FitchRatings

Finland

Key Rating Drivers

Rising Public Debt: Weak economic growth and earlier fiscal support in response to successive shocks has led general government debt to rise by 11.8pp since 2019 to 76.6% of GDP in 2023, above the current 'AA' category median of 48%. According to Fitch Ratings' projections, debt will continue to rise to 87% in 2028, boosted by continued substantial deficits and high stock flow adjustments, particularly in 2024.

Fiscal Consolidation Insufficient: The Finnish government has already presented two fiscal consolidation packages, factored into our projections, but these will only slow the increase in public debt. After assuming office in 2023, the government announced a fiscal consolidation package with a deficit-reducing impact rising to EUR6 billion (2% of GDP) per year by 2027. In April 2024, additional consolidation measures of EUR3 billion (1% of GDP) per year were introduced as part of the 2025–2028 Fiscal Plan.

Uncertainty About Further Measures: The measures display a significant commitment to fiscal consolidation. However, there is no visibility of further measures that could succeed in stabilising and eventually reducing government debt.

Wider Fiscal Deficit in 2024: Fitch forecasts the general government deficit will rise to 3.7% of GDP in 2024, driven by increased social spending and wage and pension indexation, alongside the effect of the recession on revenues and reduced unemployment insurance contributions. We expect the fiscal deficit to decline only slightly to 3.2% of GDP in 2025 and 2.7% in 2026. Although growth will rebound in 2025 supporting revenues and approved consolidation measures will show effects, increased military spending will negatively affect the budget.

Rating Fundamentals: Finland's 'AA+' ratings are supported by very high governance indicators, high income per capita, eurozone membership, and the strong asset position of its pension system. These strengths are balanced by the high government debt and low potential growth.

Pension Assets Mitigate Ageing Pressures: The high pension sector assets, at 94% of GDP at end-March 2024, with more than one-third in public pension funds, are a rating strength, and together with further reform plans help mitigate the impact of a rapidly ageing population. Long-term projections indicate that these assets will only decrease to around 75% of GDP by 2050, despite the population ageing.

Continued GDP Contraction in 2024: Fitch expects the Finnish economy to contract by 0.3% in 2024 after falling by 1.2% in 2023 due to the sharp fall in inventories and weak EU growth. In addition, the pressure from increased ECB interest rates are amplified by a very high share of variable-rate loans (97% of housing loans), curtailing investments and dampening private consumption despite the return to positive real wage increases since mid-2023.

Moderate Recovery in 2025: We forecast growth to recover to 1.3% in 2025 and 1.6% in 2026, as lower interest rates boost investment and consumer spending and a recovery in the EU drives real export growth. However, we expect fiscal consolidation measures to dampen domestic demand. Over the medium term, low productivity growth and the ageing population will remain key growth challenges, as in other advanced European economies.

Increase in Unemployment: The recession has led to a rise in unemployment to 8.3% in June 2024 from 7.2% a year earlier. We expect that continued economic weakness in 2024 will push the annual unemployment rate to 8.1% from 7.2% in 2023. However, we forecast that the unemployment rate will decline to an average of 7.6% over 2025 and 2026 following modest economic recovery.

Ratings

Foreign Currency	
Long-Term IDR	AA+
Short-Term IDR	F1+
Local Currency	
Long-Term IDR	AA+
Short-Term IDR	F1+
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Negative
Long-Term Local-Currency IDR	Negative

Rating Derivation

Component	
Sovereign Rating Model (SRM)	AA+
Qualitative Overlay (QO)	0
Structural features	0
Macroeconomic	0
Public finances	0
External finances	0
Long-Term Foreign-Currency IDR	AA+

Source: Fitch Ratings

Data

	2024F
GDP (USDbn)	302
Population (m)	5.6

Source: Fitch Ratings

Applicable Criteria

Sovereign Rating Criteria (April 2023)
Country Ceiling Criteria (July 2023)

Related Research

Fitch Revises Finland's Outlook to Negative; Affirms at 'AA+' (August 2024)
Global Economic Outlook (June 2024)
Interactive Sovereign Rating Model
Fitch Fiscal Index - Analytical Tool
Click here for more Fitch Ratings content on Finland

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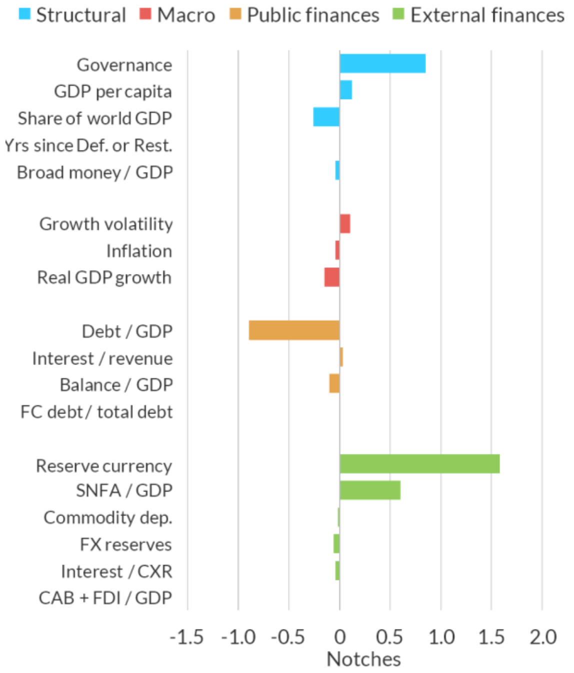
Rating Summary

Long-Term Foreign-Currency Issuer Default Rating: AA+

Sovereign Rating Model: AA+

Contribution of variables, relative to AA median



Qualitative Overlay: 0

Adjustments relative to SRM data and output

Structural features: No adjustment.

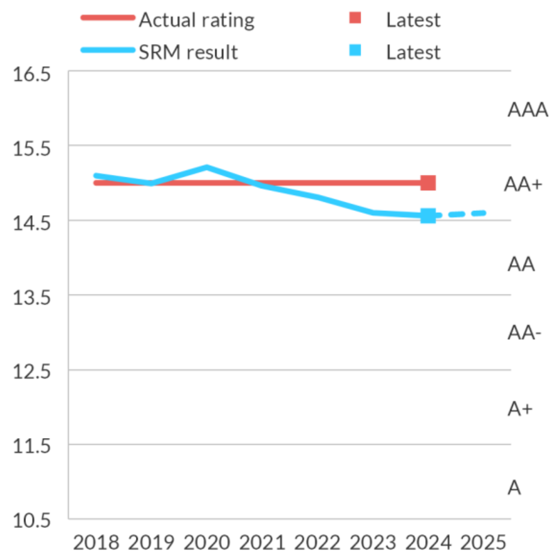
Macroeconomic outlook, policies and prospects: No adjustment.

Public finances: No adjustment.

External finances: No adjustment.

