Finland

Key Rating Drivers

Strong Fundamentals; Fiscal, Growth Challenges: Finland's 'AA+' ratings are supported by very high governance indicators, high income per capita, eurozone membership, and the pension system's strong asset position. These strengths are balanced by high and rising government debt and low potential growth. The Negative Outlook reflects the risk that fiscal consolidation will be insufficient to achieve debt stabilisation over the medium term.

Persistent Fiscal Deficits: Fitch Ratings projects that Finland's deficit will narrow to 3.5% of GDP in 2025 and 3.0% in 2026, down from 4.0% in 2024. The government has passed two fiscal packages to lower the deficit by EUR9 billion or about 3% of GDP in 2027, with most measures taking effect from 2025. Despite these efforts and a projected recovery in economic growth, stabilising debt remains a significant challenge, given rising military spending, particularly a F-35 fighter jet programme, and increasing spending on public services.

Rising Public Debt: We project that general government debt will keep rising from 77.3% of GDP in 2023 to 82.4% in 2024 and 86.3% in 2026, well above the 50.7% 'AA' median. The increases are driven by moderate but declining primary deficits, rising interest expenditure as low interest debt matures, low nominal GDP growth, and significant stock-flow adjustments (reflecting build-up of pension assets and accounting treatment of military spending). We project that without additional fiscal consolidation measures debt could reach 87.8% in 2028.

Potential EDP: Based on its projections, the European Commission has not proposed an Excessive Deficit Procedure (EDP) against Finland. However, based on our own projections, we see heightened risk that an EDP will be initiated. This could lead to pressure for further consolidation measures, but the political context, notably parliamentary elections in 2027, could make this complicated and we are not assuming further fiscal adjustment.

Pension Assets Mitigate Ageing Pressure: The high pension sector assets, at 97% of GDP in September 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 about 75% of GDP by 2050, despite the population ageing.

Low Growth Potential: Finland's recent growth performance has been among the weakest in the EU, with GDP almost unchanged from 2019, compared with EU average cumulative growth of 5%. We expect Finland's economy to recover to 1.3% growth in 2025 and 1.6% in 2026, following a 0.3% contraction in 2024, but as in other EU countries, low productivity growth and the ageing population will continue to weigh on trend growth.

Return to Growth in 2025: We expect investment to improve, given improving financing conditions although residential construction will remain sluggish. Consumers will remain cautious due to increased unemployment and limited increases in real disposable income, stemming from higher taxes and social benefit cuts, leading to only moderate consumption growth in 2025, with an acceleration in 2026 as labour markets recover.

Exports will recover as conditions improve in key markets, although risks have risen related to potential increased EU-US trade tensions, which a Bank of Finland study suggests could slow GDP growth by 0.5pp in 2025.

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

Highest ESG Relevance Scores

Environmental	3
Social	4
Governance	5

Rating Derivation

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

	2024E
GDP (USDbn)	300
Population (m)	5.6

Source: Fitch Ratings

Applicable Criteria

Sovereign Rating Criteria (October 2024)
Country Ceiling Criteria (July 2023)

Related Research

Fitch Affirms Finland at 'AA+'; Outlook Negative (February 2025)
Global Economic Outlook (December 2024)
Interactive Sovereign Rating Model
Fitch Fiscal Index - Analytical Tool
Click here for more Fitch Ratings content on Finland

Analysts

Utku Bora Geyikci
+49 69 768076 264
utku.geyikci@fitchratings.com

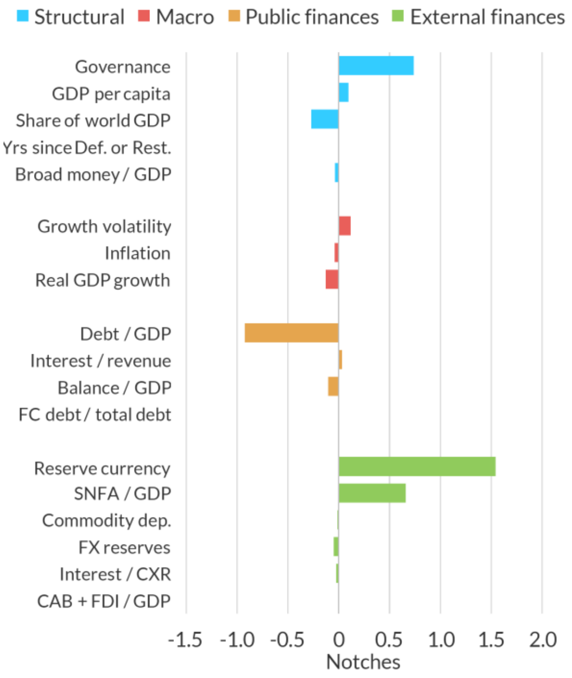
Hannah Dimpker
+49 69 768076 263
hannah.dimpker@fitchratings.com

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.

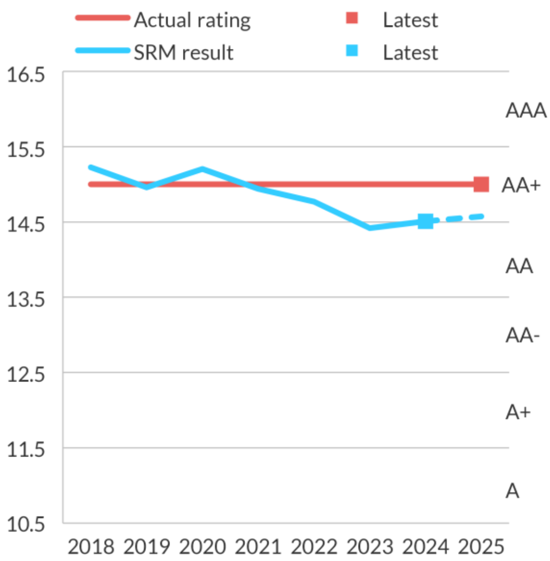
Macroeconomic outlook, policies and prospects: No adjustment.

