



FINLAND

NOVEMBER 2023

COUNTRY REPORT

**© 2023, THE PRS GROUP, INC.
FINLAND
ISSN: 1054-5506**



PRS' reports are limited publications containing valuable market information provided to a select group of customers in response to orders and our customers acknowledge when ordering that the reports so ordered are for our customer's own internal use only and not for general publication or disclosure to third parties. This report may not be copied or given, lent or sold to third parties without written permission nor may its contents be disclosed to non-customers without written permission. All rights (including copyright) reserved to the copyright holder. PRS reports are based on information believed by us to be reliable. No guarantee or warranty is made to users that the information is accurate or complete. The risk ratings are the result of study and analysis of information regarded as relevant and represent our best judgment. These ratings are not our recommendations to make commercial decisions and should be regarded as only one factor by management in making such decisions in their own business judgment. No guarantee or warranty is made to users that the ratings are accurate or reliable. The Service is offered to users AS IS with NO WARRANTIES, EXPRESS OR IMPLIED, including without limitation the WARRANTIES OF MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSES.

PUBLISHED BY THE PRS GROUP, INC.

To learn more, visit us online at prsgroup.com or contact us at:

TELEPHONE
+1 (315) 431-0511

ADDRESS
290 Elwood Davis Rd, Ste 290, Unit 3
Liverpool, NY 13088-2133 USA

EMAIL
custserv@prsgroup.com

FINLAND

TABLE OF CONTENTS

COUNTRY REPORTS & ECONOMIC FORECASTS (CREF)

- 2 Map
- 3 Key Takeaways
- 5 Regime, Business & Investment Forecasts
- 7 Econometric Data
- 9 Intra-Regional Comparisons
- 11 Geopolitical & Economic Analysis
- 15 International Country Risk Guide (ICRG) Ratings



MAP



KEY TAKEAWAYS

MOST LIKELY REGIMES & THEIR PROBABILITIES

18-MONTH	Center-Right Coalition 60%
FIVE-YEAR	*Broad Coalition 40%

FORECASTS OF RISK TO INTERNATIONAL BUSINESS

	TURMOIL	FINANCIAL TRANSFER	DIRECT INVESTMENT	EXPORT MARKET
18-MONTH	Low	A	A-	A-
FIVE-YEAR	Low	A	A	A

() Indicates change in rating

* Indicates forecast of a new regime

KEY ECONOMIC FORECASTS

	REAL GDP GROWTH (%)	INFLATION (%)	CURRENT ACCOUNT (\$bn)
2018-2022(AVG)	0.9	2.4	-2.07
2023(F)	-0.1	6.5	-1.60
2024-2028(F)	1.3	2.0	-2.20

UNPOPULAR AGENDA FACES RESISTANCE

The center-left government led by Sanna Marin's SDP suffered a decisive defeat at parliamentary elections held in April, as the governing parties proved incapable of countering opposition attacks that focused on economic concerns such as high inflation and a growing debt burden, and the far-right PS successfully exploited public fears related to immigration. The SDP finished in third place, trailing both the conservative KOK and the PS.

Following seven weeks of coalition talks (which is long by Finnish standards), KOK leader Petteri Orpo sealed coalition agreements with the PS, the ethnic Swedish RKP, and the KD, forming a government that controls 109 seats in the 200-member Parliament. In addition to tighter restrictions on immigration demanded by the PS, the government's policy plans include deep cuts to social spending designed to restore fiscal discipline while leaving room for NATO-related increases in defense expenditures, as well as business-friendly changes to workplace rules.

The ideological incompatibility of the euroskeptic and unashamedly xenophobic PS and the centrist, pro-European, and socially liberal RPK poses the most obvious threat to the government's survival for a full four-year term. Outrage over past racist statements by several members of the PS, including the party's leader, Riikka Purra, has already forced the resignation of a PS appointee to the Cabinet and threatened

the unity of the coalition. Orpo’s generous sharing of the political spoils with the PS provides Purra and her party colleagues with a strong incentive to stick with the government. However, the most recent polling points to a slight erosion of support for the RPK that likely reflects discomfort with the party’s decision to team up with the PS. Fresh developments that make it harder to justify the alliance could increase the risk of the RPK’s defection to the opposition.

Otherwise, it remains to be seen whether the unity of the coalition can be sustained in the face of an expected strong backlash against the government’s policy program. The left-leaning parties have embraced a strategy of aggressive opposition and the government also faces resistance from the country’s powerful trade unions and other interest groups.