Note: See *Peer Analysis table* for summary data, including rating category medians; see the *Full Rating Derivation table* for detailed SRM data.
Source: Fitch Ratings

Sovereign Rating Model Trend



Recent Rating Derivation History

Review Date	LT FC IDR	SRM Result[ab]	QO S	M	PF	EF
Latest	AA+	AA+	0	0	0	0
9 Feb 24	AA+	AA+	0	0	0	0
11 Aug 23	AA+	AA+	0	0	0	0
17 Feb 23	AA+	AA+	0	0	0	0
9 Sep 22	AA+	AA+	0	0	0	0
8 Apr 22	AA+	AA+	0	0	0	0
22 Oct 21	AA+	AA+	0	0	0	0
23 Apr 21	AA+	AA+	0	0	0	0
30 Oct 20	AA+	AA+	0	0	0	0
26 Jun 20	AA+	AA+	0	0	0	0

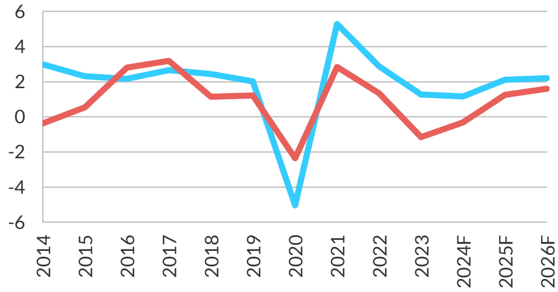
[a] The latest rating uses the SRM result for 2024 from the chart. This will roll forward to 2025 in July 2025.
[b] Historical SRM results in this table may differ from the chart, which is based on our latest data, due to data revisions.
Abbreviations: LT FC IDR = Long-Term Foreign-Currency Issuer Default Rating; SRM = Sovereign Rating Model; QO = Qualitative Overlay
Source: Fitch Ratings

Peer Analysis

Finland   AA Median

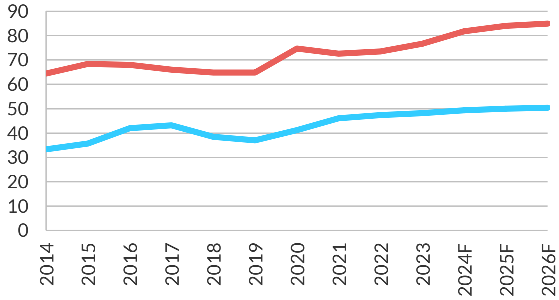
Consumer Price Inflation
(annual avg, %)

Real GDP Growth
(%)

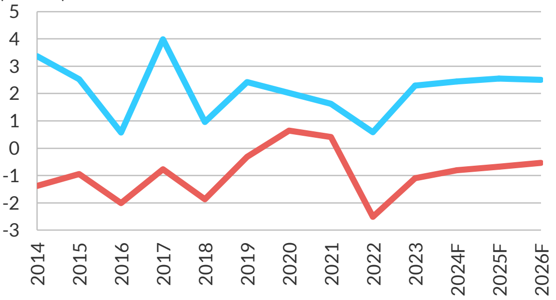


General Government Balance
(% GDP)

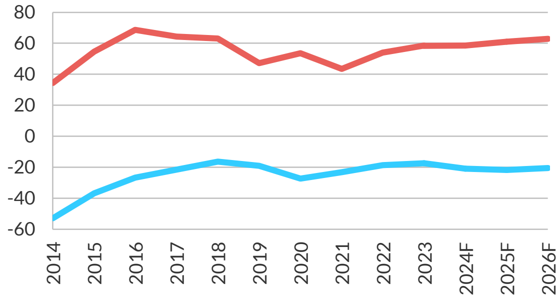
Gross General Government Debt
(% GDP)



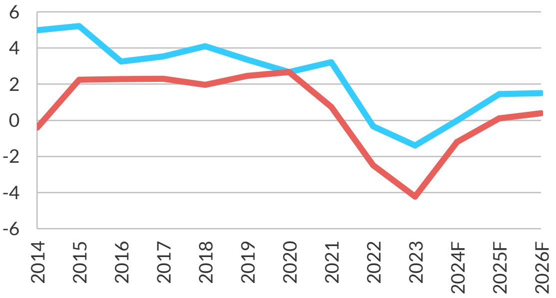
Current Account Balance
(% GDP)



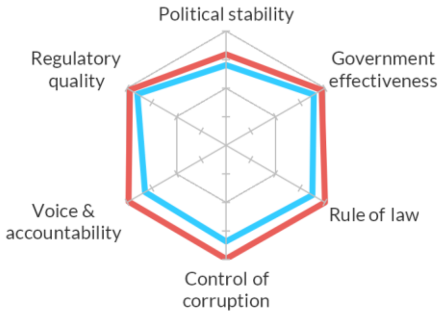
Net External Debt
(% GDP)



Real Private-Sector Credit Growth
(%)



Governance Indicators
Percentile rank



F - Forecast
Source: Fitch Ratings, Statistical Office, Ministry of Finance, IMF, World Bank

Peer Analysis

2024F[a]	Finland	AA median	AAA median	A median
Structural features				
GDP per capita (USD) [SRM]	54,177	53,127	68,755	31,559
Share in world GDP (%) [SRM]	0.3	0.0	0.0	0.0
Composite governance indicator (percentile, latest) [SRM][b]	95.3	84.3	93.8	74.7
Human development index (percentile, latest)	93.2	89.7	94.7	82.2
Broad money (% GDP) [SRM]	76.8	100.4	94.0	89.0
Private credit (% GDP, 3-year average)	90.3	103.1	123.3	73.6
Dollarisation ratio (% bank deposits, latest)	3.5	12.5	14.4	10.6
Bank system capital ratio (% assets, latest)	20.7	16.8	15.0	16.2
Macroeconomic performance and policies				
Real GDP growth (%, 3-year average) [SRM]	-0.1	2.2	2.1	3.8
Real GDP growth volatility (complex standard deviation) [SRM]	2.1	2.4	1.9	3.0
Consumer price inflation (%, 3-year average) [SRM]	2.5	2.2	1.8	2.4
Unemployment rate (%)	8.1	5.1	5.3	6.3
Public finances (general government)[c]				
Balance (% GDP, 3-year average) [SRM]	-3.3	-0.9	-0.2	-2.5
Primary balance (% GDP, 3-year average)	-1.8	0.4	1.1	-0.7
Interest payments (% revenue, 3-year average) [SRM]	2.6	3.4	3.6	4.3
Gross debt (% revenue, 3-year average)	150.7	140.1	113.8	135.7
Gross debt (% GDP, 3-year average) [SRM]	80.8	41.6	43.9	42.3
Net debt (% GDP, 3-year average)	76.8	33.8	37.2	36.8
FC debt (% gross debt, 3-year average) [SRM]	0.0	0.6	0.0	8.2
External finances[c]				
Current account balance (% GDP, 3-year average)	-0.9	1.6	5.3	1.2
Current account balance + net FDI (% GDP, 3-year avg.) [SRM]	-1.1	0.8	2.2	2.5
Commodity dependence (% CXR) [SRM]	19.5	15.7	14.4	11.8
Gross external debt (% GDP, 3-year average)	217.7	120.1	178.6	66.2
Net external debt (% GDP, 3-year average)	59.4	-5.4	12.1	-7.7
Gross sovereign external debt (% GXD, 3-year average)	24.1	17.7	12.2	21.4
Sovereign net foreign assets (% GDP, 3-year average) [SRM]	64.9	8.9	-4.3	11.7
External interest service (% CXR, 3-year average) [SRM]	9.9	3.9	7.3	2.3
Foreign-exchange reserves (months of CXP) [SRM]	1.3	2.7	1.5	4.4
Liquidity ratio	34.7	54.5	50.8	95.2

[a] Three-year averages are centred on this year. Fitch does not forecast indicators labelled 'latest', meaning data may be lagging.
[b] Composite of all six World Bank Worldwide Governance Indicators (see chart on the previous page).
[c] See Appendix 2: Data Notes and Conventions for details of data treatment for public finances and external finances.
Source: Fitch Ratings, Statistical Office, Ministry of Finance, IMF, World Bank, United Nations

Supplementary Information

BSI / MPI = - / 1. About the BSI and MPI: Fitch's bank systemic indicator (BSI) equates to a weighted average Viability Rating. The macro-prudential risk indicator (MPI) focuses on one potential source of financial stress, ranging from '3' – high potential vulnerability to financial stress over the medium term based on trends in credit expansion, equity and property prices and real exchange rates – to '1' – low likelihood. For more information, refer to Fitch's most recent Macro-Prudential Risk Monitor report.

