

# **Economic Review**

Summer 2025



**The Union of Professional  
Engineers in Finland**

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# Economic review, summer 2025

The Economic Review is a review of the Finnish economy, produced quarterly by the advisors of the Union of Professional Engineers in Finland. The Economic Review examines the state of Finland's economy and its growth outlook, labor market situation and economic trends through a range of metrics and indicators. The purpose of the Economic Review is to provide a comprehensive overview of the current state and future forecasts of the Finnish economy.

Finland's economy is gradually recovering from the recession. While the economy began to grow early last year, overall growth for the year remained nevertheless slightly negative. Investments and private consumption, which have been impacted by rising prices and interest rates, have held back growth. However, the economic outlook improved.

Investments and consumption will increase over the current year as inflation is slowing down and interest rates are falling. However, weak confidence and the uncertain situation in the international trade policy are weighing on the outlook.

The prolonged weak economic cycle continues to put pressure on the development of the Finnish labor market. While the employment rate has declined from its peak, it remains at a historically healthy level. The labor market is responding to the improved economic cycle with some delay, and the employment rate will not rise yet this year. The demand for labor remains weak.

The short-term economic outlook has shown positive development. The economic outlook for manufacturing and construction has improved from last year. In addition, new orders in manufacturing have increased slightly. Weak demand continues to weigh on the business life.

Mainly due to collectively agreed increases, the earnings level will increase steadily over the coming years, and faster than inflation. Purchasing power is expected to grow steadily and reach the level of 2021 towards the end of the forecast period.

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# Economic situation and growth outlook

The Finnish economy has encountered new obstacles on the way to recovery. Tightening trade policy and uncertainty are slowing down economic growth. However, the economy is expected to grow during the year, but the forecasts have become more precise and downwardly oriented after the spring.

The Finnish economy will grow slowly in 2025. The uncertain outlook for the international economy is reflected in the development of exports and private investment. Consumers are also still cautious and the growth in private consumption is moderate. However, economic growth is expected to accelerate gradually as uncertainty eases and business and consumer confidence in the economy improves.

The economic cycle will improve significantly next year and growth will solidify in 2026 and 2027. Decelerated inflation and lower interest rates support investments and consumption.

Finnish exports will pick up slightly this year, but growth will be slow in 2025 and 2026. Tariffs will remain higher and uncertainty about the development of the international economy will remain greater than in previous years. Exports will strengthen in 2027, driven by growth in the export market.

The weak economic cycle in Finland has been particularly evident in the manufacturing sectors, which also account for a large proportion of exports. The trend in the amount of industrial output has developed positively in the majority of the main manufacturing sectors.



# Growth outlook

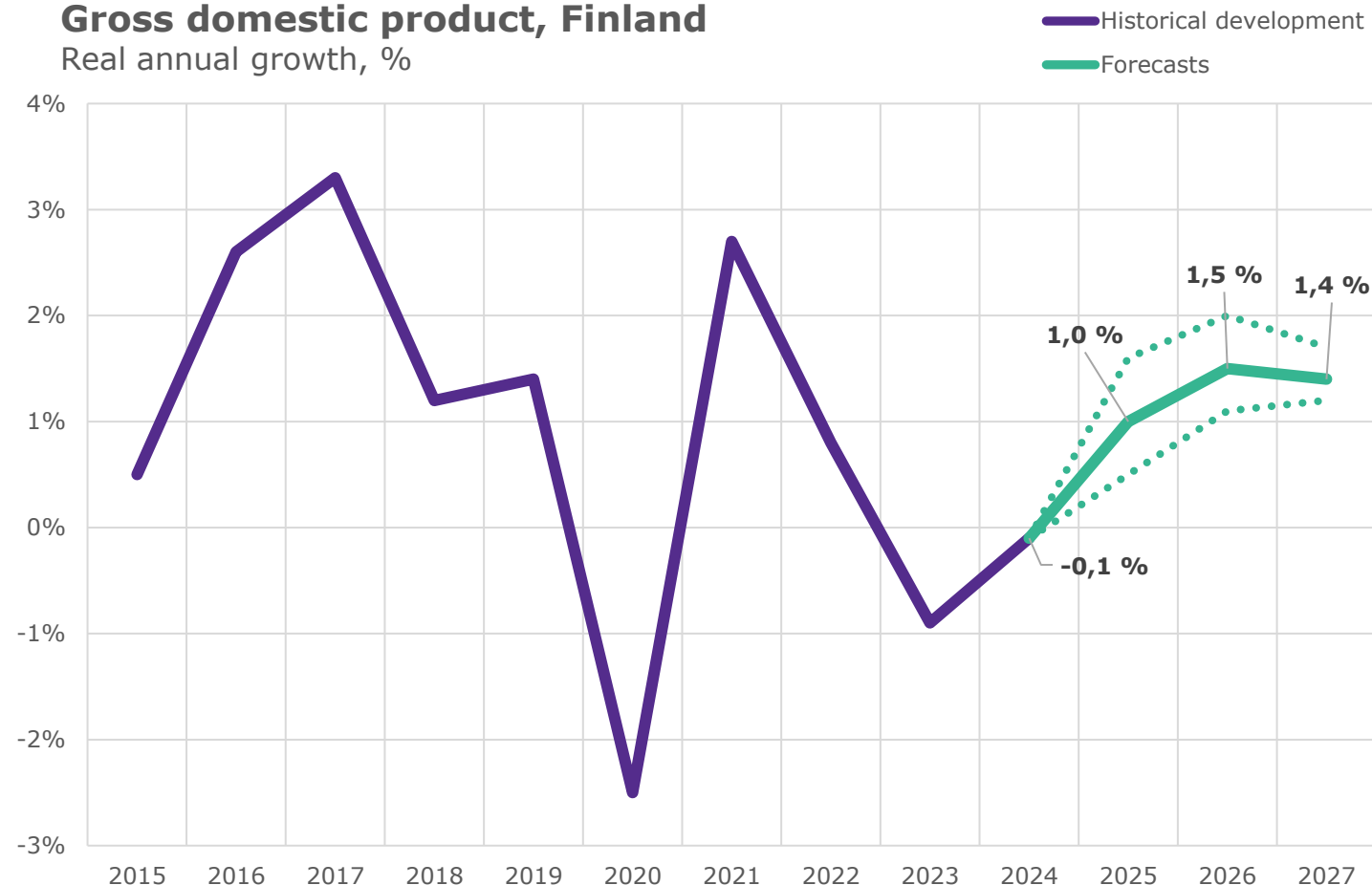
The Finnish economy has faced new external shocks in a situation where the domestic economy had not had time to strengthen properly after previous crises. The median of economic forecasts has decreased since the spring as the growth outlook has weakened. Growth is expected to solidify over the next two years.

The Finnish economy is slowly recovering from the recession, but there is still a lot of uncertainty and wide dispersion in growth forecasts.

Geopolitical risks and trade policy uncertainty continue to have a significant impact on the growth outlook. Confidence in the economy has improved somewhat, but it continues to weigh on growth.

## Gross domestic product, Finland

Real annual growth, %



Source: Statistics Finland, Talousennusteet.fi



# Components of growth

Economic growth is expected to remain quite subdued in many respects this year. Private consumption will not increase much this year, as consumers are still very cautious and the labor market situation is weak.

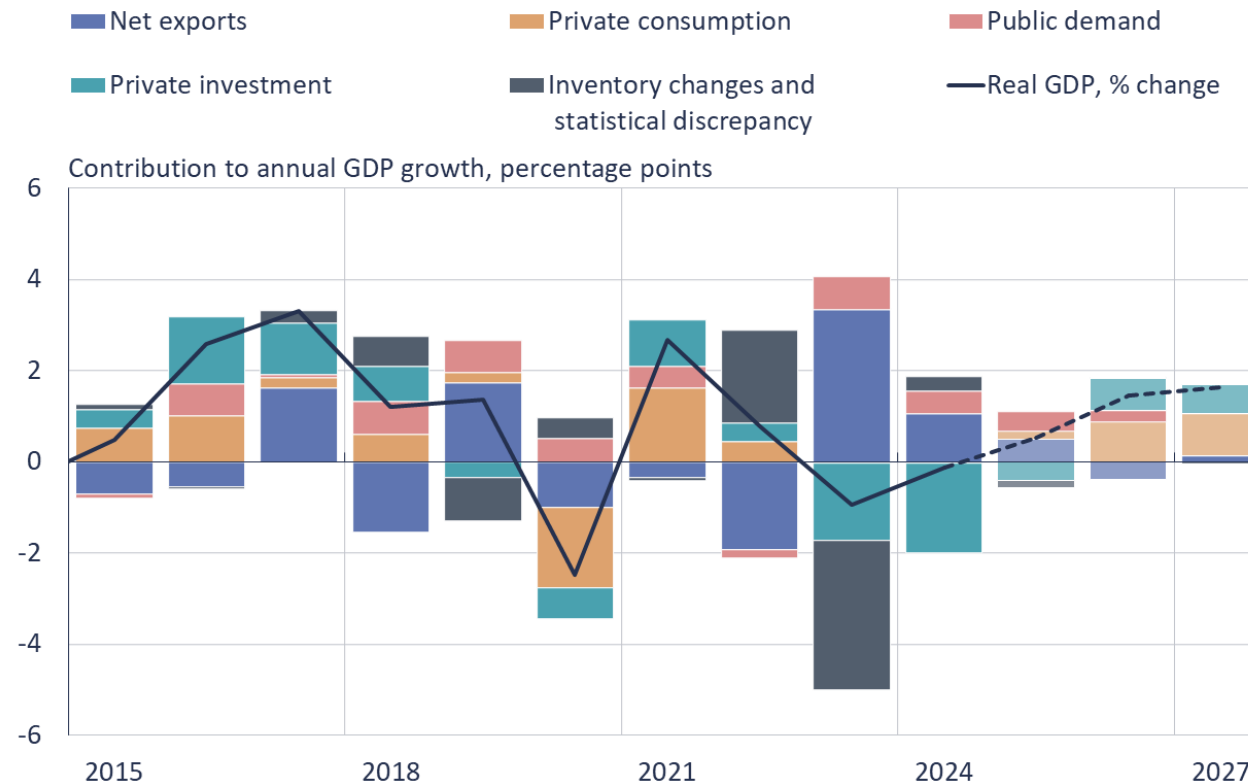
Between 2026 and 2027, the growth of private consumption will accelerate as consumer confidence is improving.