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 Aug 2024	AA+	AA+	0	0	0	0
9 Feb 2024	AA+	AA+	0	0	0	0
11 Aug 2023	AA+	AA+	0	0	0	0
17 Feb 2023	AA+	AA+	0	0	0	0
9 Sep 2022	AA+	AA+	0	0	0	0
8 Apr 2022	AA+	AA+	0	0	0	0
22 Oct 2021	AA+	AA+	0	0	0	0
23 Apr 2021	AA+	AA+	0	0	0	0
30 Oct 2020	AA+	AA+	0	0	0	0

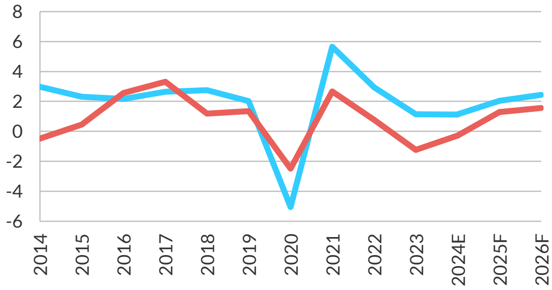
[a] The latest rating uses the SRM result for 2024 from the chart. This will roll forward to 2025 in July 2025.
[b] Historical SRM results in this table may differ from the chart, which is based on our latest data, due to data revisions.
Abbreviations: LT FC IDR = Long-Term Foreign-Currency Issuer Default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

Peer Analysis

Finland   AA Median

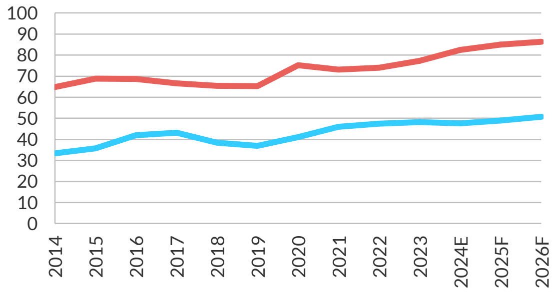
Consumer Price Inflation
(annual avg, %)

Real GDP Growth
(%)

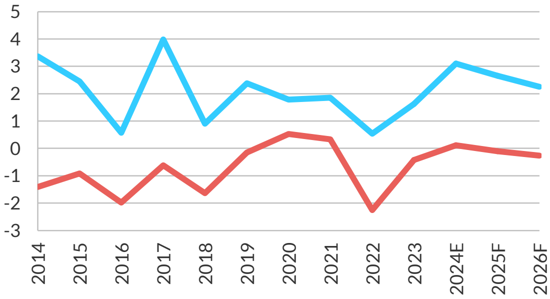


General Government Balance
(% GDP)

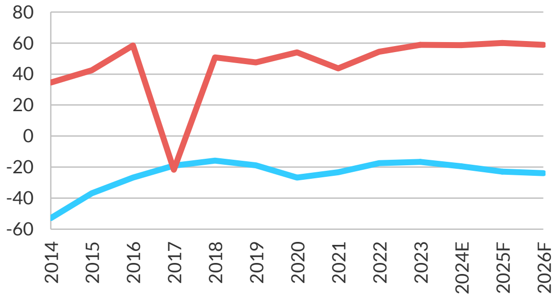
Gross General Government Debt
(% GDP)



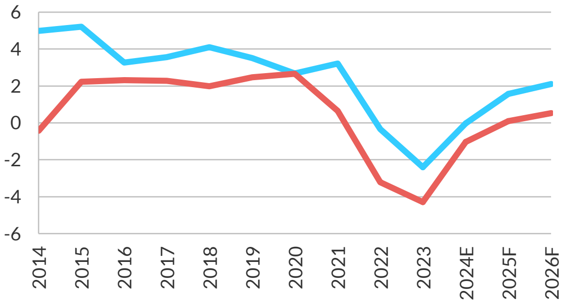
Current Account Balance
(% GDP)



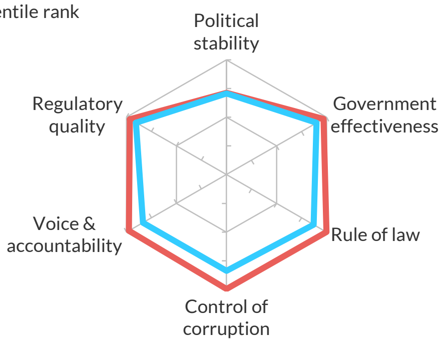
Net External Debt
(% GDP)



Real Private-Sector Credit Growth
(%)