Year cured from the most recent default or restructuring event, since 1980 = No event.

The de facto exchange-rate regime, based on the latest IMF Annual Report on Exchange Arrangements and Exchange Restrictions report, is 'Free floating (EMU)'.

Rating Factors

Strengths

- Finland's governance scores outperform both the 'AA' and 'AAA' medians. Strong institutions underpin its structural strengths.
- GDP per capita is higher than the 'AA' median and more than three-quarters of the 'AAA' median.
- Finland is a core eurozone issuer, with a low interest-to-revenue ratio compared to the 'AA' median.
- The sovereign has a larger net external financial asset position, estimated at 65.9% of GDP at end-2023.

Weaknesses

- Low productivity growth and a stable working-age population imply low medium-term growth potential. Demographic trends will raise the dependency ratio.
- General government debt (76.6% at end-2023) is higher than the 'AA' and 'AAA' medians (48.2% and 39.9% of GDP, respectively).
- Finland is a larger net external debtor (2023: 58.4%, compared to a net creditor position for the 'AA' median). Banks' liabilities account for over half of gross external debt.

Rating	Sovereign
AAA	Australia
	Denmark
	Germany
	Luxembourg
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
AA+	**Finland**
	Austria
	Canada
	New Zealand
	United States of America
AA	Abu Dhabi
	Ireland
	Macao, China
	Qatar
	Taiwan, China

Source: Fitch Ratings

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- **Public Finances:** A significant and lasting increase in the government debt/GDP ratio, for example, from a failure to implement further fiscal consolidation measures beyond our baseline.
- **Macroeconomics:** A structural deterioration in medium-term growth prospects, for example, due to weakening in competitiveness.
- **Structural:** Substantial worsening of geopolitical risks, notably in the context of an escalation of tensions with Russia.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- **Public Finances:** An improved fiscal performance, which leads to a stabilisation and eventual reduction in the government debt ratio.
- **Macroeconomics:** An improvement in medium-term growth prospects, potentially supported by structural reforms and sustained gains in competitiveness.

Forecast Summary

	2021	2022	2023	2024F	2025F	2026F
Macroeconomic indicators and policy						
Real GDP growth (%)	2.8	1.3	-1.2	-0.3	1.3	1.6
Unemployment (%)	7.6	6.8	7.2	8.1	7.7	7.5
Consumer price inflation (annual average % change)	2.1	7.2	4.4	1.3	1.9	1.8
Policy interest rate (annual average, %)	-0.5	0.2	3.4	3.8	2.8	2.1
General government balance (% GDP)	-2.8	-0.4	-2.9	-3.7	-3.2	-2.7
Gross general government debt (% GDP)	72.6	73.5	76.6	81.8	84.1	85.0
EUR per USD (annual average)	0.8	1.0	0.9	0.9	0.9	0.9
Real private credit growth (%)	0.7	-2.5	-4.2	-1.2	0.1	0.4
External finance						
Merchandise trade balance (USDbn)	2.7	-0.4	10.0	8.9	9.1	9.5
Current account balance (% GDP)	0.4	-2.5	-1.1	-0.8	-0.7	-0.5
Gross external debt (% GDP)	190.2	218.8	216.1	217.7	219.3	218.9
Net external debt (% GDP)	43.4	54.0	58.4	58.6	61.1	62.8
External debt service (principal + interest, USDbn)	71.5	66.6	70.6	79.0	81.6	85.7
Official international reserves including gold (USDbn)	16.7	16.0	16.9	16.7	16.6	16.6
Gross external financing requirement (% int. reserves)	490.1	400.3	366.4	388.0	404.6	424.8
Real GDP growth (%)						
US	5.8	1.9	2.5	2.1	1.5	1.6
China	8.4	3.0	5.2	4.8	4.5	4.5
Eurozone	5.4	3.5	0.4	0.8	1.5	1.4
World	6.3	2.7	2.9	2.6	2.4	2.4
Oil (USD/barrel)	70.6	98.6	82.1	80.0	70.0	65.0

Source: Fitch Ratings

Sources and Uses

Public Finances (General Government)

(EURbn)	2024	2025
Uses	**30.7**	**29.4**
Budget deficit	10.4	9.1
MLT amortisation	20.3	20.3
Domestic	20.3	20.3
External	0.0	0.0
Sources	**30.7**	**29.4**
Gross borrowing	29.2	27.6
Domestic	28.3	26.7
External	0.9	0.9
Privatisation	0.0	0.0
Other	3.5	3.9
Change in deposits (- = increase)	-2.1	-2.0

Source: Fitch Ratings

External Finances

(USDbn)	2024	2025
Uses	**65.7**	**67.6**
Current account deficit	2.4	2.1
MLT amortisation	63.2	65.5
Sovereign	15.1	15.6
Non-sovereign	48.2	49.9
Sources	**65.7**	**67.6**
Gross MLT borrowing	72.5	84.7
Sovereign	20.1	21.5
Non-sovereign	52.4	63.2
FDI	6.1	-4.9
Other	-13.1	-12.2
Change in FX reserves (- = increase)	0.2	0.1

Source: Fitch Ratings

Credit Developments

Continued Economic Weakness

The Finnish economy has been negatively affected by high interest rates and weak global growth over the past couple of years. Recent global economic uncertainties and domestic policy challenges have exacerbated this situation. The economy grew by 0.2% in 1Q24 compared to 4Q23. However, leading indicators suggest that the second quarter may be the weakest of the year.

Finland has had strong interest rate transmission due to the high proportion of variable-rate loans, which continues to negatively affect investments, especially in construction. Manufacturing has also faced challenges due to high interest rates and low demand. High interest rates also limit private consumption, as households face higher borrowing costs and reduced disposable income. Although real wages have been rising since the second half of 2023 due to falling inflation, we expect low consumer confidence and rising unemployment will further constrain private consumption growth.

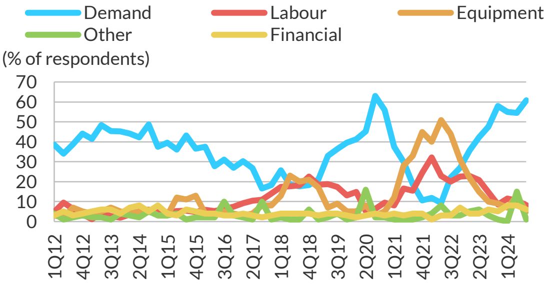
We expect growth to gain momentum towards the end of the year, aided by lower interest rates and a modest improvement in eurozone growth. However, recent government policy measures aimed at stabilising public finances are expected to weaken domestic demand. We expect public spending to contribute only minimally to growth. Overall, we estimate that Finland's growth this year, although better than in 2023 (-1.2%), will still be negative (-0.3%), partly due to the low carry-over effect.

