Republic of Finland

Rating report

Rating rationale

Rising general government debt: The public debt-to-GDP ratio increased to record levels of around 82% in 2024, up nearly 17pps since 2019, marking the sharpest increase in the euro area. Despite significant consolidation measures, the debt trajectory remains on an upward trend in the medium term, expected to reach 95% by 2030.

Wealthy and modern economy, but modest growth outlook: Finland's ratings are supported by its wealthy and modern economy, which benefits from high human capital and a strong infrastructure in economic areas such as digitalisation, AI and the environmental transition. While the economy proved resilient to recent crises, growth stagnated in recent years and is set to grow by a modest 0.8% in 2026 and 1.3% in 2027.

Net financial asset position: Finland's fiscal resilience is supported by the government's ample net financial asset position, helping to shield government finances from the impact of an ageing population.

Outstanding institutional quality: Finland ranks among the top countries globally in terms of governance indicators and has a strong record of implementing reforms to enhance external competitiveness, improve the sustainability of the welfare system, and address labour market rigidities. To strengthen long-term fiscal sustainability, the government is introducing a new fiscal framework to strengthen fiscal planning. Next parliamentary elections are scheduled for April 2027.

Rating challenges: i) rising public debt driven by high social and defence spending needs; ii) the country's moderate growth potential, constrained by weak productivity growth, labour market rigidities and an aging population; and iii) financial stability risks, including those arising from the size of the Finnish banking sector relative to that of the domestic economy.

Figure 1: Finland's sovereign-rating drivers

Risk pillars		Quantitative		Reserve currency*	Political risk**	Qualitative****	Final rating
		Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk		35%	aa	EUR [+1]	Finland [-0]	- 1/3	AA
Public finance risk		20%	bbb+			0	
External economic risk		10%	bbb			0	
Financial stability risk		10%	aaa			0	
ESG risk	Environmental factors	5%	aaa			1/3	
	Social factors	7.5%	b+			1/3	
	Governance factors	12.5%	aaa			0	
Sovereign Quantitative Model* **		**aa**				**+0**	
Additional considerations						**0**	

*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.
**The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.
*** The Rating Committee approved an indicative rating of 'aa'.
****The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer.
For details, please see Scope's Sovereign Rating Methodology. Source: Scope Ratings.

Foreign currency

Long-term issuer rating/Outlook
AA/Stable

Senior unsecured debt/Outlook
AA/Stable

Short-term issuer rating
S-1+

Local currency

Long-term issuer rating/Outlook
AA/Stable

Senior unsecured debt/Outlook
AA/Stable

Short-term issuer rating
S-1+

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Credit strengths and challenges

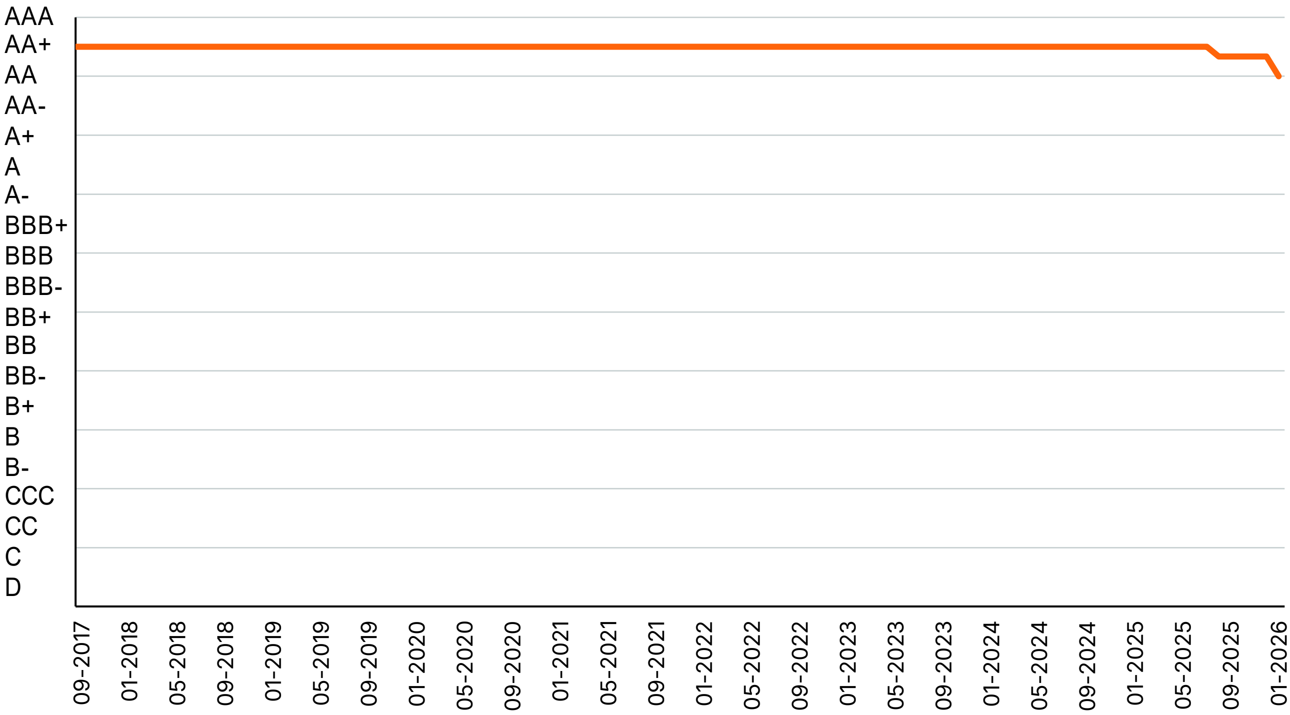
Credit strengths	Credit challenges
• Wealthy and modern economy • Net financial asset position • Outstanding institutional quality	• High and rising public debt • Moderate growth potential • Financial stability vulnerabilities