Private investments will continue to decrease slightly in 2025. Uncertainty about trade policy weakens business confidence. This slows down production investments.

The recession in investments begins to ease as uncertainty decreases and lower interest rates increase the attractiveness of investments. Private investments will gradually start to increase in 2026 and 2027.

Finnish exports will pick up slightly in 2025 after the weak 2024. However, exports will only grow slowly in 2025 and 2026.

## Economic growth will gradually recover as uncertainty eases



The contribution of each demand component to GDP growth is calculated on the basis of its volume growth and its value share in the previous year. The figures for 2025–2027 are forecasts.  
Sources: Statistics Finland and Bank of Finland.

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# Output gap

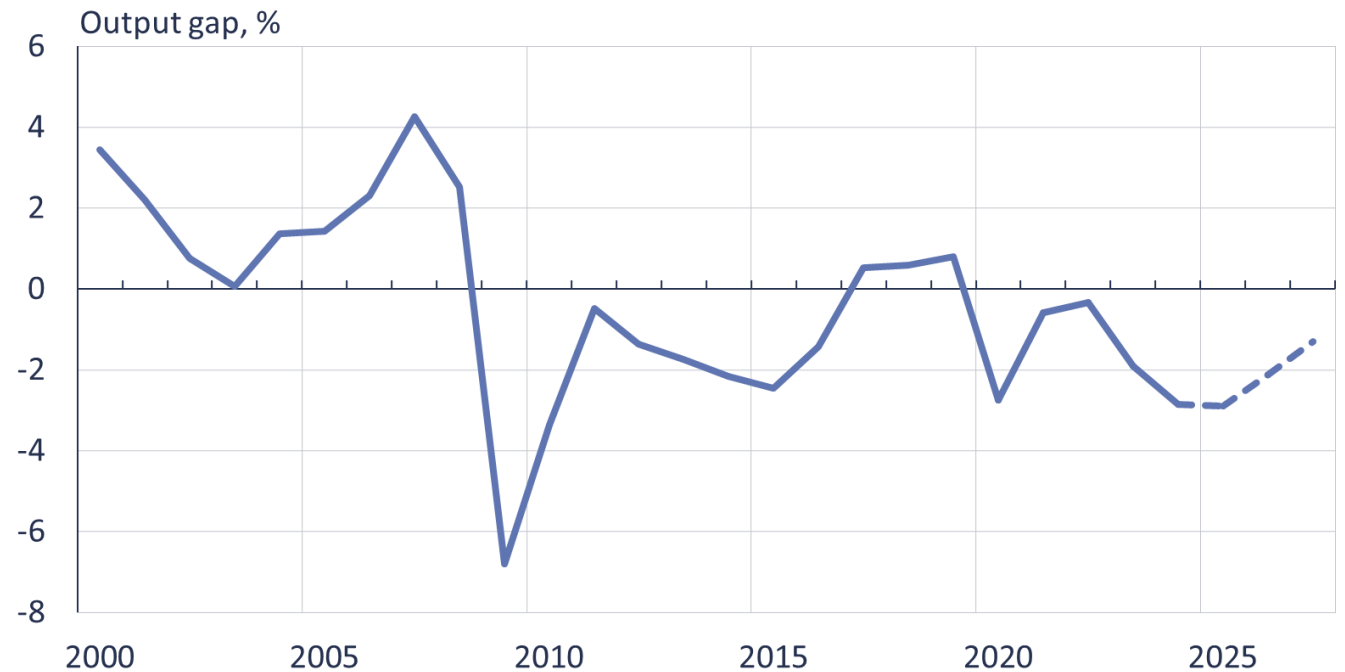
In 2025, resources will be underused, and the output gap will remain negative. A clearer recovery of the economic cycle is expected next year, and potential production growth is slow.

The economy cycle will improve next year but will remain weaker than previously estimated and the output gap is still not closed.

The economy will continue to recover in 2027. Economic growth is then faster than usual, which means that the output gap is approaching a neutral level.

The output gap describes the difference between the actual GDP of the economy and the potential GDP volume. When actual and potential GDP are equal and growing at the same rate, the output gap is zero and the economic cycle is said to be normal. Potential production refers to the long-term growth path of the economy that is achievable when the capacity of the economy is in normal use.

**Cyclical conditions will improve slightly in 2026, but economic resources will continue to be underutilised**



Output gap assessed using the Unobserved Components Model (UCM).

Source: calculations by the Bank of Finland.

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# Exports

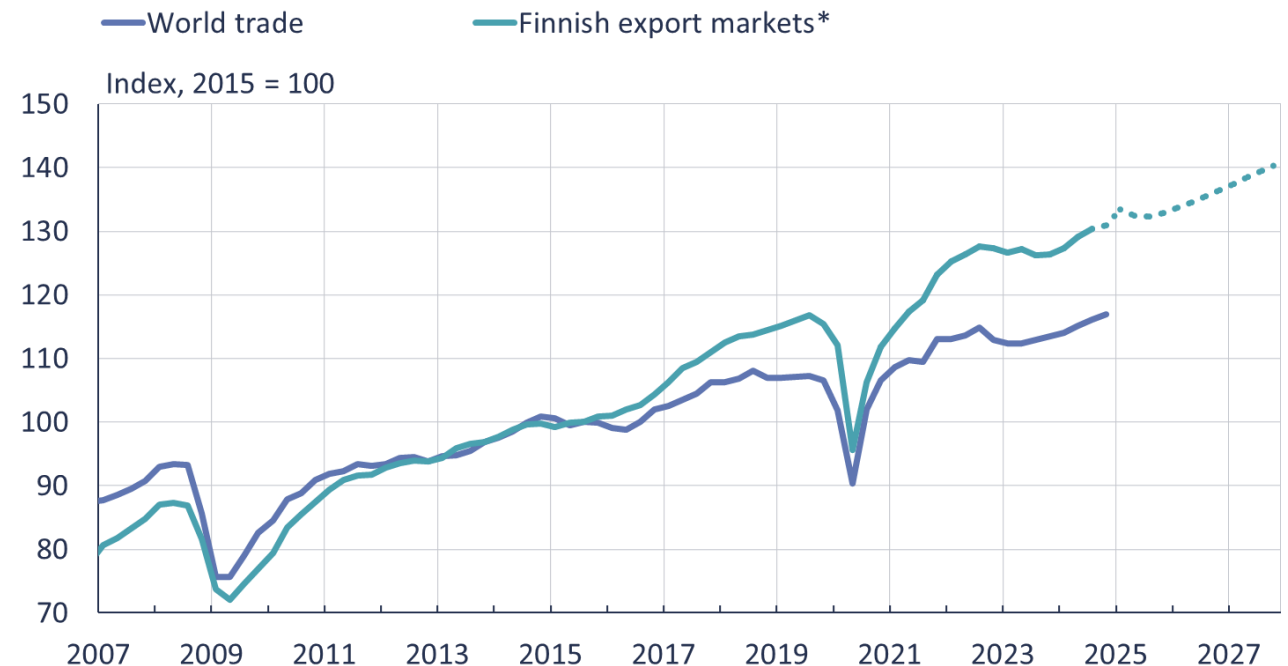
The trade war and uncertainty about the development of the international economy are weakening the economic cycle, and the euro area economy is expected to grow quite slowly in 2025.

As a result, the Finnish export market will show little growth in the coming years. External demand for Finnish export products will strengthen slightly in other euro area countries, as trade in the euro area countries is increasingly directed towards the EU's internal market due to trade policy tensions.

In recent years, the United States has been one of Finland's most important trading partners, but due to tariffs, US import demand is weakening. The trade war will erode Finland's external demand outside the euro area, especially this and next year.