In 2025 and 2026, we expect that decreasing interest rates will support more robust investment and private consumption growth. Continued increase in real wages will further support private consumption. Moreover, thanks to the growth of trade partners, particularly within the EU, we expect net exports to contribute positively. We project growth at 1.3% in 2025 and 1.6% in 2026.

However, several risks could affect this outlook. The main risks include the ECB reducing rates less than expected, slow growth of external trade partners, particularly the EU, and the escalation of the war in Ukraine. These risks could exacerbate existing economic challenges and further strain Finland's recovery efforts. Additionally, Finland's potential growth is constrained by structural issues such as weak productivity growth and an ageing population, which pose significant long-term challenges.

Survey Data on Production Constraints

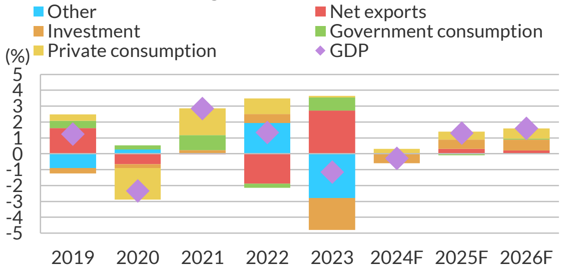
Industrial sector - factors limiting production



Source: Fitch Ratings, European Commission

Negative Economic Growth in 2024

Contributions to GDP growth



Source: Fitch Ratings, Statistics Finland

Unemployment Is on the Rise

Following the economic downturn since 2023, the Finnish labour market has shown signs of cooling. In 2Q24, the employment rate for individuals aged 15–64 declined to 73.3%, down from the peak of 75.0% in 2Q23. Despite this decline, the rate remains above the 2010–2023 average of 69.6%. However, the reduction in employment has led to a rise in the unemployment rate, which increased to 8.3% in June 2024 from 6.5% in March 2023 (2010–2023 average: 8.0%).

Although unemployment is generally widespread among sectors, it is more pronounced in construction-related sectors due to more severe contraction. We anticipate that continued economic weakness in 2024 will push the annual unemployment rate up to 8.1% from 7.2% in 2023. However, with expected economic growth in 2025 and 2026, we forecast the unemployment rate decreasing to an average of 7.6%.

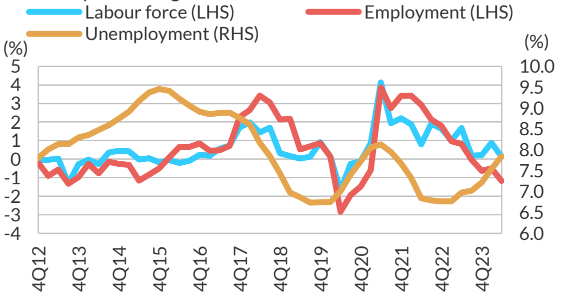
Additionally, Finland is facing significant skill mismatches, where the skills of the workforce do not align with the needs of the labour market. This mismatch exacerbates unemployment issues and hinders economic recovery. While job vacancies have decreased due to the current recession, this is likely a temporary situation. As the economy recovers, the skill mismatch problem could become more prominent.

Inflation Is Under Control

Inflation (HICP) in Finland is lower than the eurozone average. In June, HICP was 0.55%, driven by low food prices and the negative contribution of energy prices, whereas the euro area average was 2.5%. Although service inflation continues to reduce, it remains a fairly high 2.7%. We forecast average annual inflation of 1.3% in 2024 due to the impact of a planned VAT increase to 25.5% from 24% scheduled for September and upward adjustments to electricity prices. For 2025 and 2026, we expect inflation to be 1.9% and 1.8%, respectively. This forecast is based on the anticipated additional effect of indirect taxes alongside the VAT hike.

Slowdown in Employment Growth

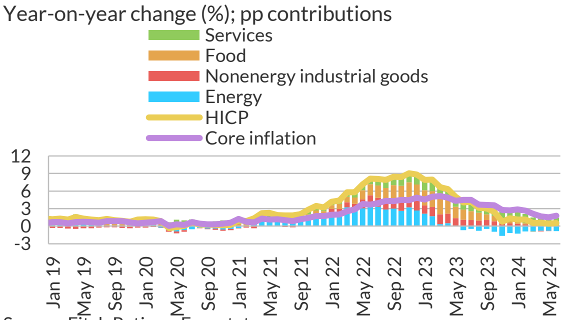
Year-on-year change



Source: Fitch Ratings, Statistics Finland

Negative Contribution from Energy on Inflation

Year-on-year change (%); pp contributions



Source: Fitch Ratings, Eurostat

Budget Deficit Will Worsen in 2024

In 1Q24, Finland's budget deficit rose to 3.4% of GDP on an annual basis, driven by 7.7% rise in expenditure. Fitch projects the budget deficit will reach 3.7% of GDP for the full year, up from 2.9% in 2023. This increase is driven by negative economic growth and a reduction in unemployment insurance contributions, which we expect to constrain revenue. Simultaneously, social spending and the indexation of wages and pensions will drive up expenditure.

After assuming office in 2023, the government announced a EUR6 billion (2% of GDP) package of measures by 2027. In April 2024, to curb the rise in public debt, an additional EUR3 billion (1% GDP) in measures (split equally between expenditure cuts and revenue increases) was unveiled as part of the Fiscal Plan for 2025–2028. Although a VAT increase (from 24% to 25.5%) is set for September 2024, reduction of the pension income allowances, reduction of the tax credit for household expenses, and an increase in insurance premium tax rate, among most other measures will take effect in 2025. These initiatives reflect the government's effort to consolidate public finances.

Despite these efforts and the expected economic growth in 2025, Fitch forecasts only a modest reduction in the budget deficit next year (3.2% of GDP), primarily due to increased military spending. The main driver is the F-35 fighter jet programme, which will incur a total cost of EUR12.5 billion (around 5% of GDP, including VAT) by 2030. Potential delays in aircraft delivery to 2026 would shift the budget impact accordingly under ESA accounting.

The European Commission has opted not to initiate an Excessive Deficit Procedure (EDP) for Finland, even though the budget deficit is expected to exceed 3.0% in 2024, because the Commission projects the deficit is temporary and will fall below 3.0% in 2025. However, in its summer economic survey, the Ministry of Finance increased its budget deficit projection to 3.1% for 2025. This, raises the possibility of Finland being subject to EDP in the near future. For 2026, we expect the budget deficit to decrease to 2.7% with the help of economic growth and the impact of the government measures.

Public Debt Will Continue to Increase

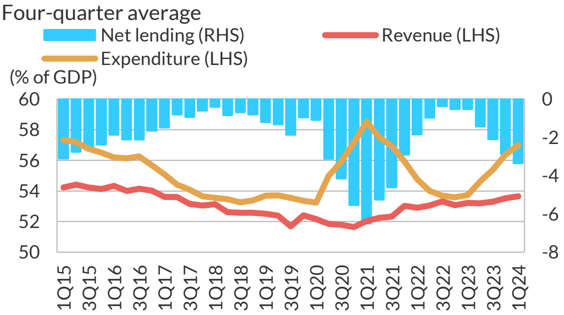
Fitch forecasts the general government debt will continue to rise, reaching 81.8% of GDP by the end of 2024, up from 76.6% at the end of 2023 ('AA' median estimate: 48.2%). We expect debt will increase further in 2025 and 2026, reaching 85.0% by the end of 2026. However, risks arising from high public debt and an ageing population are mitigated by substantial pension assets, which equalled 94% of GDP at the end of March 2024, with more than one-third belonging to public pension funds. Long-term projections indicate that these assets will only decrease to around 75% of GDP by 2050, despite the rapid ageing of the country.

