Creditreform Sovereign Rating

Creditreform Rating

Rating Object	Rating Information	
REPUBLIC OF FINLAND	Assigned Ratings/Outlook: **AA+ /stable**	Type: Monitoring, Unsolicited with participation
Long-term sovereign rating Foreign currency senior unsecured long-term debt Local currency senior unsecured long-term debt	Initial Rating Publication Date: Rating Renewal: Rating Methodologies:	28-10-2016 14-06-2024 "Sovereign Ratings" "Rating Criteria and Definitions"

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Rating Action

Neuss, 14 June 2024

Creditreform Rating has affirmed the unsolicited long-term sovereign rating of "AA+" for the Republic of Finland. Creditreform Rating has also affirmed Finland's unsolicited ratings for foreign and local currency senior unsecured long-term debt of "AA+". The outlook is stable.

Key Rating Drivers

1. After a protracted weak phase for the wealthy Finnish economy, including a GDP contraction in 2023 likely to be followed by another small decline in 2024, we expect a noticeable expansion in total output next year; currently lackluster investment should be partly aided by the reversing course of monetary policy; substantial progress has been made in diversifying energy supply and trade away from Russia
2. Ongoing strengths, such as Finland's high innovation capacity and its advanced degree of digitalization, generally bode well for growth in the medium term; they are partly balanced by structural challenges posing constraints to underlying growth and pertaining to an ageing population and weak productivity – issues which the government seeks to counter with recent reform proposals; risks related to the relatively high household debt in the high interest rate environment remain to be monitored
3. The sovereign features exceptionally high institutional quality, as consistently reflected by the World Bank's Worldwide Governance Indicators (WGIs); its outstanding institutional framework includes EU/EMU membership, and was recently enhanced by Finland's accession to NATO; cross-party commitment to fiscal prudence remains pronounced, and we expect predictable policymaking to prevail
4. The public debt ratio looks set to increase further this year and next in light of assumed significant budgetary deficits and currently subdued growth dynamics; while there are risks for a worsening debt trend, partly in the face of high and likely rising age-related costs, we assess reinforced government efforts towards reining in public finances as positive; apart from the authorities' strong commitment to fiscal consolidation, sound debt management and substantial government assets constitute risk-mitigating factors, also with a view to sizeable contingent liabilities

5. External risks, partly associated with the financial sector's external liabilities, have receded somewhat from an overall moderate level; the net international investment position (NIIP) has recently turned moderately positive, while the current account deficit has decreased

Reasons for the Rating Decision and Latest Developments[1]

Macroeconomic Performance

The sovereign's strong macroeconomic profile is characterized by very high per-capita income levels and a healthy degree of diversification. In addition, we consider Finland's non-cost competitiveness, here referring to its role as a European frontrunner in terms of innovation and digitalization, to be a macroeconomic strength. Having proved relatively robust throughout the recent succession of crises, employment growth has slowed down amid a recessionary spell. Skills shortages coupled with an age-related shrinking workforce could weigh on potential growth. Vulnerabilities related to energy security have considerably diminished, with the reorientation of trade away from the Russian Federation having advanced. While the high level of private indebtedness has declined, risks pertain to the large share of variable-rate mortgages.

Finland's economy saw a contraction by 1.0% in 2023, significantly more pronounced than we had projected during our last review (Jun-23: -0.2%), and ultimately prolonging a weaker phase than initially assumed. The latter is reinforced by downward revisions to economic recovery for the years 2021 and, more so, 2022. Last year's negative growth performance was largely shaped by inflationary trends and high interest rates, with the dominance of variable-rate mortgage loans facilitating a fast transmission of tighter monetary policy to the economy.

Apart from a substantial drag posed by inventory changes, gross fixed capital formation subtracted 1.0 p.p. from real GDP growth, first and foremost weighed down by the construction sector on the back of lower housing demand and higher building costs. Whilst households curbed their spending in response to higher prices, private consumption still added moderately to economic growth, as did government consumption. Net external trade exerted a large positive contribution, as imports fell more strongly than exports.

