Republic of Finland

Rating report

Rating rationale

Rising general government debt: The public debt-to-GDP ratio increased to record levels of around 88.5% in 2025, up more than 23pps 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 101% by 2031.

Wealthy and modern economy, but modest growth outlook: Finland's ratings are supported by its wealthy and diversified economy, characterised by high income levels, strong human capital and a competitive, innovation-driven economic model. Although economic growth has been impacted by the series of recent external shocks, the economy has remained resilient. Growth is expected to recover gradually, reaching 1.1% in 2026 and 1.0% in 2027, supported by improving household purchasing power and a gradual recovery in export demand.

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's ratings are supported by highly effective governance, strong policymaking capacity and a proven ability to implement structural reforms. Recent policy initiatives, including a strengthened fiscal framework and labour market reforms, aim to improve long-term fiscal sustainability and economic growth potential. Strong institutions and a stable political environment underpin policy predictability and support the sovereign's credit profile. 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%	a	EUR [+1]	Finland [-0]	- 1/3	AA
Public finance risk		25%	bbb			0	
External economic risk		10%	a+			0	
Financial stability risk		10%	aa-			0	
ESG risk	Environmental factors	3%	aa+			1/3	
	Social factors	3%	aa			1/3	
	Governance factors	14%	aaa			0	
Sovereign Quantitative Model*		**aa**				**+0**	
Additional considerations						**0**	

*Scope's Sovereign Quantitative Model (SQM) signals an indicative credit rating of 'aa' for Finland which was approved by the Rating Committee. The Rating Committee decided to apply an override to the initial SQM indicative credit rating of '+1 notch', reflecting trends not adequately captured by the SQM.
For details, please see Scope's Sovereign Rating Methodology.

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

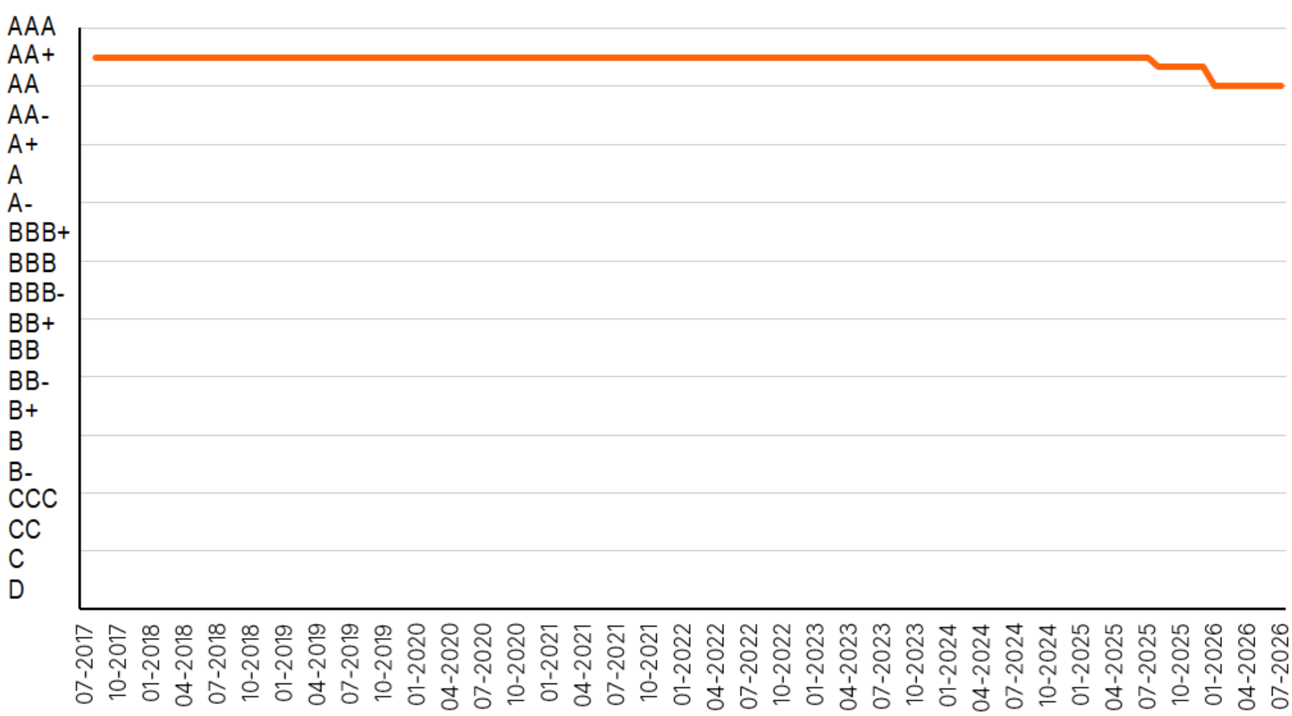
Credit strengths	Credit challenges
• Wealthy and modern economy • Net financial asset position • Outstanding institutional quality	• High and rising public debt • Modest growth potential • Financial stability vulnerabilities