Outlook and rating triggers

The Stable Outlook reflects Scope's view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
• Improved fiscal outlook, resulting in a declining debt-to-GDP trajectory • Material improvement in medium-term growth outlook	• Weakening fiscal outlook, resulting in sustained increase in public debt • Deterioration in growth outlook over the medium term • Crystallisation of financial stability risks causing a deterioration in private sector balance sheets, significantly weakening the economic and fiscal outlooks • Escalation of geopolitical risks threatening macroeconomic stability

Figure 2: Rating history



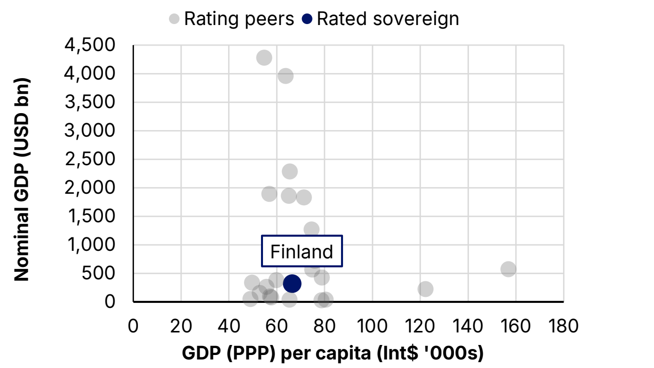
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.
Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Finland's *Domestic Economic Risk*

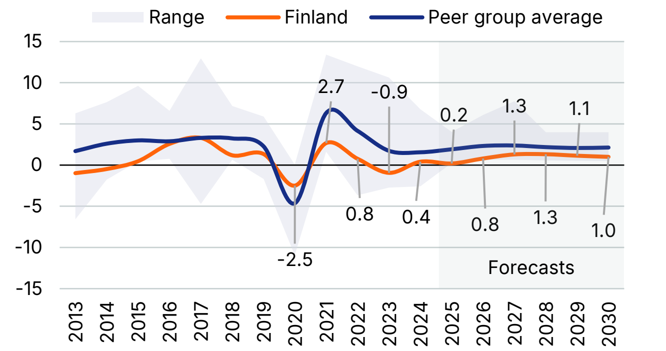
SQM[1] indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Growth potential and outlook	Weak	- 1/3	Modest growth potential compared with its peers
	Monetary policy framework	Neutral	0	ECB is a credible and effective central bank
	Macroeconomic stability and sustainability	Neutral	0	Competitive economy, favourable business environment and highly skilled labour force; limited economic diversification

Figure 3: Nominal GDP and GDP per capita (2025F)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



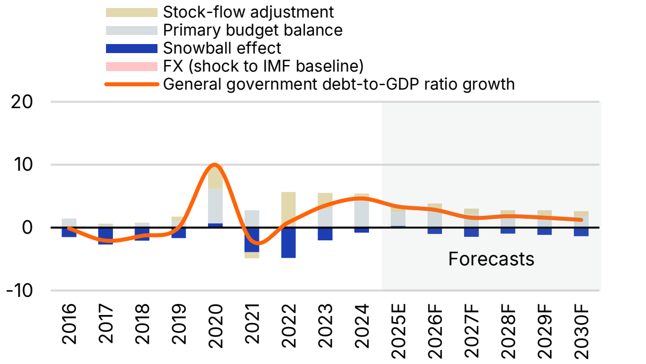
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Finland's *Public Finance Risk*