At the end of the forecast period in 2027, the growth of the Finnish export market will pick up as the global economic cycle strengthens again.

## Trade war depressing growth in demand for Finland's exports



Sources: CPB Netherlands Bureau for Economic Policy Analysis, Eurosystem and Bank of Finland.

\*Imports in the countries Finland exports to, weighted by their share of Finland's exports. The dotted line represents the underlying forecast assumptions on growth in the export markets.

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# Industrial output

In June 2025, manufacturing (C) production adjusted for working days was 1.1% higher than a year ago.

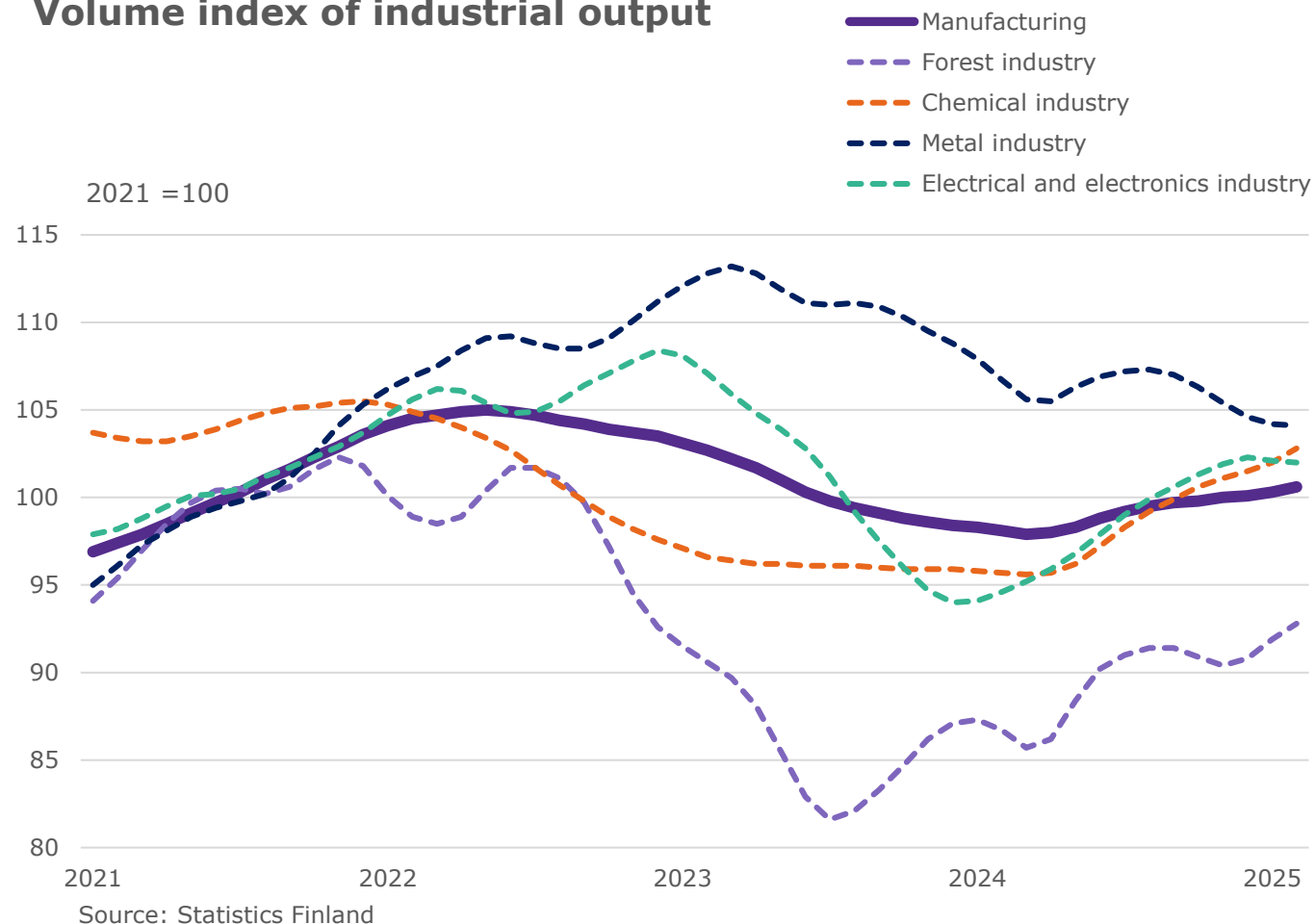
Seasonally adjusted production in manufacturing (C) decreased by 0.5% from the previous month.

Of the main industries reviewed in June, industrial output increased when compared to the previous month only in the metal industry (+0.4%).

The volume of production decreased in the forest industry (-2.1%), electrical and electronics industry (-3.0%) and chemical industry (-3.4%) compared to May.

Compared to the previous year, production volumes increased in the chemical industry and the electrical and electronics industry. Correspondingly, the volume of production in the forest industry and metal industry decreased year-on-year.

Volume index of industrial output



# Labor market

The prolonged weak economic cycle still weighs on the labor market. The employment rate has declined from the 2022 peak and unemployment has increased. However, the economic cycle is slowly improving, and the number of employees did not further decrease in early 2025.

In 2025, the employment rate will fall slightly, and the number of employees will remain slightly lower than last year. The unemployment rate has risen and is expected to exceed 9 percent on average in 2025.

As the economic situation will improve in 2026 and 2027, the employment rate will gradually increase towards the end of the forecast period. However, the employment rate is not expected to reach the 2022 peak. The unemployment rate will also begin to fall as the economic cycle improves. Growth in employment is also supported by the growth of the working-age population.

Demand for labor has declined significantly from pre-recession levels and remains weak. The weakened demand is particularly reflected in a decrease in open vacancies. Demand for labor is slowly recovering as the economic cycle improves and the economy grows, but the effects will be visible with delay. The demand for labor is expected to increase somewhat in 2025.

The engineers' labor market situation has improved somewhat in early 2025, but it is still at a weaker level than last year. The number of unemployed engineers has not increased much since January but is higher than in June last year.

The number of laid-off engineers and engineers working shorter working weeks has decreased since the beginning of the year. The decline in lay-offs is particularly evident in the construction industry and the mechanical and energy engineering.



# Key labor market figures

The number of unemployed people continued to increase extensively and substantially in the early part of the year compared to last year. Unemployment among 35–44-year-olds and those working in specialist and managerial professions increased particularly strongly.

However, the trend in the number of unemployed people has stabilized in the spring, so there are initial observations of the end of the increase.

In 2025, unemployment will continue to increase, albeit more slowly than last year. On average, the unemployment rate will rise to over nine percent. In 2026–2027, the economic recovery will help reduce unemployment. In 2027, the unemployment rate will still remain above eight percent.

	2023	2024	2025*	2026*	2027*
<b>Annual average, 1000 persons</b>					
Population of working age (15-74 yrs)	4 131	4 153	4 165	4 177	4 185
Population of working age (15-64 yrs)	3 442	3 474	3 489	3 502	3 513
Labor force (15-74 yrs)	2 832	2 840	2 867	2 887	2 907
Employed (15-74 yrs)	2 628	2 602	2 601	2 632	2 667
of which 15-64 yrs	2 532	2 504	2 503	2 533	2 566
Unemployed (15-74 yrs)	204	238	267	255	241
<b>Change in volume, 1000 persons</b>					
Population of working age (15-64 yrs)	21	32	15	13	11
Employed (15-74 yrs)	6	-28	-1	30	33
<b>Percent</b>					
Employment rate (15-64 yrs)	73,6	72,1	71,7	72,3	73,1
Employment rate (20-64 yrs)	77,9	76,7	76,4	77,0	77,8
Unemployment rate (15-74 yrs)	7,2	8,4	9,3	8,8	8,3



