

# Finland

This report does not constitute a new rating action for this issuer. To accommodate a higher frequency of rating reviews during the coronavirus pandemic, Fitch is publishing scaled-down Sovereign Rating Reports that focus on data and forecasts encompassed in reviews. For the rating rationale, refer to the relevant published Rating Action Commentary (see Related Research).

## Comparative Analysis - Key Indicator Charts



Note: Medians based on data for sovereigns in the respective rating category at the end of each year. Latest ratings are used for the current year and forecast period.

Source: Fitch Ratings

### Ratings

Foreign Currency	
Long-Term IDR	AA+
Short-Term IDR	F1+
Local Currency	
Long-Term IDR	AA+
Short-Term IDR	F1+
Country Ceiling	AAA

### Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

### Rating Derivation

Component	Outcome
Sovereign Rating Model (SRM)	AA+
Qualitative Overlay (QO)	0
Structural Features	0
Macroeconomic	0
Public Finances	0
External Finances	0
Long-Term Foreign-Currency IDR	AA+

### Applicable Criteria

[Sovereign Rating Criteria \(Oct 2020\)](#)  
[Country Ceilings Criteria \(Jul 2020\)](#)

### Related Research

[Finland Rating Action Commentary \(Oct 2020\)](#)  
[Global Economic Outlook \(Sep 2020\)](#)  
[Finland \(Jul 2020\)](#)

(USDbn)	2020F
GDP	262.2
GDP per head (USD 000)	47.3
Population (m)	5.5
International reserves	11.7
Net external debt (% GDP)	80.6
Central government total debt (% GDP)	58.5
CG foreign-currency debt	0.0
CG domestically issued debt (EURbn)	135.0

Source: Fitch Ratings

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## Comparative Analysis - Strengths &amp; Weaknesses Table

