



EUROJÄRJESTELMÄ
EUROSYSTEMET

Economic Outlook of Finland

Pentti Hakkarainen
Deputy Governor
9 June 2011



Heading for stable monetary conditions

1865



MARKKA joins silver standard

1999



EURO taken into use

Two roles of the Bank of Finland

- Finland's monetary authority
- Member of the Eurosystem

Organisation

Parliamentary Supervisory Council

Financial
Supervisory Authority



General
Secretariat

Administration

Internal Audit

Board

Monetary
Policy and
Research

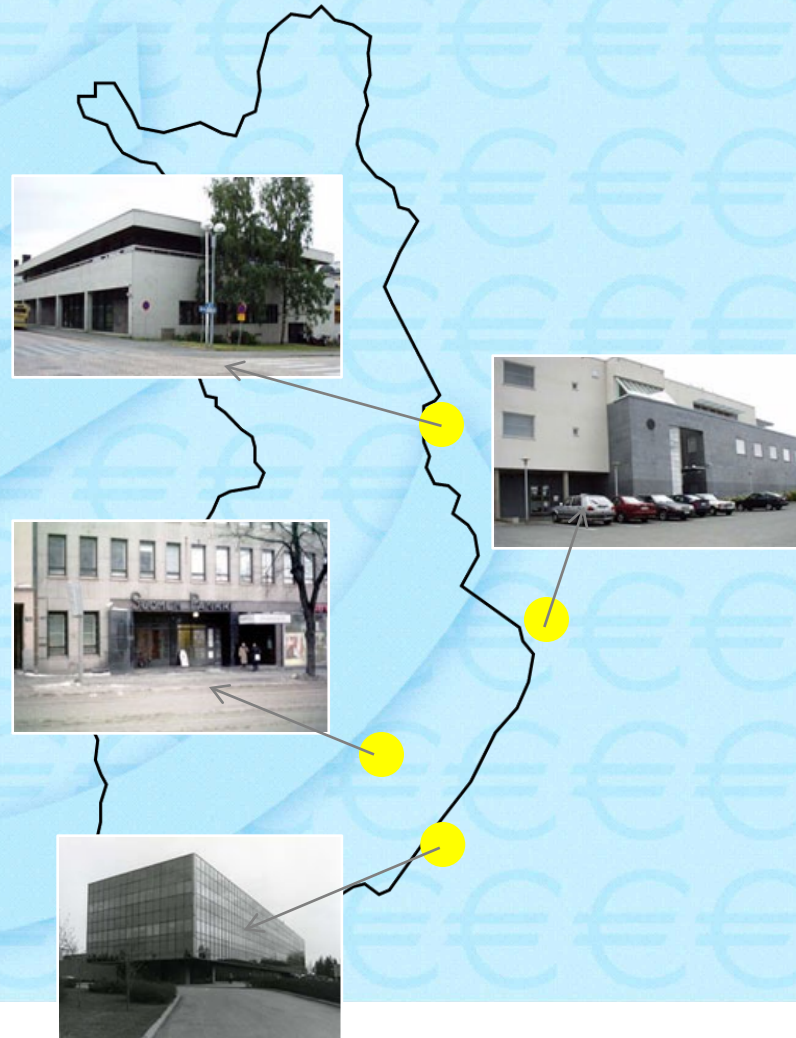
Financial
Markets and
Statistics

Banking
Operations

Currency

Bank of Finland

- ◆ Fourth oldest central bank in the world
 - Established in Turku in 1811, moved to Helsinki in 1819
- ◆ The Bank of Finland employs about 450 staff; the Financial Supervisory Authority about 210
- ◆ Regional offices in Tampere, Kuopio, Oulu and Vantaa



Bank of Finland's four core functions

**Monetary policy
and research**

**Financial system
oversight**

**Banking
operations**

Cash supply

Monetary policy

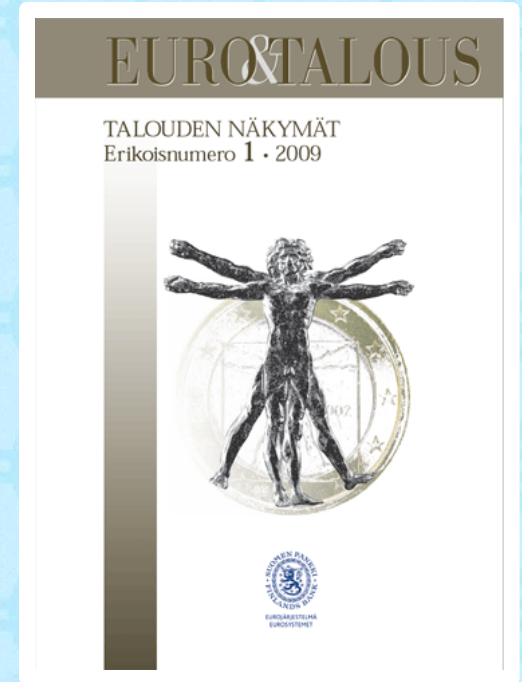
- ◆ Monetary policy objective: **price stability**



- ◆ The Bank of Finland participates in the preparation, decision-making and implementation of Eurosystem monetary policy
- ◆ The Governor of the Bank of Finland, as a member of the ECB's Governing Council, is one of those deciding on euro area monetary policy