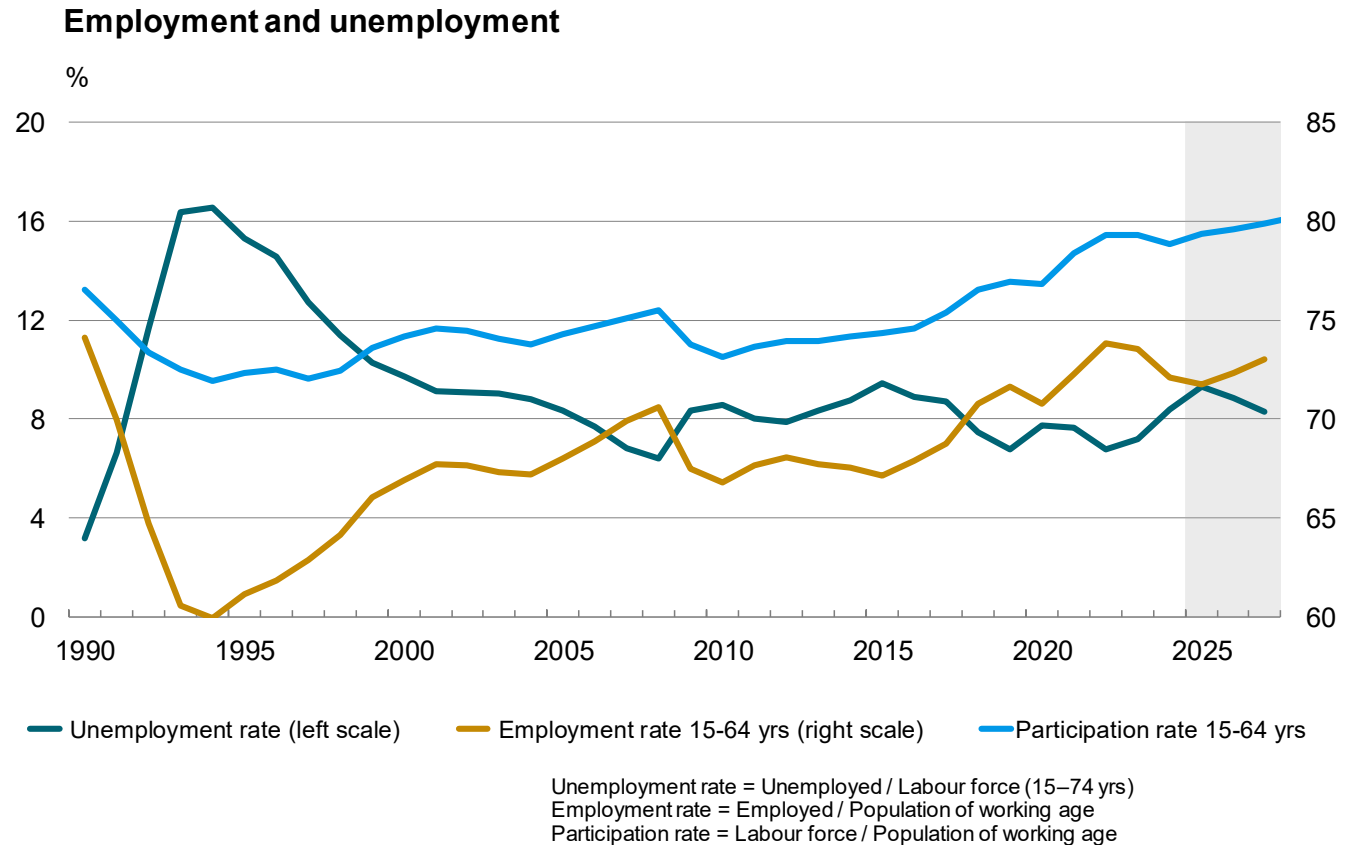
# Employment and unemployment

The prolonged weak economic cycle still weighs on the labor market. Employment has declined from the 2022 peak and unemployment has increased.

However, the economic cycle is slowly improving, and the number of employees did not further decrease in early 2025.

Between 2026 and 2027, the economy will grow stronger, and employment will increase by more than one percent annually. The employment rate (15–64-year-olds) will rise to 73 percent in 2027 but will still be below the level of approximately 74 percent in 2022.

Employment is also promoted by the growth of the working-age population, which is mainly due to immigration, as it is estimated that there will be nearly 40,000 more people aged 15–64 in 2027 than in 2024.



Sources: Statistics Finland, MoF

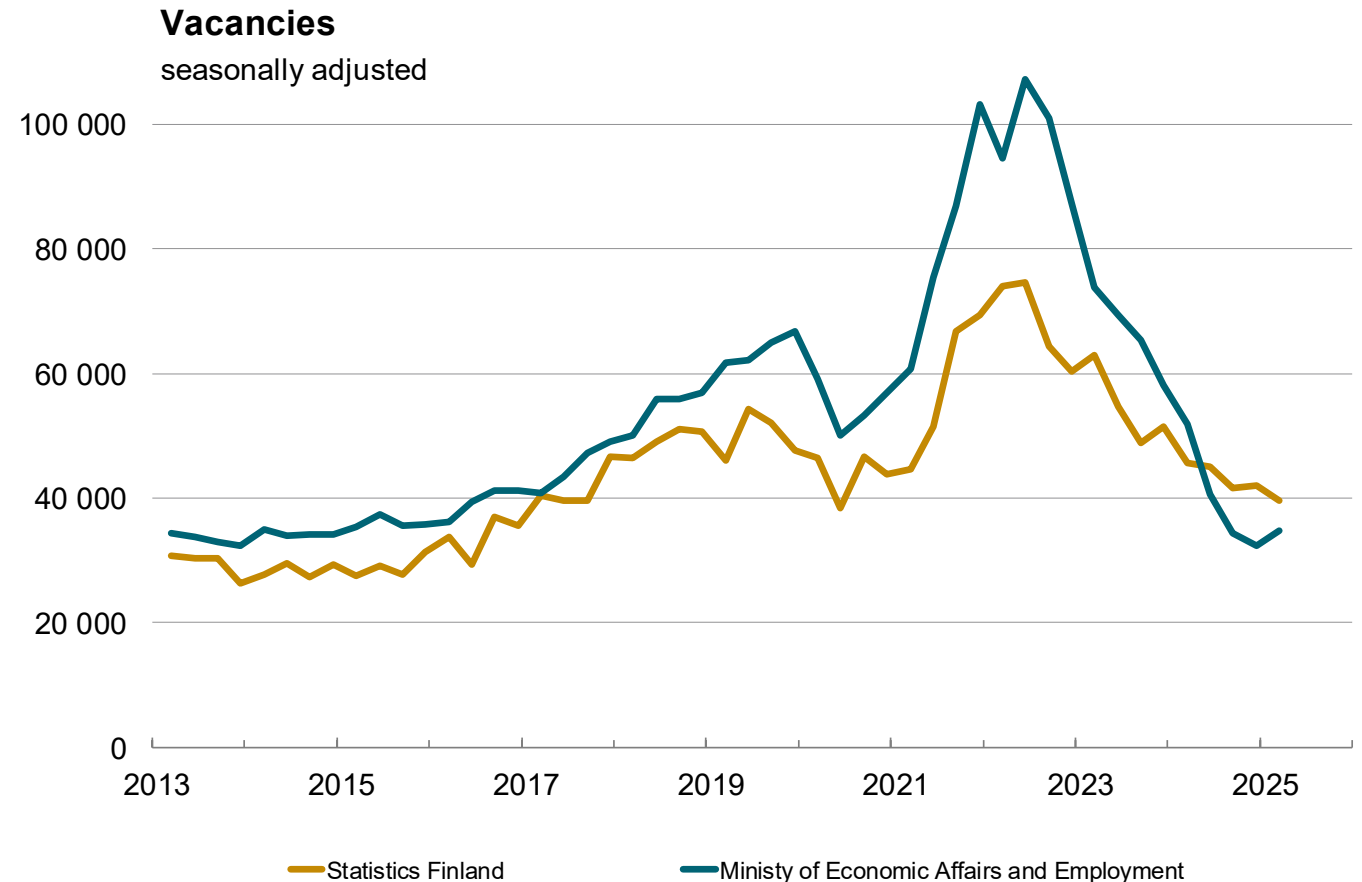


# Labor demand

The weak economic cycle has reduced the demand for labor. The demand for labor is starting to recover slowly but remains weak. This is reflected in the small number of open vacancies.

There have been significantly fewer vacancies than in previous years, particularly in the service sector and construction, and companies intend to reduce recruitment, particularly in the construction and commerce sectors.

Increased orders in manufacturing have boosted the number of open vacancies and the demand for labor in the sector.



