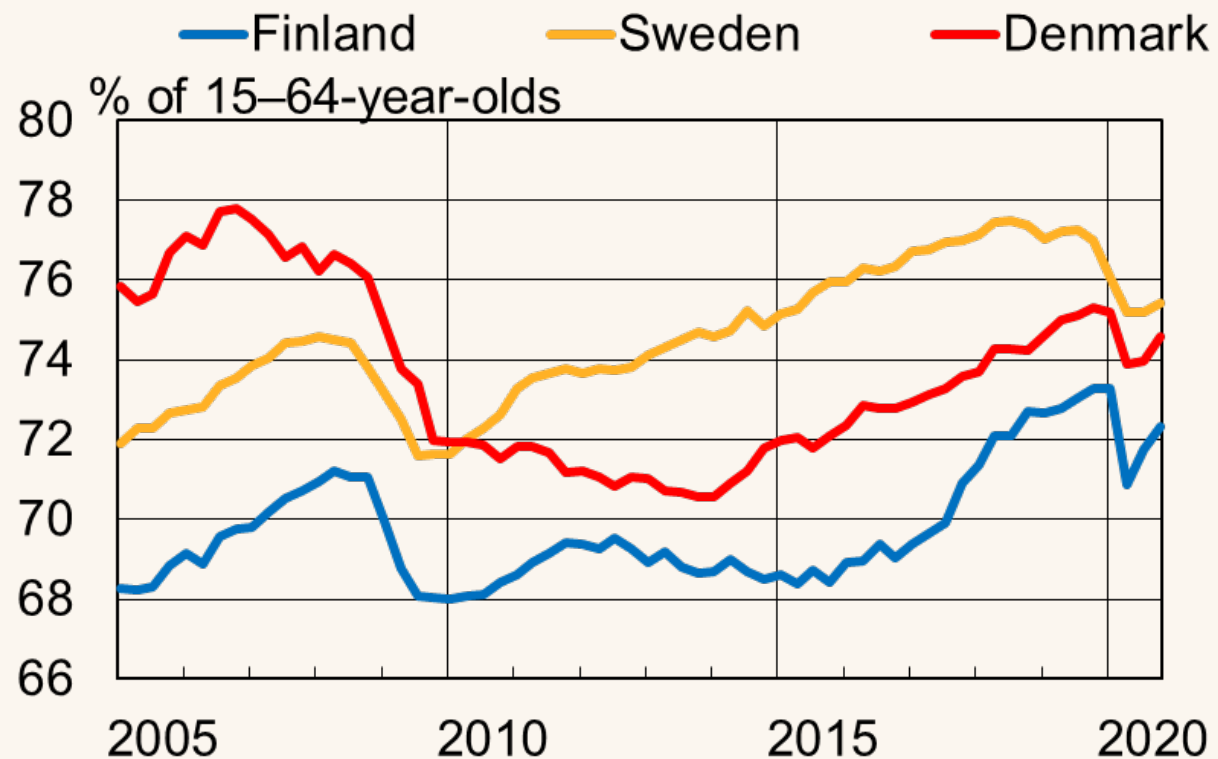
Finland's labour productivity growth subdued



Sources: OECD and IMF.