2020F	Finland AA+	AA Median <sup>a</sup>	AAA Median <sup>a</sup>	Austria AA+	Estonia AA-	Canada AA+
<b>Structural Features</b>						
GDP per capita (USD, mkt exchange rates)	47,305	39,803	58,979	46,513	22,949	42,372
GNI per capita (PPP, USD, latest)	51,210	50,940	61,385	59,060	38,010	50,810
GDP (USDbn)	262	249	527	416	30	1,605
Human Development Index (percentile, latest)	94.1	88.9	95.5	89.8	84.5	93.6
Governance Indicator (percentile, latest) <sup>b</sup>	95.5	84.3	94.0	91.3	85.4	93.4
Broad money (% GDP)	94.5	97.5	93.9	122.3	73.4	174.2
Default record (year cured) <sup>c</sup>	-	-	-	-	-	-
Ease of Doing Business (percentile, latest)	90.0	88.6	93.7	86.3	91.1	88.4
Trade openness (avg. of CXR + CXP % GDP)	46.2	47.0	51.7	61.0	76.6	39.2
Gross domestic savings (% GDP)	22.4	26.4	27.8	26.5	30.2	20.4
Gross domestic investment (% GDP)	23.9	23.4	22.6	26.8	25.4	20.5
Private credit (% GDP)	102.2	101.6	120.8	90.5	59.0	230.4
Bank Systemic Risk Indicators <sup>d</sup>	n.a. / 1	-	-	bbb / 1	n.a. / 1	aa / 2
Bank system capital ratio (% assets)	20.1	15.6	14.7	18.3	25.6	11.2
Foreign bank ownership (% assets)	-	27.2	16.0	19.4	90.0	-
Public bank ownership (% assets)	-	11.9	8.5	11.0	6.0	-
<b>Macroeconomic Performance and Policies</b>						
Real GDP (5yr average % change)	0.9	2.8	2.3	0.1	2.4	0.2
Volatility of GDP (10yr rolling SD)	2.3	2.1	1.8	3.3	3.5	2.9
Consumer prices (5yr average)	0.8	2.2	1.8	1.5	2.0	1.6
Volatility of CPI (10yr rolling SD)	1.2	1.2	0.9	0.9	1.9	0.7
Unemployment rate (%)	8.2	5.1	5.3	6.7	7.5	9.6
Type of exchange rate regime	Free Floating	-	-	Free Floating	Free Floating	Free floating
Dollarisation ratio (% of bank deposits)	3.4	12.2	16.3	5.5	5.8	52.3
REER volatility (10yr rolling SD)	5.3	4.4	3.8	2.5	2.2	5.8
<b>Public Finances<sup>e</sup></b>						
Budget balance (% GDP)	-7.4	-0.6	-0.1	-9.4	-6.4	-21.8
Primary balance (% GDP)	-6.7	1.1	1.3	-7.8	-6.4	-19.0
Gross debt (% revenue)	136.7	114.3	116.0	176.9	41.2	301.4
Gross debt (% GDP)	70.1	38.9	44.3	85.7	15.2	120.0
Net debt (% GDP)	68.3	27.7	37.9	82.6	12.6	117.6
Foreign-currency debt (% total debt)	0.0	0.6	0.0	0.0	0.0	17.4
Interest payments (% revenue)	1.4	3.8	3.8	3.3	0.1	6.9
Revenues and grants (% GDP)	51.3	40.0	43.3	48.4	37.0	39.8
Volatility of revenue/GDP ratio	1.9	4.1	2.3	1.3	1.6	2.6
Central government debt maturities (% GDP)	12.4	6.8	8.0	6.0	0.6	51.6
<b>External Finances</b>						
Current account balance + net FDI (% GDP)	-4.0	0.6	2.3	-0.7	6.2	-4.6
Current account balance (% GDP)	-1.8	1.7	4.8	-0.1	4.6	-2.4
Net external debt (% GDP)	80.6	-9.4	17.0	24.0	-16.9	61.1
Gross external debt (% CXR)	538.5	245.9	324.8	283.9	103.2	367.4
Gross sovereign external debt (% GXD)	21.8	15.6	12.0	49.5	19.3	20.2
Sovereign net foreign assets (% GDP)	53.6	4.9	-6.5	-61.0	24.1	-22.8
Ext. interest service ratio (% CXR)	4.5	4.8	7.8	3.9	0.6	10.8
Ext. debt service ratio (% CXR)	60.3	27.2	43.5	42.2	10.9	37.4
Foreign-exchange reserves (months of CXP)	1.1	2.9	1.4	1.1	1.8	1.6
Liquidity ratio (latest) <sup>f</sup>	40.1	55.7	50.3	46.3	37.2	8.4
Share of currency in global reserves (%)	20.3	-	-	20.3	20.0	1.8
Commodity export dependence (% CXR, latest)	17.6	16.6	14.5	11.3	17.9	34.0
Sovereign net foreign-currency debt (% GDP)	-4.5	-8.0	-3.9	-5.8	-11.1	15.6

<sup>a</sup> Medians based on three-year centred averages.

<sup>b</sup> Composite of six World Bank Governance Indicators used in the Sovereign Rating Model: Government Effectiveness; Rule of Law; Control of Corruption; Voice and Accountability; Regulatory Quality; and Political Stability and Absence of Violence.

<sup>c</sup> For further details on this indicator, please refer to the Sovereign Rating Criteria (see paragraphs for the SRM variable for Years since default or restructuring).

<sup>d</sup> Bank systemic indicator, which equates to a weighted-average Viability Rating; and macro-prudential indicator, with 1 'low' systemic risk through to 3 'high'.

<sup>e</sup> General government unless stated.

<sup>f</sup> Ratio of liquid external assets, defined as the stock of official FX reserves including gold at the end of the previous calendar year plus banks' liquid external assets, to liquid external liabilities, defined as scheduled external debt service in the current year, plus the stock of short-term external debt and all non-resident holdings of marketable medium- and long-term local-currency debt at the end of the previous calendar year.