Source: MEAE, SF, MoF



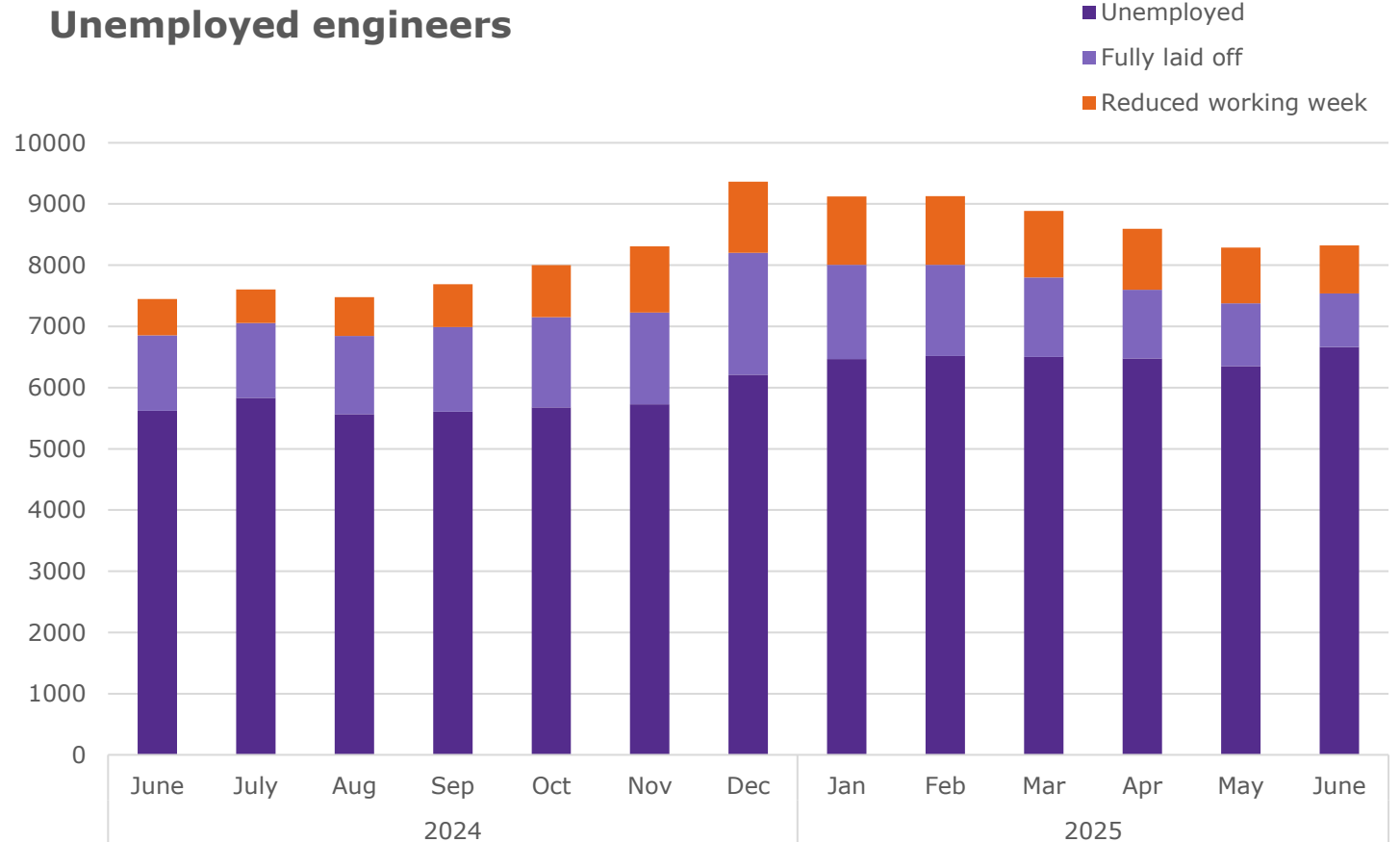
# Labor market situation for engineers

The engineers' labor market situation has improved somewhat in early 2025, although the number of unemployed remains higher than normal.

According to the Ministry of Economic Affairs and Employment, there were 6,662 unemployed engineers in June, which is 1,042 more than the previous year. The unemployment rate for engineers was 5.6%.

However, the number of full-time and part-time laid-off employees has decreased significantly during the early part of the year.

In June, there were 877 engineers who were laid off full-time and 785 engineers working shorter working weeks.



Source: Ministry of Economic Affairs and Employment in Finland



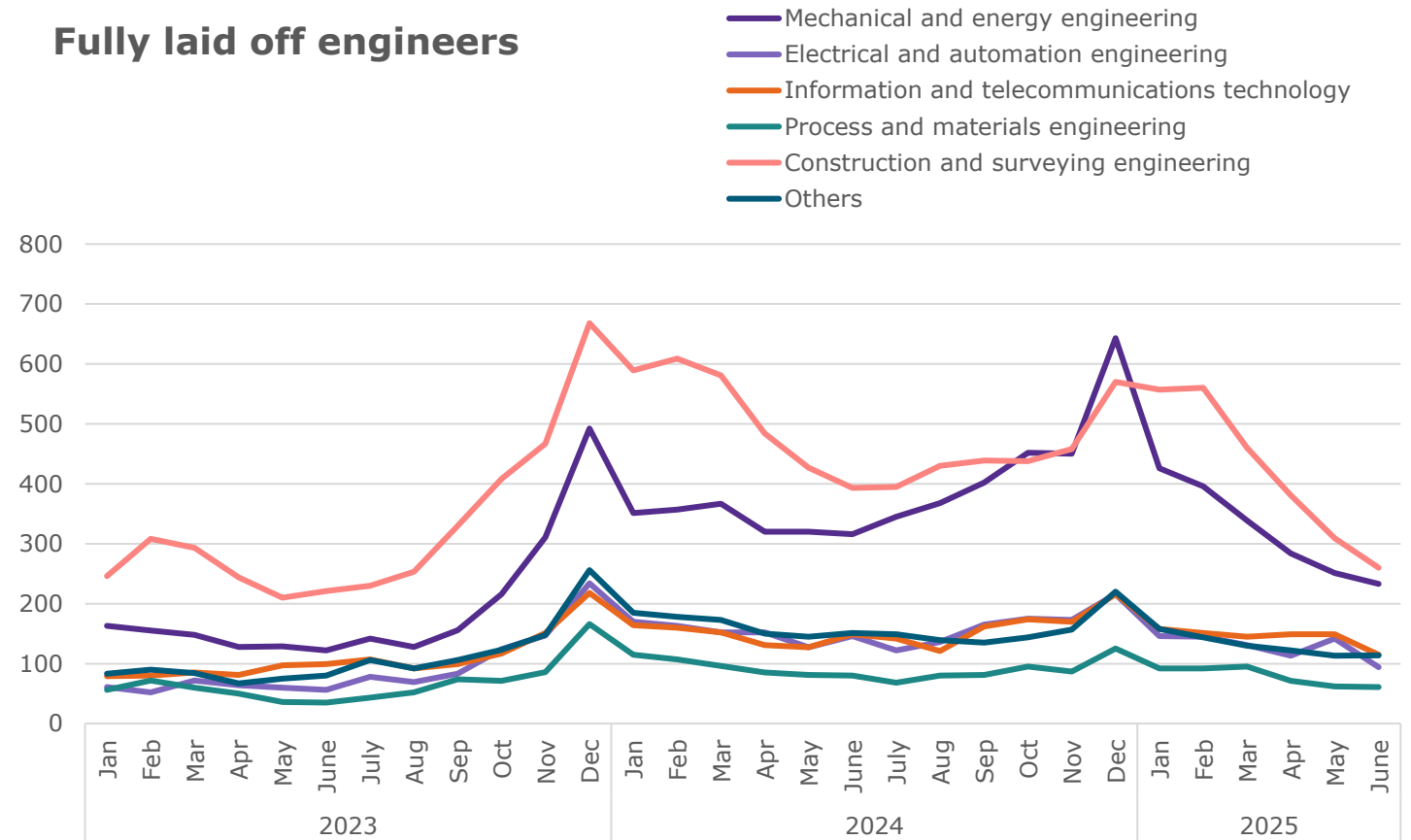
# Fully laid off engineers

The number of engineers laid off full-time is lower than in the previous year. The number of lay-offs has decreased significantly, especially in early 2025. In June, there were 877 full-time laid-off engineers, compared to 1,235 a year earlier.

The number of laid-off engineers has decreased during the first half of the year in both the construction industry and the mechanical and energy engineering sector. Lay-offs increased in both sectors last autumn.

In other sectors, lay-offs have remained low and there have been no significant changes in their number.

Fully laid off engineers



Source: Ministry of Economic Affairs and Employment in Finland



# Economic trends

The short-term economic outlook for Finland is cautiously positive. Several indicators indicate that the economic cycle is developing in a better direction and that the most difficult phase is behind us. Consumer confidence in the economy remains weak, even though it has improved from the worst phase of the recession.

The consumer confidence indicator continues to be particularly affected by consumers' intention to spend money on the purchase of durable goods and confidence in the Finnish economy one year ahead. In addition, consumer expectations of the development of the general unemployment situation in Finland are gloomy.

The economic outlook for the business sector has improved, but the actual improvement in the economic situation is still to be achieved. In manufacturing, the outlook has weakened slightly during the spring, which may be due to the threat of a trade war and the increased uncertainty caused by it.

The outlook for the euro area, measured by purchasing manager indexes, has focused significantly during the first half of the year, even though the manufacturing index is still slightly below the 50-point mark. The index which describes the entire business sector has already exceeded the 50-point threshold, which predicts slight growth. In other words, the Finnish export market is also gradually recovering from the recession and Finnish export demand is gradually starting to grow.

Price increases have slowed below the target level and are not expected to increase significantly. For 2024, inflation remained at 1.0 percent. With regard to the earnings level, the forecasts have become more precise as collective agreements have been negotiated. The earnings level is expected to grow steadily and faster than prices in the coming years. The real earnings level, i.e. purchasing power, will also increase steadily in the coming years, and purchasing power will reach the 2021 level in 2027.



# Cost competitiveness

In 2024, Finland's cost competitiveness, as measured by relative unit labor costs adjusted for the terms of trade, improved compared to the euro area average. The improvement was due to the significant increase in labor costs in the euro area.