Employment rate up, but still low by Nordic comparison

Employment rate

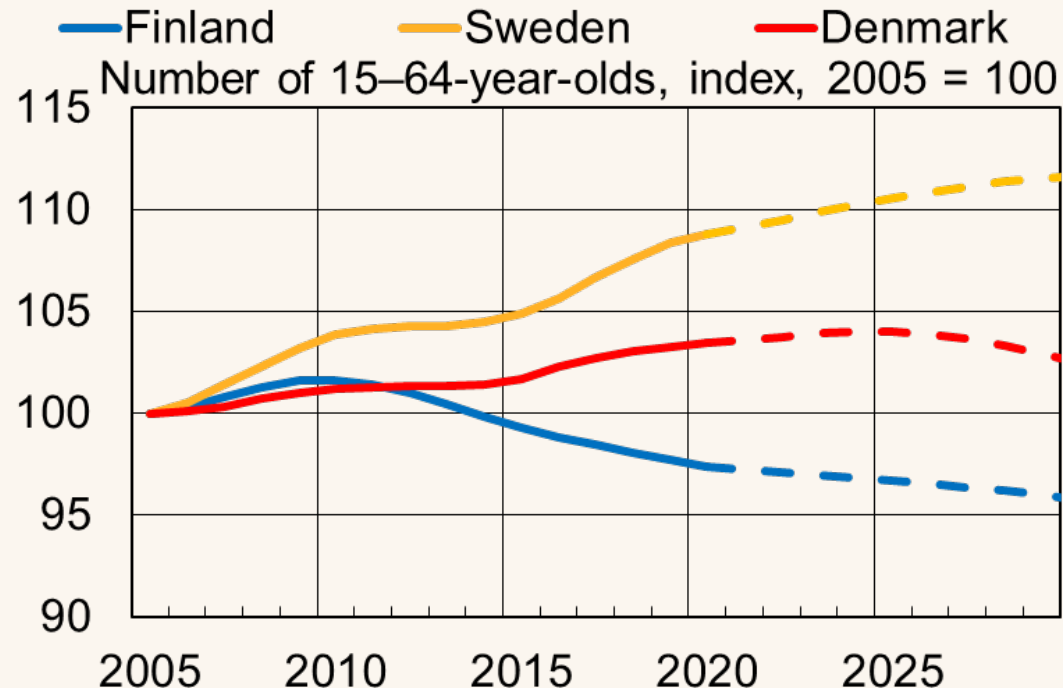


Source: OECD.

33905 @Työllisyysaste

Working-age population started to shrink in Finland 10 years ago

Size of the working-age population



Source: World Bank.

Changes in the size of the working-age population between 2010 and 2020

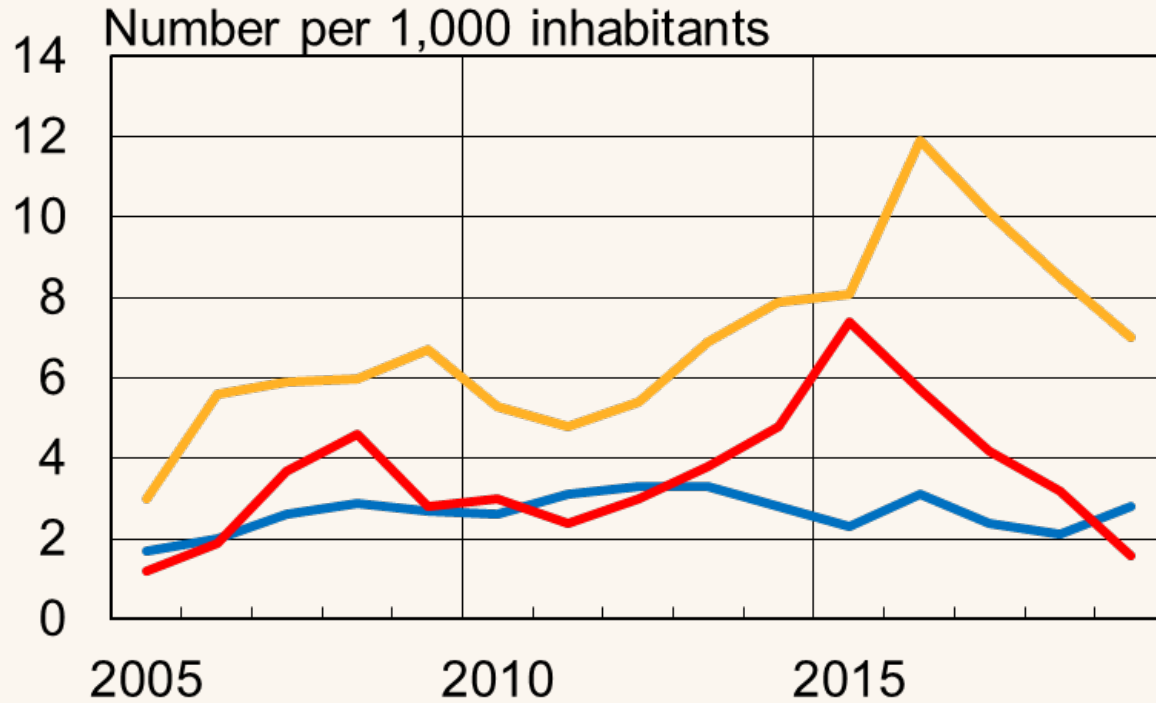
| Finland | Sweden | Denmark |
|---------|--------|---------|
| -4% | +5% | +2% |

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Net immigration to Finland low by Nordic comparison

Net immigration

— Finland — Sweden — Denmark



Source: Eurostat.