A significant factor contributing to the increase in debt is high stock-flow adjustments. Pension assets included in the general government balance but not used for debt repayment, alongside rising military expenditures, exacerbate this issue. Finland's interest payments rose to 1.2% of GDP in 1Q24 annualised, up from 0.5% in 3Q22, reflecting the high interest rate environment and contributing to the increase in public debt. We expect this ratio to be 1.4% in 2024, further increasing to 1.7% of GDP in 2025 and 1.8% in 2026, which is higher than the forecast 'AA' median of 1.2% for 2024.

Spreads to German bunds have almost tripled, rising to 50–60 basis points (bp) from approximately 20bp over the past two years. This increase is likely due to risk perceptions around Finland's rising debt levels and lower market liquidity for smaller issuers as a result of ECB quantitative tightening.

Fiscal Balance Is Deteriorating

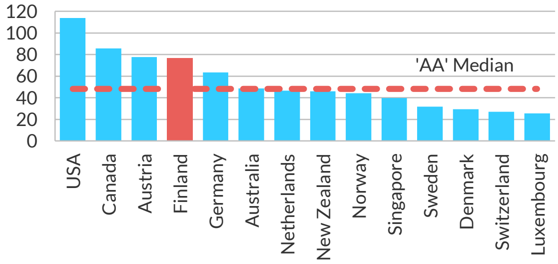
Four-quarter average



Source: Fitch Ratings, Eurostat

General Government Debt Well Above 'AA' Median

General government debt (% of GDP), 2023



Source: Fitch Ratings, National Sources

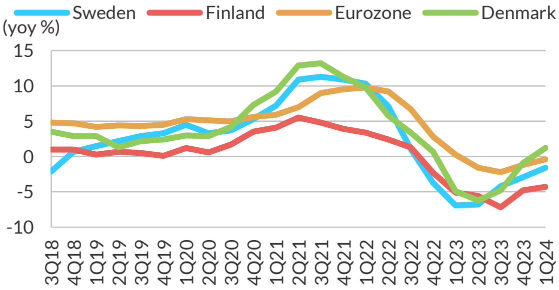
Weak Credit Flows, House Prices Still Falling

In Finland, where the proportion of variable-rate loans is high among housing loans (around 97%), high interest rates have affected credit growth significantly. Although loans to households have been decreasing since April 2023, the rate of decline has been slowing since the beginning of 2024. Meanwhile, loans to the real sector grew around 2.6% annually as of June. House prices are also following a similar trend to household loans. The rate of decline in house prices is slowing.

While debt service costs have risen, asset quality metrics in Finland have not deteriorated significantly. The non-performing loan (NPL) ratio of the banking system was 1.2% in 1Q24 on the basis of EBA data (1Q23: 1.0%). Banks' capitalisation remains high, with the common equity Tier 1 capital ratio at 18.6% in 1Q24, compared to 17.1% a year earlier.

Sharp Correction in Housing Prices

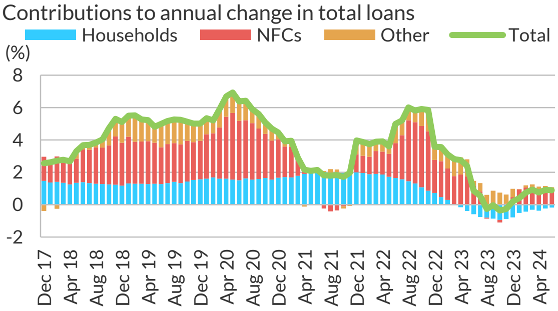
Housing price index



Source: Fitch Ratings, Eurostat

Private Credit Growth Is Weak

Contributions to annual change in total loans



Source: Fitch Ratings, Bank of Finland

Public Debt Dynamics

Gross general government debt should increase to about 87% of GDP by 2028, according to Fitch's baseline projections. Scenarios with lower growth, higher interest rates and no fiscal consolidation would result in the debt ratio rising to 87%–92% by 2028. Structural surpluses in social security funds are not used to pay down debt, and therefore appear as debt-increasing stock flow adjustments.

Debt Dynamics - Fitch's Baseline Assumptions

	2022	2023	2024	2025	2026	2027	2028
Gross general government debt (% of GDP)	73.5	76.6	81.8	84.1	85.0	85.9	87.0
Primary balance (% of GDP)	0.2	-1.7	-2.3	-1.5	-0.9	-0.6	-0.4
Real GDP growth (%)	1.3	-1.2	-0.3	1.3	1.6	1.2	1.2
Average nominal effective interest rate (%)	0.8	1.6	1.9	2.1	2.2	2.3	2.4
EUR/USD (annual average)	1.0	0.9	0.9	0.9	0.9	0.9	0.9
GDP deflator (%)	5.4	3.9	2.0	2.1	2.4	2.0	2.0
Stock-flow adjustments (% of GDP)	0.0	0.0	2.7	1.8	1.5	1.1	1.3

Source: Fitch Ratings

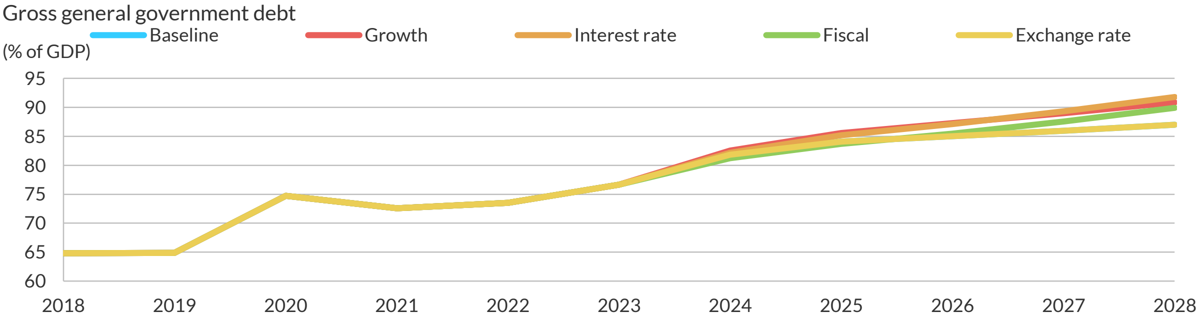
Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	GDP growth 0.9% lower (half standard deviation lower)
Interest rate	Marginal interest rate 250bp higher
Fiscal	Stable primary balance deficit of 1.7% of GDP starting 2024
Exchange rate	N/A

Source: Fitch Ratings

Sensitivity Analysis

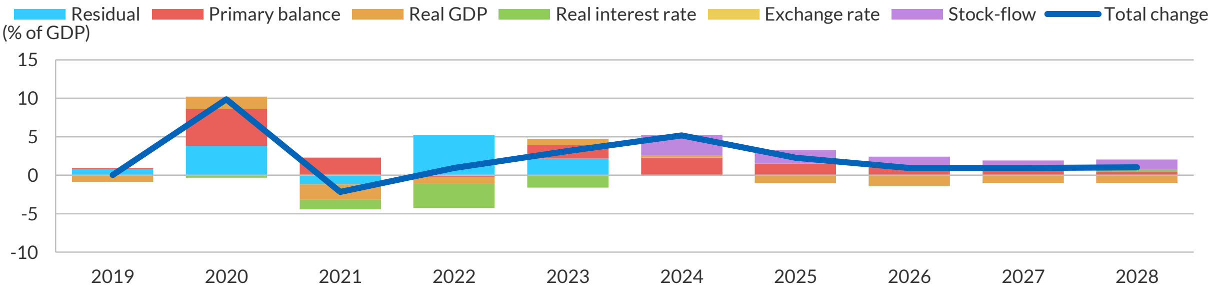
Gross general government debt



Source: Fitch Ratings, Fitch Debt Dynamics Model

Baseline Scenario: Debt Creating Flows

Change in gross general government debt



Source: Fitch Ratings, Fitch Debt Dynamics Model

About the Public Debt Dynamics

Fitch uses stylised projections for a sovereign's gross general government debt/GDP ratio to illustrate the sustainability of its debt burden and its sensitivity to economic growth, the cost of borrowing, fiscal policy and the exchange rate.