The trade unions have pledged to force the government to abandon what labor leaders characterize as “reverse Robin Hood” policies that steal from the poor while rewarding the rich by such means as tax cuts for high-wage earners. A campaign of targeted strikes has already commenced, and industry leaders have expressed concerns that the unions are preparing for a general strike in early 2024, when the government is scheduled to unveil labor reforms that are likely to include limitations on the right to strike.

The government gives no indication that it intends to retreat, but the near-term economic outlook points to strengthening political headwinds over the coming weeks that could force policy makers to rethink some of the most controversial proposals. A combination of economic stagnation and rising unemployment will undoubtedly test the electorate’s tolerance for painful reforms and anticipated near-term increases in both the fiscal deficit and the debt burden figure to compound the government’s challenges on that score.

Positive contributions from public consumption and net exports (reflecting decreased demand for imports) underpinned small sequential gains in the first two quarters of 2023, but the economy contracted slightly compared to the first half of 2022, registering an average real decline of 0.2% in the period. Economic activity slumped again in the third quarter, and with new orders continuing to register steep year-on-year declines through the third quarter and employment indicators showing signs of slack in the labor market, there is little chance of more than a very modest revival (at best) in the immediate near term.

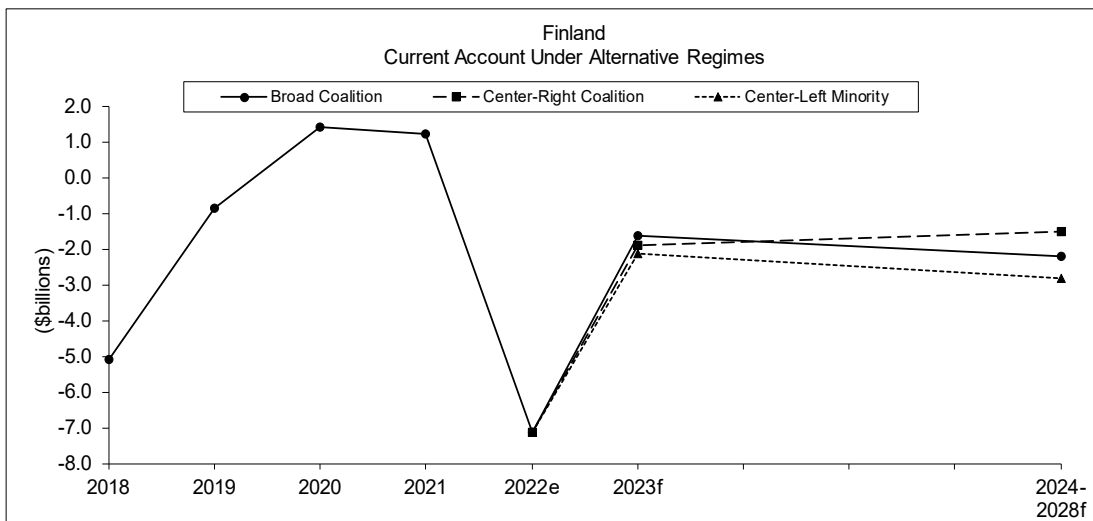
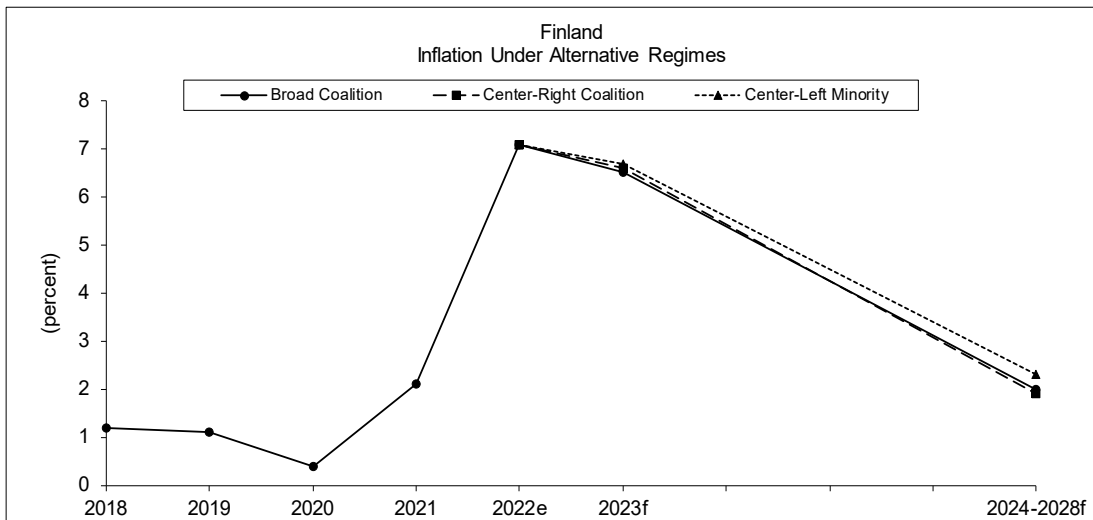
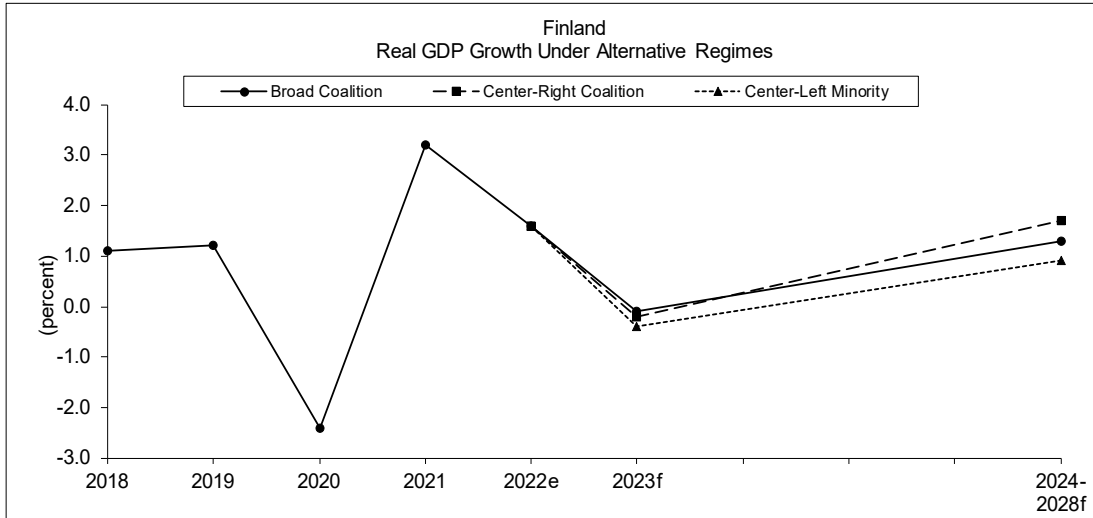
ECONOMIC FORECASTS FOR THE THREE ALTERNATIVE REGIMES