Quarterly data show that Finland entered a technical recession in Q3-23, before growing by 0.2% q-o-q in the first quarter of this year. Sentiment remains downbeat across sectors, with some mixed signals more recently: While construction confidence deteriorated again in May-24, sentiment among consumers improved after declining in the three preceding months (Feb-24-Apr-24).

Having averaged 4.3% in 2023, Finland's HICP inflation recorded a marked decline towards the end of last year, caused by falling energy prices, and had retreated further to 0.5% as of May-24. Likewise, core inflation (excluding energy, food, alcohol and tobacco) is trending downward, standing at 1.6% in May-24. Despite fading inflationary pressure, households may remain somewhat hesitant in the short term, judging by ongoing weak consumer confidence. We also note that inflation is set to see a rise in autumn, as the standard VAT rate is to be lifted from Sep-24.

[1] This rating update takes into account information available until 07 June 2024.

A slowing labor market development could also limit the expected recovery of private consumption and push more households towards precautionary savings. Finland's unemployment rate climbed above the euro area average in 2023, and further to 8.3% in Apr-24 (EA: 6.4%). Employment growth slowed down sharply to 0.5% y-o-y in 2023 (EA: 1.4% y-o-y), from 3.5% in 2022. However, employment developments in Q1-24 hint at some improvement. In this context, the government formulated goals of raising the number of people in employment by 100,000 by 2027 and increasing the employment rate to 80% by 2031. With a view to the latter, there remains some way to go, given that the employment rate posted at 71.7% in Apr-24 (Statistics Finland, s.a., 15-64y).

From a structural perspective, the Finnish labor market compares as strong in the EU context when it comes to the participation rate, also including the elderly age cohort. However, its ageing population looks set to prospectively intensify bottlenecks due to skills shortages, coming with risks for potential growth. Sectors particularly prone to skills shortages include those operating in the field of technology. Adding to this, the share of Finland's population aged 25-34 with tertiary education compares as relatively low by euro area standards, posting at 39.2% in 2023 (EA: 44.1%, Eurostat). Any effects from announced labor market reforms which seem to ultimately relax social protection of employees to some extent, such as shorter notice periods for lay-offs, will have to be monitored.

As higher construction costs and interest rates have hampered respective investment, easing financing conditions should be conducive to some rebound in 2025. This should be partly complemented by public investment linked to the rollout of the RRP, although the significance of RRF-related funding compares as relatively moderate in Finland's case. This March, the European Commission (EC) disbursed the first tranche under the RRF of EUR 202mn, following endorsement of a modified RRP worth EUR 1.95bn (roughly 0.7% of the 2023 GDP), including a REPowerEU chapter. More than half (52.3%) of the plan is allocated to climate-related objectives.

Sluggish economic growth in important European trading partners, such as Germany and Sweden, is likely to weigh on Finnish exports again in 2024 and, in our view, will not be fully offset by solid growth in other major trading partners, such as the US. Acknowledging uncertainty over the ultimate extent of monetary policy easing, the assumed relaxation should be increasingly felt from next year, aiding foreign demand. At the same time, we expect the strengthening of domestic demand to result in rising imports next year. Overall, we assume net exports to add to real GDP growth this year, but to pose a drag in 2025.

Due to the negative carry-over from 2023, we currently believe that the economy will shrink by 0.2% in 2024. With positive impulses from the turning monetary policy cycle and recovering export markets, we anticipate real GDP to expand by 1.8% next year. Uncertainty around these forecasts is high in light of the wars in Ukraine and the Middle East, and the related economic repercussions.

With that being said, Finland continues to feature a high level of wealth, which supports its very high creditworthiness. Drawing on IMF data (PPP terms, current prices), Finland's GDP per capita amounted to USD 59,425 in 2023 (+2.4% vis-à-vis 2022), exceeding the median of our AA-rated sovereigns. From a non-cost perspective, Finland remains highly competitive, as, for example, underscored by its rank of 11 out of 64 economies in the 2023 vintage of the IMD World Competitiveness Ranking.

Moreover, Finland is deemed an innovation leader in the EC's Innovation Scoreboard 2023 and is ranked sixth (out of 132 countries) in the UN's Global Innovation Index 2023. Tying in with this, R&D expenditure as a percentage of GDP has consistently been among the highest in the EU, posing an upside risk to productivity growth. As outlined in the EC's Digital Decade 2023 assessment, Finland boasts a comparatively high share of ICT specialists among EU members, as well as an advanced level of digitalization of public services, while 90% of SMEs have at least a basic level of digital intensity.