Outlook and rating triggers

The **Stable Outlook** reflects the view that risks for 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

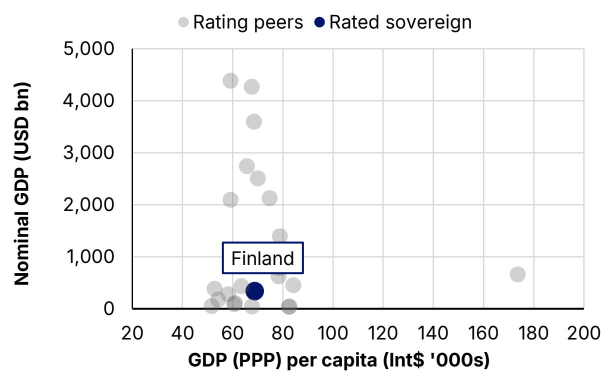
Rating analysis

Domestic economic risk

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

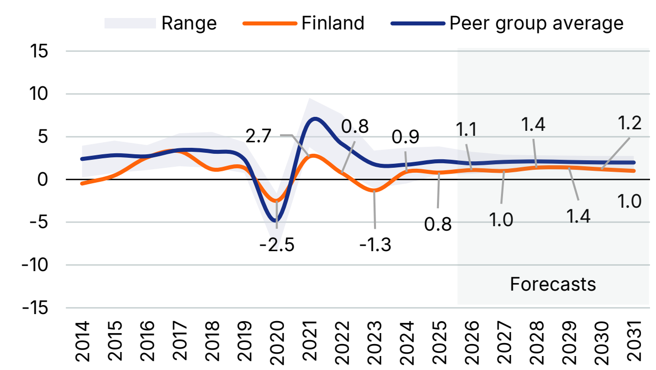
SQM[1] indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Growth potential and outlook	Weak	- 1/3	Modest growth potential compared with peers
	Monetary policy framework	Neutral	0	ECB is a credible and effective central bank
	Macroeconomic stability and sustainability	Neutral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

Figure 3: Nominal GDP and GDP per capita (2026E)



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

Figure 4: Real GDP growth, %



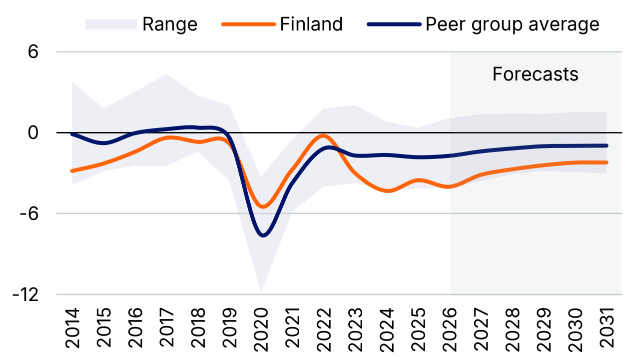
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

