

Background information on the retail sector outlook

Forecast in February:

- The economy will grow by approximately one per cent this year and a little faster, by about 1.5 per cent, next year.
- The growth of construction investments will stop.
- The inflation rate will be the same as last year.
- While inflation will partly erode the increase in nominal wages, the purchasing power of wage-earners will nevertheless increase – partly through higher employment.

Updated Forecast

- In 2020 the economy will decrease by 4 - 5 per cent. If the Corona shock is over and the economy recovers quickly and is back to the pre-crisis-level in Q1 2021, the decrease will be about 2 per cent this year.
- The inflation will be slow, the number of employees will decrease and the consumption of households will drop.

Background information on the retail sector outlook

Forecast in February:

- This forecast contains no assumptions regarding taxation apart from the Government's official tax decisions.
- Growth this year and in the next few years involves both downward and upward risks.
 - *Downward risks include, among other things, problems in the euro zone banking sector, the spread of protectionist economic policies, as well as the epidemic in China spreading internationally.*
 - *The costs arising from the ageing population and public sector reforms, such as the reform of the Finnish social welfare and health service system, create pressures for increased taxation, particularly taxes on consumption. If implemented, higher taxes would erode purchasing power and increase costs in the commerce sector.*
 - *At the same time, the growth of the euro zone and the global economy continues to support the Finnish economy.*

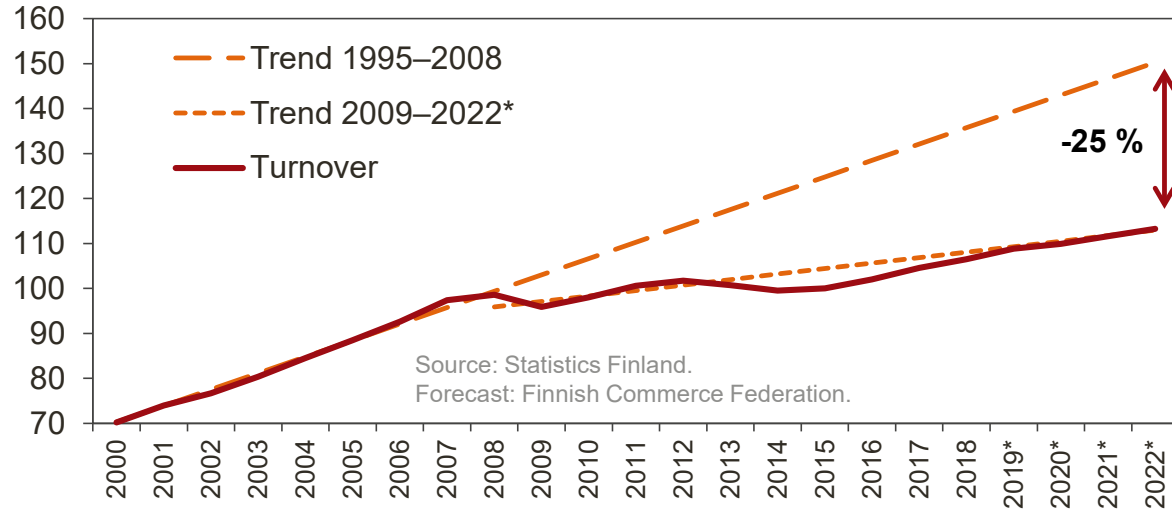
Updated forecast:

- Probability of upward risks is very small. The epidemic in China is now a global pandemic.

Forecast in February:

The growth in the retail trade will slow down – most* private spending has benefited sectors other than retail

Turnover volume index** in retail trade



Turnover volume will increase by one per cent this year, subsequently accelerating to 1.5 per cent 2021 - 2022.

The downward risks are big.

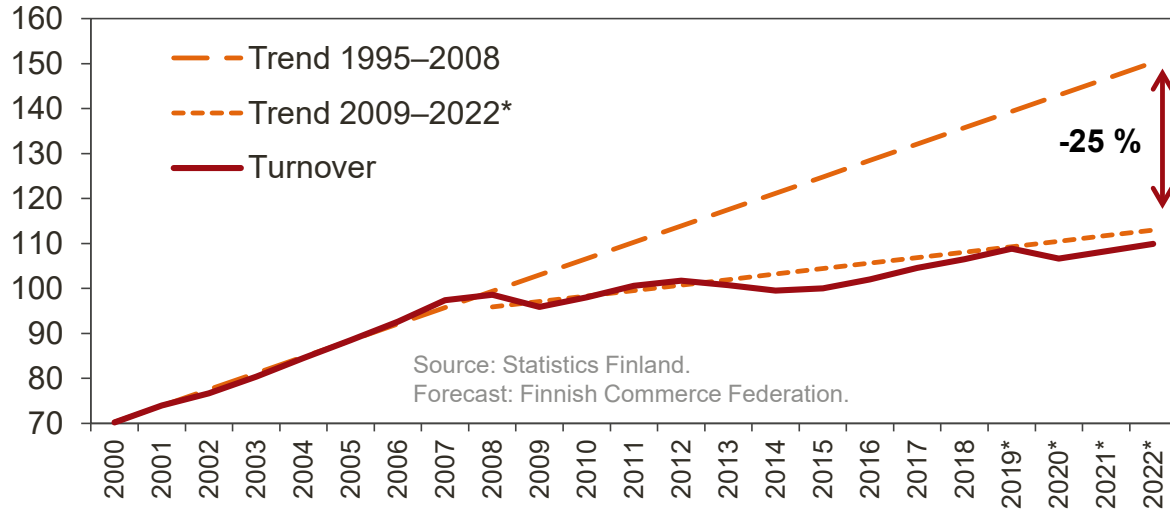
* According to the 2017 weight structure of the consumer price index, over 40 per cent of current private spending goes to retail products.

** Turnover adjusted for price fluctuations.
18 March 2020 Jaana Kurjenoja

Updated Forecast in March 2020:

The turnover volume of retail sector will decline by two per cent this year

Turnover volume index** in retail trade



Turnover volume will decrease by 2 per cent this year, subsequently accelerating to 1.5 per cent 2021 - 2022.

The assumption is that the world economy is recovering quickly during Q3 and Q4.

** Turnover adjusted for price fluctuations.