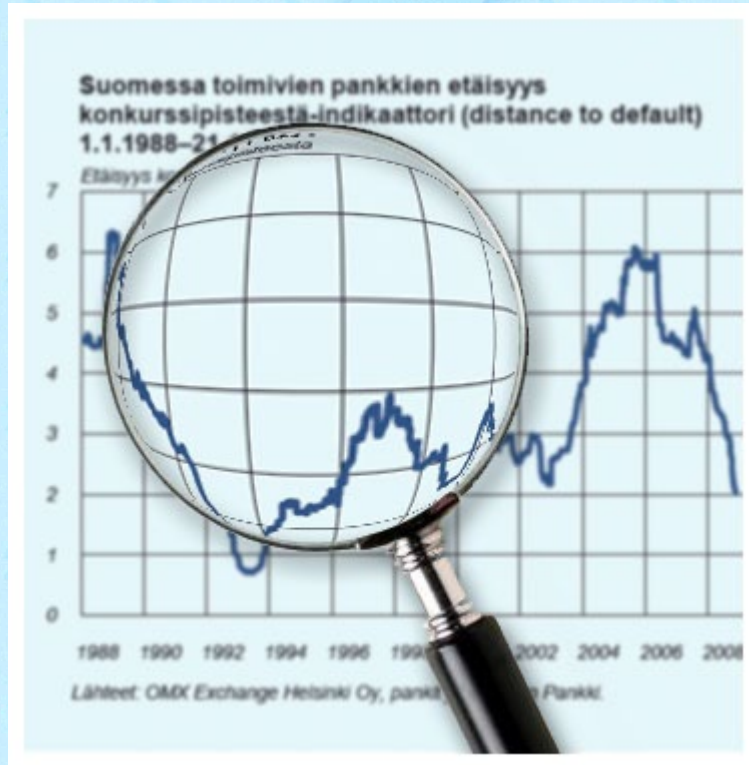
Monetary policy

- ◆ In addition to monetary policy decision-making, the Bank of Finland takes part in domestic debate on economic policy
- ◆ Underlying the Bank of Finland's expert role is internationally-recognised high-level research
- ◆ Priorities of research:
 - 1) Monetary policy modelling
 - 2) The outlook for the financial services sector
 - 3) Russian and Chinese economies



The Bank's macroeconomic forecast is published twice a year

Financial supervision



- ◆ The Bank of Finland **monitors the financial system as a whole**
- ◆ The objective is to maintain stable, reliable and effective financial and payment systems in Finland
- ◆ **The Financial Supervisory Authority (FIN-FSA)**, operating in connection with the Bank of Finland, supervises individual banks and insurance companies
- ◆ The financial crisis has prompted development of common euro area and EU supervisory frameworks

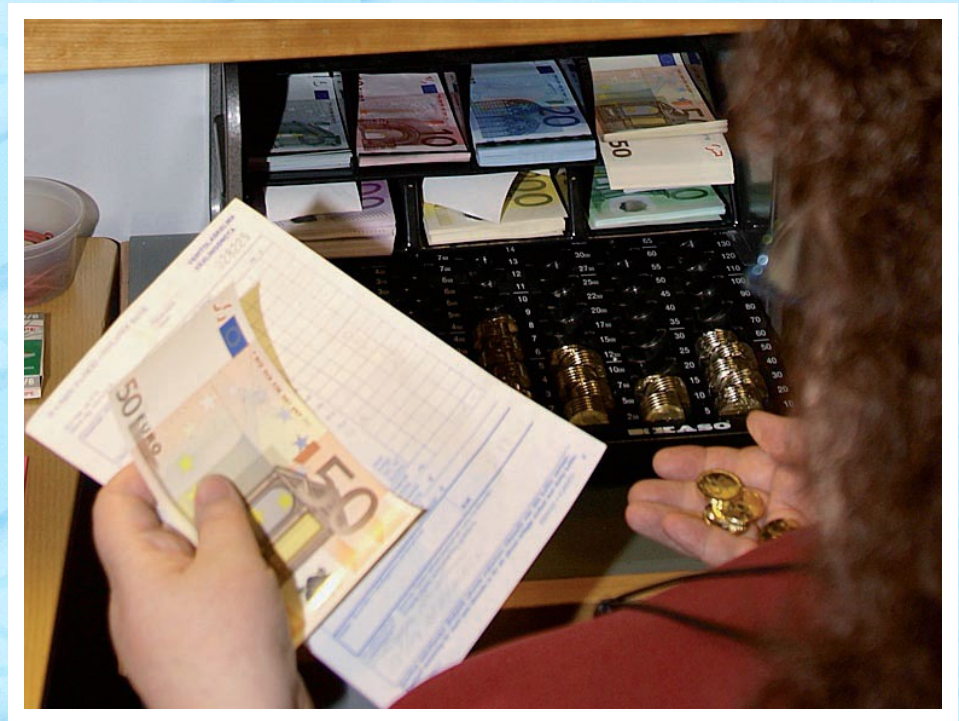
Banking operations



- ◆ The Bank of Finland is the bank of banks
- ◆ With responsibility for
 - **Implementing Eurosystem monetary policy** in Finland
 - Securing the banking system's liquidity
 - Transmitting large-value payments between banks