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

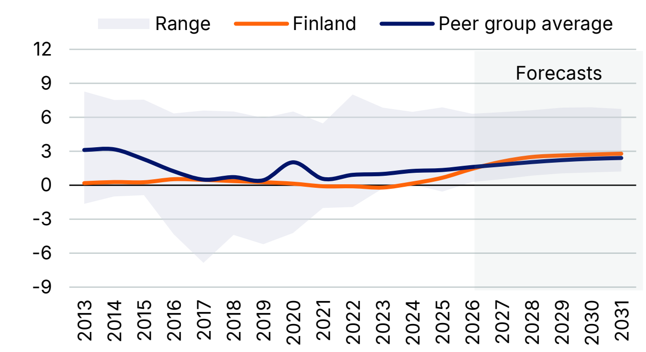
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Fiscal policy framework	Strong	1/3	Rising spending pressures over the medium term; political commitment to gradually balance budget; high pension assets mitigate impact of rising pension expenditure
	Long-term debt trajectory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

Figure 5: Primary balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 6: Net interest payments, % of government revenue



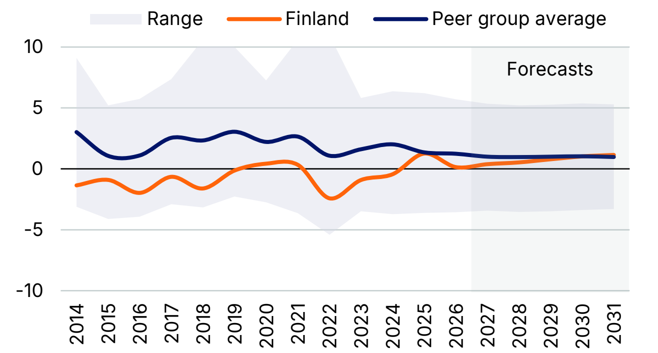
Source: IMF WEO forecasts, Scope Ratings

External economic risk

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

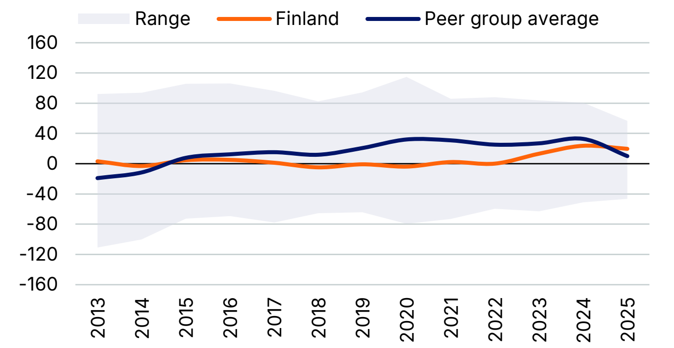
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Current account resilience	Neutral	0	Adequate export diversification across sectors; good international competitiveness
	External debt structure	Neutral	0	Sizeable external debt, reflecting liabilities of Finnish financial 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



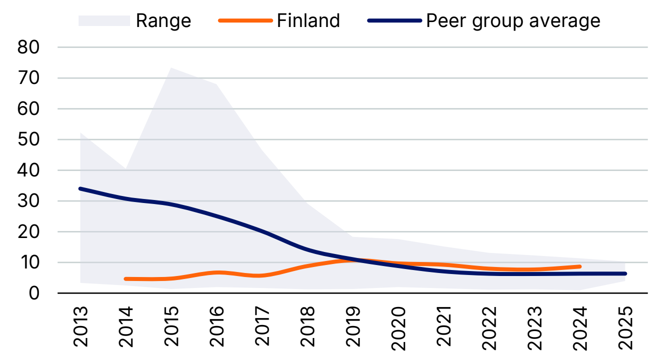
Source: IMF, Scope Ratings

Financial stability risk

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

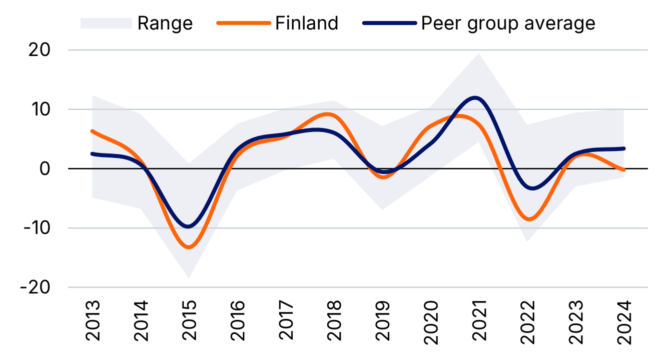
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa-	Banking sector performance	Neutral	0	Profitable and well capitalised banking sector
	Financial sector oversight and governance	Neutral	0	Effective oversight by the Bank of Finland and the ECB as part of the European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