At the same time, we note a recently accelerated decline in its worldwide export share of services, well below its pre-pandemic level, which may hint at deteriorating cost competitiveness, potentially posing risks to the medium-term growth outlook. However, at least recent developments in real unit labor costs, do not seem to support this, as they have been broadly in line with that of Finland's key European trading partners.

Adaptation to a substitution of previous trade with Russia is progressing, with exports to Russia accounting for 0.4% of total exports in Q1-24 (Q4-21: 4.1%, Statistics Finland) and imports from Russia amounting to 1.0% of total imports (Q4-21: 9.9%). Above all, Finland has cut the import of natural gas from Russia via pipelines and is set to additionally ban LNG gas imports, with the Ministry of Economic Affairs and Employment preparing a corresponding legislative proposal by next winter. Energy security has been strengthened with the beginning operation of the Olkiluoto 3 nuclear reactor in Apr-23.

With regard to the medium term, we will also closely monitor developments linked to private indebtedness. While Finland's household debt measured against disposable income still represents one of the higher readings among the EU countries, the ratio declined for the eighth successive quarter. Risks mainly emanate from the high share of mortgages with a variable interest rate, implying that tight financing conditions quickly translate into a higher mortgage burden. As a consequence, lending to private households has slowed significantly in the higher interest rate environment.

Further to risks in the medium-and-longer-term perspective, demographic factors look set to pose a drag on potential growth (see above), underscoring the significance of efforts to enhance weak productivity. Finland continues to feature one of the lowest shares of working age population (20-64y, Eurostat) and one of the highest old-age dependency ratios within the EU.

Institutional Structure

We view the sovereign's exceptionally strong institutional quality as a key pillar of its very high creditworthiness. Benefits stemming from Finland's EU/EMU membership, including access to integrated capital markets, the EU Single Market, and the status of the euro as a reserve currency add to this, with Finland's HICP inflation, MFI interest rates, and wages having been broadly synchronized with the euro area as a whole in the past. Finland's accession to NATO strengthens its national security and contributes to enhancing that of the Nordic-Baltic region. With regard to the domestic political environment, we assume broad continuation of effective policy-making.

The Sep-23 update of the World Bank's WGIs corroborates Finland's exceptionally high institutional quality, clearly outperforming our AA-rated economies regarding each of the four indicators we consider most relevant for our assessment. This includes top ranks when it comes to Rule of Law' (1 out of 213) and 'Control of Corruption' (2 out of 213), as well as top ten ranks in terms of the pillars 'Voice and Accountability' (4 out of 208, down two places) and 'Government Effectiveness' (8 out of 213, down three places).

Efforts have been made to further improve the quality of governance. As stated in the EC's Rule of Law Report (Jul-23), a large part of the National Anti-Corruption Strategy and Action Plan 2021-2023 has been launched. The Transparency Register Act, which introduces the obligation to record lobbying activities in a Transparency Register, and which will be supervised by the National Audit Office of Finland, took effect in 2024. Its aim is to increase the transparency of the decision-making process in parliament and in ministries, curb inappropriate lobbying, and strengthen trust in democracy. We are also aware of steps to enhance AML/CFT supervision. According to the IMF's Nordic-Baltic regional report (Sep-23), Finland is trying to identify ways to increase the effectiveness of activities related to offsite and onsite banking supervision.

Turning to domestic politics, after lengthy negotiations, a right-leaning government under the leadership of Petteri Orpo was formed in Jun-23, consisting of the winner of the parliamentary election, the National Coalition Party, as well as the Finns Party, the Swedish People's Party and the Christian Democrats. We expect policy-making to broadly continue a long-standing consensus-seeking approach. The government expressed firm committed to fiscal consolidation, as well as the aim of strengthening health and social services. Apart from this, we gather that boosting employment and enhancing security represent further cornerstones of the political agenda.