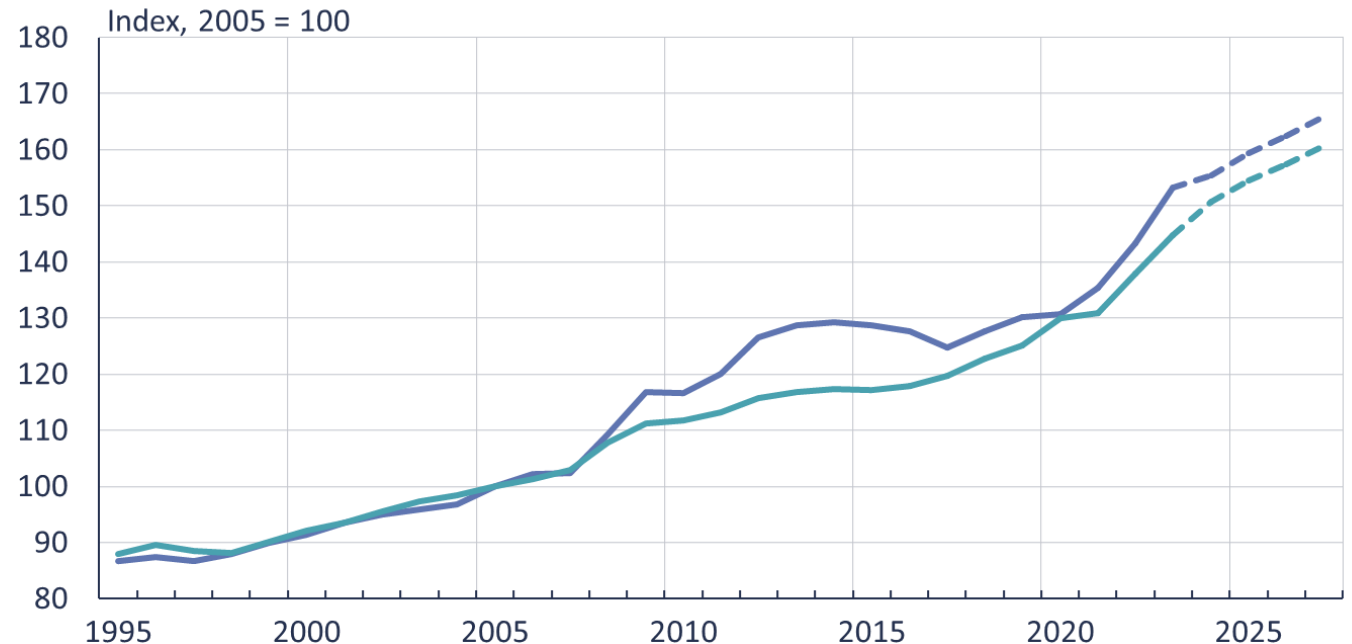
Cost competitiveness will remain almost unchanged in relation to the euro area average in the forecast years 2025–2027.

Labor price and labor productivity per employee are developing nearly at the same pace as the euro area average, which affects cost competitiveness.

## Finland's cost competitiveness will remain virtually unchanged in 2025–2027

Nominal unit labour costs adjusted for the terms of trade

— Finland — Euro area



Sources: Statistics Finland, Eurostat and June 2025 forecasts by the Bank of Finland and the Eurosystem.

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# Consumer confidence

Consumer confidence improved slightly in July 2025. The balance figure of the consumer confidence indicator was -6.4, compared to -8.6 in June. A year earlier, the indicator value in July was -7.2.

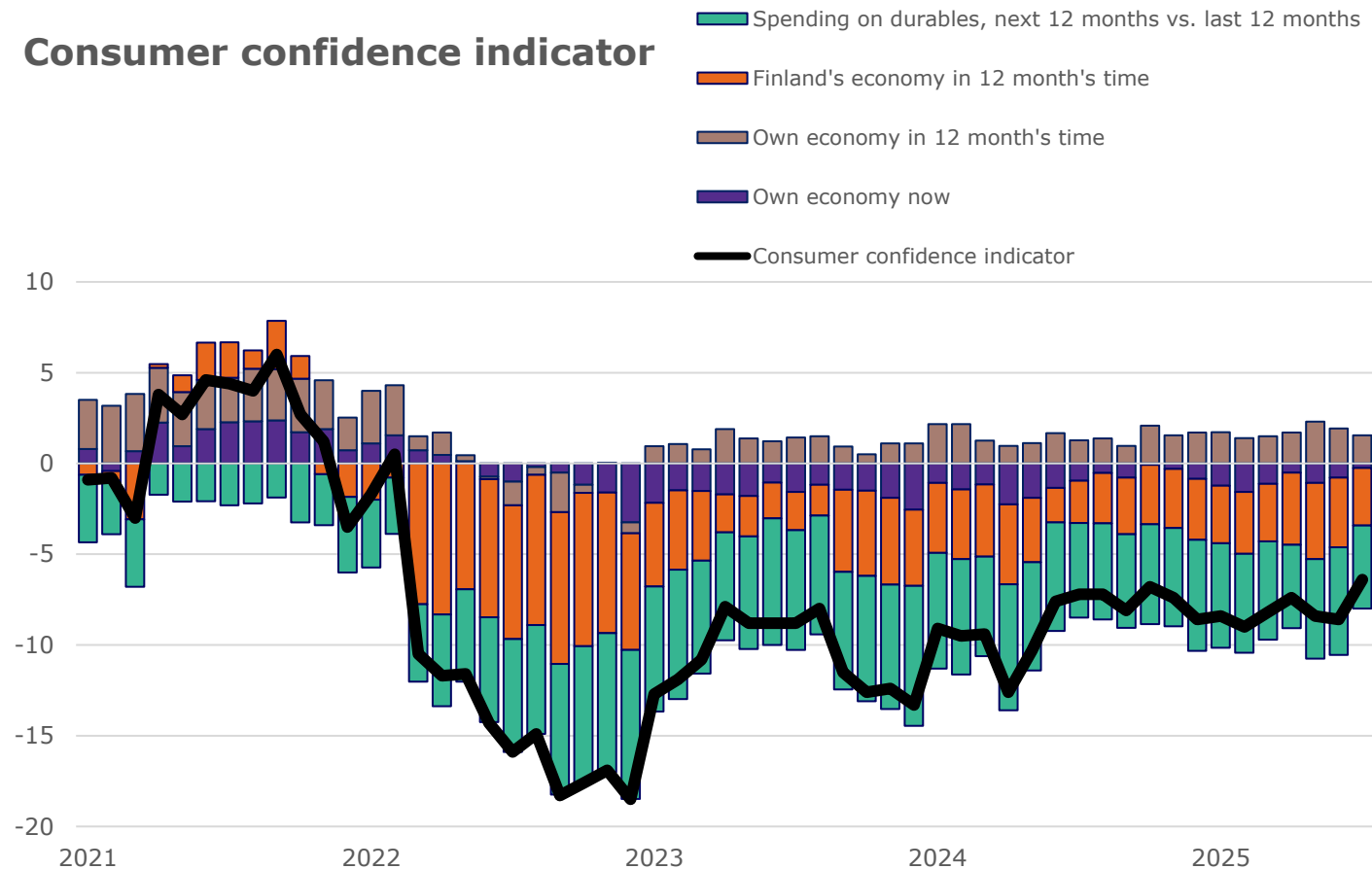
In July, consumers' assessment of their own finances improved slightly. On the other hand, expectations concerning their own finances one year ahead declined below their long-term average level.

The view on the economic development in Finland remained subdued but improved slightly compared to the previous month.

Expectations of the development of the unemployment situation remained pessimistic. More than half (58%) of consumers estimated that unemployment will increase.

Intentions to spend money on durable goods remained strongly negative despite a slight increase.