Governance Indicators
Percentile rank



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

Peer Analysis

2024E[a]	Finland	AA median	AAA median	A median
Structural features				
GDP per capita (USD) [SRM]	53,606	53,248	71,269	31,738
Share in world GDP (%) [SRM]	0.3	0.4	0.9	0.3
Composite governance indicator (percentile, latest) [SRM][b]	93.7	84.3	93.8	74.6
Human development index (percentile, latest)	93.2	89.7	94.7	82.2
Broad money (% GDP) [SRM]	77.3	100.4	94.3	89.0
Private credit (% GDP, 3-year average)	90.9	103.1	123.3	73.0
Dollarisation ratio (% bank deposits, latest)	3.5	12.5	14.9	10.3
Bank system capital ratio (% assets, latest)	20.7	16.8	15.0	16.0
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	2.5	2.0	3.0
Consumer price inflation (%, 3-year average) [SRM]	2.4	2.2	1.8	2.4
Unemployment rate (%)	8.4	5.1	5.3	6.3
Public finances (general government)[c]				
Balance (% GDP, 3-year average) [SRM]	-3.5	-0.9	-0.2	-2.5
Primary balance (% GDP, 3-year average)	-2.1	0.4	1.1	-0.7
Interest payments (% revenue, 3-year average) [SRM]	2.6	3.3	3.6	4.4
Gross debt (% revenue, 3-year average)	153.6	142.3	113.6	135.5
Gross debt (% GDP, 3-year average) [SRM]	81.5	41.3	44.4	42.3
Net debt (% GDP, 3-year average)	77.5	33.7	37.5	37.1
FC debt (% gross debt, 3-year average) [SRM]	0.0	0.5	0.0	8.2
External finances[c]				
Current account balance (% GDP, 3-year average)	-0.1	1.5	5.4	1.3
Current account balance + net FDI (% GDP, 3-year avg.) [SRM]	1.1	0.8	2.0	2.6
Commodity dependence (% CXR) [SRM]	19.3	15.6	14.4	11.7
Gross external debt (% GDP, 3-year average)	220.8	120.1	179.9	66.0
Net external debt (% GDP, 3-year average)	59.1	-10.1	11.4	-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]	70.1	8.7	-4.3	11.8
External interest service (% CXR, 3-year average) [SRM]	10.0	3.9	7.3	2.3
Foreign-exchange reserves (months of CXP) [SRM]	1.4	2.7	1.5	4.4
Liquidity ratio	34.7	54.5	51.4	98.2

[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 the 'AA' median and are similar to '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.
- The sovereign has a larger net external financial asset position, estimated by Fitch at 68.8% of GDP at end-2024.

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 (estimated 82.4% at end-2024) is higher than the 'AA' and 'AAA' medians (47.6% and 39.0% of GDP, respectively).
- Finland is a larger net external debtor (estimated 2024: 58.7%, 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 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 over the medium term.
- **Macroeconomics:** An improvement in medium-term growth prospects, potentially supported by structural reforms and sustained gains in competitiveness.

Forecast Summary

	2021	2022	2023	2024E	2025F	2026F
Macroeconomic indicators and policy						
Real GDP growth (%)	2.7	0.8	-1.2	-0.3	1.3	1.6
Unemployment (%)	7.6	6.8	7.2	8.4	8.5	8.0
Consumer price inflation (annual average % change)	2.1	7.2	4.4	1.0	1.9	1.8
Policy interest rate (annual average, %)	-0.5	0.2	3.4	3.7	2.1	1.8
General government balance (% GDP)	-2.7	-0.2	-3.0	-4.0	-3.5	-3.0
Gross general government debt (% GDP)	73.1	74.0	77.3	82.4	85.0	86.3
EUR per USD (annual average)	0.8	1.0	0.9	0.9	1.0	1.0
Real private credit growth (%)	0.6	-3.2	-4.3	-1.0	0.1	0.5
External finance						
Merchandise trade balance (USDbn)	2.6	-0.2	10.2	9.5	9.5	9.5
Current account balance (% GDP)	0.3	-2.3	-0.4	0.1	-0.1	-0.3
Gross external debt (% GDP)	191.7	220.1	217.3	219.8	225.5	223.6
Net external debt (% GDP)	43.8	54.3	58.8	58.7	60.0	58.8
External debt service (principal + interest, USDbn)	72.1	66.6	70.7	79.1	82.2	85.9
Official international reserves including gold (USDbn)	16.7	16.0	16.9	17.7	18.3	18.7
Gross external financing requirement (% int. reserves)	492.1	395.9	353.8	371.5	374.2	381.8
Real GDP growth (%)						
US	6.1	2.5	2.9	2.7	2.1	1.7
China	8.4	3.0	5.2	4.8	4.3	4.0
Eurozone	5.4	3.5	0.4	0.8	1.2	1.3
World	6.3	2.7	3.0	2.8	2.6	2.3
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	**23.3**	**20.9**
Budget deficit	11.2	10.1
MLT amortisation	12.1	10.8
Domestic	12.1	10.8
External	0.0	0.0
Sources	**23.3**	**20.9**
Gross borrowing	24.6	24.3
Domestic	24.6	24.3
External	0.0	0.0
Privatisation	0.0	0.0
Other	-1.3	-3.4
Change in deposits (- = increase)	0.0	0.0

Source: Fitch Ratings

External Finances

(USDbn)	2024	2025
Uses	**62.9**	**66.2**
Current account deficit	-0.4	0.3
MLT amortisation	63.2	65.8
Sovereign	15.1	15.7
Non-sovereign	48.2	50.1
Sources	**62.9**	**66.2**
Gross MLT borrowing	74.7	79.4
Sovereign	19.8	21.5
Non-sovereign	54.9	57.9
FDI	5.5	4.9
Other	-16.6	-17.5
Change in FX reserves (- = increase)	-0.8	-0.6

Source: Fitch Ratings

Credit Developments

Modest Growth Ahead

The Finnish economy is set to recover after a challenging period, with growth prospects looking more favourable going into 2025 and beyond. Although quarter-on-quarter (qoq) growth in the first three quarters of 2024 was positive, we expect a full-year GDP contraction of 0.3%, influenced by the carry-over effect. Despite an increase in real disposable household income, consumers are becoming cautious due to economic uncertainties and high unemployment, leading them to increase savings, which negatively affects private consumption. Private investments have similarly declined due to uncertainty, low domestic demand, and relatively high interest rates, with the construction sector experiencing a significant contraction. We expect net exports to contribute slightly positively to growth, but this is primarily due to reduced imports rather than increased exports. Weak growth in the EU is constraining export development. We expect public expenditures to help mitigate the economic contraction in 2024.