Figure 9: Non-performing loans net of provision, % of capital



Source: IMF, Scope Ratings

Figure 10: Private sector credit growth, %



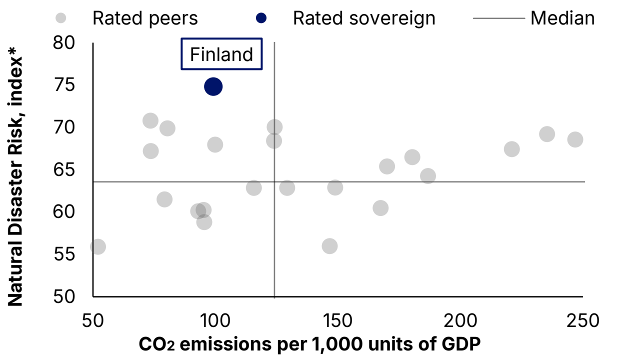
Source: World Bank (WB), Scope Ratings

Environmental, Social and Governance (ESG) risk

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

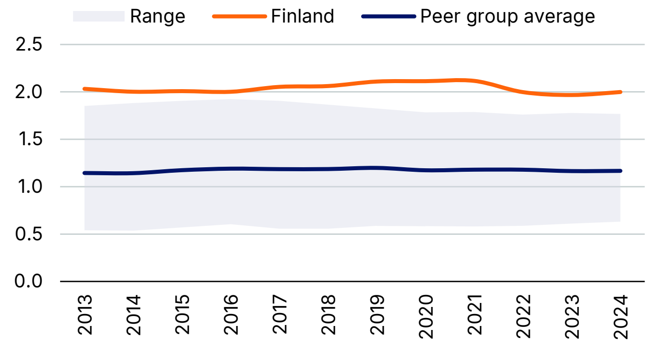
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Environmental factors	Strong	1/3	Strong record in environmental sustainability and governance; ambitious policy efforts to achieve carbon neutrality by 2035
	Social factors	Strong	1/3	Strong equality and social inclusion, high-quality education system; rising unemployment a key risk
	Governance factors	Neutral	0	High quality of institutions and orderly political environment, exposure to geopolitical risks

Figure 11: Natural disaster and transition risks



Source: European Commission, Notre Dame Global Adaptation Initiative, Scope Ratings
*Higher scores indicate lower vulnerability to physical risks. Median of SQM peers.

Figure 12: Governance, index score*



Source: World Bank (WB), Scope Ratings
*Mean of the WB estimates for Control of Corruption, Government Effectiveness, Regulatory Quality, and Rule of Law.

Reserve-currency adjustment

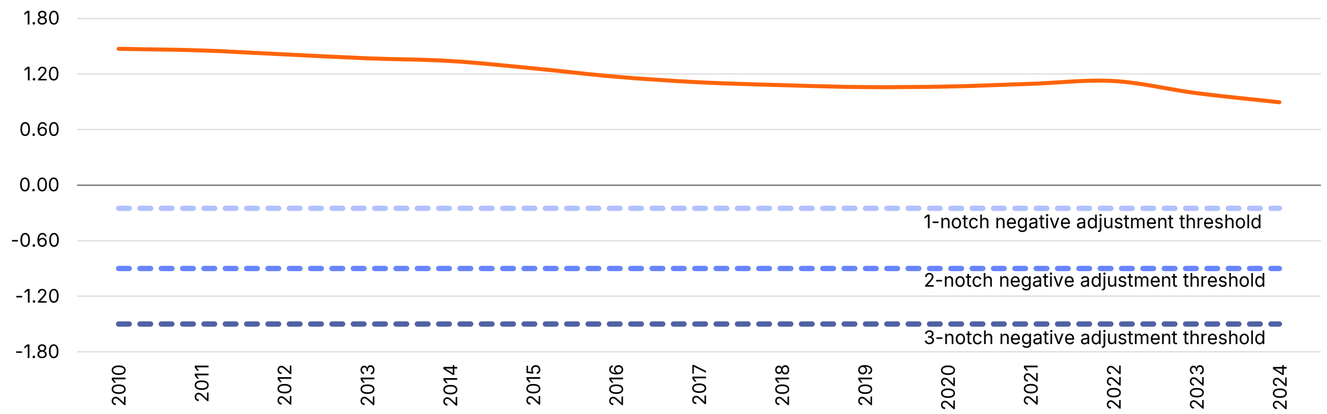
IMF SDR basket and Scope reserve-currency adjustment