Data Tables

General Government Summary

(% GDP)	2018	2019	2020	2021	2022	2023	2024F	2025F	2026F
Revenue	52.5	52.4	51.6	53.0	53.0	53.5	53.7	53.7	53.3
Expenditure	53.4	53.3	57.2	55.8	53.4	56.4	57.4	56.9	56.0
o/w interest payments	0.9	0.9	0.7	0.5	0.6	1.2	1.4	1.7	1.8
Interest payments (% revenue)	1.8	1.6	1.4	1.0	1.1	2.2	2.6	3.1	3.4
Primary balance	0.1	-0.1	-4.9	-2.3	0.2	-1.7	-2.3	-1.5	-0.9
Overall balance	-0.9	-0.9	-5.6	-2.8	-0.4	-2.9	-3.7	-3.2	-2.7
Gross government debt	64.8	64.9	74.7	72.6	73.5	76.6	81.8	84.1	85.0
% of government revenue	123.4	123.8	144.8	137.0	138.6	143.2	152.4	156.5	159.5
Issued in domestic market	22.1	22.7	26.3	34.4	34.7	34.4	36.7	37.7	38.1
Issued in foreign markets	42.8	42.1	48.4	38.1	38.8	42.3	45.1	46.3	46.9
Local currency	64.8	64.9	74.7	72.6	73.5	76.6	81.8	84.1	85.0
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central government deposits	1.4	1.1	3.7	2.4	2.0	3.6	4.3	4.2	4.0
Net government debt	63.5	63.8	71.0	70.2	71.5	73.0	77.5	79.9	81.0
Financing		0.9	5.6	2.8	0.4	2.9	3.7	3.2	2.7
Domestic borrowing		1.2	3.4	9.4	2.4	0.6	2.9	2.2	1.9
External borrowing		-0.3	10.2	-11.1	0.9	5.9	2.6	2.7	2.3
Other financing		0.0	-8.1	4.5	-3.0	-3.6	-1.7	-1.8	-1.5
Change in deposits (- = increase)		0.3	-2.6	1.1	0.2	-1.7	-0.7	0.0	0.0
Privatisation		-	-	-	-	-	-	-	-
Other		-0.3	-5.5	3.4	-3.2	-1.9	-1.0	-1.8	-1.5

Source: Fitch Ratings, Ministry of Finance

Balance of Payments

(USDbn)	2018	2019	2020	2021	2022	2023	2024F	2025F	2026F
Current account	-5.2	-0.8	1.7	1.2	-7.1	-3.3	-2.4	-2.1	-1.7
% GDP	-1.9	-0.3	0.6	0.4	-2.5	-1.1	-0.8	-0.7	-0.5
Goods	0.3	2.6	3.2	2.7	-0.4	10.0	8.9	9.1	9.5
Services	-3.8	-2.2	-2.8	-2.7	-6.4	-10.8	-10.8	-10.8	-10.8
Primary income	1.0	1.4	4.6	4.7	2.6	-0.1	2.2	2.2	2.2
Secondary income	-2.7	-2.6	-3.2	-3.5	-2.8	-2.4	-2.7	-2.6	-2.6
Capital account	0.2	0.2	0.2	0.2	0.2	-0.4	0.1	0.1	0.0
Financial account	-18.9	-10.3	-1.4	-4.8	-9.7	-11.0	-2.1	-2.0	-1.6
Direct investment	13.7	-8.6	7.4	-4.4	7.4	3.5	-6.1	4.9	4.2
Portfolio investment	-24.6	-28.4	-0.1	23.7	-8.5	-5.9	1.2	3.6	6.1
Derivatives	-0.7	0.5	-1.7	2.3	-6.6	-3.5	-3.2	-5.0	-6.0
Other investments	-7.3	26.1	-7.0	-26.5	-2.0	-5.1	6.0	-5.5	-5.9
Net errors and omissions	-14.0	-9.1	-2.3	-2.8	-2.4	-7.3	0.0	0.0	0.0
Change in reserves (+ = increase)	-0.1	0.6	1.0	3.4	0.4	0.0	-0.2	-0.1	-0.1
International reserves, incl. gold	10.3	11.4	13.5	16.7	16.0	16.9	16.7	16.6	16.6
Liquidity ratio (%)	27.0	44.0	39.3	37.1	40.6	36.3	34.7	34.4	33.8
Memo									
Current external receipts (CXR)	128.3	132.6	121.1	145.6	156.0	158.7	154.6	158.1	162.1
Current external payments (CXP)	133.5	133.4	119.4	144.4	163.1	162.0	157.0	160.2	163.8
CXR growth (%)	10.4	3.3	-8.7	20.3	7.1	1.7	-2.6	2.3	2.5
CXP growth (%)	13.0	-0.1	-10.5	21.0	13.0	-0.7	-3.1	2.0	2.2
Gross external financing requirement	53.5	62.2	59.8	66.1	67.0	58.8	65.7	67.6	70.7
% International reserves	509.4	603.3	523.7	490.1	400.3	366.4	388.0	404.6	424.8
Net external borrowing	31.8	29.0	-4.4	-7.4	83.3	21.4	15.8	25.9	26.6