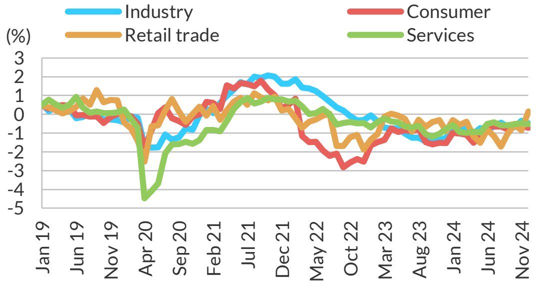
For 2025, we forecast GDP growth of 1.3% as the recovery gains momentum, driven by private consumption and investment, supported by improved financing conditions. Private consumption will rise modestly due to below-average consumer confidence, driven by high unemployment rates, and a limited increase in real disposable income. The latter is a result of higher taxes and social benefit cuts, despite expected real wage increases. Investment confidence will start to improve, with private business investment beginning to rise, while residential construction remains sluggish. We expect exports will increase, driven by recovering global demand, though the euro area's slow growth continues to moderate this expansion. Public consumption will contract due to ongoing fiscal consolidation.

For 2026, we expect GDP to grow by 1.6%, supported by strengthened private consumption and increased private investment. As labour market conditions improve and unemployment decreases, households are likely to spend more, driven by rising disposable incomes and a boost in consumer confidence. Private investment is also set to accelerate, fuelled by favourable financing conditions and renewed business optimism, particularly in business sectors. Finland has outlined plans to increase R&D funding to 4% of GDP by 2030, with support from public funding, tax incentives, and the EU's Recovery and Resilience Facility, aiming to advance technological development and improve the innovation ecosystem, contributing to economic growth over the long term.

However, several risks could affect this outlook. The main risk is the potential for increased tariffs due to US trade policies. The US is the main export destination for Finland, accounting for 13%. According to a Bank of Finland study, under a scenario involving a general 10% tariff increase and specific 60% tariffs on China, overall GDP growth could slow by 0.5pp in 2025 due to the combined effects of tariffs and heightened trade policy uncertainty. Slow growth of external trade partners, particularly in the EU, and the escalation of the war in Ukraine are also important risk drivers. 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.

Confidence Indicators Remain Weak

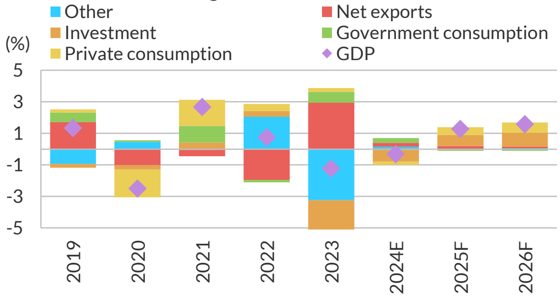
Confidence Indicators, standard deviation from mean



Source: Fitch Ratings, European Commission

Economic Contraction in 2024

Contributions to GDP growth



Source: Fitch Ratings, Statistics Finland

Labour Market Weakening

The Finnish labour market has shown signs of weakness since economic downturn after 2023. Labour demand is weak, as evidenced by the employment rate for those aged 15–64 falling to 72.6% in 3Q24 from a peak of 75.0% in 2Q22. Nevertheless, it remains above the historical average of 69.6% from 2010-2023. This decline, coupled with increased labour force participation driven by immigration, lifted the unemployment rate to 8.7% in December 2024, from 6.5% in March 2023, against a historical average of 8.0%. In 2024, the annual average unemployment rate increased to 8.4% from 7.2% in 2023, with widespread unemployment in particular affecting construction-related sectors, which experienced a sharper contraction. We project that unemployment will remain at 8.5%, despite anticipated economic growth in 2025, reflecting recent persistently high levels. By 2026, with stronger growth, we forecast a reduction to 8.0%.

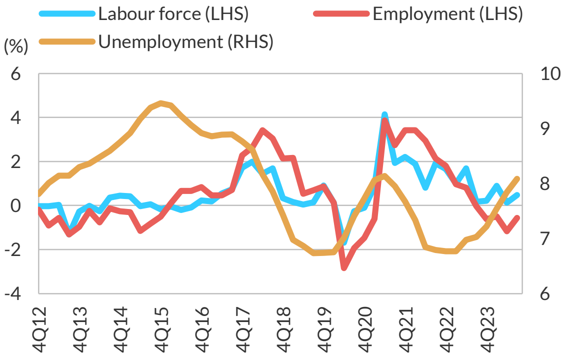
Finland also faces significant skill mismatches, where those of the workforce do not meet labour market needs, exacerbating unemployment and hindering recovery. Job vacancies have declined in the downturn, but this is likely temporary. As recovery ensues, skill mismatches could become more prominent. Recent labour market reforms, including changes to unemployment benefits and measures to increased labour participation rates, aim to support employment growth and address skill mismatches, which are critical for enhancing productivity in the context of an ageing population.

Inflation Is Lower than in the Eurozone

In 2024, Finland's inflation (HICP) averaged 1.0%, marking it as the second lowest in the eurozone, compared to the eurozone average of 2.4%. This low inflation rate was primarily due to declining energy prices and subdued demand. We anticipate that increases to VAT and tobacco tax in 2024 will contribute cause inflation to pick up in the forecast period. With these tax adjustments and strengthening domestic demand, we expect inflation to approach the central bank's 2% target by 2025-2026.