	Broad Coalition			Center-Right Coalition			Center-Left Minority		
	GROWTH (%)	INFLATION (%)	CACC (\$bn)	GROWTH (%)	INFLATION (%)	CACC (\$bn)	GROWTH (%)	INFLATION (%)	CACC (\$bn)
2023	-0.1	6.5	-1.60	-0.2	6.6	-1.90	-0.4	6.7	-2.10
2024-2028	1.3	2.0	-2.20	1.7	1.9	-1.50	0.9	2.3	-2.80

REGIME, BUSINESS & INVESTMENT FORECASTS

SUMMARY OF 18-MONTH FORECAST					
REGIMES & PROBABILITIES		Center-Right Coalition 60%	Broad Coalition 30%	Center-Left Minority 10%	
RISK FACTORS	CURRENT				
Turmoil	Low	Same	Same	Same	
Investment					
Equity	Low	Same	Same	Same	
Operations	Low	SLIGHTLY MORE	SLIGHTLY MORE	SLIGHTLY MORE	
Taxation	Moderate	SLIGHTLY MORE	Same	SLIGHTLY MORE	
Repatriation	Low	Same	Same	Same	
Exchange	Low	Same	Same	Same	
Trade					
Tariffs	Moderate	Same	Same	Same	
Other Barriers	Moderate	Same	Same	SLIGHTLY MORE	
Payment Delays	Low	Same	Same	Same	
Economic Policy					
Expansion	Moderate	SLIGHTLY LESS	Same	Same	
Labor Costs	Very High	Same	Same	Same	
Foreign Debt	Moderate	Same	Same	Same	
SUMMARY OF FIVE-YEAR FORECAST					
REGIMES & PROBABILITIES		*Broad Coalition 40%	Center-Right Coalition 35%	Center-Left Minority 25%	
RISK FACTORS	BASE				
Turmoil	Low	Same	Same	Same	
Restrictions					
Investment	Low	Same	Same	Same	
Trade	Low	Same	Same	Same	
Economic Problems					
Domestic	Moderate	Same	Same	SLIGHTLY MORE	
International	Moderate	SLIGHTLY LESS	SLIGHTLY LESS	Same	

