

Ratings Navigator			
Publish Date:	August 2019		
Ratings		Outlooks	
Long-Term FC IDR	AA+	Positive	
Long-Term LC IDR	AA+	Positive	
Short-Term FC IDR	F1+		
Short-Term LC IDR	F1+		
Country Ceiling	AAA		
Rating History			
Date	LT FC IDR		Action
26-Jul-19	AA+	Positive	Affirmed
1-Feb-19	AA+	Positive	Affirmed
3-Aug-18	AA+	Positive	Affirmed
9-Feb-18	AA+	Stable	Affirmed
11-Aug-17	AA+	Stable	Affirmed
17-Feb-17	AA+	Stable	Affirmed
2-Sep-16	AA+	Stable	Affirmed
11-Mar-16	AA+	Stable	Downgrade
18-Sep-15	AAA	Negative	Affirmed
20-Mar-15	AAA	Negative	Affirmed
26-Sep-14	AAA	Stable	Affirmed
28-Mar-14	AAA	Stable	Affirmed
24-Oct-13	AAA	Stable	Affirmed
3-May-13	AAA	Stable	Affirmed

Sovereign Rating Model (SRM) Output <sup>1</sup>					AA+
Factors	Structural	Macroeconomic	Public Finances	External Finances	SRM Predicted Rating
Weights(%)	53.6	11.2	17.4	17.8	AAA
Percent Rank <sup>4</sup>					AAA
90-100					AA+
80-90					AA
70-80					AA-
60-70					A+
50-60					A
40-50					A-
30-40					BBB+
20-30					BBB
10-20					BBB-
0-10					BB+

Qualitative Overlay (QO) <sup>2</sup>		0	AA+
Factors	Notch Adjustment		Long-Term FC IDR <sup>3</sup>
<b>Structural</b>		0	AAA
Political Stability & Capacity			AA+
Financial Sector Risks			AA
Business Environment			AA-
<b>Macroeconomic</b>		0	A+
Policy Credibility & Coherence			A
GDP Growth Outlook			A-
Macro Stability			BBB+
<b>Public Finances</b>		0	BBB
Fiscal Financing Flexibility			BBB-
Public Debt Sustainability <sup>5</sup>			BB+
Fiscal Structure			BB
<b>External Finances</b>		0	BB-
External Financing Flexibility			B+
External Debt Sustainability			B
Vulnerability to Shocks			B-
<b>Total QO Adjustment</b>		0	CCC+/CCC/CCC-
			C
			RD
			D

Bar Chart Legend			
Vertical Bar Height = Percent Rank vs all Sovereigns			
Bar Colors = Relative Influence of Rating Factor in SRM <sup>6</sup>			
■	Higher Influence (Sovereign Data)		
■	Moderate Influence (Sovereign Data)		
■	Lower Influence (Sovereign Data)		
■	Peer Data (Rating Category Median)		
Bar Arrows = Rating Factor Outlook			
↑	Positive	↓	Negative
↕	Evolving	□	Stable
◆	Peer Median		

Relevant Criteria
<a href="#">Sovereign Rating Criteria (May 2019)</a>
<a href="#">Country Ceilings Criteria (Jul 2019)</a>
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<sup>1</sup> See page 2 for full list of SRM indicators and data points.  
<sup>2</sup> Adjustment framework. Maximum total net notching restricted to +3 to or -3, except in certain circumstances.  
<sup>3</sup> Long-Term Foreign Currency Issuer Default Rating (the "Sovereign rating") is equal to the SRM predicted rating plus the QO adjustment.  
<sup>4</sup> Relative to all rated Sovereigns.  
<sup>5</sup> And contingent liabilities.  
<sup>6</sup> Relative influence is fixed across all sovereigns, and reflects the relative weight of each rating factor in the SRM.