Cash supply

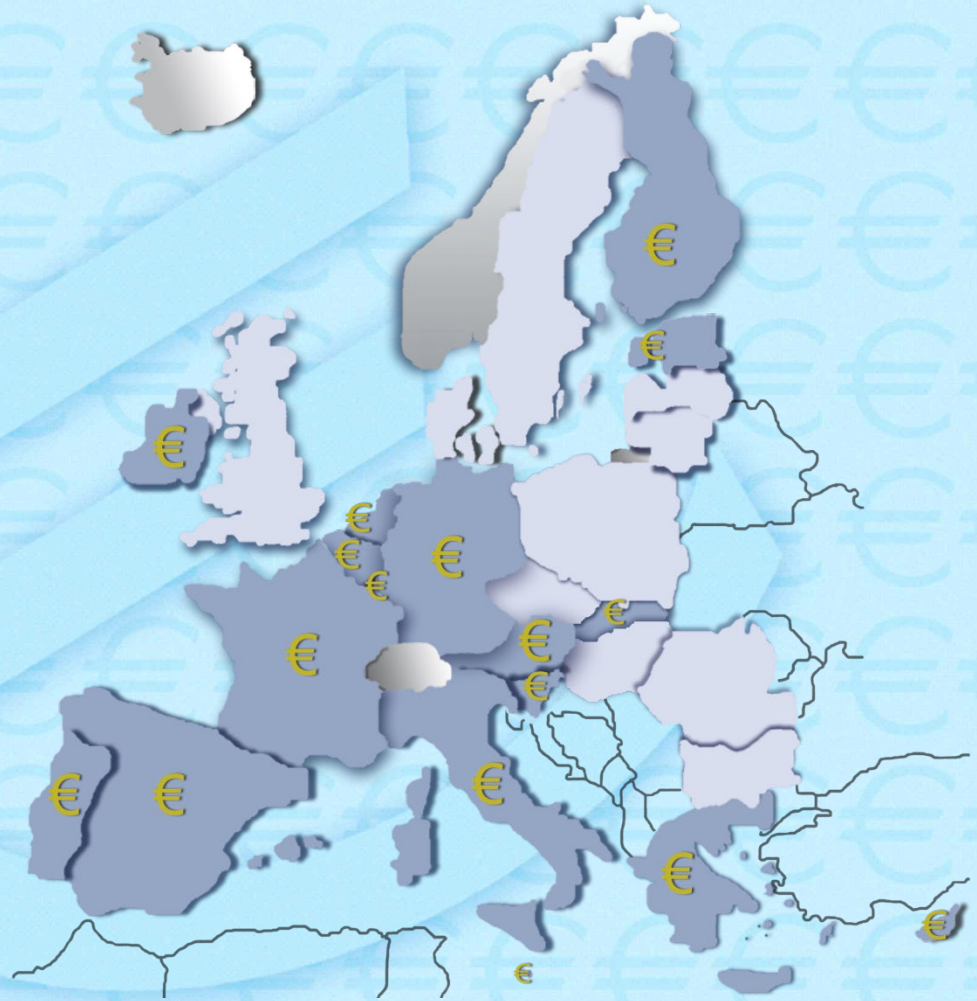
- ◆ Exclusive right to issue cash in Finland
- ◆ Responsibility for ensuring the fitness and authenticity of cash in circulation



From 1 Jan 2011 the euro area will cover 17 countries

Austria
Belgium
Cyprus
Estonia
Finland
France
Germany
Greece
Ireland

Italy
Luxembourg
Malta
Netherlands
Portugal
Slovakia
Slovenia
Spain



Decision-making



ECB Governing Council

Nout Wellink

Jens Weidmann

Jürgen Stark

Georgios
Provopoulos

Peter Praet

Athanasios
Orphanides

Christian
Noyer

Ewald
Nowotny

Yves
Mersch

Jozef Makuch

Andres Lipstok

Erkki Liikanen

Marko Kranjec

José Manuel
González-Páramo

Miguel Fernández
Ordóñez

Mario Draghi

Carlos Costa

Luc Coene

Michael C. Bonello

Lorenzo Bini Smaghi

Secretary

President
Jean-Claude
Trichet

Vice-President
Vitor Manuel
Ribeiro Constâncio



Eurosystème objectives and principles

- ◆ **Price stability** is the primary objective of the monetary policy
 - The aim is to keep annual euro area inflation at rates of below, but close to, 2% over the medium term
- ◆ **Support for general economic policy**
 - Support is lent to stable and sustainable growth and employment, without prejudice to the objective of price stability
- ◆ The principles of the Eurosystème are **independence, accountability and transparency**

Both business and consumer confidence at fairly high levels

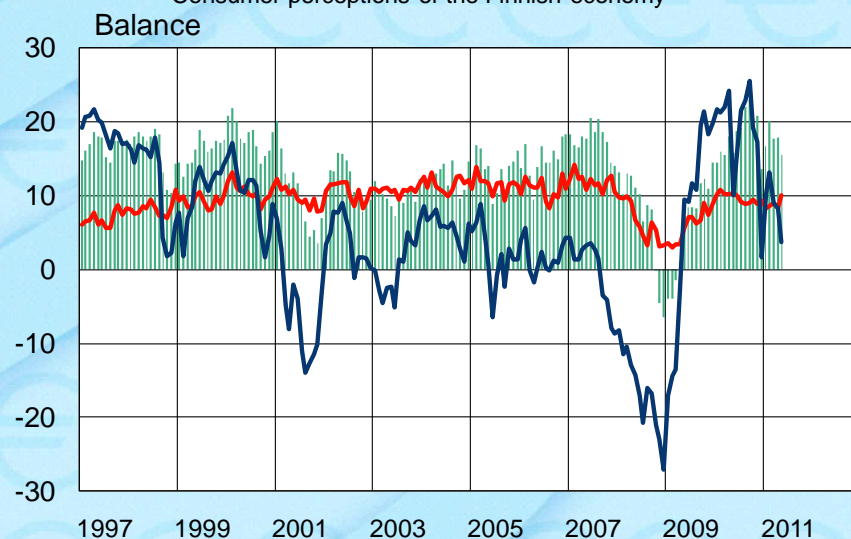
— Industrial confidence indicator
— Construction confidence indicator