Negative Employment Growth

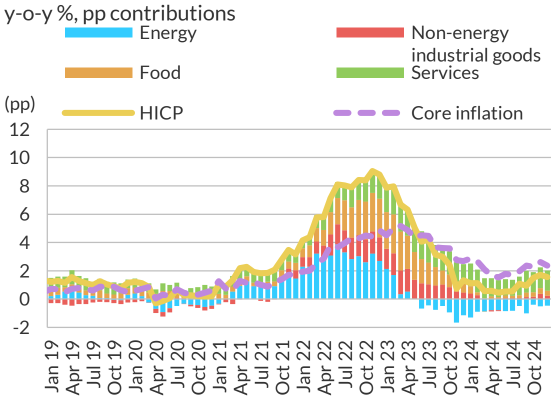
Year-on-year change



Source: Fitch Ratings, Statistics Finland

Energy's Negative Contribution to Inflation

y-o-y %, pp contributions



Source: Fitch Ratings, Eurostat

Persistently Wide Fiscal Deficits

We expect Finland's budget deficit to widen to 4.0% in 2024 from 3.0% in 2023, due to economic contraction, high unemployment, and a decrease in unemployment insurance contributions, which have constrained revenue. Concurrently, social spending and wage increases, and the indexation of pensions have raised expenditures. In 9M24, revenue increased by 0.6%, while expenditure rose by 5.5%.

Finland announced two fiscal packages totalling EUR9 billion, aimed at achieving fiscal consolidation by 2027. The first package, announced after the government took office in 2023, includes EUR6 billion (2% of GDP) in measures by 2027. In April 2024, an additional EUR3 billion (1% of GDP) package was introduced to further curb the rise in public debt as part of the Fiscal Plan for 2025–2028. This EUR9 billion total comprises EUR7 billion from direct expenditure cuts and revenue increases, and EUR2 billion from expected indirect benefits of labour reforms. Although a VAT increase (to 25.5% from 24%) occurred in September 2024 and there was an increase in the tobacco tax in November 2024, most measures will take effect from 2025. These initiatives reflect the government's effort to consolidate public finances.

Despite these efforts and anticipated economic growth in 2025, Fitch forecasts a modest reduction in the budget deficit this year to 3.5% of GDP, primarily due to increased military spending associated with the F-35 fighter jet programme, which will cost EUR12.7 billion by 2030, and increasing spending needs for public services. Potential delays in aircraft delivery to 2026 would shift the budget impact accordingly under ESA accounting. For 2026, we expect the budget deficit to decrease to 3.0% with the assistance of economic growth and government measures.

The European Commission has decided that Finland's budget deficit will not exceed the reference value of 3.0% of GDP in 2025 without any additional measures and did not propose to open an EDP. In our view, it is highly likely that the budget deficit will exceed 3.0% of GDP in 2025, raising the possibility of Finland being subject to an EDP in the near future.

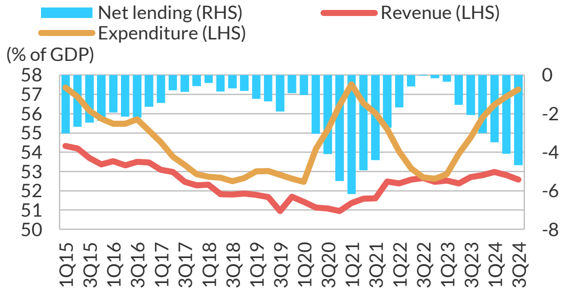
Public Debt Is Rising

Fitch projects that Finland's general government debt will continue to rise, reaching 82.4% of GDP by end-2024, up from 77.3% at end-2023, and compared to the 'AA' median estimate of 47.6%. We expect debt will further increase to 85.0% in 2025 and 86.3% in 2026. This increase is largely driven by large primary budget deficits, substantial interest payments, low nominal GDP growth, and significant stock-flow adjustments.

Interest payments have risen due to the high interest-rate environment, reaching 1.2% of GDP annually by 3Q24, up from 0.5% in 3Q22, thereby adding to the debt burden. We expect this ratio to rise to 1.6% in 2025 and 1.8% in 2026, surpassing the forecast 'AA' median of 1.4% for 2025. Stock-flow adjustments are particularly affected by the inclusion of pension assets in the general government balance that are not allocated for debt repayment, along with rising military expenditure.

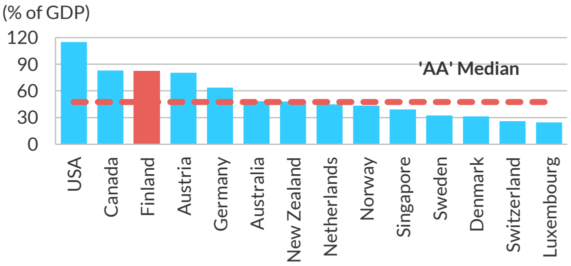
The risks associated with high public debt and an ageing population are mitigated by substantial pension assets, which equalled 97% of GDP as of September 2024. More than one-third of these assets are held by public pension funds, and long-term projections indicate that these assets will only decrease to about 75% of GDP by 2050, despite the ageing population.

Fiscal Balance Is Deteriorating
4-quarter average



Source: Fitch Ratings, Eurostat

General Government Debt Well Above 'AA' Median
General government debt, 2024



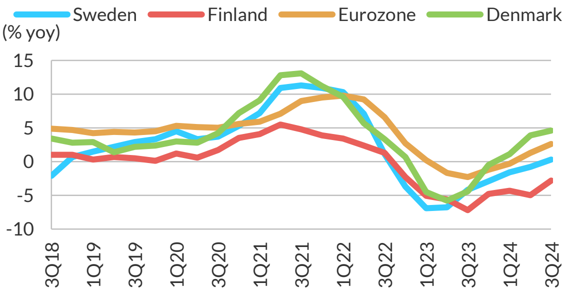
Source: Fitch Ratings, National Sources

Weak Credit Flows; Banking Sector Is Resilient

Finland has a high proportion of variable-rate loans among housing loans (around 97%), and elevated interest rates have constrained credit growth. Loans to households have remained nearly stable, while loans to non-financial corporations increased only modestly in 2024, despite interest rate cuts, indicating persistent weak demand. Although house prices continue to decline, the rate of decline is slowing, suggesting some market stabilisation.