Rating Drivers	
<b>Solid Governance and Policy Making</b>	Finland outperforms the 'AAA' and 'AA' medians in governance indicators. Strong political institutions and a record of solid macroeconomic policy underpin its structural strengths.
<b>New Government</b>	A five-party coalition government was formed at end-May 2019. Reaching a 75% employment level by 2023 is a key policy target. Modest fiscal loosening is expected. The government projects a balanced budget by 2023, pushed back from 2020.
<b>Ageing Constrains Potential Growth</b>	Medium-term growth potential, at 1.4%, is in line with average potential growth of the eurozone, but lower than comparable 'AAA' and 'AA' category peers. Structural challenges include ageing demographics and low labour productivity growth.
<b>Strong Sovereign Net Asset Position</b>	Finland's net financial position compares robustly against the majority of 'AA' and 'AAA' peers. At 52.4% of GDP end-2018, Finland's net creditor position is stronger than Sweden's (26.1%), Denmark's (0.7%) and Switzerland's (10.2%, end-2017).
<b>Macro-Financial Risks</b>	High levels of household indebtedness remain a macro-financial stability tail risk. Finnish households relative to their Scandinavian peers and majority of 'AA' and 'AAA' category peers, have lower financial buffers (eg low savings ratio).

Summary Strengths & Weaknesses (SRM + QO)				
	Structural	Macroeconomic	Public Finances	External Finances
<b>Status</b>	Strength	Neutral	Neutral	Neutral
<b>Trend</b>	Stable	Stable	Positive	Stable

Rating Sensitivities	
<b>Positives</b>	
<b>Growth Prospects, Structural Reform</b>	Evidence of an improvement in medium-term growth prospects, potentially supported by structural reforms and sustained gains in competitiveness.
<b>Sustainable Debt Decline</b>	Sustained downward trend in government debt-to-GDP ratio towards the 'AA' and 'AAA' peer medians.
<b>Negatives</b>	
<b>GDP Potential and Competitiveness</b>	Weaker medium-term growth prospects and/or deterioration in competitiveness.
<b>Increasing Debt Ratio</b>	Reversal of the downward trend in general government debt/GDP over the medium term, for example because of significant fiscal slippage or lower GDP growth.

Sovereign Rating Model							
Model Framework			Country		Rating Category Data		
Indicator	Data point	Weight	Data	SRM	A	AA	AAA
		(%)		(Notches)	Median	Median	Median
<b>Structural</b>		<b>53.6</b>	<b>10.83</b>				
Composite governance indicators	Latest, percentile	19.8	96.5	7.1	75.9	84.6	94.1
GDP per capita	Latest, percentile	12.9	86.1	3.6	65.5	81.0	90.5
Share in world GDP (%)	Latest	12.8	0.3	-0.7	0.3	0.4	0.9
Inverse years since Default/Restructuring <sup>4</sup>	Declining weight	6.6	0.0	0.0	0.0	0.0	0.0
Broad money (% of GDP)	Latest	1.4	78.1	0.8	88.9	97.4	94.6
<b>Macroeconomic</b>		<b>11.2</b>	<b>-0.63</b>				
Real GDP volatility (standard deviation)	Weighted history	5.3	2.3	-0.7	2.6	2.0	1.8
CPI (%) - yoy change in annual average	3 year centred avg	2.8	1.3	-0.1	2.4	2.3	1.8
Real GDP growth (%)	3 year centred avg	3.1	1.4	0.1	3.8	2.4	2.1
<b>Public finances</b>		<b>17.4</b>	<b>-1.30</b>				
Gross general govt debt (% of GDP)	3 year centred avg	7.7	58.3	-1.2	42.6	39.0	44.4
General govt interest (% of Revenue)	3 year centred avg	4.6	1.6	-0.1	4.8	4.0	4.0
General govt budget balance (% of GDP)	3 year centred avg	3.1	-0.6	0.0	-2.3	-0.4	-0.2
Public foreign-currency debt (% of GGGD)	3 year centred avg	2.1	0.0	0.0	11.5	0.8	0.0
<b>External finances</b>		<b>17.8</b>	<b>2.12</b>				
Reserve currency (share in global FX) <sup>5</sup>	Declining weight	7.9	3.1	1.8	0.0	0.0	3.1
Sovereign net foreign assets (% of GDP)	3 year centred avg	6.5	44.9	0.5	14.6	4.3	-6.6
Commodity dependence (% of CXR)	Latest	0.9	18.7	-0.1	10.6	16.9	14.2
Reserves (months of CXP) [for RC = 0 only]	Latest	1.4	1.0	n.a.	3.9	0.6	0.0
External interest service (% of CXR)	3 year centred avg	1.0	4.6	-0.1	2.3	4.5	8.0
CAB + Net FDI (% of GDP)	3 year centred avg	0.2	-5.0	0.0	2.2	0.5	2.1
Intercept term <sup>1</sup>			<b>4.48</b>				
<b>Total</b>		<b>100</b>	<b>15.51</b> <sup>2</sup>				
<b>SRM predicted rating</b>			<b>AAA</b>				
<b>SRM override flag and applied rating</b> <sup>3</sup>	<b>Yes</b>		<b>AA+</b>				

<sup>1</sup> The intercept term is constant across all sovereigns.