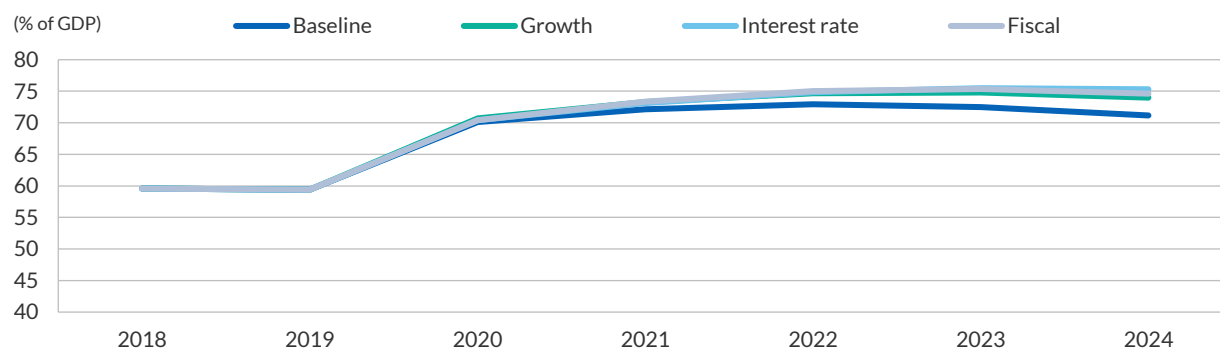
Note: Acronyms used: consumer price inflation (CPI), gross domestic product (GDP), current external receipts (CXR), current external payments (CXP), gross national income (GNI), purchasing power parity (PPP), standard deviation (SD), foreign direct investment (FDI).

Source: Fitch Ratings

## Public Debt Dynamics

### Sensitivity Analysis

Gross general government debt



Source: Fitch Ratings' Debt Dynamics Model

Fitch uses stylised projections for a sovereign's gross general government debt/GDP ratio to illustrate the sustainability of its debt burden and its sensitivity to economic growth, the cost of borrowing, fiscal policy and the exchange rate.

### Debt Dynamics - Fitch's Baseline Assumptions

	2019	2020	2021	2022	2023	2024
Gross general government debt (% of GDP)	59.4	70.1	72.1	72.9	72.5	71.2
Primary balance (% of GDP)	-0.3	-6.7	-4.1	-2.6	-1.7	-0.8
Real GDP growth (%)	1.1	-4.3	2.7	2.1	1.7	1.5
Avg. nominal effective interest rate (%)	1.5	1.2	0.9	0.6	0.5	0.5
EUR/USD (annual avg)	0.9	0.9	0.9	0.9	0.9	0.9
GDP deflator	1.8	0.3	1.0	1.2	1.8	2.0

Source: Fitch Ratings

### Debt Sensitivity Analysis - Fitch's Scenario Assumptions

Growth	GDP growth 1% lower (half standard deviation lower)
Interest rate	Marginal interest rate 250bp higher
Fiscal	Slower fiscal consolidation

Source: Fitch Ratings

Detailed Data Tables

Forecast Summary

	2016	2017	2018	2019	2020F	2021F	2022F
<b>Macroeconomic Indicators and Policy</b>							
Real GDP growth (%)	2.8	3.3	1.5	1.1	-4.3	2.7	2.1
Unemployment (%)	8.8	8.6	7.4	6.7	8.2	8.2	7.8
Consumer prices (annual average % change)	0.4	0.8	1.2	1.1	0.3	1.0	1.2
Short-term interest rate (bank policy annual avg) (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government balance (% of GDP)	-1.7	-0.7	-0.9	-1.1	-7.4	-4.8	-3.3
General government debt (% of GDP)	63.2	61.3	59.6	59.4	70.1	72.1	72.9
EUR per USD (annual average)	0.9	0.9	0.8	0.9	0.9	0.9	0.9
Real effective exchange rate (2000=100)	100.7	92.6	97.7	91.7	90.3	90.6	91.5
Real private sector credit growth (%)	2.4	2.5	2.1	2.2	3.2	2.5	2.8
<b>External Finance</b>							
Current account balance (% of GDP)	-2.0	-0.8	-1.7	-0.2	-1.8	-1.8	-1.5
Current account balance plus net FDI (% of GDP)	-7.6	0.6	-6.7	1.6	-4.0	-3.1	-2.7
Net external debt (% of GDP)	54.9	47.2	80.2	65.0	80.6	80.5	80.7
Net external debt (% of CXR)	128.1	103.7	172.3	131.2	177.8	178.0	175.5
Official international reserves including gold	10,486	10,507	10,309	11,427	11,671	11,364	10,964
Official international reserves (months of CXP cover)	1.2	1.1	0.9	1.0	1.1	1.1	1.0
External interest service (% of CXR)	5.6	4.5	4.1	4.0	4.5	4.5	4.4
Gross external financing requirement (% int. reserves)	438.2	494.8	410.7	653.6	622.3	643.9	667.7
<b>Real GDP growth (%)</b>							
US	1.7	2.3	3.0	2.2	-4.6	4.0	3.0
China	6.7	6.9	6.7	6.1	2.7	7.7	5.5
Eurozone	2.0	2.4	1.9	1.3	-9.0	5.5	3.2
World	2.6	3.4	3.2	2.6	-4.4	5.2	3.6
Oil (USD/barrel)	45.1	54.9	71.5	64.1	41.0	45.0	50.0