Source: European Commission

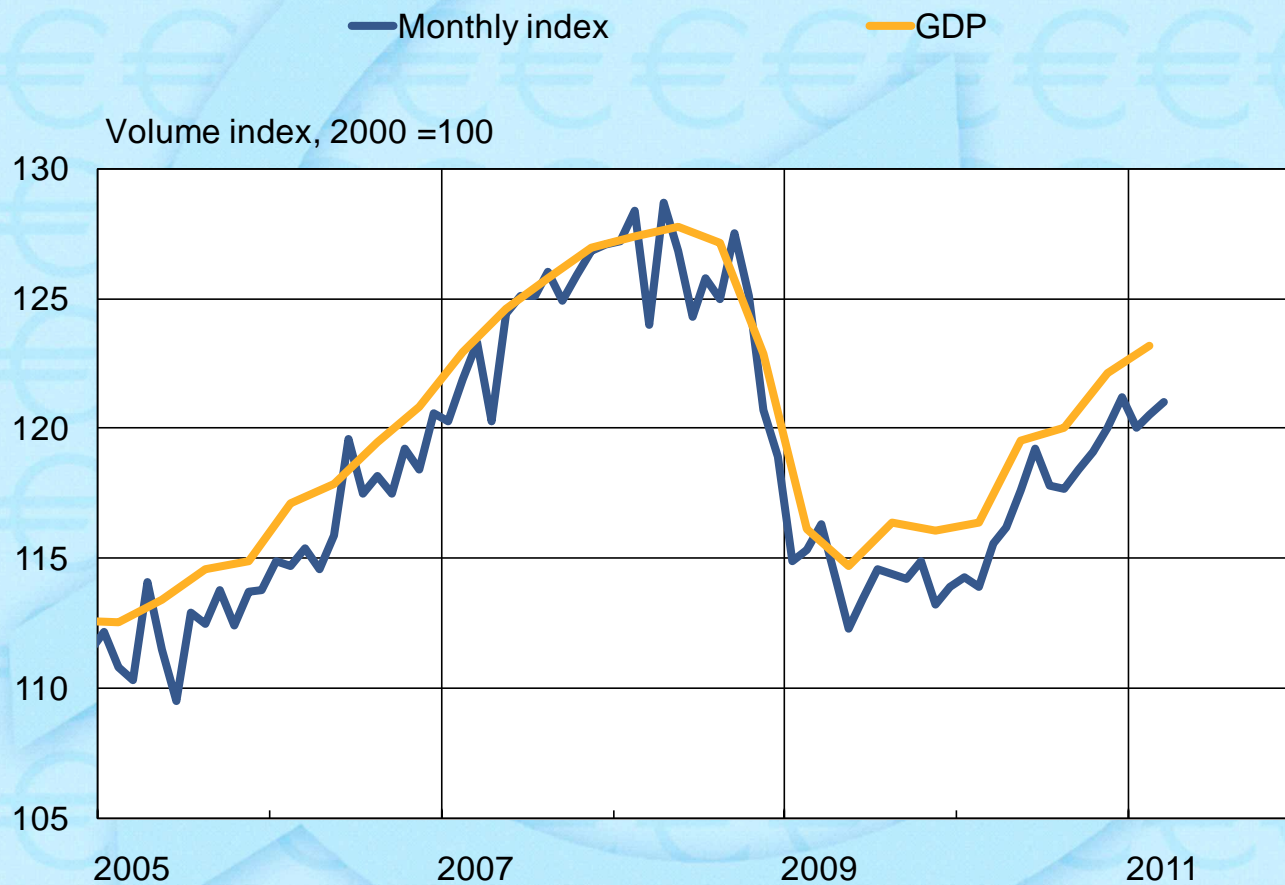
Consumer confidence indicator

— Consumer confidence indicator
— Consumer perceptions of own finances
— Consumer perceptions of the Finnish economy



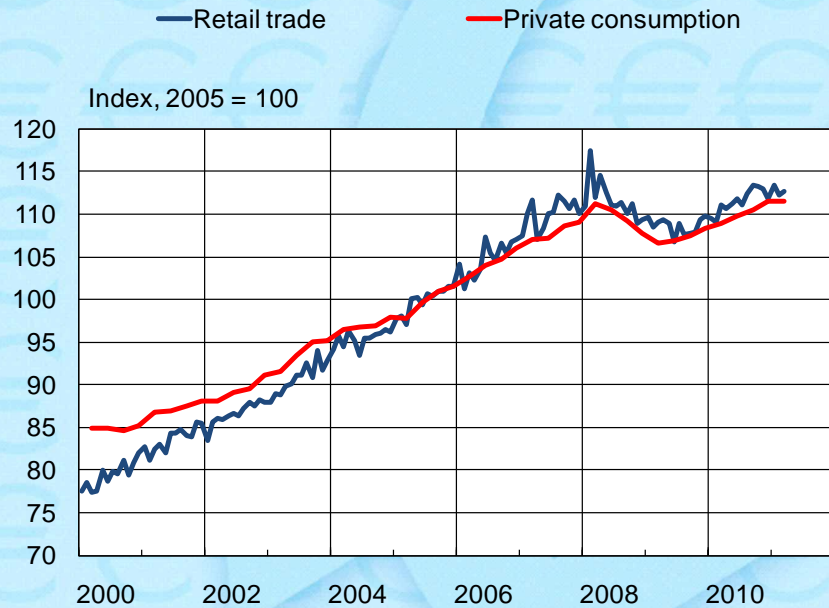
Source: Statistics Finland.

Robust GDP growth in 2010

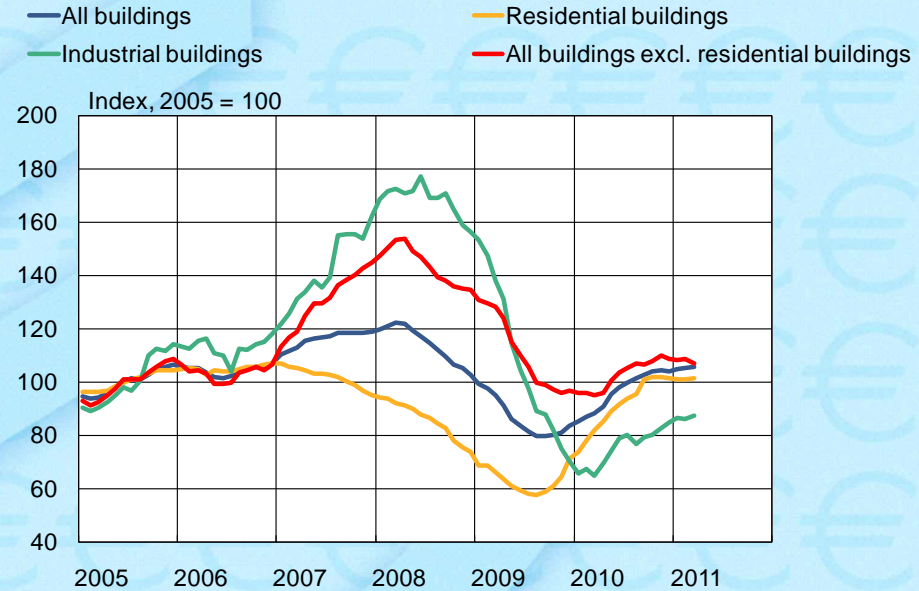


Sources: Statistics Finland and Bank of Finland.