Source: Fitch Ratings, IMF

External Debt and Assets

(USDbn)	2018	2019	2020	2021	2022	2023	2024F	2025F	2026F
Gross external debt	591.9	606.3	664.9	564.0	615.9	642.3	658.0	684.0	710.6
% GDP	214.8	225.8	245.1	190.2	218.8	216.1	217.7	219.3	218.9
% CXR	461.2	457.3	549.1	387.3	394.7	404.6	425.8	432.6	438.5
Short-term debt (% GXD)	48.2	49.2	49.4	46.8	55.0	50.8	50.2	49.6	48.9
By debtor									
Sovereign	129.9	128.0	161.1	134.5	135.8	154.0	158.9	164.8	169.3
Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	129.9	128.0	161.1	134.4	135.8	153.9	158.9	164.8	169.2
Banks	373.3	383.6	395.0	339.2	379.1	388.4	389.6	396.3	403.0
Other sectors	88.7	94.6	108.8	90.3	101.0	99.9	109.5	122.8	138.3
Gross external assets (non-equity)	418.3	479.6	519.7	435.3	463.9	468.6	481.0	493.3	506.7
Sovereign	78.9	146.4	152.6	124.0	142.1	163.8	163.4	163.3	163.1
International reserves, incl. gold	10.3	11.4	13.5	16.7	16.0	16.9	16.7	16.6	16.6
Other sovereign assets	68.6	135.0	139.1	107.2	126.1	146.9	146.7	146.6	146.6
Banks	245.4	234.7	252.3	207.3	226.9	204.1	208.3	212.5	217.4
Other sectors	94.0	98.5	114.8	104.0	94.8	100.7	109.1	117.3	125.8
Net external debt	173.6	126.6	145.2	128.8	152.1	173.7	177.0	190.7	203.9
% GDP	63.0	47.2	53.5	43.4	54.0	58.4	58.6	61.1	62.8
Sovereign	51.0	-18.4	8.6	10.5	-6.3	-9.8	-4.6	1.3	5.8
Banks	127.9	148.9	142.7	131.9	152.2	184.3	181.3	183.9	185.6
Other sectors	-5.3	-3.9	-6.0	-13.6	6.2	-0.8	0.4	5.5	12.5
International investment position									
Assets	418.3	479.6	519.7	435.3	463.9	468.6	481.0	493.3	506.7
Liabilities	591.9	606.3	664.9	564.0	615.9	642.3	658.0	684.0	710.6
Net	-15.0	10.9	-11.8	2.7	-6.4	29.5	-	-	-
Net sovereign	72.2	162.8	155.7	173.0	171.1	196.0	193.6	201.4	209.4
% GDP	26.2	60.6	57.4	58.4	60.8	65.9	64.1	64.6	64.5
External debt service (principal + interest)	53.6	67.0	66.4	71.5	66.6	70.6	79.0	81.6	85.7
Interest (% CXR)	4.1	4.3	4.0	2.9	4.2	9.5	10.2	10.2	10.3

Source: Fitch Ratings, central bank, IMF, World Bank

Full Rating Derivation

Long-Term Foreign-Currency Issuer Default Rating (SRM + QO)	AA+

Sovereign Rating Model						Applied Rating[d]		AA+
					Model Result and Predicted Rating			14.56 = AA+
Input Indicator	**Weight (%)**	**2023**	**2024**	**2025**	**Adjustment to Final Data**	**Final Data**	**Coefficient**	**Output (notches)**
Structural features								**10.49**
Governance indicators (percentile)	21.4	n.a.	95.3	n.a.	-	95.3	0.077	7.38
GDP per capita (USD)	12.4	n.a.	54,177	n.a.	Percentile	83.9	0.038	3.21
Nominal GDP (% world GDP)	13.9	n.a.	0.29	n.a.	Natural log	-1.3	0.627	-0.78
Most recent default or restructuring	4.6	n.a.	None	n.a.	Inverse 0-1[a]	0.0	-1.822	0
Broad money (% GDP)	1.2	n.a.	76.8	n.a.	Natural log	4.3	0.158	0.69
Macroeconomic performance, policies and prospects								**-0.73**
Real GDP growth volatility	4.6	n.a.	2.1	n.a.	Natural log	0.7	-0.728	-0.54
Consumer price inflation	3.4	4.4	1.3	1.9	3-yr average[b]	2.8	-0.067	-0.19
Real GDP growth	2.0	-1.2	-0.3	1.3	3-yr average	-0.1	0.065	-0.00
Public finances								**-2.09**
Gross general govt debt (% GDP)	8.9	76.6	81.8	84.1	3-yr average	80.8	-0.023	-1.84
General govt interest (% revenue)	4.5	2.2	2.6	3.1	3-yr average	2.6	-0.044	-0.11
General govt fiscal balance (% GDP)	2.4	-2.9	-3.7	-3.2	3-yr average	-3.3	0.044	-0.14
FC debt (% of total general govt debt)	2.7	0.0	0.0	0.0	3-yr average	0.0	-0.007	0
External finances								**2.13**
Reserve currency (RC) flexibility	7.3	n.a.	3.1	n.a.	RC score 0 - 4.5[c]	3.1	0.509	1.58
SNFA (% of GDP)	7.4	65.9	64.1	64.6	3-yr average	64.9	0.011	0.70
Commodity dependence	1.2	n.a.	19.5	n.a.	Latest	19.5	-0.004	-0.08
FX reserves (months of CXP)	1.5	n.a.	1.3	n.a.	n.a. if RC score> 0	0.0	0.029	0
External interest service (% CXR)	0.4	9.5	10.2	10.2	3-yr average	9.9	-0.007	-0.07
CAB + net FDI (% GDP)	0.1	-2.3	1.2	-2.3	3-yr average	-1.1	0.001	-0.00
Intercept Term (constant across all sovereigns)								**4.76**

[a] Inverse 0-1 scale, declining weight; [b] of truncated value (2%-50%); [c] Declining weight; [d] Sovereign rating committee can override SRM Predicted Rating if a marginal change in the Model Result leads to a notch change which is judged to be temporary or caused by a re-estimation of the SRM, a process that Fitch undertakes on at least an annual basis. Please refer to the Rating Action Commentary for further information when the Applied Rating differs from the Predicted Rating.
Note: This table contains data as at the date of the most recent rating action. There may be minor differences to data presented elsewhere in this report, which may have been updated where appropriate, for example in the event of subsequent data releases.
Source: Fitch Ratings

Qualitative Overlay (Notch Adjustment, Range +/-3)	**0**
Structural features	0
Macroeconomic outlook, policies and prospects	0
Public finances	0
External finances	0

Source: Fitch Ratings

About the SRM and QO

Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a LT FC IDR. Fitch's QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

Supplementary Ratings

Local-Currency Rating

Finland's credit profile does not support a notching-up of the Long-Term Local-Currency IDR above the Foreign Currency equivalent. In Fitch's view, neither of the two major factors cited in the criteria that support upward notching of the Long-Term Local-Currency IDR is present, namely: strong public finance fundamentals relative to external finance fundamentals and previous preferential treatment of Local-Currency relative to Foreign-Currency creditors. Finland is also a eurozone country, which constrains the Long-Term Local-Currency IDR at the same level as the Foreign-Currency version.

Country Ceiling

The Country Ceiling for Finland is 'AAA', 1 notch above the LT FC IDR. This reflects very strong constraints and incentives, relative to the IDR, against capital or exchange controls being imposed that would prevent or significantly impede the private sector from converting local currency into foreign currency and transferring the proceeds to non-resident creditors to service debt payments.

Fitch's Country Ceiling Model produced a starting point uplift of +1 notch above the IDR. Fitch's rating committee did not apply a qualitative adjustment to the model result.