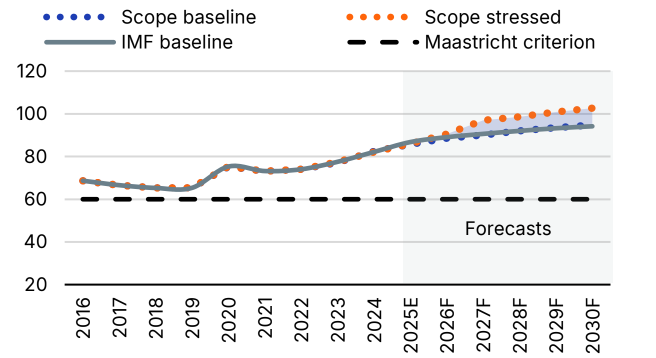
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Fiscal policy framework	Strong	1/3	Rising spending pressures over the medium term; political commitment to gradually balance budget; high pension assets mitigate impact of rising pension expenditure
	Long-term debt trajectory	Weak	- 1/3	Debt set to remain on an upward trajectory, with debt-to-GDP expected to exceed 90% in coming years
	Debt profile and market access	Neutral	0	High government debt affordability and excellent market access; average debt maturity shortened using interest rate swaps

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

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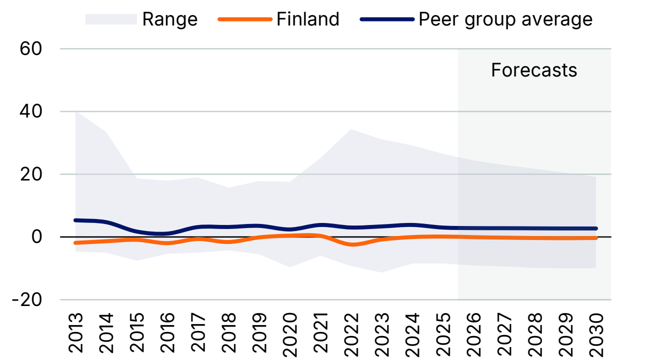
[1] Sovereign Quantitative Model

External economic risk

Overview of Scope's assessments of Finland's *External Economic Risk*

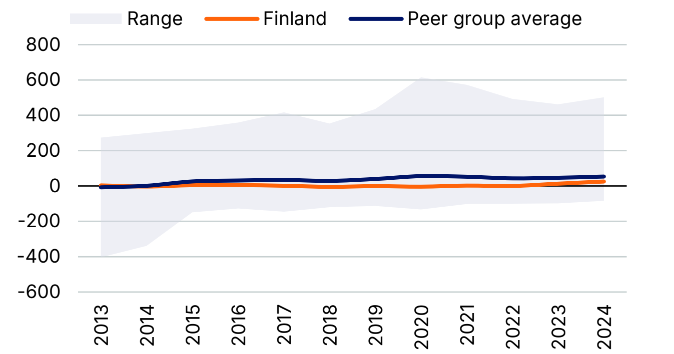
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Current account resilience	Neutral	0	Adequate export diversification across sectors; good international competitiveness
	External debt structure	Neutral	0	Sizeable external debt, reflecting liabilities of Finnish financial institutions; balanced and stable external position of the economy
	Resilience to short-term external shocks	Neutral	0	Euro-area membership mitigates exposure to international markets

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



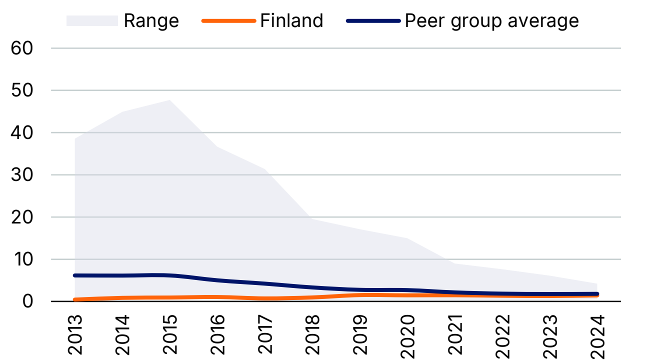
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Finland's *Financial Stability Risk*