Growth moderating in domestic markets

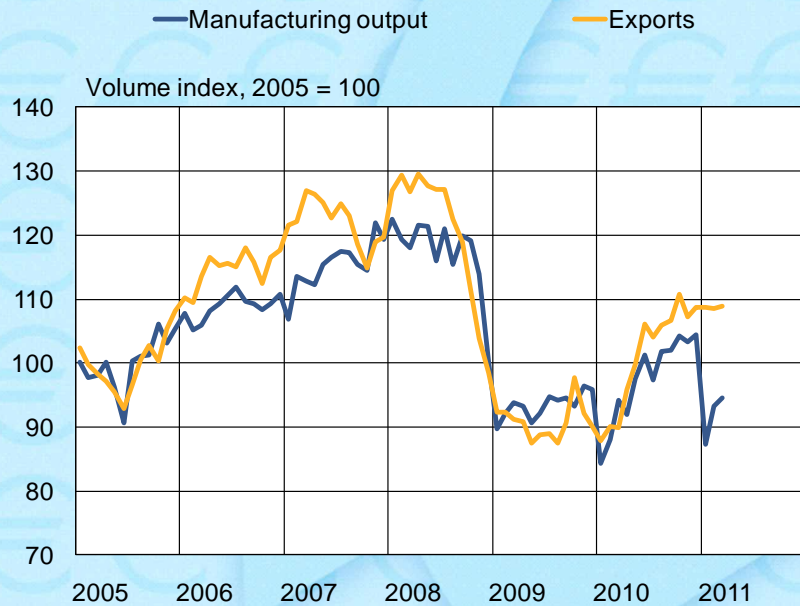


Source: Statistics Finland.



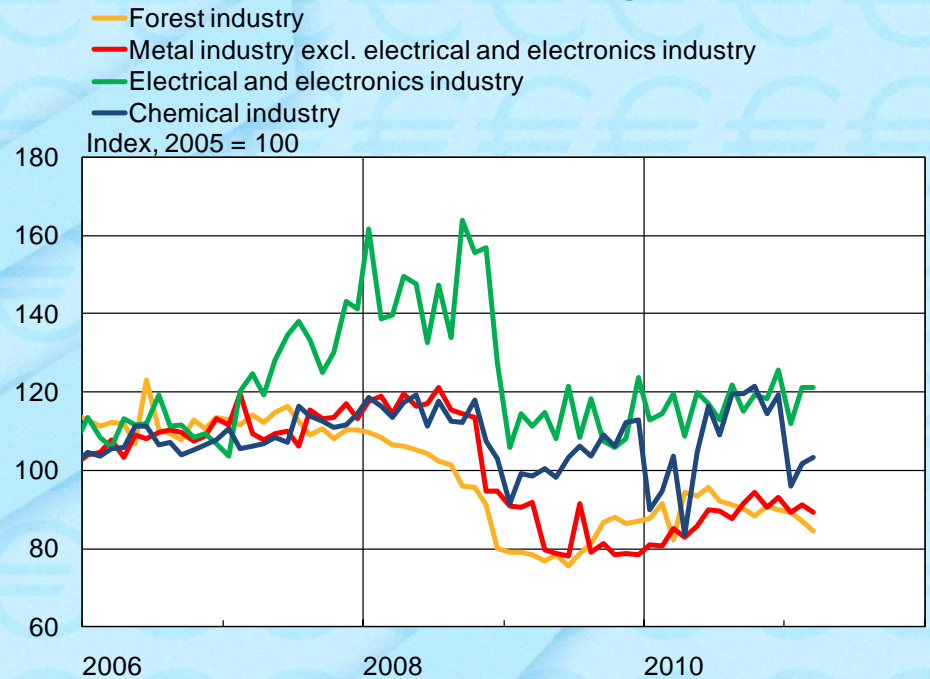
Source: Statistics Finland.

World demand supports exports



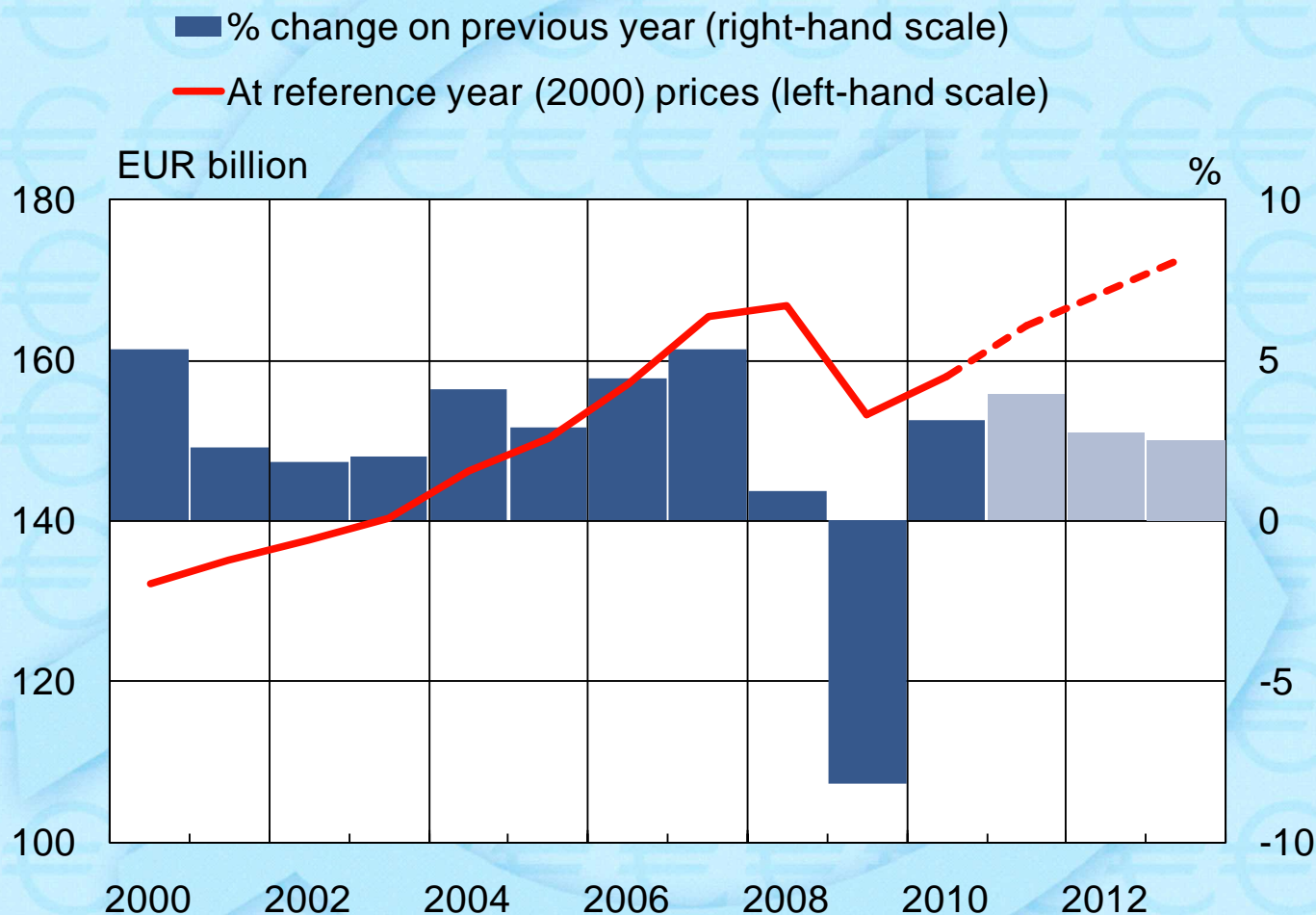
Figures are seasonally adjusted.
Sources: Statistics Finland and National Board of Customs.