Overall Country Ceiling Uplift (CCM + QA, notches)			**+1**
Country Ceiling Model (CCM, notches)			**+1**
Pillar I = Balance of payments restrictions			**+2**
Current account restrictions (% of 40)	Latest	5.0	+3
Capital account restrictions (% of 69)	Latest	21.7	+2
Combined pillar II & III incentives score			**+1**
Pillar II = Long-term institutional characteristics			**+2**
Governance (WB WGI)	Latest	95.3	+3
International trade			+1
Trade openness	2020-2024 average	51.1	+2
Volatility of change in CXR (across 10 years)	2024	11.1	+1
Export share to FTA partners	2020-2024 average	74.3	+2
International financial integration[a]	2020-2024 average	139.5	+3
Pillar III = Near-term risks			**+1**
Macro-financial stability risks			+2
Composite inflation risk score			+2
Volatility of CPI (across 10 years)	2024	2.2	+2
Recent CPI peak	2020-2024 max	7.2	+3
Cumulative broad money growth	2019-2024 change %	7.5	+3
Volatility of change in REER (across 10 years)	2024	5.6	+1
Dollarisation	Most recent	3.5	+3
Exchange rate risks			+1
Net external debt (% of CXR)	2022-2024 average	109.8	0
Exchange rate regime	Latest	Free floating	+3
Qualitative Adjustment (QA, notches)			**0**
Pillar I = Balance of payments restrictions			0
Pillar II = Long-term institutional characteristics			0
Pillar III = Near-term macro-financial stability risks			0

[a] Data for international financial integration is the average of private external assets (% of GDP) & private external debt (% GDP).
Source: Fitch Ratings

Full Rating History

	Foreign-Currency Rating			Local-Currency Rating			
Date	Long-Term	Short-Term	Outlook/Watch	Long-Term	Short-Term	Outlook/Watch	Country Ceiling
24 Jan 20	AA+	F1+	Stable	AA+	F1+	Stable	AAA
03 Aug 18	AA+	F1+	Positive	AA+	F1+	Positive	AAA
22 Jul 16	AA+	F1+	Stable	AA+	F1+	Stable	AAA
11 Mar 16	AA+	F1+	Stable	AA+	-	Stable	AAA
20 Mar 15	AAA	F1+	Negative	AAA	-	Negative	AAA
22 Dec 05	AAA	F1+	Stable	AAA	-	Stable	AAA
17 Jun 04	AAA	F1+	Stable	AAA	-	-	AAA
21 Sep 00	AAA	F1+	Stable	AAA	-	-	-
05 Aug 98	AAA	F1+	-	AAA	-	-	-
14 Jul 98	AA+	F1+	-	AA+	-	-	-
29 Apr 97	AA+	F1+	-	AAA	-	-	-
12 Mar 96	AA	F1+	-	AAA	-	-	-
26 Oct 95	AA-	F1+	-	AAA	-	-	-
10 Aug 94	AA-	-	-	-	-	-	-

Source: Fitch Ratings

Appendix 1: Environmental, Social and Governance (ESG)

Credit Relevance Scores

General Issues	Key Sovereign Issues	SRM	QO	Score[a]
Environmental (E)				
GHG Emissions and Air Quality	Emissions and air pollution as a constraint on GDP growth	2	2	2
Energy Management	Energy resource management, including potential for 'stranded assets', affecting exports, government revenues and GDP	3	2	3
Water Resources and Management	Water resource availability and management as a constraint on GDP growth	2	2	2
Biodiversity and Natural Resource Management	Natural resource management, including potential for 'stranded assets', affecting exports, government revenues and GDP	3	2	3
Natural Disasters and Climate Change	Impact of adverse climate trends, and likelihood of and resilience to shocks	3	2	3
Social (S)				
Human Rights and Political Freedoms	Social stability, voice and accountability, regime legitimacy	4	2	4 +
Human Development, Health and Education	Impact of human development, health and education on GDP per capita and GDP growth	3	2	3
Employment and Income Equality	Impact of unemployment and income equality on GDP per capita, GDP growth and political and social stability	3	2	3
Public Safety and Security	Impact of public safety and security on business environment and/or economic performance	3	2	3
Demographic Trends	Population decline or aging, rapidly rising youth population; pensions sustainability	3	2	3
Governance (G)				
Political Stability and Rights	Political divisions and vested interests; geo-political risks including conflict, security threats and violence; policy capacity: unpredictable policy shifts or stasis	5	2	5 +
Rule of Law, Institutional & Regulatory Quality, Control of Corruption	Government effectiveness, control of corruption, rule of law, regulatory quality	5	2	5 +
International Relations and Trade	Trade agreements, membership of international organisations, bilateral relations; sanctions or other costly international actions	3	3	3
Creditor Rights	Willingness to service and repay debt	4	2	4 +
Data Quality and Transparency	Availability, limitations and reliability of economic and financial data, including transparency of public debt and contingent liabilities	3	2	3

Source: Fitch Ratings

About ESG Credit Relevance Scores

The scores signify the credit relevance of the respective E, S and G issues to the sovereign entity's credit rating, according to the following scale:

- 5 – Highly relevant to the rating, a key rating driver with a high weight.
- 4 – Relevant to the rating, a rating driver.
- 3 – Relevant, but only has an impact on the entity rating in combination with other factors.
- 2 – Irrelevant to the entity rating but relevant to the sector (sovereigns).
- 1 – Irrelevant to the entity rating and irrelevant to the sector (sovereigns).

The score for each 'General Issue' is comprised of a component SRM and QO score, and is simply the higher of the two. SRM scores are fixed across all sovereigns as the weights in the SRM are the same for all sovereigns; QO component scores vary across all sovereigns.

All scores of '4' or '5' result in a negative impact on the rating, unless indicated otherwise. Where a positive impact is occurring, the score of '4' or '5' is appended with a '+' symbol. Scores of '3', '2' and '1' do not have a direction of impact assigned.

Please refer to ESG Relevance Scores for Sovereigns for further information on the framework, including 'Sovereign Rating Criteria References' (which identify specific potentially related SRM variables and QO factors for each 'General Issue').

Credit-Relevant ESG Derivation

Finland has an ESG Relevance Score of '5[+]' for Political Stability and Rights as World Bank Governance Indicators have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and a key rating driver with a high weight. As Finland has a percentile rank above 50 for the respective Governance Indicator, this has a positive impact on the credit profile.

Finland has an ESG Relevance Score of '5[+]' for Rule of Law, Institutional & Regulatory Quality and Control of Corruption as World Bank Governance Indicators have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and are a key rating driver with a high weight. As Finland has a percentile rank above 50 for the respective Governance Indicators, this has a positive impact on the credit profile.

Finland has an ESG Relevance Score of '4[+]' for Human Rights and Political Freedoms as the Voice and Accountability pillar of the World Bank Governance Indicators is relevant to the rating and a rating driver. As Finland has a percentile rank above 50 for the respective Governance Indicator, this has a positive impact on the credit profile.

Finland has an ESG Relevance Score of '4[+]' for Creditor Rights as willingness to service and repay debt is relevant to the rating and is a rating driver for Finland, as for all sovereigns. As Finland has a record of 20+ years without a restructuring of public debt and captured in our SRM variable, this has a positive impact on the credit profile.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit. www.fitchratings.com/esg

Appendix 2: Data Notes and Conventions

Acronyms

Acronyms used in the above table and elsewhere in report are: Gross Domestic Product (GDP), Current External Receipts (CXR), Current External Payments (CXP), Current Account Balance (CAB), Foreign Direct Investment (FDI), World Bank Worldwide Governance Indicators (WBGI), Sovereign Rating Model (SRM), Qualitative Overlay (QO). For a full list of indicator definitions, please refer to the most recent Sovereign Data Comparator.

Medians

Medians underlying the SRM relative to rating category chart on the Rating Summary page and as reported in the Peer Analysis table on page 4 are long-term historical medians. These are based on actual data since 2000 for all sovereign-year observations when the sovereign was in the respective rating category at year-end. Current year ratings and data are excluded.

Chart medians on page 3 are based on data for sovereigns in the respective rating category at the end of each year. Latest ratings are used for the current year and forecast period.

Notes for Finland

All data are on a calendar-year basis, which aligns with the domestic fiscal year for this sovereign.

Public finances data referenced in this report relate to the consolidated general government, as per our principal approach, unless specifically noted otherwise where cited

The external balance sheet data referenced in this report are derived from the international investment position dataset, as per our principal approach.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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