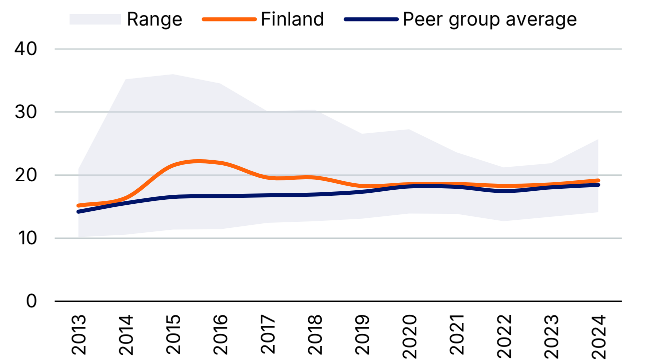
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Profitable and well capitalised banking sector
	Financial sector oversight and governance	Neutral	0	Effective oversight by the Bank of Finland and the ECB as part of the European banking union
	Financial imbalances	Neutral	0	High private sector debt, highly concentrated and interconnected financial sector

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



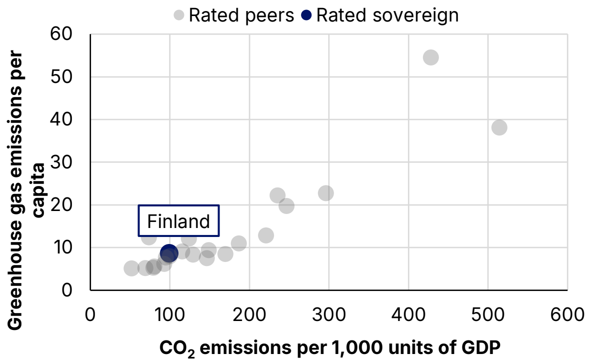
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Finland's *ESG Risk*

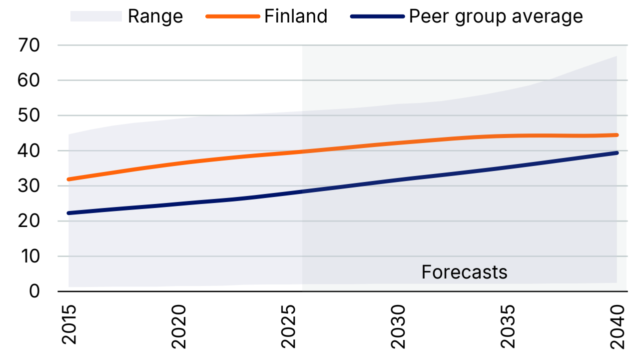
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Environmental factors	Strong	1/3	Strong record in environmental sustainability and governance; ambitious policy efforts to achieve carbon neutrality by 2035
	Social factors	Strong	1/3	Strong equality and social inclusion, high-quality education system; weak demographics, though fiscal costs mitigated by solid pension system
	Governance factors	Neutral	0	High quality of institutions and orderly political environment, exposure to geopolitical risks

Figure 11: CO_2 emissions per GDP, $mtCO_2e$ (2024)



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

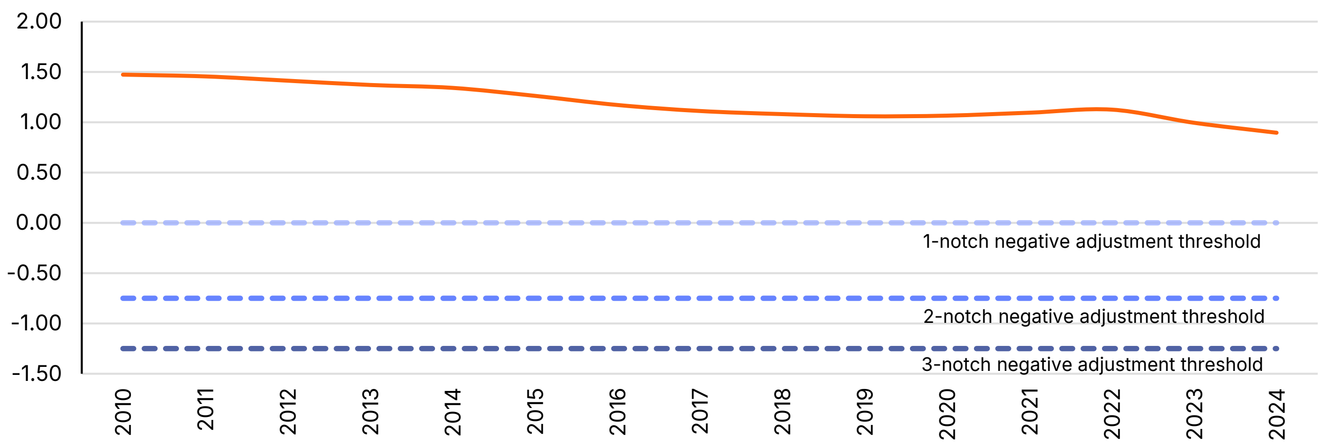
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	**Euro**	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	**29.3**	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	**1**	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Finland, 3-year moving average