Consumer confidence indicator

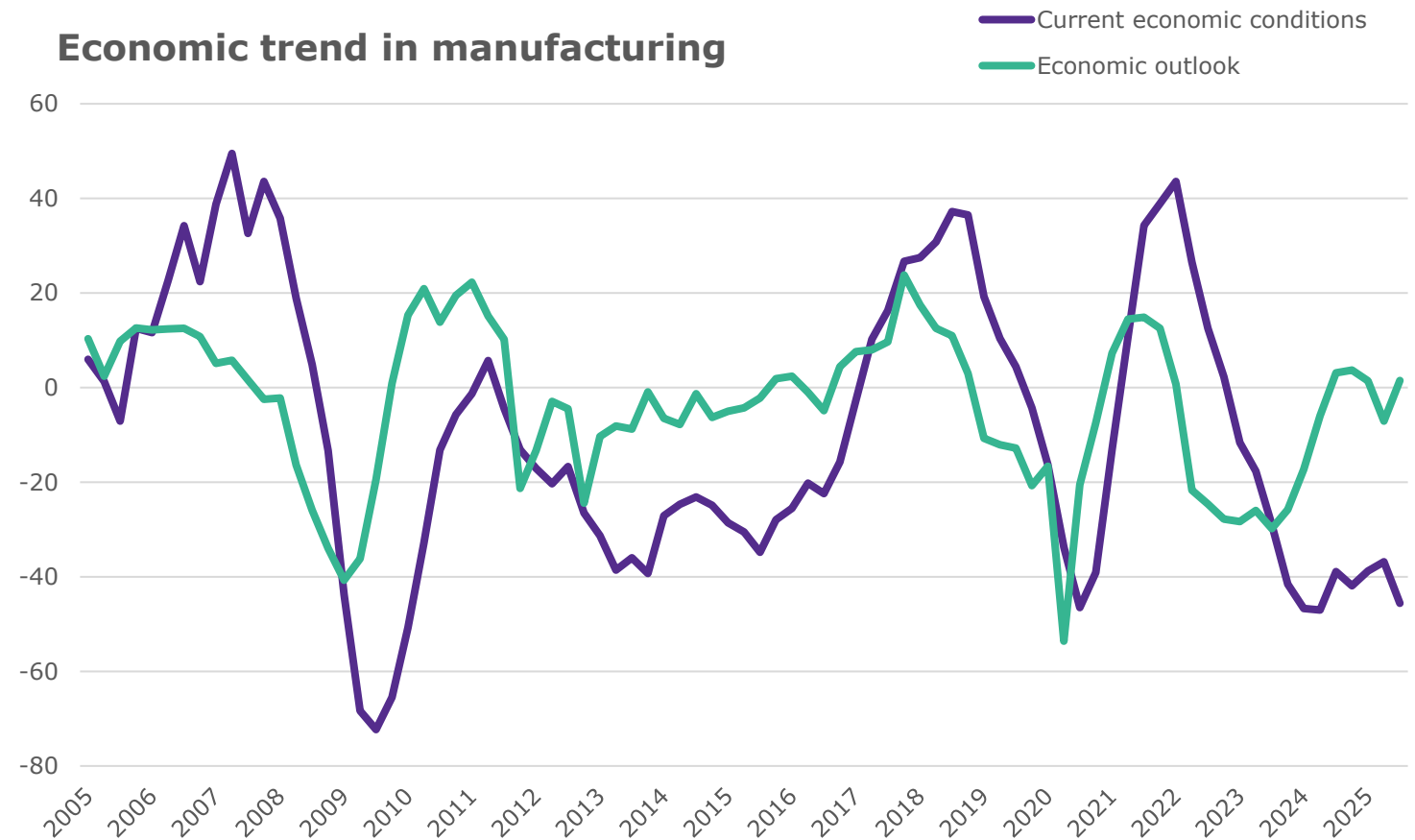


# Economic trend of manufacturing

The economic outlook for manufacturing has improved slightly since the spring, but the economic situation has developed in a somewhat weaker direction.

Manufacturing production increased in the first quarter, but production developed modestly in the second quarter. Production volumes are expected to turn to growth in the third quarter and continue to grow towards the end of the year.

Industrial companies' profitability improved slightly during the second quarter. However, more than half of companies feel that weak demand continues to limit their operations. There is a shortage of labor at the same time.



Source: Confederation of Finnish Industries, Business Tendency Survey



# Economic trend of construction

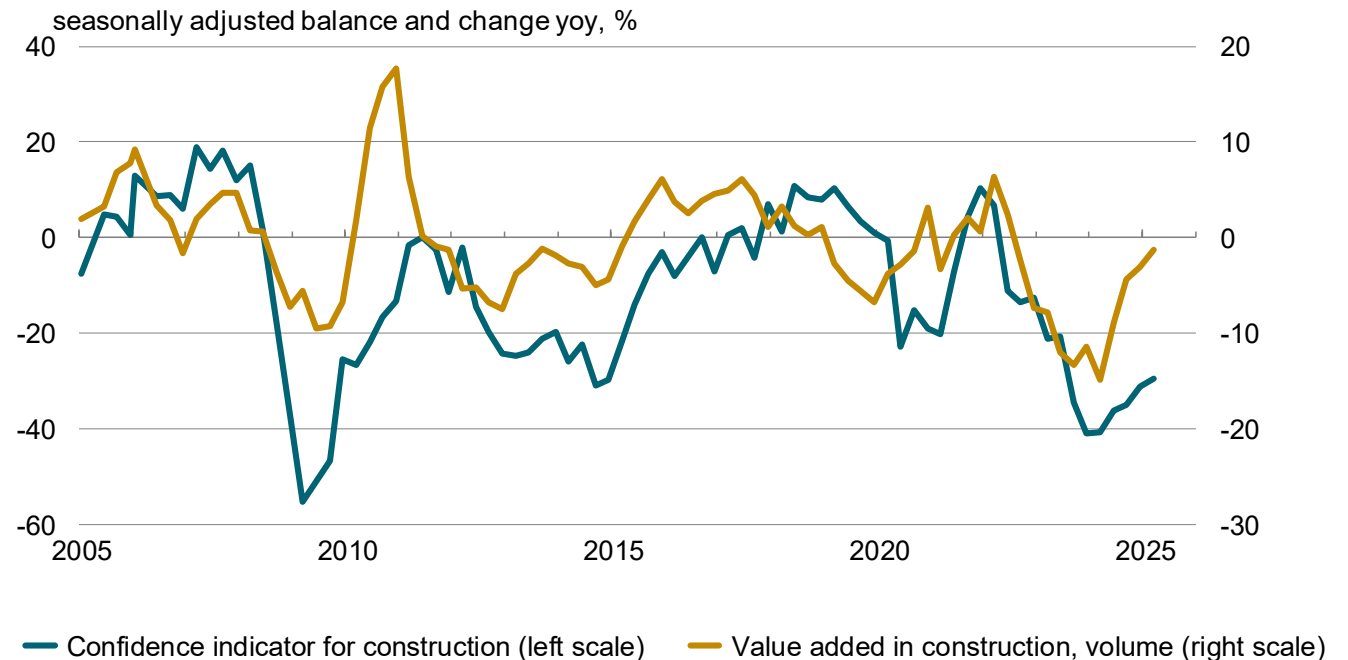
The bottom of the decline in construction has been reached, and the added value of construction has remained almost at the same level for about a year. The volume of construction turnover has even increased significantly.

The outlook for construction has also improved slightly but is still clearly weaker than normal and the recovery of construction is taking time. In 2025, the value added of construction will increase by approximately 2 percent, and next year, growth will accelerate to approximately seven percent.

The recovery in construction is supported by the recovery in housing construction and investments related to the energy transition.

Approximately three-quarters of construction companies describe weak demand as limiting their operations. At the same time, some companies are experiencing a shortage of skilled labor and financial difficulties.

Construction confidence and output



Sources: Statistics Finland, European Commission



# Purchasing Managers' Index

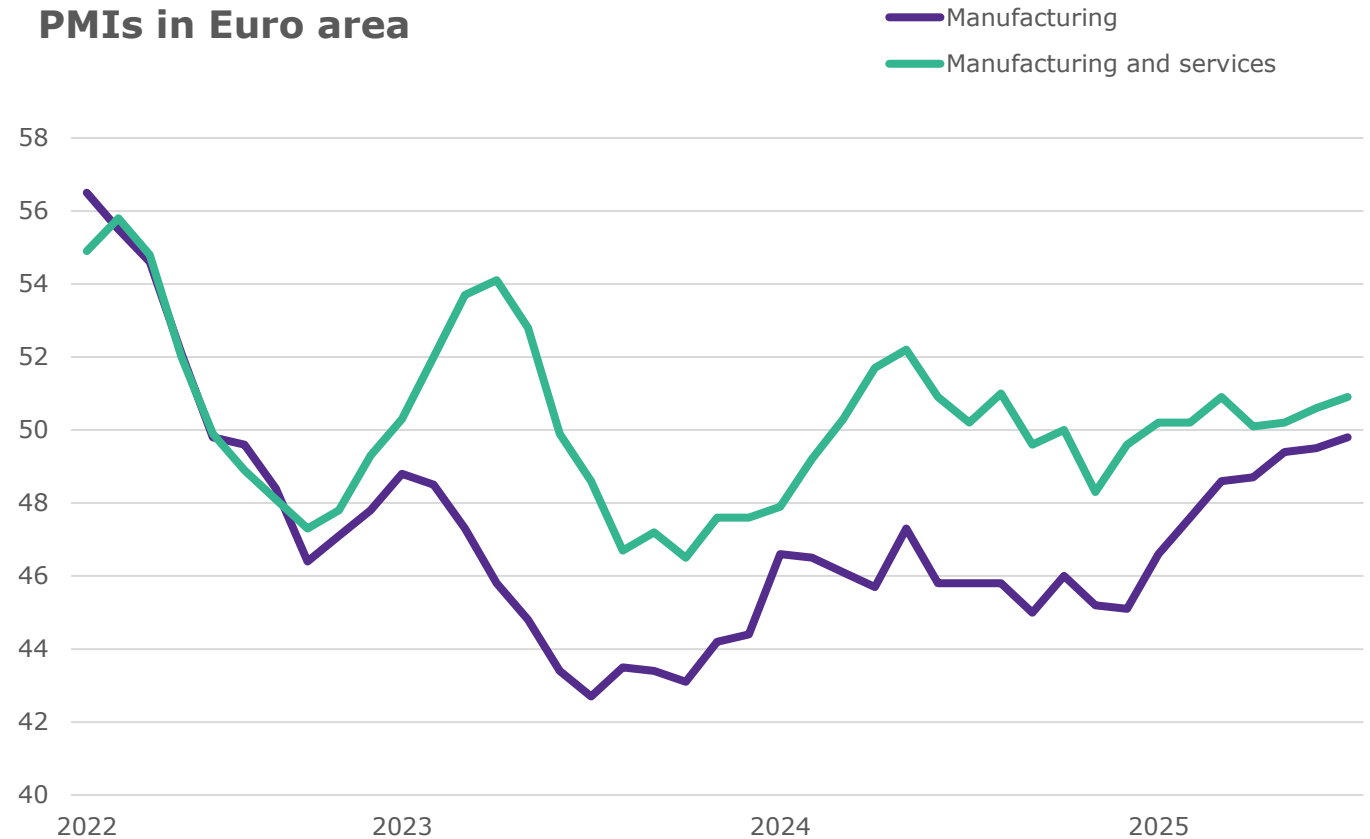
The purchasing manager index for the entire business sector in the euro area moderately predicts growth at a value of over 50 points. The weak economic cycle continues to be reflected in the outlook for manufacturing sectors, but the development is also positive in manufacturing sectors.