Source: Fitch Ratings

Detailed Data Tables

Fiscal Accounts Summary

% of GDP	2017	2018	2019	2020F	2021F	2022F
<b>General government</b>						
Revenue	53.1	52.5	52.2	51.3	52.3	52.6
Expenditure	53.8	53.4	53.3	58.7	57.1	55.9
o/w interest payments	1.0	0.9	0.9	0.7	0.7	0.7
Primary balance	0.3	0.1	-0.3	-6.7	-4.1	-2.6
Overall balance	-0.7	-0.9	-1.1	-7.4	-4.8	-3.3
<b>General government debt</b>						
% of general government revenue	115.6	113.5	113.9	136.7	137.8	138.8
Central government deposits	1.5	1.4	0.9	1.8	1.4	1.2
Net general government debt	59.8	58.2	58.5	68.3	70.7	71.7
<b>Central government</b>						
Revenue	24.7	24.8	24.6			
o/w grants	0.4	0.9	1.2			
Expenditure and net lending	26.5	26.0	25.7			
o/w current expenditure and transfers	25.0	24.5	24.3			
- interest	1.0	0.9	0.8			
o/w capital expenditure	1.8	1.8	1.6			
Current balance	-0.3	0.2	0.3			
Primary balance	-0.8	-0.4	-0.4			
Overall balance	-1.8	-1.2	-1.2			
<b>Central government debt</b>						
% of central government revenues	211.2	201.7	200.0			
<b>Central government debt (EURbn)</b>						
By residency of holder						
Domestic	14	18	18			
Foreign	104	99	100			
By currency denomination						
Local currency	118	117	118			
Foreign currency	0	0	0			
in USD equivalent (eop exchange rate)	0	0	0			
Average maturity (years)	6.1	6.5	6.3	6.8		
<b>Memo:</b>						
Nominal GDP (EURbn)	226	234	241	231	239	247

