

## Republic of Finland

This annex refers to the rating action release of 5 November 2021

### Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard<sup>1</sup>

Implied rating of core variable scorecard (CVS)		aa+
Reserve currency adjustment		1
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Weak
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Neutral
20%	Fiscal policy framework	Neutral
	Debt sustainability	Neutral
	Debt profile and market access	Neutral
20%	Current account resilience	Weak
	External debt structure	Weak
	Resilience to short-term shocks	Neutral
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Weak
20%	Environmental risks	Strong
	Social risks	Neutral
	Institutional and political risks	Strong
QS adjustment (notches)		-1
Additional considerations (notches)		0
Final rating		AA+ STA

### Annex II: Selected indicators

Selected macroeconomic indicators	2016	2017	2018	2019	2020	2021F	2022F
GDP per capita (USD '000s), EOP	43.9	46.4	50.0	48.7	48.8	53.5	56.8
Real GDP, % change	2.8	3.2	1.1	1.3	-2.9	3.4	2.7
Unemployment rate, %	9.0	8.8	7.4	6.7	7.8	7.5	7.3
CPI, % change	0.4	0.8	1.2	1.1	0.4	1.9	1.6
Policy rate, %, EOP*	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5
General government balance, % of GDP	-1.7	-0.7	-0.9	-1.0	-5.5	-3.9	-2.7
General government debt, % of GDP, EOP	63.2	61.2	59.8	59.5	69.5	71.2	71.5
Current account balance, % of GDP	-2.0	-0.8	-1.8	-0.3	0.8	-0.1	0.4

\*Shown for the ECB deposit facility rate.

Source: IMF, Statistics Finland, Scope Ratings GmbH

### Annex III: Economic development and default indicators

IMF Development Classification <sup>2</sup>	AE
5y USD CDS spread (bps) as of 3 November 2021	10

<sup>1</sup> The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on [www.scoperatings.com](http://www.scoperatings.com)

<sup>2</sup> AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Finland	November 2021	Assessment	Rationale
Peers*	Austria, Denmark, Estonia, Germany, Ireland, Luxembourg, Netherlands, Norway, Sweden, Switzerland		
Domestic economic risk	Growth potential	Weak	Resilient economy, relatively modest growth potential
	Monetary policy framework	Neutral	ECB is a highly credible and effective central bank
	Macro-economic stability & sustainability	Neutral	Competitive economy, favourable business environment and highly skilled labour force, counterbalanced by lesser economic diversification
Public finance risk	Fiscal policy framework	Neutral	Expansionary fiscal policy stance in support of economic recovery; expected gradual consolidation going forward
	Debt sustainability	Neutral	High debt affordability, but debt-to-GDP set to remain on upward trajectory in the medium term
	Debt profile & market access	Neutral	Excellent market access, favourable debt structure and prudent liquidity management
External economic risk	Current account resilience	Weak	Surplus in the goods balance broadly sufficient to offset persistent deficits in the secondary income and services balances; good export performance is weaker than peers
	External debt structure	Weak	Elevated and increasing external debt, reflecting liabilities of Finnish financial institutions; a large share is short-term external debt
	Resilience to short-term shocks	Neutral	Small and open economy, benefits from euro-area membership
Financial stability risk	Banking sector performance	Neutral	High banking system capitalisation levels, but declining profitability
	Banking sector oversight	Neutral	Oversight under the Bank of Finland and the ECB as part of Banking Union
	Financial imbalances	Weak	High private-sector debt levels, large size of the banking sector vis-à-vis the real economy
ESG risk	Environmental risks	Strong	Strong track record in environmental sustainability and political commitment to achieve the objective of carbon neutrality by 2035
	Social risks	Neutral	Weak demographics, but strong income equality and social stability, high-quality education system
	Institutional and political risks	Strong	Very high quality of institutions; reform momentum

\*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.