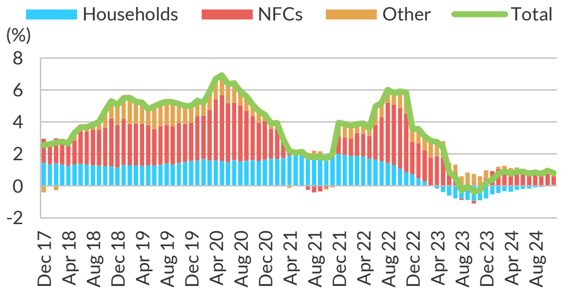
Debt service costs have risen, but asset quality metrics in Finland have not deteriorated significantly. The non-performing loan (NPL) ratio of the banking system increased to 1.7% in 3Q24 from 1.4% in 3Q23, with the construction sector having one of the highest NPL ratios following an increase to 4.4%. Banks remain well capitalised, with the CET1 capital ratio at 18.0% in 3Q24, compared to 17.9% 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 will increase to about 87.8% 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 87.8%-92.3% 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)	74.0	77.3	82.4	85.0	86.3	87.0	87.8
Primary balance (% of GDP)	0.4	-1.9	-2.6	-1.9	-1.2	-0.5	-0.4
Real GDP growth (%)	0.8	-1.2	-0.3	1.3	1.6	1.5	1.4
Average nominal effective interest rate (%)	0.8	1.6	1.8	2.0	2.2	2.3	2.4
EUR/USD (annual average)	1.0	0.9	0.9	1.0	1.0	1.0	1.0
GDP deflator (%)	6.2	4.0	1.8	2.1	2.3	2.0	2.0
Stock-flow adjustments (% of GDP)	0.0	0.0	2.3	1.7	1.5	1.3	1.3

Source: Fitch Ratings

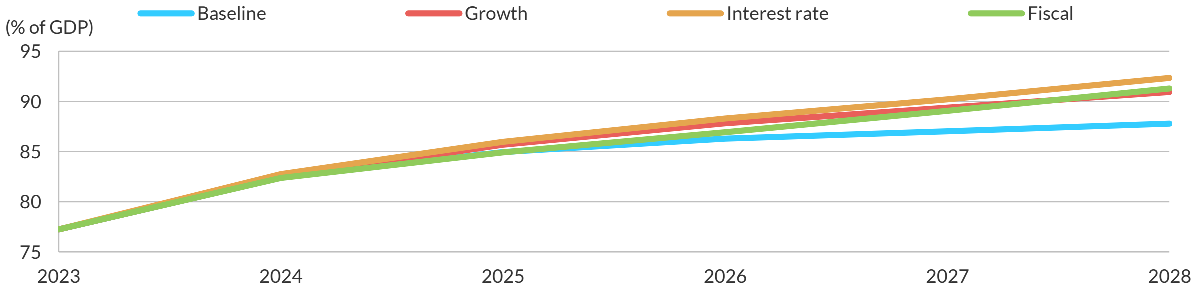
Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	GDP growth 0.9% lower (half standard deviation lower)
Interest rate	Marginal interest rate 250bp higher
Fiscal	Stable primary balance deficit of 1.9% of GDP starting 2025
Exchange rate	N.A.

