Finland
CRT-1
August 22, 2019
Region: Europe

Country Risk Criteria Procedures
Guide to Best’s Country Risk Tiers

- Finland is a CRT-1 country, with low or very low levels of economic, political, and financial system risk.
- Finland’s GDP growth rate is projected to be 1.9% in 2019, down from 2.4% in 2018. The inflation rate is expected to increase slightly, to 1.3%, up from 1.2% in 2018.
- Finland’s economy is diversified, highly industrialized, and dependent on trade. The country’s main exports include machinery, paper, chemicals, and timber.
- AM Best categorizes the majority of countries pictured in the map as CRT-1 and CRT-2. Notable exceptions are Eastern European countries such as Belarus, Romania, and Ukraine.

Regional Summary: Western Europe

- Composed of 28 countries, the EU accounts for slightly over a fifth of the world’s GDP. The IMF predicts that GDP for the region will be 18.71 trillion euros in 2019, largely flat from 18.75 trillion euros in 2018.
- Uncertainty about Britain’s exit from the EU lingers, weighing on regional growth prospects. A decision on Brexit is due in October, with a “no deal” Brexit remaining a possibility.
- Growth in Western Europe has stagnated; impediments include weakness in the region’s manufacturing sectors, heightened trade tensions, and a general worldwide economic slowdown.
- The European Central Bank (ECB) ended its unprecedented quantitative easing program in December 2018. However, the ECB has signaled that further stimulus could be forthcoming if economic softness persists.
Economic Risk: Low

- Exports account for over one-third of the economy, making it vulnerable to external conditions. The global economic slowdown, combined with international sanctions on Russia, a key trade partner, have led to slowed Finland’s economic growth.

- Despite the slowdown, the country’s exports are expected to remain strong enough that Finland will continue to run a surplus for its current account, which was 0.5% of GDP in 2018.

- Although Finland has a high GDP per capita owing to its well-educated workforce, one of the country’s main challenges includes lowering high labor costs and minimizing frequent labor disputes. There are concerns about wage growth surpassing productivity.

- The unemployment rate remains one of the higher ones in the eurozone; because of the elevated unemployment rate, wage growth has stagnated.

Political Risk: Very Low

- Following 2019 elections, Antti Rinne was appointed the new prime minister of Finland and is supported by 117 of the 200 seats in parliament. Prime Minister Rinne’s Social Democratic Party and four other parties comprise the ruling coalition. The current president of Finland is Sauli Niinistö; his role focuses primarily on foreign and EU affairs.

- Priorities for the new coalition include healthcare and administrative reforms. Climate change is also a priority for the administration, specifically the reduction of greenhouse gas emissions. The stated primary strategy for addressing climate change is through taxes on non-clean sources of energy.

- The sanctions placed by the EU on Russia have led to increased tensions. Despite its not being a NATO member, Finland will likely have a role to play should conflict arise.

- Anti-immigrant protests are likely to continue, but they are expected to remain non-violent. Finnish security have identified a home grown radical Islamic group with potentially hundreds of members.

Financial System Risk: Very Low

- The Financial Supervisory Authority (FIN-FSA) regulates the insurance industry, which is compliant with EU standards. In 2017, insurance premiums amount to just under USD 10 billion.

- Finland’s banking sector is relatively secure. The sector relies on the financial industries of other Nordic countries and wholesale funding. At the end of 2018, the systemically important Nordea Financial Group relocated to Finland. The IMF has stated that growth in the financial sector has increased both the demand for supervision overall and the interconnectedness of the Finnish banking sector.

- Rising household debt is a potential concern for the sector.