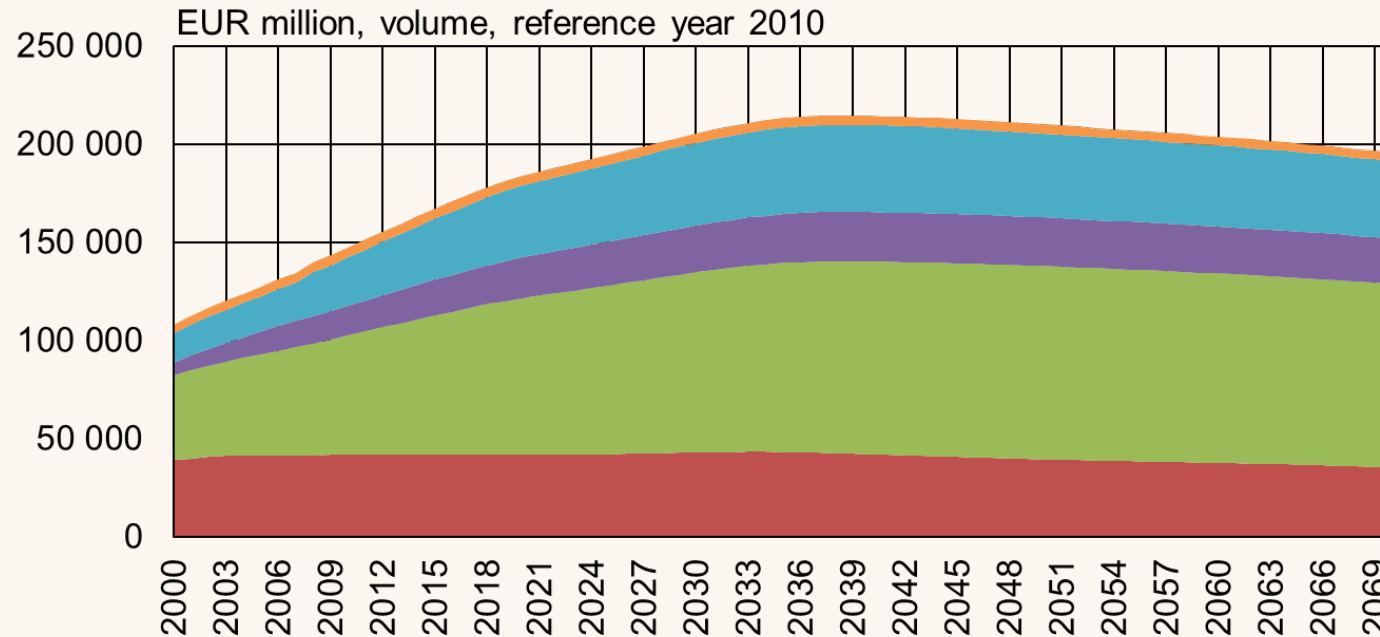
33905 @Nettomaahanmuutto

Net immigration, total in 2005-2019, relative to 2005 population

| Finland | Sweden | Denmark |
|---------|--------|---------|
| +4% | +11% | +6% |

On current trends, human capital will start to shrink in 2040

- Doctorate level of tertiary education
- Higher level of university education
- University of applied sciences (lower level of university education)
- Vocational education (secondary and short-cycle tertiary education)
- Upper secondary school (secondary education)



Source: Arto Kokkinen, Petri Mäki-Fränti and Meri Obstbaum: Bank of Finland's Novel Long Run Forecast Framework with Human Capital. Unpublished manuscript.

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Demographic trend and growing general government debt set high bar for economic policy

- Getting free of the pandemic is a prerequisite for economic recovery.
- Finland has weathered the COVID-19 crisis better than expected, but problems of the past 15 years are weighing increasingly heavily.
- Important reforms have been made, but much more is needed to strengthen employment and public finances.
- Fiscal policy ought to be steered in a direction promoting the sustainability of public finances already next year.
- Across Europe, it is important to focus on the digital and green transitions.



Thank you!

suomenpankki.fi