<sup>2</sup> Total maps to LT FC rating scale as follows: < 0.5 = CCC and Below, 0.5-1.5 = B-, 1.5-2.5 = B, etc up to 14.5-15.5 = AA+ and >15.5 = AAA.

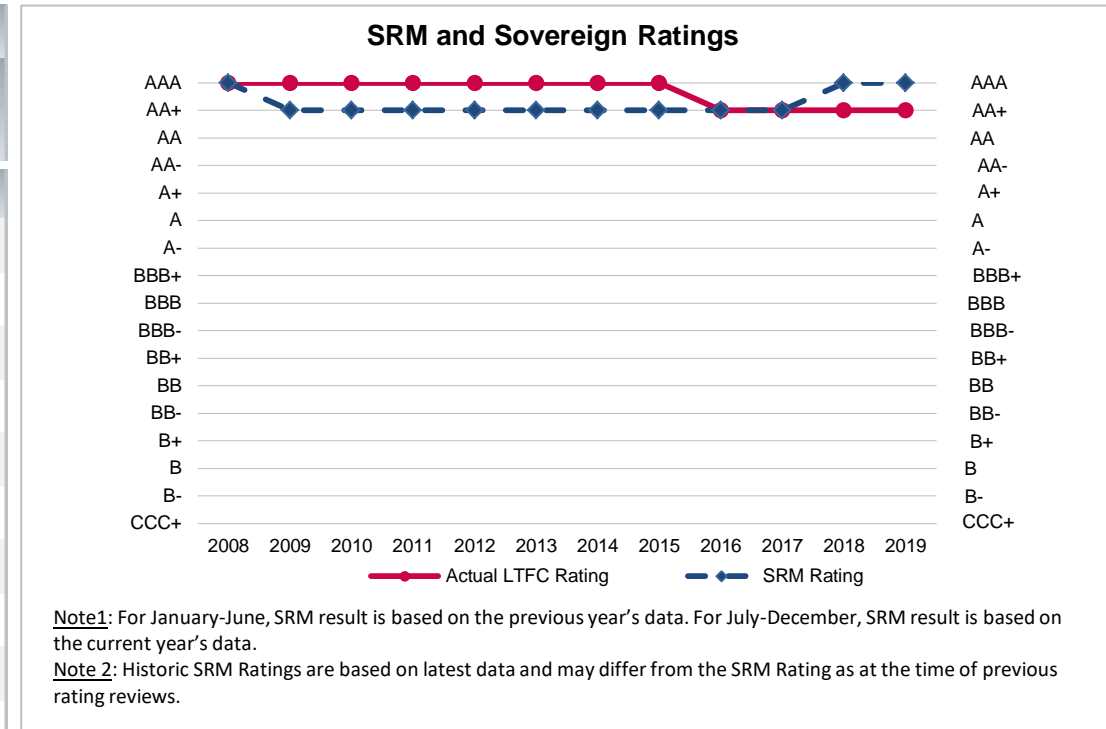
<sup>3</sup> Sovereign Rating Committee can override SRM predicted rating if a marginal change in the Total result leads to a notch change which is judged to be temporary or caused by a re-estimation of the SRM, a process that Fitch undertakes on at least an annual basis.

<sup>4</sup> A non-linear representation of the number of years since the last default or restructuring event, ranging from zero (if there has been no event after 1980) to one (if there has been an event in the current year, or the sovereign remains in default).

<sup>5</sup> A non-linear representation, ranging from 0 to 4.6. The full share of Euro holdings is applied for all euro area economies.

Acronyms used: foreign currency (FC), local currency (LC), issuer default rating (IDR), gross domestic product (GDP), consumer price inflation (CPI), current external receipts (CXR), current external payments (CXP), gross general government debt (GGGD), reserve currency (share in global FX) (RC), foreign direct investment (FDI).