Volume index of industrial output



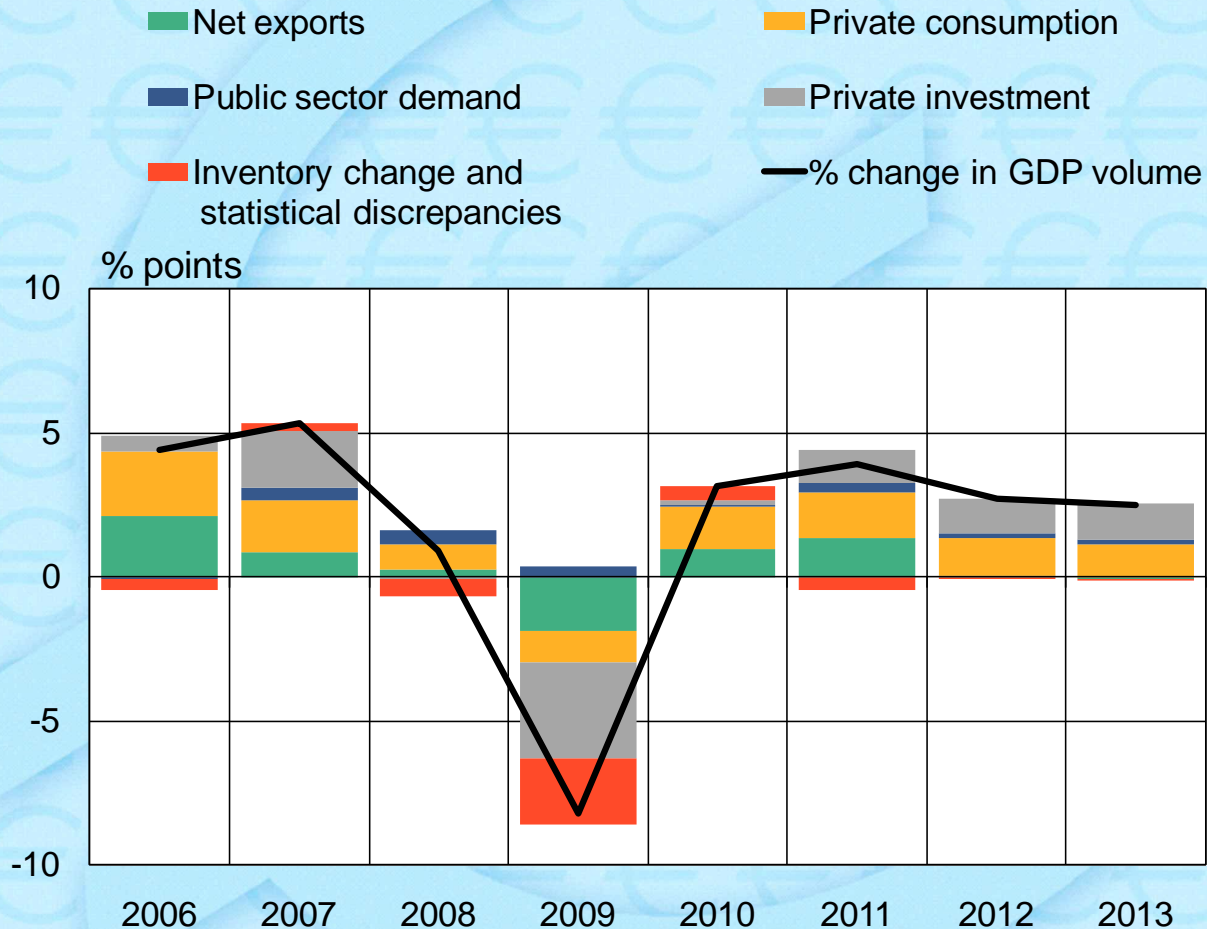
Seasonally adjusted figures
Source: Statistics Finland.

Finnish economy recovers strongly



Sources: Statistics Finland and Bank of Finland.