With a view to sustainability and greening the economy, Finland's top position regarding the European and global Sustainable Development Goals 2023 further underscores its ambitions when it comes to pursuing its climate goals. Similarly, it is ranked second in the EC's Eco-Innovation Index 2022. Coming to 47.9% in 2022, Finland's overall share of energy from renewable sources represented the second-highest in the EU. That said, Finland's greenhouse gas emissions per head remained somewhat above the EU average in 2022. In this context, a study by the National Resources Institute Finland (Luke) pointed out that emissions from the land use sector could be too high to achieve carbon neutrality by 2035, hinting at some challenges ahead. A new energy and climate strategy is currently being prepared.

Fiscal Sustainability

Public finances have deteriorated since our last review, partly on account of expenditure to alleviate negative effects from the recent crises. Recently fueled by a higher general government deficit and growing interest expenditure, Finland's debt-to-GDP ratio continues to move above its pre-pandemic level, but compares as relatively moderate in the European context. Intensified efforts towards fiscal consolidation may turn out somewhat challenging to balance with the aim to strengthen health and social services, whilst defense spending is set to be permanently higher. Generally, a track record of repeated outperformance when it comes to fiscal targets, and firm commitment to fiscal prudence, lend confidence in the sovereign's ability to limit increases in the debt ratio. Fiscal risks linked to sizeable contingent liabilities and age-related spending remain in place. However, these are tempered by prudent debt management, considerable government assets, and comparatively high debt affordability.

Finland's general government deficit widened to 2.7% of GDP in 2023 (2022: -0.4% of GDP), markedly exceeding the average deficit of 1.3% of GDP p.a. recorded over 2015-19. Last year's deterioration was largely driven by higher government spending, in particular on the wellbeing services counties, public wages, and interest. Subsidies, on the other hand, fell by 7.5%. Fiscal measures to mitigate the rise in energy prices were wound down completely in 2023. Overall, total general government outlays increased by 8.0% in 2023. At the same time, total revenue posted a smaller increase than in the previous year, partly constrained by lower tax intake from production and imports.

In the program presented in Jun-23 by the new government, committing to fiscal consolidation in the medium term, net improvement in public finances to the tune of EUR 6bn (or 2.2% of the 2023 GDP) is envisaged by 2027. Roughly EUR 4bn of the adjustment is to be achieved through direct spending cuts, while the targeted boost to employment (see above) is to contribute to enhancing revenue. As also set out in its General Government Fiscal Plan 2025-2028 (Apr-24), the government agreed on a series of additional measures to stabilize public finances in the medium term, coming to roughly EUR 3bn over this period. These were followed by a second supplementary budget proposal for 2024 (May-24), underscoring the government's focus on fiscal consolidation and efforts to avoid being put under the EU's excessive deficit procedure under the new fiscal framework in force since the end of Apr-24.

Among other measures, the VAT rate will be increased from 24.0% to 25.5% as of 1-Sep-24, in a bid to keep this year's general government deficit below 3.5% of GDP. We expect the general government deficit to rise to 3.4% of GDP in 2024. Given the consolidation efforts and assumed revitalization of economic activity, we pencil in a budgetary deficit of 2.9% of GDP next year.

Finland's debt-to-GDP ratio mounted to 75.8% of GDP in 2023, standing well above its 2019 level (64.9% of GDP) recorded prior to the outbreak of the corona crisis. Partly on the back of the assumed fiscal deficits, the public debt ratio looks set to rise further to 78.6% of GDP in 2024 and 79.0% of GDP in 2025.

Drawing on the General Government Fiscal Plan 2025-2028, contingent liabilities in the form of central government guarantees remain sizeable, amounting to 24.1% of GDP in 2023. Finnvera continued to account for a substantial proportion thereof. Meanwhile, Finland's large and concentrated banking sector (total assets in Q3-23 at 326.3% of GDP) gives a sound impression in terms of capitalization and asset quality. Capital buffers as captured by the CET1 ratio exceeded the average EU level, standing at 18.4% in Q4-23 (EU: 16.0%). The NPL ratio posted at 1.1%, below the average EU reading of 1.9%. At the same time, we would reiterate vulnerabilities emanating from the sector's regional interconnectedness, focus on wholesale funding, and exposure to the real estate market.