Peers	
Long-Term FC IDR	Country
AAA	Australia
	Canada
	Denmark
	Germany
	Luxembourg
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
	United States of America
AA+	<b>Finland</b>
	Austria
	Hong Kong
AA	Abu Dhabi
	France
	Kuwait
	Macao
	New Zealand
	UK



Forecast Summary Tables					
Indicator	2017	2018	2019f	2020f	2021f
Real GDP growth (%)	3.0	1.7	1.4	1.2	1.3
CPI (%) - yoy change in annual average	0.8	1.2	1.3	1.5	1.5
Unemployment rate (%)	8.6	7.4	6.8	6.6	6.5
Short-term interest rate (annual avg%)	0.0	0.0	0.0	0.0	0.0
General govt budget balance (% of GDP)	-0.8	-0.7	-0.6	-0.4	-0.3
Gross general govt debt (% of GDP)	61.3	58.9	58.3	57.8	58.0
Current account balance (% of GDP)	-0.3	-1.9	-1.7	-1.6	-1.3
Net external debt (% of GDP)	49.9	39.0	43.3	46.5	49.1
Official international reserves (USDbn)	10.5	10.3	10.6	9.9	10.1
Nominal GDP (USDbn)	253.0	274.1	271.4	278.4	286.1
Exchange rate per USD (end-year)	0.83	0.87	0.88	0.88	0.88

Credit-Relevant ESG Derivation

Finland has 2 ESG key rating drivers, 2 ESG rating drivers and 9 ESG partial rating drivers

- ➔ Political stability is a key rating driver, as reflected in the World Bank Governance Indicators having the highest weight in Fitch's Sovereign Rating Model. Finland is a robust democracy and political stability compares well with peers.
- ➔ Government effectiveness, control of corruption, rule of law and regulatory quality are key rating drivers for Finland, as reflected in the World Bank Governance Indicators having the highest weight in Fitch's Sovereign Rating Model. They are amongst the strongest in the world.
- ➔ Social stability and voice and accountability are rating drivers for Finland, as reflected in the World Bank Governance Indicators having the highest weight in the SRM. Finland compares well with peers on the Voice and Accountability indicator.
- ➔ Willingness to service and pay debt is a rating driver for Finland, as for all sovereigns.
- ➔ Demographic trends are relevant to the rating in combination with other factors. Poor demographics constrain Finland's higher medium-term growth potential and, with increasing pension costs, pose a risk to long-term sustainability of public finances.
- ➔ International relations and trade are relevant to the rating in combination with other factors. The EU and Russia are important trade partners and the implementation of trade sanctions between Russia and the EU negatively affected exports, the trade balance and GDP growth.

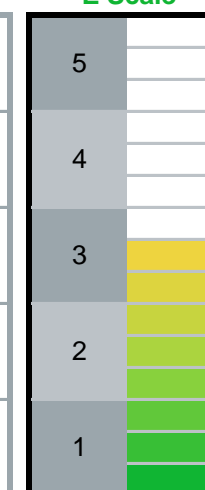
Overall ESG Scale

key driver	2	issues	5
driver	2	issues	4
partial driver	9	issues	3
not a rating driver	2	issues	2
	0	issues	1

Environmental (E)

General Issues	SRM	QO	E Score	Key Sovereign Issues	Sovereign Rating Criteria References
GHG Emissions and Air Quality	2	2	2	Emissions and air pollution as a constraint on GDP growth	SRM - Macroeconomic performance, policies and prospects (Macro); Macro: real GDP growth; QO - Macro: GDP growth outlook
Energy Management	3	2	3	Management of energy resource endowments affecting exports, government revenues and GDP	SRM - External finances: commodity dependence; SRM and QO - indirectly affects other SRM variables and QO judgments
Water Resources and Management	2	2	2	Water resource availability and management as a constraint on GDP growth	SRM - Macro: real GDP growth; QO - Macro: GDP growth outlook
Biodiversity and Natural Resource Management	3	2	3	Management of natural resource endowments affecting exports, government revenues and GDP	SRM - External finances: commodity dependence; SRM and QO - indirectly affects other SRM variables and QO judgments
Natural Disasters and Climate Change	3	2	3	Likelihood of and resilience to shocks	SRM - Structural features: share in world GDP; Macro: GDP volatility; QO - External finances: vulnerability to shocks; SRM and QO - potential impact on other variables