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

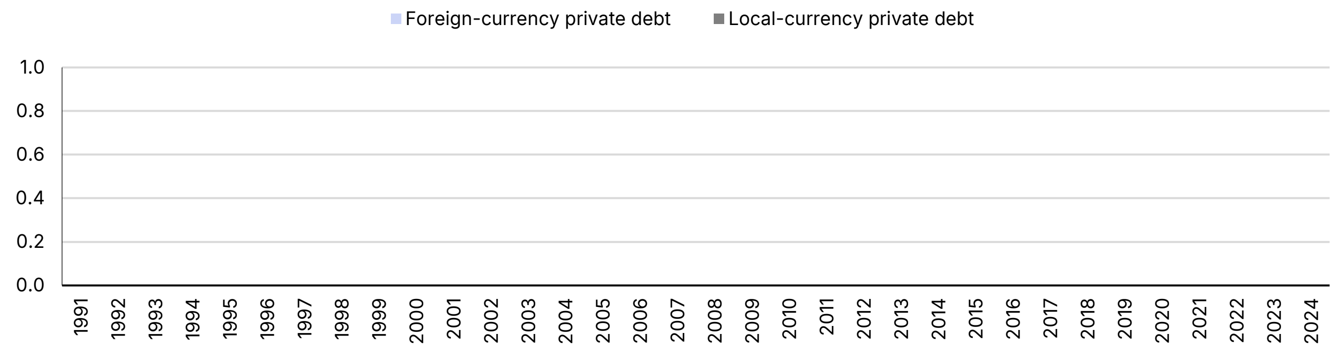
Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Finland, three-year moving average



Source: WB, Scope Ratings

Sovereign default history and applicability of the default cap

Figure 14: Sovereign default history, USD bn



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

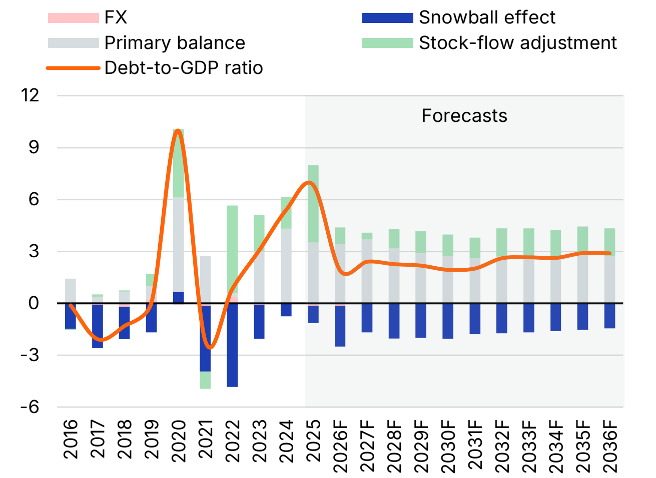
In view of the absence of a recent episode of default, the rating committee did not apply a cap to the indicative SQM rating.

Additional considerations

No adjustment was applied to the rating from additional considerations.

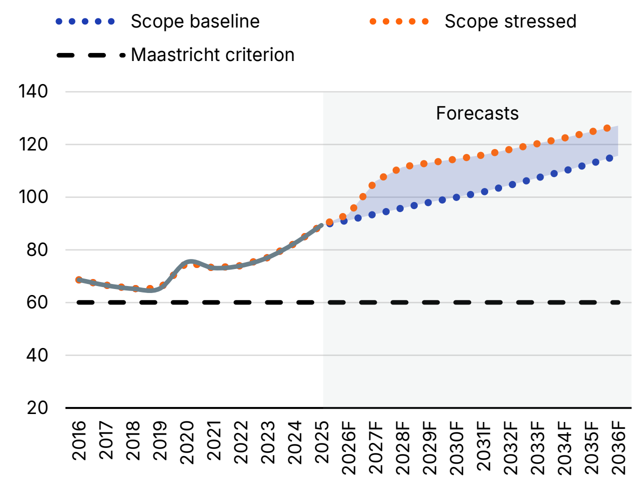
Appendix 1. Debt sustainability analysis