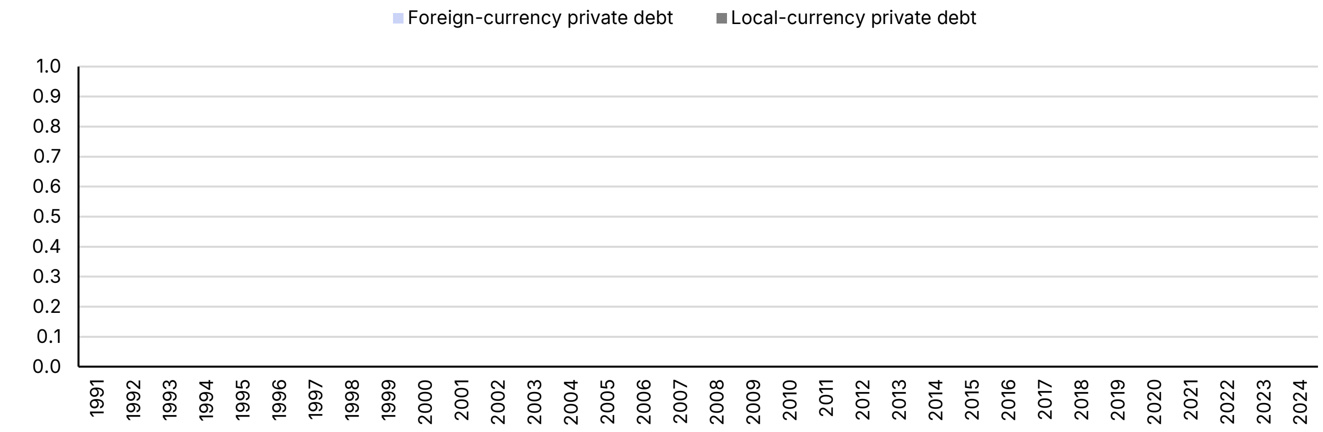
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under Scope's credit-rating definitions.
Source: Bank of Canada–Bank of England Sovereign Default Database, Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Austria
Belgium
Czech Republic
United Kingdom

*Select publicly rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5y USD CDS spread (bp) as of 30 January 2026	12.09

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other international statistical series and may not immediately reflect latest national updates.

Pillar	Core variable	Source	2020	2021	2022	2023	2024	2025E
Domestic Economic	**GDP per capita (PPP)**, Int$ '000s	IMF	53.3	57.4	61.8	63.3	64.7	66.5
	Nominal GDP, USD bn	IMF	270	294	280	295	299	315
	Real growth, %	IMF	-2.5	2.7	0.8	-0.9	0.4	0.5
	CPI inflation, %	IMF	0.4	2.1	7.2	4.3	1.0	1.8
	Unemployment rate, %	WB	7.8	7.6	6.7	7.1	8.3	-
Public Finance	**Public debt**, % of GDP	IMF	75.3	73.2	74.0	77.5	82.1	86.8
	Net interest payment, % of government revenue	IMF	0.1	-0.1	-0.1	-0.2	0.2	0.7
	Primary balance, % of GDP	IMF	-5.5	-2.7	-0.2	-3.1	-4.3	-4.2
External Economic	**Current-account balance**, % of GDP	IMF	0.4	0.3	-2.4	-0.8	0.0	0.1
	Total reserves, months of imports	WB	1.4	1.4	1.2	1.3	1.4	-
	NIIP, % of GDP	IMF	-3.8	2.2	0.1	13.1	25.3	-
Financial Stability	**NPL ratio**, % of total loans	IMF	1.5	1.5	1.4	1.3	1.4	-
	Tier 1 ratio, % of risk-weighted assets	IMF	18.1	18.7	18.4	17.9	19.2	19.2
	Credit to the private sector, % of GDP	WB	101.7	100.1	96.2	93.3	92.0	-
ESG	**CO_2 per EUR 1,000 of GDP**, $mtCO_2e$	EC	128.8	124.9	117.1	104.7	99.2	-
	Income share of bottom 50%, %	WID	23.3	23.4	23.4	24.2	24.2	-
	Labour-force participation rate, %	WB	78.1	78.7	79.7	79.7	79.9	-
	Old-age dependency ratio, %	UN	36.4	37.1	37.7	38.3	38.9	39.4
	Composite governance indicators*	WB	2.1	2.1	2.0	1.9	2.0	-
	Political stability, index	WB	1.1	1.1	1.1	1.0	0.9	-

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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Applied methodology

Sovereign Rating Methodology, January 2025

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