Given the large share of household mortgage loans with a variable interest rate, the pass-through of higher lending rates proceeds more quickly, with possible risks of rapidly worsening asset quality. The housing market has been weakening for some time, with prices falling by 3.0% in y-o-y terms in the final quarter of last year (Q4-22: +5.1%) and the volume of outstanding mortgage loans continuing to fall (Mar-24: -1.6% y-o-y). Nevertheless, recent stress tests suggest that the banking sector is resilient to shocks, and macro-prudential policies have come to the fore to further counter any risks, with a systemic risk buffer of 1.0% applying from Apr-24 (Financial Supervisory Authority).

Acknowledging uncertainty over the scope of monetary policy easing, given a degree of slowdown in the disinflationary process, we nevertheless expect prospective relief for the credit cycle via several rate cuts. In June, the ECB lowered its policy rates in an initial step by 25 bp, stressing a data-driven approach rather than giving any forward guidance. We assume that two more steps, each by 25bp, will follow by the end of 2024. The yield on 10-year Finnish government bonds was relatively stable in recent months, posting at 3.09% on 7-Jun-24 (weekly data).

Finland's ageing population continues to present considerable challenges for public finances looking ahead. Judging by the EU Ageing Report 2024, age-related costs are among the highest in the EU, amounting to 26.4% of GDP in 2022. Projections suggest that respective costs will rise by 0.7 p.p. until 2035 due to increases in long-term care spending, pensions, and health care spending. On a positive note, we gather that the government is working on a pension reform to address cost pressure, envisaged to be completed in Jan-25.

Risks to fiscal sustainability are mitigated by considerable government assets, sound debt management, and still affordable debt. Total assets of the State Pension Fund of Finland (VER) and the public pension fund Keva add up to EUR 101bn as of the end of Mar-24. While interest payments are on the rise, with interest measured against government revenue climbing to 2.1% in Q4-23, this still represents a historically low level, and remains one of the lowest readings among the sovereigns in our AA-rated universe.

Foreign Exposure

Notwithstanding the possibility of some scarring effects linked to persisting geopolitical tensions and reorientation of parts of Finland's trade, we ultimately deem external risks as limited. With both domestic and foreign demand expected to regain some strength, the current account balance may see little change next year. The NIIP has turned out positive more recently, thanks to a considerable increase in the stock of assets related to portfolio investment.

Amid receding energy prices, the deficit in Finland's current account balance narrowed to 1.4% of GDP in 2023, close to the longer-run average of -1.1% of GDP p.a. over 2010-2019. The improvement against 2022 was driven by the return of the goods balance to a surplus, whereas the deficit in the service balance increased, partly by recovering travel activities to destinations abroad, but to a larger extent by a lower surplus in trade with telecom, computer and information services.

With a NIIP of 5.2% of GDP, Finland became a modest net creditor in 2023. The main reason for the improvement in the NIIP was a smaller net negative position of the portfolio investment component, likely driven by valuation effects. External risks mainly pertain to the financial sector's sizeable foreign exposure. As of Q4-23, gross external debt of other MFIs amounted to a relatively high 113.4% of GDP (Q4-22: 114.8% of GDP, Statistics Finland).

Rating Outlook and Sensitivity

Our rating outlook on the Republic of Finland is stable. This reflects our view that the slowly recovering macroeconomic environment and exceptionally high quality of the sovereign's institutional framework offset fiscal risks, with the fiscal consolidation efforts adding to this.

A positive rating action could be prompted by significantly stronger economic growth than we expect at the current juncture, possibly bolstered by measures raising prospects for higher productivity and/or potential growth. A marked and sustained decline in the public debt ratio could also exert upward pressure on our rating or the outlook. In addition, we could consider raising the sovereign's rating or outlook if contingent liabilities are substantially reduced.

Conversely, we could lower the sovereign's outlook or rating if economic activity remains sluggish in the medium term, and/or if the debt-to-GDP ratio deteriorates more significantly over a protracted period. Conceivable scenarios for the former could be an escalation of the wars in Ukraine and/or the Middle East, scarring effects from the energy crisis, or insufficient structural reforms raising expectations for potential growth. The materialization of contingent liabilities could also warrant a negative rating action.

