

Ratings Navigator			
Publish Date:	June 2020		
Ratings	Outlooks		
Long-Term FC IDR	AA+	Stable	
Long-Term LC IDR	AA+	Stable	
Short-Term FC IDR	F1+		
Short-Term LC IDR	F1+		
Country Ceiling	AAA		
Rating History			
Date	LT FC IDR	Action	
26-Jun-20	AA+	Stable	Affirmed
24-Jan-20	AA+	Stable	Affirmed
26-Jul-19	AA+	Positive	Affirmed
01-Feb-19	AA+	Positive	Affirmed
03-Aug-18	AA+	Positive	Affirmed
09-Feb-18	AA+	Stable	Affirmed
11-Aug-17	AA+	Stable	Affirmed
17-Feb-17	AA+	Stable	Affirmed
02-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

Sovereign Rating Model (SRM) Output ¹					AA+
Factors	Structural	Macroeconomic	Public Finances	External Finances	SRM Predicted Rating
Weights(%)	53.7	10.9	18.0	17.4	
Percent Rank ⁴					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) ²		0	AA+
Factors	Notch Adjustment		Long-Term FC IDR ³
Structural		0	AAA
Political Stability & Capacity			AA+
Financial Sector Risks			AA
Other Structural Factors			AA-
Macroeconomic		0	A+
Policy Credibility & Coherence			A
GDP Growth Outlook			A-
Macro Stability			BBB+
Public Finances		0	BBB
Fiscal Financing Flexibility			BBB-
Public Debt Sustainability ⁵			BB+
Fiscal Structure			BB
External Finances		0	BB-
External Financing Flexibility			B+
External Debt Sustainability			B
Vulnerability to Shocks			B-
Total QO Adjustment		0	CCC+/CCC/CCC-
			CC
			C
			RD
			D

Bar Chart Legend	
Vertical Bar Height = Percent Rank vs all Sovereigns	
Bar Colors = Relative Influence of Rating Factor in SRM ⁶	
■	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
Applicable Criteria & References	
Sovereign Rating Criteria (Apr 2020)	
Country Ceilings Criteria (Jul 2019)	
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¹ See page 2 for full list of SRM indicators and data points.
² Adjustment framework. Maximum total net notching restricted to +3 to -3, except in certain circumstances.
³ Long-Term Foreign Currency Issuer Default Rating (the "Sovereign rating") is equal to the SRM predicted rating plus the QO adjustment.
⁴ Relative to all rated Sovereigns.
⁵ And contingent liabilities.
⁶ Relative influence is fixed across all sovereigns, and reflects the relative weight of each rating factor in the SRM.

Rating Drivers	
Strong Institutions, Governance	Finland outperforms the 'AAA' and 'AA' medians in governance indicators. Very high governance indicators and a strong institutional framework are also reflected in a record of sound policymaking.
Structural Reform	A long-standing commitment to structural reform in the consensus-based political system underpins Fitch's view that policies being adopted will strengthen medium-term fiscal sustainability, despite risks from the coronavirus pandemic.
Rising Debt Trajectory	Public debt trajectory is on a gradual upward trajectory. Pressures from weakening demographics and increasing ageing costs risk long-term sustainability of public finances.
Weak Medium-Term Growth Prospects	Structural factors, such as demographics and low productivity, weigh on medium-term growth prospects.
Weak External Finances	Finland is a large net external debtor (65.7% of GDP, 2019; vs 'AA' median net creditor position 8.3% of GDP).
Core Eurozone Issuer	Finland is considered a core eurozone issuer and benefits from exceptionally low financing costs.

Rating Sensitivities	
Positives	
Growth Prospects, Structural Reform	An improvement in medium-term growth prospects, potentially supported by structural reforms and sustained gains in competitiveness that would improve external finances.
Sustainable Debt Level	Sustained downward trend in government debt/GDP ratio, particularly if supported by policy measures tackling the adverse impact from weakening demographics and high ageing-related costs
Negatives	
Increasing Indebtedness	Failure to put general government debt/GDP on a downward trajectory over the medium term, e.g from the absence of a post-coronavirus fiscal consolidation strategy and/or lack of commitment towards structural reform addressing fiscal risks.
Economic, Financial Stress	Economic or financial sector stress, which may impair household debt-servicing ability, for instance from a structural deterioration in the labour market.