E Scale



How to Read This Page

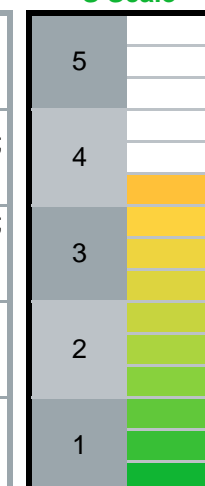
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The E, S or G score for each General Issue component reflects the higher of the SRM (Sovereign Rating Model) and Qualitative Overlay (QO) sub scores, which are derived from the SRM and QO steps of the Sovereign Rating Criteria, respectively. The right-hand box shows the aggregate E, S, or G score. General Issues and the more specific Key Sovereign Issues are relevant across all sovereigns. Scores are assigned to each Key Sovereign Issue. These scores signify the credit-relevance of the Key Sovereign Issues to the issuing entity's overall credit rating. The Sovereign Rating Criteria References box highlights the particular criterion which the corresponding ESG issues are captured by in Fitch's credit analysis.

Social (S)

General Issues	SRM	QO	S Score	Key Sovereign Issues	Sovereign Rating Criteria References
Human Rights and Political Freedoms	4	2	4	Social stability, voice and accountability, regime legitimacy	SRM - Structural features: World Bank governance indicators (have highest weight in SRM); QO - Structural features: political stability & capacity
Human Development, Health and Education	3	2	3	Impact of human development, health and education on GDP per capita and GDP growth	SRM - Structural features: GDP per capita; Macro: real GDP growth; QO - Macro: GDP growth outlook
Employment and Income Equality	3	2	3	Impact of unemployment and income equality on GDP per capita, GDP growth and political and social stability	SRM - Structural features: GDP per capita; Macro: real GDP growth; QO - Macro: GDP growth outlook; Structural features: political stability & capacity
Public Safety and Security	3	2	3	Impact of public safety and security on business environment and/or economic performance	SRM - Macro: real GDP growth; QO - Structural features: political stability & capacity and business environment; Macro: GDP growth outlook
Demographic Trends	3	3	3	Population decline or aging, rapidly rising youth population; pensions sustainability	SRM - Macro: real GDP growth; Public Finances: government debt/GDP; QO - Public finances: public debt sustainability; Structural features: political stability; Macro: growth outlook

S Scale



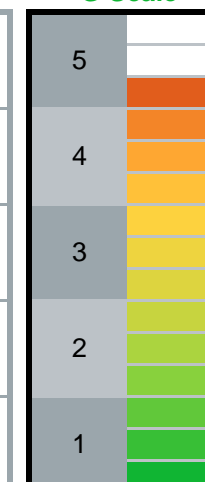
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or partial drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's Sovereign Rating Criteria and the General Issues and Key Sovereign Issues have been informed by SASB's Materiality Map and the UNPRI's sovereign fixed income working group framework.

Governance (G)

General Issues	SRM	QO	G Score	Key Sovereign Issues	Sovereign Rating Criteria References
Political Stability and Rights	5	2	5	Political divisions and vested interests; geo-political risks including conflict, security threats and violence; policy capacity: unpredictable policy shifts or stasis	SRM - Structural features: World Bank governance indicators (have highest weight in SRM); QO - Structural features: political stability & capacity
Rule of Law, Institutional & Regulatory Quality, Control of Corruption	5	2	5	Government effectiveness, control of corruption, rule of law, regulatory quality	SRM - Structural features: World Bank governance indicators (have highest weight in SRM); QO - Structural features: political stability & capacity and business environment
International Relations and Trade	3	3	3	Trade agreements, membership of international organizations, bilateral relations; sanctions or other costly international actions	SRM - External finances: Current account deficit and FDI; Macro: real GDP growth; QO - Structural features: political stability and business environment; External finances: vulnerability to shocks
Creditor Rights	4	2	4	Willingness to service and repay debt	SRM - Structural features: years since default or restructuring even; QO - Potential adjustment in one of the QO pillars
Data Quality and Transparency	3	2	3	Availability, limitations and reliability of economic and financial data, including transparency of public debt and contingent liabilities	Data Sources, Limitations and Reasonable Investigation; Data Revisions and Limitations

G Scale



CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

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

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