Source: Fitch Ratings

Sensitivity Analysis

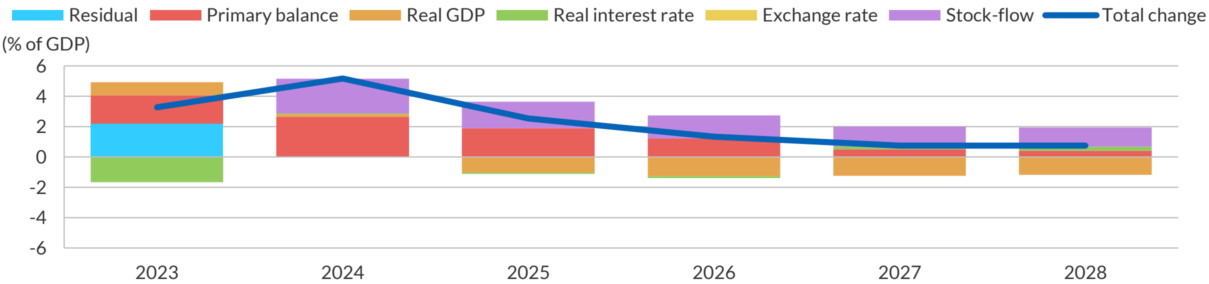
Gross general government debt



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	2024E	2025F	2026F
Revenue	51.8	51.7	50.9	52.5	52.5	52.8	53.0	53.4	53.1
Expenditure	52.7	52.6	56.5	55.1	52.6	55.8	57.0	56.9	56.1
o/w interest payments	1.0	0.9	0.7	0.5	0.6	1.2	1.4	1.6	1.8
Interest payments (% revenue)	1.9	1.6	1.3	1.0	1.1	2.2	2.6	3.0	3.3
Primary balance	0.1	-0.1	-4.9	-2.1	0.4	-1.9	-2.6	-1.9	-1.2
Overall balance	-0.9	-0.9	-5.5	-2.7	-0.2	-3.0	-4.0	-3.5	-3.0
Gross government debt	65.4	65.3	75.2	73.1	74.0	77.3	82.4	85.0	86.3
% of government revenue	126.2	126.5	147.8	139.4	141.0	146.3	155.5	159.1	162.6
Issued in domestic market	22.3	22.9	26.5	34.7	34.9	34.8	37.1	38.2	38.8
Issued in foreign markets	43.1	42.4	48.7	38.4	39.1	42.5	45.3	46.7	47.5
Local currency	65.4	65.3	75.2	73.1	74.0	77.3	82.4	85.0	86.3
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	64.0	64.3	71.5	70.7	72.0	73.6	78.1	80.8	82.3
Financing		0.9	5.5	2.7	0.2	3.0	4.0	3.5	3.0
Domestic borrowing		1.3	3.4	9.5	2.5	0.8	2.9	2.4	2.0
External borrowing		-0.3	10.3	-11.2	0.9	5.9	0.8	3.5	2.5
Other financing		0.0	-8.1	4.4	-3.2	-3.6	0.4	-2.3	-1.5
Change in deposits (- = increase)		0.3	-2.6	1.2	0.2	-1.7	-0.7	0.0	0.0
Privatisation		-	-	-	-	-	-	-	-
Other		-0.3	-5.5	3.2	-3.5	-1.9	1.1	-2.3	-1.5

Source: Fitch Ratings, Ministry of Finance

Balance of Payments

(USDbn)	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F
Current account	-4.5	-0.4	1.4	1.0	-6.3	-1.3	0.4	-0.3	-0.8
% GDP	-1.6	-0.2	0.5	0.3	-2.3	-0.4	0.1	-0.1	-0.3
Goods	0.5	2.8	3.4	2.6	-0.2	10.2	9.5	9.5	9.5
Services	-2.8	-1.0	-2.6	-2.5	-5.3	-9.3	-9.3	-9.1	-9.1
Primary income	1.0	0.9	4.2	4.8	2.4	0.7	3.8	2.6	2.1
Secondary income	-3.2	-3.1	-3.6	-3.9	-3.2	-2.9	-3.6	-3.4	-3.4
Capital account	0.4	0.3	0.3	0.2	-0.1	-0.3	0.1	0.0	0.0
Financial account	-18.8	-9.9	-0.7	-3.4	-4.0	-6.8	-0.3	-0.9	-1.2
Direct investment	13.8	-9.6	8.1	-3.5	8.9	-1.0	-5.5	-4.9	-4.1
Portfolio investment	-24.6	-28.4	-0.1	23.7	-8.4	1.7	4.1	5.6	5.7
Derivatives	-0.7	0.5	-1.7	2.3	-5.6	-2.6	-2.7	-4.2	-4.8
Other investments	-7.3	27.5	-7.0	-25.9	1.1	-5.0	3.7	2.6	2.0
Net errors and omissions	-14.8	-9.1	-1.4	-1.1	2.8	-5.2	0.0	0.0	0.0
Change in reserves (+ = increase)	-0.1	0.6	1.0	3.4	0.4	0.0	0.8	0.6	0.4
International reserves, incl. gold	10.3	11.4	13.5	16.7	16.0	16.9	17.7	18.3	18.7
Liquidity ratio (%)	36.4	48.4	39.6	37.0	40.6	36.3	34.7	34.9	35.2
Memo									
Current external receipts (CXR)	129.8	135.1	122.2	146.9	157.5	160.4	156.6	156.1	159.9
Current external payments (CXP)	134.3	135.5	120.8	145.9	163.8	161.7	156.3	156.4	160.7
CXR growth (%)	10.7	4.1	-9.5	20.2	7.2	1.9	-2.4	-0.3	2.4
CXP growth (%)	13.0	0.9	-10.8	20.8	12.2	-1.3	-3.3	0.1	2.7
Gross external financing requirement	11.9	54.8	60.1	66.3	66.3	56.7	62.9	66.2	69.8
% International reserves	113.3	531.5	526.3	492.1	395.9	353.8	371.5	374.2	381.8
Net external borrowing	31.9	27.1	-4.5	-8.0	78.4	19.3	17.5	21.3	20.5

Source: Fitch Ratings, IMF

External Debt and Assets

(USDbn)	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F
Gross external debt	557.1	606.3	664.9	564.0	615.9	642.3	659.8	681.1	701.6
% GDP	203.5	227.1	246.8	191.7	220.1	217.3	219.8	225.5	223.6
% CXR	429.3	448.8	544.0	383.9	391.1	400.4	421.3	436.3	438.8
Short-term debt (% GXD)	51.2	49.2	49.4	46.8	55.0	50.8	50.1	49.3	48.6
By debtor									
Sovereign	129.9	128.0	161.1	134.5	135.8	154.0	158.7	164.5	169.1
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	158.7	164.5	169.1
Banks	373.3	383.6	395.0	339.2	379.1	388.4	389.6	390.8	392.0
Other sectors	53.8	94.6	108.8	90.3	101.0	99.9	111.5	125.8	140.4
Gross external assets (non-equity)	418.3	479.6	519.7	435.3	463.9	468.6	483.6	500.0	517.1
Sovereign	78.9	146.4	152.6	124.0	142.1	163.8	165.2	166.4	167.1
International reserves, incl. gold	10.3	11.4	13.5	16.7	16.0	16.9	17.7	18.3	18.7
Other sovereign assets	68.6	135.0	139.1	107.2	126.1	146.9	147.5	148.1	148.4
Banks	245.4	234.7	252.3	207.3	226.9	204.1	211.1	218.8	227.3
Other sectors	94.0	98.5	114.8	104.0	94.8	100.7	107.9	116.0	124.2
Net external debt	138.8	126.6	145.2	128.8	152.1	173.7	176.2	181.1	184.5
% GDP	50.7	47.4	53.9	43.8	54.3	58.8	58.7	60.0	58.8
Sovereign	51.0	-18.4	8.6	10.5	-6.3	-9.8	-5.9	-0.7	3.6
Banks	127.9	148.9	142.7	131.9	152.2	184.3	178.5	172.0	164.8
Other sectors	-40.1	-3.9	-6.0	-13.6	6.2	-0.8	3.6	9.8	16.2
International investment position									
Assets	861.6	922.4	1,002.8	961.1	949.9	1,008.7	-	-	-
Liabilities	876.6	911.5	1,014.6	958.4	956.3	979.2	-	-	-
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	206.7	227.3	247.8
% GDP	26.4	61.0	57.8	58.8	61.1	66.3	68.8	75.3	79.0
External debt service (principal + interest)	12.9	61.6	67.4	72.1	66.6	70.7	79.1	82.2	85.9
Interest (% CXR)	4.3	5.3	4.8	3.3	4.2	9.5	10.2	10.5	10.5