Domestic demand supporting growth



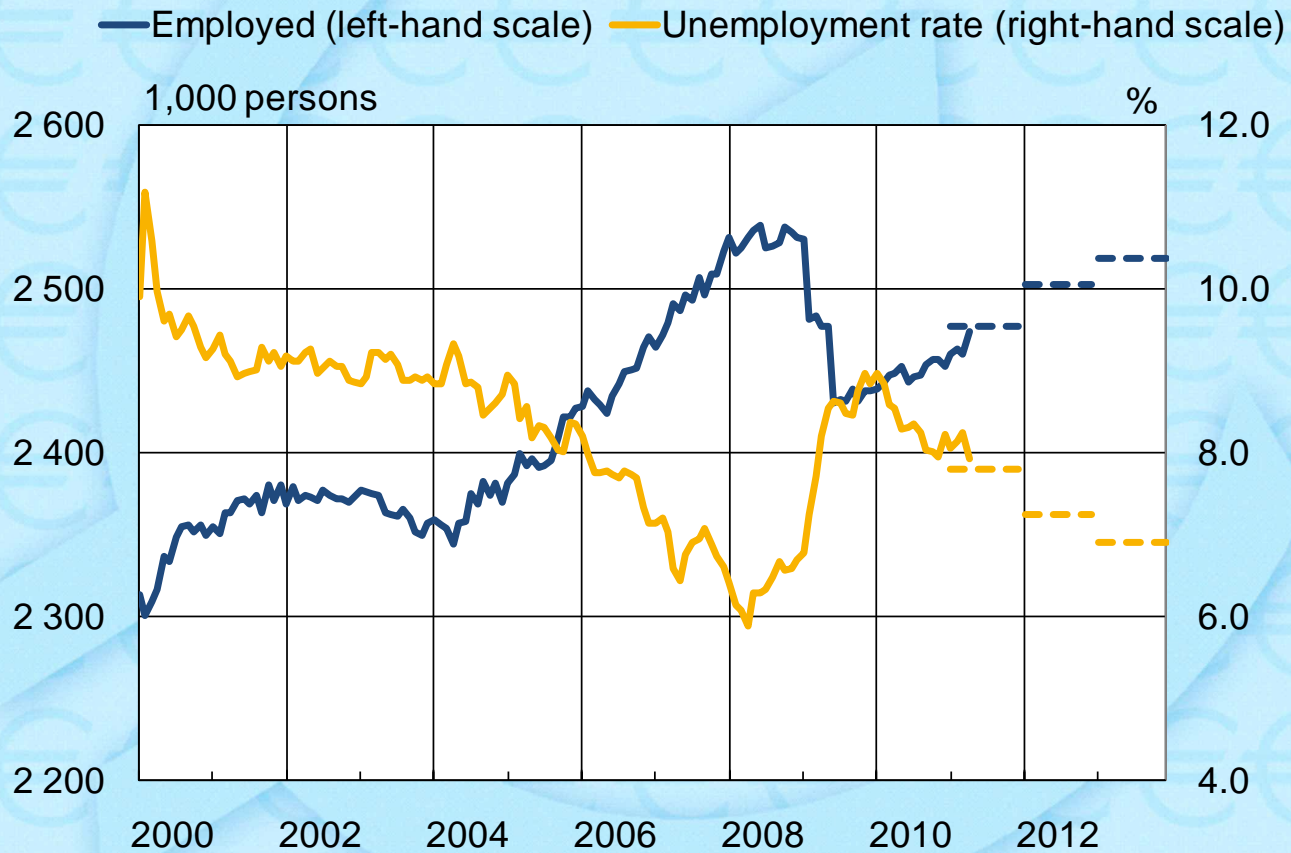
The chart is merely indicative. The GDP growth contribution of each demand item has been calculated on the basis of its volume growth and its value share in the previous year. The figures for 2011–2013 are forecasts.

Sources: Statistics Finland and Bank of Finland.

Supply and demand

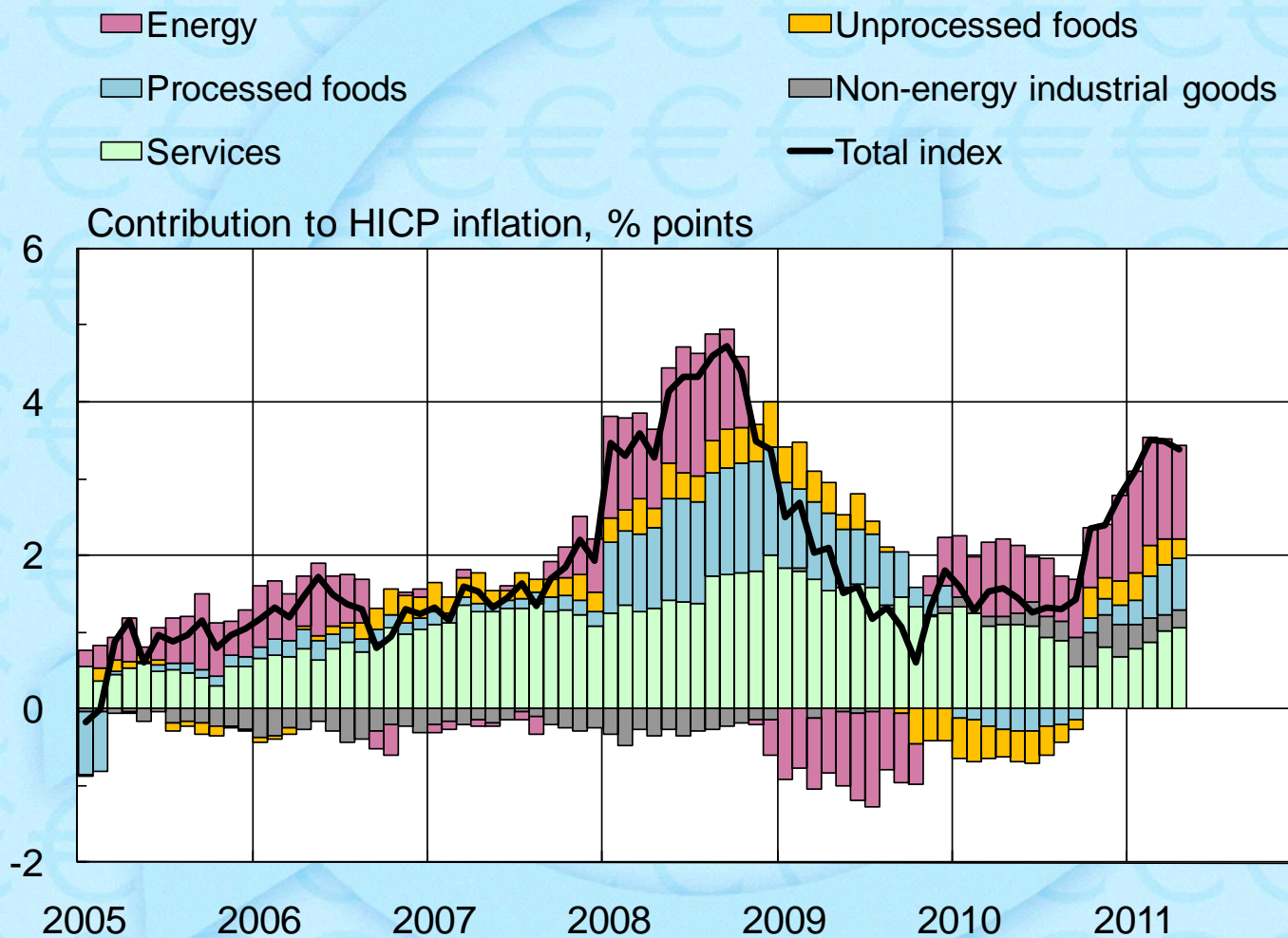
	2010	2009	2010	2011f	2012f	2013f
	At current prices EUR billion	Volume, % change on previous year				
Gross domestic product	180.3	-8.2	3.1	3.9	2.7	2.5
Imports	65.2	-17.6	2.6	4.2	6.1	7.0
Exports	70.2	-20.1	5.1	7.4	5.9	6.5
Private consumption	97.3	-2.1	2.6	2.9	2.4	2.0
Public consumption	44.2	1.0	0.4	1.2	0.5	0.8
Private fixed investment	28.5	-17.4	0.9	7.1	7.4	7.3
Public investment	4.9	6.2	0.1	1.0	0.7	-0.2