Source: Fitch Ratings estimates and forecasts and Ministry of Finance

Detailed Data Tables

External Debt and Assets

(USD Billions)	2015	2016	2017	2018	2019	2020F
<b>Gross external debt</b>	<b>466.5</b>	<b>421.5</b>	<b>371.5</b>	<b>599.8</b>	<b>609.6</b>	<b>640.0</b>
% of GDP	198.9	175.2	145.9	217.5	226.4	244.1
% of CXR	458.8	408.8	320.6	467.4	456.6	538.5
<b>By maturity</b>						
Medium- and long-term	195.5	249.3	191.6	334.1	331.4	350.9
Short-term	271.0	172.2	179.9	265.7	278.2	289.1
% of total debt	58.1	40.9	48.4	44.3	45.6	45.2
<b>By debtor</b>						
<b>Sovereign</b>	<b>137.5</b>	<b>129.4</b>	<b>129.7</b>	<b>129.9</b>	<b>127.7</b>	<b>139.4</b>
o/w central bank	0.0	0.0	0.0	0.0	0.0	0.0
<b>Banks</b>	<b>232.3</b>	<b>209.7</b>	<b>139.2</b>	<b>373.2</b>	<b>383.3</b>	<b>395.7</b>
<b>Other sectors</b>	<b>96.6</b>	<b>82.3</b>	<b>102.6</b>	<b>96.7</b>	<b>98.6</b>	<b>104.9</b>
<b>Gross external assets (non-equity)</b>						
International reserves, incl. gold	10.0	10.5	10.5	10.3	11.4	11.7
Other sovereign assets nes	137.8	94.1	93.3	119.7	134.9	134.9
Deposit money banks' foreign assets	212.6	139.1	94.0	196.1	234.2	228.0
Other sector foreign assets	52.0	45.8	53.6	52.6	53.9	54.4
<b>Net external debt</b>						
% of GDP	39.6	54.9	47.2	80.2	65.0	80.6
Net sovereign external debt	28.5	24.9	25.9	-0.1	-18.5	-6.9
Net bank external debt	19.8	70.6	45.2	177.1	149.0	167.7
Net other external debt	44.6	36.5	49.0	44.2	44.6	50.4
<b>Net international investment position</b>						
% of GDP	1.5	8.1	0.5	-6.4	1.5	-5.0
<b>Sovereign net foreign assets</b>						
% of GDP	41.2	43.4	49.8	43.4	52.2	53.6
<b>Debt service (principal &amp; interest)</b>						
Debt service (% of CXR)	65.4	43.5	47.5	34.0	54.0	60.3
Interest (% of CXR)	6.8	5.6	4.5	4.1	4.0	4.5
<b>Liquidity ratio (%)</b>						
Net sovereign FX debt (% of GDP)	-4.3	-4.4	-4.1	-3.7	-4.2	-4.5
<b>Memo:</b>						
Nominal GDP	234.6	240.6	254.6	275.8	269.3	262.2
Inter-company loans	65.7	52.2	68.7	59.0	62.4	66.3

Source: Fitch Ratings estimates and forecasts, central bank, IMF and World Bank

Detailed Data Tables

Balance of Payments

(USD Billions)	2017	2018	2019	2020F	2021F	2022F
<b>Current account balance</b>	-2.0	-4.8	-0.6	-4.8	-5.0	-4.2
% of GDP	-0.8	-1.7	-0.2	-1.8	-1.8	-1.5
% of CXR	-1.7	-3.8	-0.4	-4.1	-4.0	-3.2
<b>Trade balance</b>	1.7	0.3	2.6	3.0	2.7	2.8
Exports, fob	67.0	74.3	72.6	66.3	71.8	74.7
Imports, fob	65.3	74.0	70.1	63.3	69.2	71.9
<b>Services, net</b>	-1.6	-3.3	-1.7	-4.1	-3.8	-3.5
Services, credit	28.8	32.0	35.6	30.7	30.6	33.6
Services, debit	30.3	35.2	37.3	34.8	34.4	37.1
<b>Income, net</b>	0.2	0.9	1.3	-0.8	-0.8	-0.6
Income, credit	18.4	20.2	23.5	20.2	20.5	20.7
Income, debit	18.2	19.3	22.2	21.0	21.3	21.3
O/w: interest payments	5.2	5.3	5.3	5.4	5.6	5.7
<b>Current transfers, net</b>	-2.3	-2.7	-2.7	-3.0	-3.0	-2.9
<b>Capital and Financial Accounts:</b>						
Non-debt-creating inflows (net)	2.0	-3.3	-6.6	-6.8	-4.6	-1.1
o/w equity FDI	4.0	-6.8	1.6	-2.3	-1.1	1.1
o/w portfolio equity	-2.0	3.6	-8.2	-4.5	-3.4	-2.3
o/w other flows	0.2	0.2	0.2	0.2	0.2	0.2
Change in reserves	-0.4	-0.1	0.6	0.2	-0.3	-0.4
<b>Gross external financing requirement</b>	51.9	43.1	67.4	71.1	75.1	75.9
<b>Stock of international reserves, incl. gold</b>	10.5	10.3	11.4	11.7	11.4	11.0

Source: Fitch Ratings estimates and forecasts and IMF

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