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Ratings*

Long-term sovereign rating	AA+ / stable
Foreign currency senior unsecured long-term debt	AA+ / stable
Local currency senior unsecured long-term debt	AA+ / stable

*) Unsolicited

ESG Factors

Creditreform Rating has signed the ESG in credit risk and ratings statement formulated within the framework of the UN Principles for Responsible Investment (UN PRI). The rating agency is thus committed to taking environmental and social factors as well as aspects of corporate governance into account in a targeted manner when assessing creditworthiness.

While there is no universal and commonly agreed typology or definition of environment, social, and governance (ESG) criteria, Creditreform Rating views ESG factors as an essential yardstick for assessing the sustainability of a state. Creditreform Rating thus takes account of ESG factors in its decision-making process before arriving at a sovereign credit rating. In the following, we explain how and to what degree any of the key drivers behind the credit rating or the related outlook is associated with what we understand to be an ESG factor, and outline why these ESG factors were material to the credit rating or rating outlook.

For further information on the conceptual approach pertaining to ESG factors in public finance and the relevance of ESG factors to sovereign credit ratings and to Creditreform Rating credit ratings more generally, we refer to the basic documentation, which lays down [key principles of the impact of ESG factors on credit ratings.]

ESG Factor Box

Environ-mental Quality	Ecological Risks	Ressource Management	Education	Health	**Demo-graphics**
Labor	Equality	Technology & Infrastructure	Safety & Security	**Judicial System**	**Quality of Public Services**
Integrity of Public Officials	Quality and Efficacy of Regulations	**Civil Liber-ties/ Political Participation**	Market Access	**Business Environment**	Data Transparency

Environment	**Social**	**Governance**	**Highly significant**	**Significant**	**Less significant**	**Hardly significant**

The governance dimension plays a pivotal role in forming our opinion on the creditworthiness of the sovereign. As the World Bank's Worldwide Governance Indicators Rule of Law, Government Effectiveness, Voice and Accountability, and Control of corruption have a material impact on Creditreform Rating's assessment of the sovereign's institutional set-up, which we regard as a key rating driver, we consider the ESG factors 'Judicial System and Property Rights', 'Quality of Public Services and Policies', 'Civil Liberties and Political Participation', and 'Integrity of Public Officials' as highly significant to the credit rating.

The social dimension plays an important role in forming our opinion on the creditworthiness of the sovereign. Indicators or projections providing insight into likely demographic developments and related cost represent a social component affecting our rating or adjustments thereof. We regard the ESG factor 'Demographics' as significant since it has a bearing on the economy's potential growth as well as medium-term fiscal prospects.

Since indicators relating to the assessment of an economy's competitive stance by e.g. the World Bank, the World Economic Forum, the European Commission, and IMD Business School and the World Intellectual Property Organization (UN) add further input to our rating or adjustments thereof, we judge the ESG factor 'Business Environment' as significant.

While Covid-19 may exert adverse effects on several components in our ESG factor framework in the medium to long term, it has not been visible in the relevant metrics we consider in the context of ESG factors – though it has a significant bearing on public finances. To be sure, we will follow ESG dynamics closely in this regard.