Unemployment falling, but slowly



Bank of Finland's seasonally adjusted figures
Sources: Statistic Finland and Bank of Finland

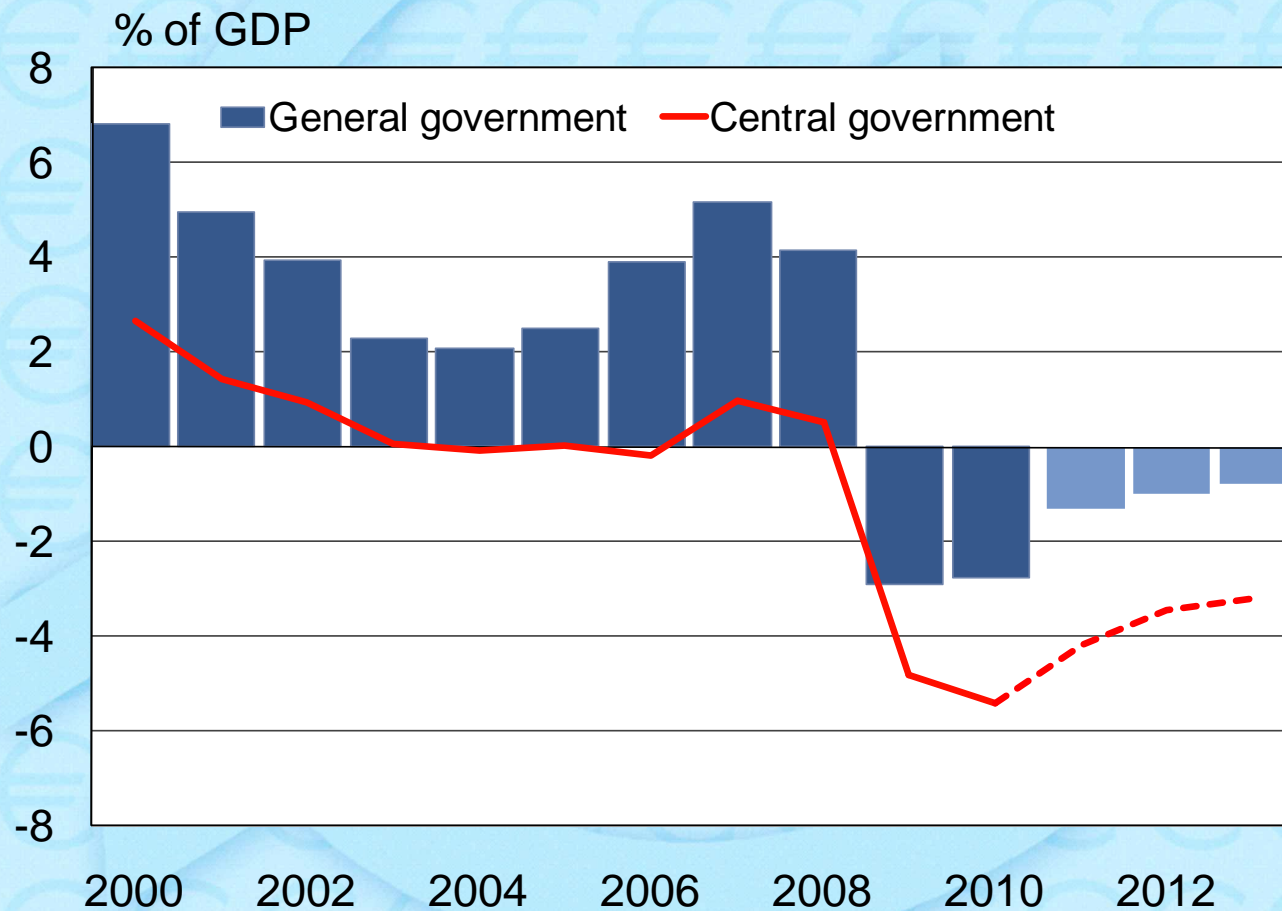
Energy and food prices driving inflation



HICP = Harmonised index of consumer prices
Source: Statistic Finland and Bank of Finland.

Public finances remain in deficit

General government balance



Sources: Statistics Finland and Bank of Finland.



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Thank you!