Figure 15: Contributions to change in debt-to-GDP ratio
pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 16: Debt-to-GDP forecasts
% of GDP



Source, IMF WEO, Scope Ratings forecasts

Scope DSA Baseline, % of GDP (unless stated otherwise)

	2025E	2026F	2027F	2028F	2029F	2030F	2031F	avg. 2032F-2036F
Real GDP growth (%)	0.2	1.1	1.0	1.4	1.4	1.2	1.0	1.0
Deflator (%)	1.5	2.5	2.1	2.3	2.3	2.5	2.4	2.4
Primary Balance	-3.5	-3.4	-3.6	-3.0	-2.4	-2.3	-2.1	-2.2
Δ Cost of ageing	*0.0*	*0.0*	*0.1*	*0.2*	*0.5*	*0.4*	*0.5*	*0.5*
Net Interest payments	0.7	1.4	2.1	2.5	2.6	2.7	2.8	3.6
General government debt (gross)	88.5	90.4	92.9	95.2	97.4	99.3	101.4	115.2*

* Figure refers to end-2036 forecast.
Source: 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 SQM after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Austria
Belgium
Czech Republic
Estonia
France
Lithuania
Slovenia
United Kingdom

*Selected publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.
The shaded range in the charts above represents the distribution of sovereign-rating peers between the 10th and 90th percentiles of the full sample.

Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5-year USD CDS spread (bps) as of 9 July 2026	11.4

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (21 out of 26 – with the governance indicator reflecting a composite of four indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources used ensures comparability across global sovereign peers and may therefore differ from national or other international statistical series; as a result they may not immediately reflect the latest national updates.

Pillar	Core variable	Source	2021	2022	2023	2024	2025	2026E
Domestic Economic	**GDP per capita (PPP)**, Int$ '000s	IMF	57.4	61.8	63.1	64.4	66.3	68.9
	Nominal GDP, USD bn	IMF	294	280	295	299	317	338
	Real growth, %	IMF	2.7	0.8	-1.3	0.4	0.2	1.0
	CPI inflation, %	IMF	2.1	7.2	4.3	1.0	1.8	2.5
	Working-age population growth, %	UN	-0.1	0.3	0.5	0.3	0.1	-0.1
Public Finance	**General government debt**, % of GDP	IMF	73.1	74.0	77.0	82.4	89.3	93.1
	Net interest payments, % of government revenue	IMF	-0.1	-0.1	-0.2	0.2	0.7	1.4
	Primary balance, % of GDP	IMF	-2.7	-0.2	-3.0	-4.3	-3.5	-4.0
External Economic	**Current-account balance**, % of GDP	IMF	0.3	-2.4	-0.9	-0.4	1.3	0.1
	NIIP, % of GDP	IMF	2.2	0.1	13.2	23.7	19.7	-
Financial stability	**Non-performing loans net of provisions**, % of capital	IMF	9.2	8.0	7.7	8.6	-	-
	Private sector credit growth, (7y av. YoY change, %)	WB	7.4	-8.5	2.1	-0.2	-	-
ESG	**CO_2 per EUR 1,000 of GDP**, $kgCO_2e$	EC	124.9	117.1	104.7	99.2	-	-
	Income share of bottom 50%, %	WID	21.9	21.9	22.7	22.7	-	-
	Labour-force participation rate, %	WB	78.7	79.7	79.7	79.4	79.4	-
	Unemployment rate, %	WB	7.6	6.7	7.2	8.3	9.5	-
	Composite governance indicators*, index	WB	2.1	2.0	2.0	2.0	-	-
	Political stability, index	WB	1.1	1.1	1.0	0.9	-	-

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

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Related research

Mid-year Sovereign Outlook 2026: growth to slow, inflation to rise following energy crisis, May 2026

Applied methodology

Sovereign Rating Methodology, March 2026

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