Sovereign Rating Model							
Model Framework			Country		Rating Category Data		
Indicator	Data point	Weight	Data	SRM	A	AA	AAA
		(%)		(Notches)	Median	Median	Median
Structural		53.7		10.77			
Composite Governance indicators	Latest, percentile	20.4	96.1	7.2	76.0	84.6	94.0
GDP per capita	Latest, percentile	12.3	86.3	3.4	65.5	81.0	90.5
Share in world GDP (%)	Latest	13.2	0.3	-0.7	0.3	0.4	0.9
Inverse years since Default/Restructuring ⁴	Declining weight	6.4	0.0	0.0	0.0	0.0	0.0
Broad money (% of GDP)	Latest	1.4	83.1	0.8	88.2	97.4	93.3
Macroeconomic		10.9		-0.87			
Real GDP volatility (standard deviation)	Weighted history	4.9	2.3	-0.6	2.7	2.1	1.9
CPI (annual average, truncated 2%-50%)	3 year centred avg	3.1	2.0	-0.1	2.3	2.2	1.8
Real GDP growth (%)	3 year centred avg	2.9	-1.2	-0.1	3.8	2.4	2.3
Public finances		18.0		-1.58			
Gross general govt debt (% of GDP)	3 year centred avg	8.0	63.5	-1.3	42.3	38.8	44.5
General govt interest (% of Revenue)	3 year centred avg	4.7	1.6	-0.1	4.7	4.0	4.0
General govt budget balance (% of GDP)	3 year centred avg	3.0	-3.0	-0.2	-2.1	-0.4	-0.2
Public foreign-currency debt (% of GGGD)	3 year centred avg	2.4	0.0	0.0	10.8	0.7	0.0
External finances		17.4		2.17			
Reserve currency (share in global FX) ⁵	Declining weight	7.8	3.1	1.7	0.0	0.0	3.1
Sovereign net foreign assets (% of GDP)	3 year centred avg	6.7	49.0	0.5	14.1	4.3	-6.6
Commodity dependence (% of CXR)	Latest	0.8	18.5	-0.1	10.6	16.8	14.0
Reserves (months of CXP) [for RC = 0 only]	Latest	1.3	1.0	n.a.	3.9	0.6	0.0
External interest service (% of CXR)	3 year centred avg	0.7	4.3	-0.1	2.3	5.1	8.0
CAB + Net FDI (% of GDP)	3 year centred avg	0.2	-3.3	0.0	2.3	0.6	2.1
Intercept term ¹				4.49			
Total		100		14.98 ²			
SRM predicted rating				AA+			
SRM override flag and applied rating ³	No			n.a.			

¹ The intercept term is constant across all sovereigns.

² 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.

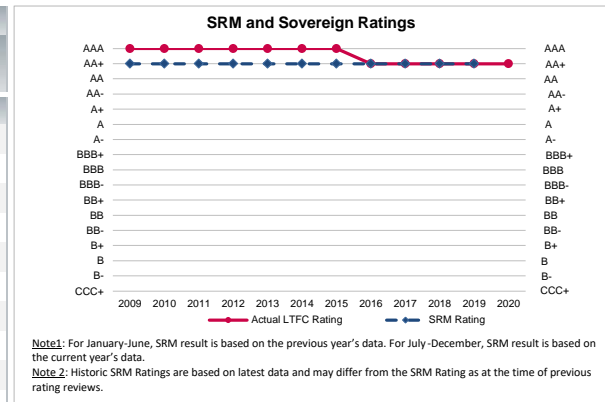
³ Sovereign Rating Committee can override SRM predicted rating if a marginal change in the Total result leads to a notch change which is judged to be temporary or caused by a re-estimation of the SRM, a process that Fitch undertakes on at least an annual basis.

⁴ 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).

⁵ 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
	Denmark
	Germany
	Luxembourg
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
	United States of America
AA+	Finland
	Austria
	Canada
AA	Abu Dhabi
	France
	Kuwait
	Macao
	New Zealand



Forecast Summary Tables					
Indicator	2017	2018	2019	2020f	2021f
Real GDP growth (%)	3.1	1.6	1.0	-6.1	3.2
CPI (annual average)	0.8	1.2	1.1	0.3	1.2
Unemployment rate (%)	8.6	7.4	6.7	8.0	7.8
Short-term interest rate (annual avg%)	0.0	0.0	0.0	0.0	0.0
General govt budget balance (% of GDP)	-0.7	-0.9	-1.1	-7.1	-5.1
Gross general govt debt (% of GDP)	61.3	59.6	59.4	71.6	75.0
Current account balance (% of GDP)	-0.8	-1.6	-0.8	-2.3	-1.7
Net external debt (% of GDP)	74.9	65.0	65.7	75.6	74.1
Official international reserves (USDbn)	10.5	10.3	11.4	13.7	11.6
Nominal GDP (USDbn)	254.5	275.8	268.8	246.8	257.5
Exchange rate per USD (end-year)	0.83	0.87	0.89	0.92	0.92

Credit-Relevant ESG Derivation

Overall ESG Scale

Finland has 2 ESG key rating drivers, 2 ESG rating drivers and 9 ESG partial rating drivers				key driver	2	issues	5	
➔ 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.	driver	2	issues	4				
➔ 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.	partial driver	9	issues	3				
➔ 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.	not a rating driver	2	issues	2				
➔ Willingness to service and pay debt is a rating driver for Finland, as for all sovereigns.		0	issues	1				
➔ 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, trade balance and GDP growth.								

Environmental (E)

General Issues	SRM	QO	E Score	Key Sovereign Issues	Sovereign Rating Criteria References	E Scale
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	

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	S Scale
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	

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	G Scale	CREDIT-RELEVANT ESG SCALE
							How relevant are E, S and G issues to the overall credit rating?
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		5 Highly relevant to rating, a key rating driver with a high weight.
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		4 Relevant to rating, a rating driver.
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		3 Relevant, but only has an impact on entity rating in combination with other factors.
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		2 Irrelevant to the entity rating but relevant to the sector.
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		1 Irrelevant to the entity rating and irrelevant to the sector.

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