

HELSINKI (AFP) - The Finnish economy is expected to shrink 6.0 percent this year before staging a slight rebound in 2010 when it is likely to expand 0.3 percent, the government said Tuesday.

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"The national economy will contract 6.0 percent this year and show only marginal growth in 2010. The unemployment rate will continue to rise," Finland's finance ministry predicted in a statement.

Unemployment levels in Finland, one of the countries most affected by the global financial turmoil, could reach 9.0 percent this year and 10.5 percent in 2010.

The ministry said it expected the country's export-reliant economy to pick up in tandem with those of its biggest trading partners, Sweden, Germany and Russia.

With the economies of those three countries appearing to be on the road to recovery, "there are good grounds to expect that Finnish exports will strengthen in the latter half of the year," the statement said.

Exports accounted for 47 percent of the Nordic country's gross domestic product last year, the ministry said. They currently contribute around 35 percent to growth.

In the period from April to June, the economy shrank by 2.6 percent on a quarterly basis.

But on a 12-month basis, GDP fell by 9.4 percent, the worst decline in economic growth in Finland since comparable records began in 1990.

Anssi Rantala, chief economist at OP-Pohjola group, told AFP that the government's prediction of 6.0 negative growth was "a somewhat positive view but possible."

Finland's economy expected to grow

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To reach that minus 6.0 percent figure, "the economy should return to growth during the remainder of the year," he said.

He explained that the fall in demand for Finnish exports appeared to have levelled off.

Finland, home to world's biggest mobile phone maker Nokia, paper maker Stora Enso and paper machine maker Metso, is heavily dependent on foreign demand for its products.

Finnish companies have adapted to lower demand by cutting jobs, while consumers fearing unemployment have reduced spending.

Analysts expect, however, that Finland will return to growth once the global economy rebounds.

"When the global economy recovers Finnish exports will follow that," said Tiina Helenius, chief economist at Handelsbanken in Finland, adding that the recovery would take time and future growth figures would be modest.

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