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			14.51 = AA+
Input Indicator	**Weight (%)**	**2023**	**2024**	**2025**	**Adjustment to Final Data**	**Final Data**	**Coefficient**	**Output (notches)**
Structural features								**10.29**
Governance indicators (percentile)	22.0	n.a.	93.7	n.a.	-	93.7	0.079	7.39
GDP per capita (USD)	11.8	n.a.	53,606	n.a.	Percentile	83.9	0.037	3.08
Nominal GDP (% world GDP)	14.3	n.a.	0.28	n.a.	Natural log	-1.3	0.640	-0.81
Most recent default or restructuring	4.5	n.a.	None	n.a.	Inverse 0-1[a]	0.0	-1.791	0
Broad money (% GDP)	1.1	n.a.	77.3	n.a.	Natural log	4.3	0.145	0.63
Macroeconomic performance, policies and prospects								**-0.72**
Real GDP growth volatility	4.5	n.a.	2.1	n.a.	Natural log	0.7	-0.710	-0.52
Consumer price inflation	3.6	4.4	1.0	1.9	3-yr average[b]	2.8	-0.069	-0.19
Real GDP growth	1.8	-1.2	-0.3	1.3	3-yr average	-0.1	0.057	-0.00
Public finances								**-2.12**
Gross general govt debt (% GDP)	9.0	77.3	82.4	85.0	3-yr average	81.5	-0.023	-1.87
General govt interest (% revenue)	4.6	2.2	2.6	3.0	3-yr average	2.6	-0.044	-0.12
General govt fiscal balance (% GDP)	2.1	-3.0	-4.0	-3.5	3-yr average	-3.5	0.039	-0.14
FC debt (% of total general govt debt)	3.0	0.0	0.0	0.0	3-yr average	0.0	-0.008	0
External finances								**2.18**
Reserve currency (RC) flexibility	7.2	n.a.	3.1	n.a.	RC score 0 - 4.5[c]	3.1	0.494	1.54
SNFA (% of GDP)	7.5	66.3	68.8	75.3	3-yr average	70.1	0.011	0.75
Commodity dependence	1.1	n.a.	19.3	n.a.	Latest	19.3	-0.004	-0.07
FX reserves (months of CXP)	1.3	n.a.	1.4	n.a.	n.a. if RC score> 0	0.0	0.024	0
External interest service (% CXR)	0.2	9.5	10.2	10.5	3-yr average	10.0	-0.004	-0.04
CAB + net FDI (% GDP)	0.3	-0.1	1.9	1.5	3-yr average	1.1	0.003	0.00
Intercept Term (constant across all sovereigns)								**4.87**

[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 Long-Term Foreign-Currency Issuer Default Rating (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', one 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	93.7	+3
International trade			+1
Trade openness	2020-24 average	51.8	+2
Volatility of change in CXR (across 10 years)	2024	11.2	+1
Export share to FTA partners	2020-24 average	74.3	+2
International financial integration[a]	2020-24 average	140.3	+3
Pillar III = Near-term risks			**+1**
Macro-financial stability risks			+2
Composite inflation risk score			+2
Volatility of CPI (across 10 years)	2024	2.3	+2
Recent CPI peak	2020-24 max	7.2	+3
Cumulative broad money growth	2019-24 change %	7.5	+3
Volatility of change in REER (across 10 years)	2024	5.7	+1
Dollarisation	Most recent	3.5	+3
Exchange rate risks			+1
Net external debt (% of CXR)	2022-24 average	105.8	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
09 Aug 2024	AA+	F1+	Negative	AA+	F1+	Negative	AAA
24 Jan 2020	AA+	F1+	Stable	AA+	F1+	Stable	AAA
03 Aug 2018	AA+	F1+	Positive	AA+	F1+	Positive	AAA
22 Jul 2016	AA+	F1+	Stable	AA+	F1+	Stable	AAA
11 Mar 2016	AA+	F1+	Stable	AA+	-	Stable	AAA
20 Mar 2015	AAA	F1+	Negative	AAA	-	Negative	AAA
22 Dec 2005	AAA	F1+	Stable	AAA	-	Stable	AAA
17 Jun 2004	AAA	F1+	Stable	AAA	-	-	AAA
21 Sep 2000	AAA	F1+	Stable	AAA	-	-	-
05 Aug 1998	AAA	F1+	-	AAA	-	-	-
14 Jul 1998	AA+	F1+	-	AA+	-	-	-
29 Apr 1997	AA+	F1+	-	AAA	-	-	-
12 Mar 1996	AA	F1+	-	AAA	-	-	-
26 Oct 1995	AA-	F1+	-	AAA	-	-	-
10 Aug 1994	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 Worldwide Governance Indicators (WBGI) 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 WBGI 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 WBGI 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/topics/esg/products#esg-relevance-scores.

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.