In Finland, the trend for industrial output has already returned to growth, and the value of new orders has turned clearly positive. In addition, the economic outlook is moderately positive.

On the other hand, the situation of the service sector in the euro area is better, and the purchasing manager index predicts growth for them.

Purchasing Managers' Indices predict the development of the economy. If the index gets a value of more than 50 points, it predicts growth. If the value of the index is below 50, production is predicted to contract.

PMIs in Euro area



Source: S&P Global, Macrobond



# Forecasts and development of earnings

The rate of increase in salaries depends on the new collective agreements, as the collectively agreed wage increases account for most of the rise in the earnings level.

The forecasts for the development of earnings have become more precise as numerous new collective agreements have been concluded during the winter and spring. The duration of the agreements is typically three years. In most agreements, the largest increases will be made in 2026.

For 2025, the development of wages and salaries sums in the entire economy will remain approximately at the level of the index of wage and salary earnings, while the growth in employment is modest. In 2026–2027, the wages and salaries sum will increase more rapidly as the earnings level and employment will increase.

	2023	2024*	2025*	2026*	2027*
<b>Change, %</b>					
Index of negotiated wages	3,9	2,7	2,6	3,2	2,6
Wage drift, etc.	0,3	0,4	0,4	0,4	0,4
<b>Index of wage and salary earnings</b>	<b>4,2</b>	<b>3,1</b>	<b>3,0</b>	<b>3,6</b>	<b>3,0</b>
Real earnings	-2,0	1,5	2,4	2,0	1,0
Sum of wages and salaries	5,0	1,4	3,1	4,9	4,4
Average earnings	4,3	0,4	3,6	3,8	2,8

Source: Ministry of Finance



# Inflation

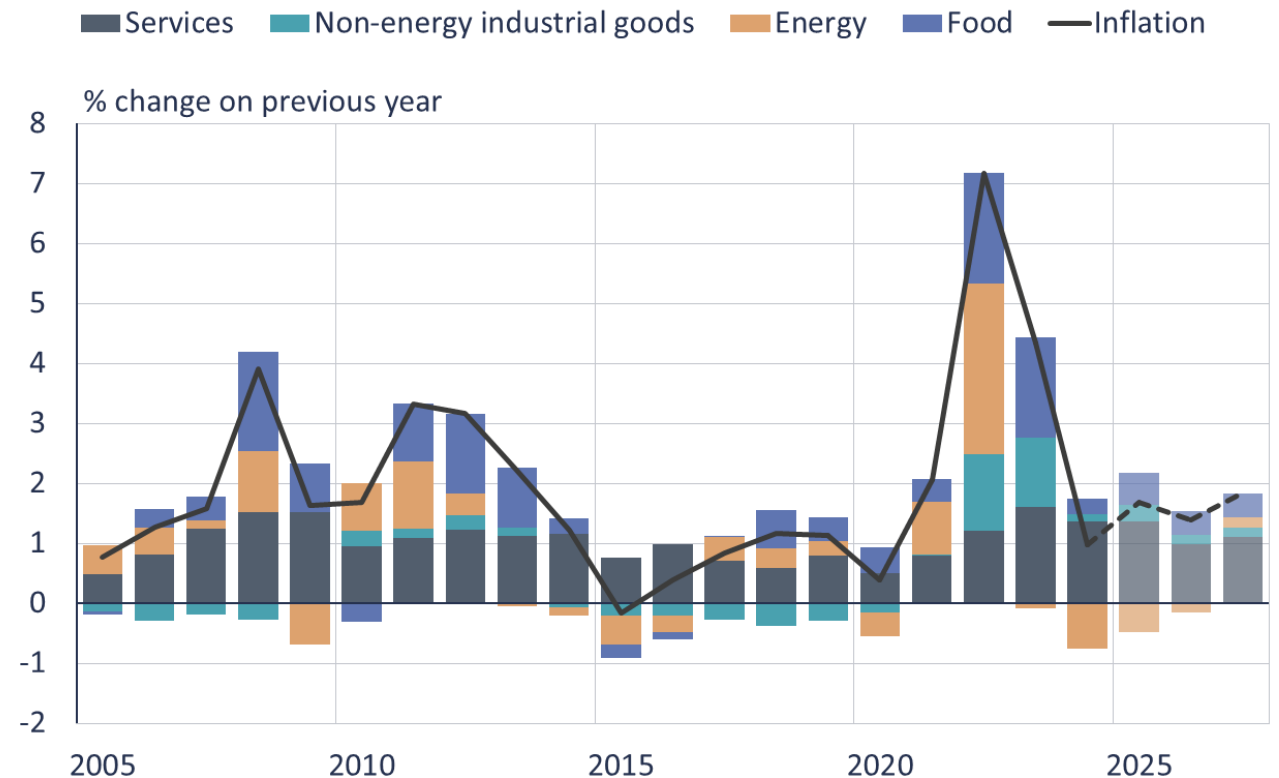
Inflation measured by the Harmonized Index of Consumer Prices (HICP) has been approximately 2% in recent months. The effect of the increases in consumption taxes on inflation has been approximately one percentage point, so the overall price increase has been slow.

However, the prices of services have continued to rise at an annual rate of more than 3 percent. Instead, the decline in energy prices, which began in 2023, continues.

According to the forecast, HICP inflation will continue to be slow and will average 1.7% in 2025. Consumer confidence remains weak, which curbs consumer demand and the resulting price pressures.

In 2026, the price-accelerating effect of tax changes will largely fade away, slowing inflation to 1.4 percent. In 2027, the economic cycle will continue to improve, and the output gap will approach a neutral level. As a result, inflation will also accelerate slightly to 1.8 percent.

## Tax increases will push up consumer prices in 2025



Sources: Eurostat and forecast by the Bank of Finland.

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# Consumer prices and earnings

The rate of increase in nominal salaries slowed last year to 3.1 percent. This was the result of significantly smaller collectively agreed increases.

In 2025, nominal salaries are expected to increase by approximately three percent. The real earnings level is expected to increase by 2.4 percent as prices rise moderately.

The earnings level is expected to increase steadily during the forecast period. The increase in consumer prices will accelerate slightly in 2026 and 2027.

Purchasing power will increase in 2025–2027 as the earnings level increases faster than consumer prices. In 2027, real earnings are expected to reach the level of 2021.



Sources: Statistics Finland, MoF



# Opinions of The Union of Professional Engineers in Finland

## Economic growth

- Productivity and economic growth are driven by a good business environment, effective regulation and employee well-being. The entire chain must be developed purposefully.
- The system of business subsidies must be reformed so that it boosts investments. Investments in sustainable growth and the green transition. Business subsidies that are oriented toward maintaining existing production structures must be reallocated to support RDI activities that promote renewal.
- RDI investments are integral to the growth of productivity. The commitment to the provisions of the Act on Research and Development Funding must be maintained, and RDI investments must be increased.
- Research activities and the number of researchers should be boosted by introducing PhD level studies in universities of applied sciences.

## Labor market and working life

- Problems related to labor availability and labor market mismatches can be alleviated through lifelong learning and the maintenance of skills and competencies. A competence account system must be introduced.
- Productivity and growth through investments in education, training and competence – the quality of training and education must be maintained.
- Employment policy should focus on eliminating age discrimination and improving well-being at work and work ability.
- The importance of skilled foreign workers must be recognized – making Finland an attractive country, streamlining permit processes, and changing attitudes among companies.

## Earnings and purchasing power

- Purchasing power must be boosted through wages agreements. Competitiveness is in good shape; it is time to develop purchasing power.
- The Finnish tax system must be developed in a way that shifts the tax burden from income taxes towards Pigouvian taxes on consumption. People should have a larger proportion of their gross pay in hand and more choices available to them.
- Sector-specific national collective agreement activities ensure a functional and equal environment for companies and equal terms and conditions of employment for wage-earners.





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