Economic Data

[in %, otherwise noted]	2018	2019	2020	2021	2022	2023e	2024e
Macroeconomic Performance							
Real GDP growth	1.1	1.2	-2.4	2.8	1.3	-1.0	-0.2
GDP per capita (PPP, USD)	49,180	50,574	49,968	53,660	58,053	59,425	60,851
Credit to the private sector/GDP	95.9	97.3	96.9	94.5	93.5	92.9	n/a
Unemployment rate	7.5	6.8	7.7	7.7	6.8	7.2	n/a
Real unit labor costs (index 2015=100)	95.2	95.6	94.9	96.0	95.3	95.5	96.2
World Competitiveness Ranking (rank)	16	15	13	11	8	11	n/a
Life expectancy at birth (years)	81.8	82.1	82.0	81.9	81.2	81.7	n/a
Institutional Structure							
WGI Rule of Law (score)	2.0	2.0	2.0	2.0	2.0	n/a	n/a
WGI Control of Corruption (score)	2.2	2.1	2.2	2.2	2.2	n/a	n/a
WGI Voice and Accountability (score)	1.6	1.6	1.6	1.6	1.6	n/a	n/a
WGI Government Effectiveness (score)	2.0	2.0	1.9	1.9	1.8	n/a	n/a
HICP inflation rate, y-o-y change	1.2	1.1	0.4	2.1	7.2	4.3	1.3
GHG emissions (tons of CO2 equivalent p.c.)	10.6	10.0	8.8	8.7	8.5	n/a	n/a
Default history (years since default)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fiscal Sustainability							
Fiscal balance/GDP	-0.9	-0.9	-5.6	-2.8	-0.4	-2.7	-3.4
General government gross debt/GDP	64.8	64.9	74.7	72.6	73.5	75.8	78.6
Interest/revenue	1.8	1.6	1.4	1.0	1.1	2.1	n/a
Debt/revenue	123.4	123.8	144.8	137.0	138.6	143.2	n/a
Total residual maturity of debt securities (years)	6.4	6.3	6.5	7.3	7.4	7.4	n/a
Foreign exposure							
Current account balance/GDP	-1.8	-0.3	0.5	0.4	-2.4	-1.4	n/a
International reserves/imports	13.3	15.5	19.8	19.6	16.6	20.5	n/a
NIIP/GDP	-5.6	4.0	-4.0	1.0	-2.2	5.2	n/a
External debt/GDP	218.3	224.4	222.7	208.6	216.0	215.1	n/a

Sources: IMF, World Bank, Eurostat, AMECO, ECB, IMD Business School, Statistics Finland, own estimates

Appendix

Rating History

Event	Publication Date	Rating /Outlook
Initial Rating	28.10.2016	AA+ /stable
Monitoring	01.09.2017	AA+ /stable
Monitoring	27.07.2018	AA+ /stable
Monitoring	26.07.2019	AA+ /stable
Monitoring	24.07.2020	AA+ /stable
Monitoring	16.07.2021	AA+ /stable
Monitoring	15.07.2022	AA+/ stable
Monitoring	16.06.2023	AA+ /stable
Monitoring	14.06.2024	AA+ /stable

Regulatory Requirements

In 2011 Creditreform Rating AG (CRAG) was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

This sovereign rating is an unsolicited credit rating. The State Treasury of the Republic of Finland participated in the credit rating process as it provided additional information. Creditreform Rating AG had no access to the accounts, representatives, or other relevant internal documents for the rated entity or a related third party. Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	YES
With Access to Internal Documents	NO
With Access to Management	NO

The rating was conducted on the basis of CRAG's "Sovereign Ratings" methodology (v1.2, July 2016) in conjunction with its basic document "Rating Criteria and Definitions" (v1.3, January 2018). CRAG ensures that methodologies, models, and key rating assumptions for determining sovereign credit ratings are properly maintained, up-to-date, and subject to a comprehensive review on a periodic basis. A complete description of CRAG´s rating methodologies and basic document "Rating Criteria and Definitions" is published on our website.

To prepare this credit rating, CRAG has used the following substantially material sources: International Monetary Fund, World Bank, Organization for Economic Co-operation and Development, Eurostat, European Commission, European Banking Authority, European Central Bank, World Economic Forum, World Intellectual Property Organization (WIPO), IMD Business School, Bank of Finland, Statistics Finland, Republic of Finland – Ministry of Finance, Finland Financial Supervisory Authority (FIN-FSA), National Audit Office.

A Rating Committee was called consisting of highly qualified analysts of CRAG. The quality and extent of information available on the rated entity was considered satisfactory. The analysts and committee members declared that the rules of the Code of Conduct were complied with. No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. The analysts presented the results of the quantitative and qualitative analyses and provided the Committee with a recommendation for the rating decision. After the discussion of the relevant quantitative and qualitative risk factors, the Rating Committee arrived at a unanimous rating decision. The weighting of all risk factors is described in CRAG´s "Sovereign Ratings" methodology. The main arguments that were raised in the discussion are summarized in the "Reasons for the Rating Decision."

As regards the rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the credit rating report. There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRAG website.

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