* When present, indicates forecast of a new regime



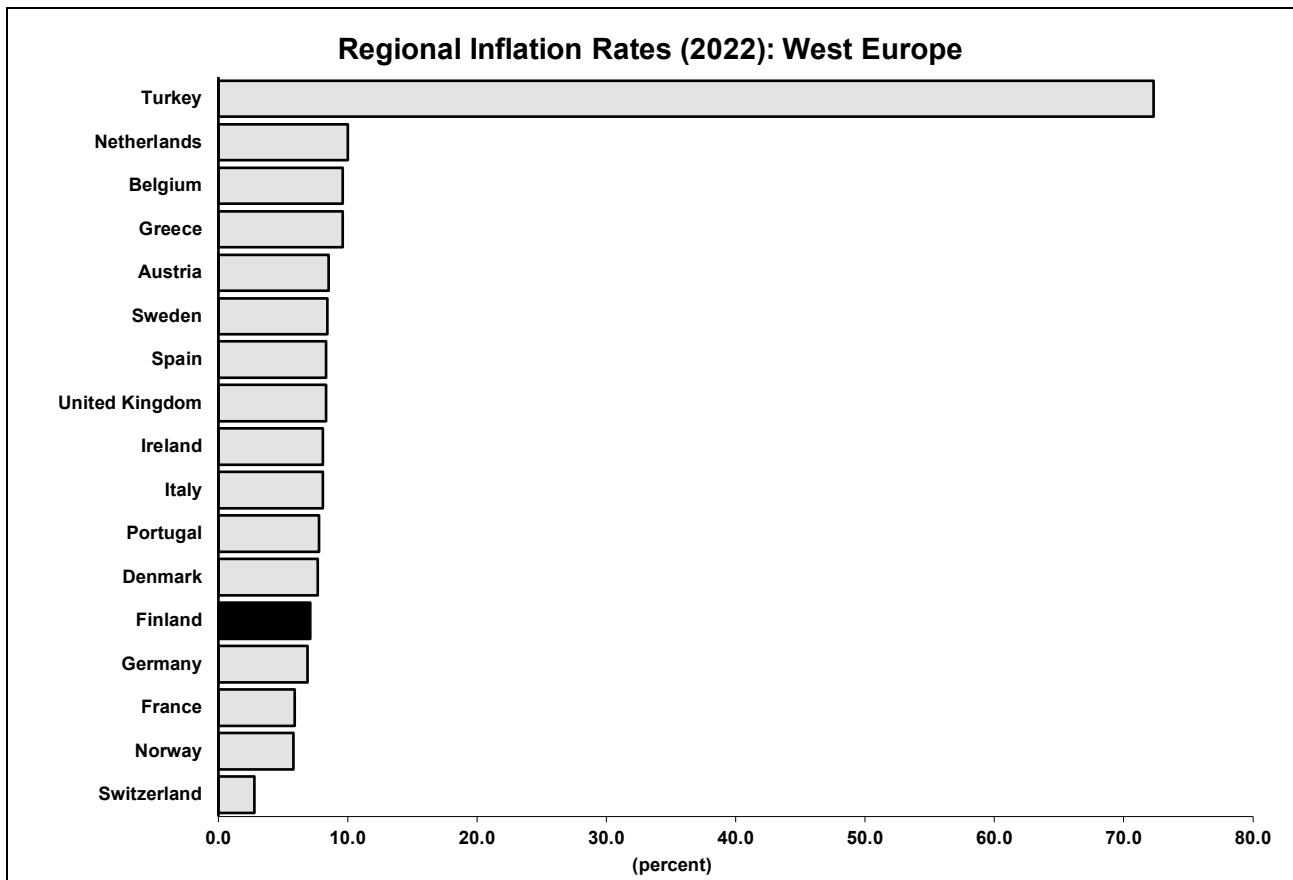
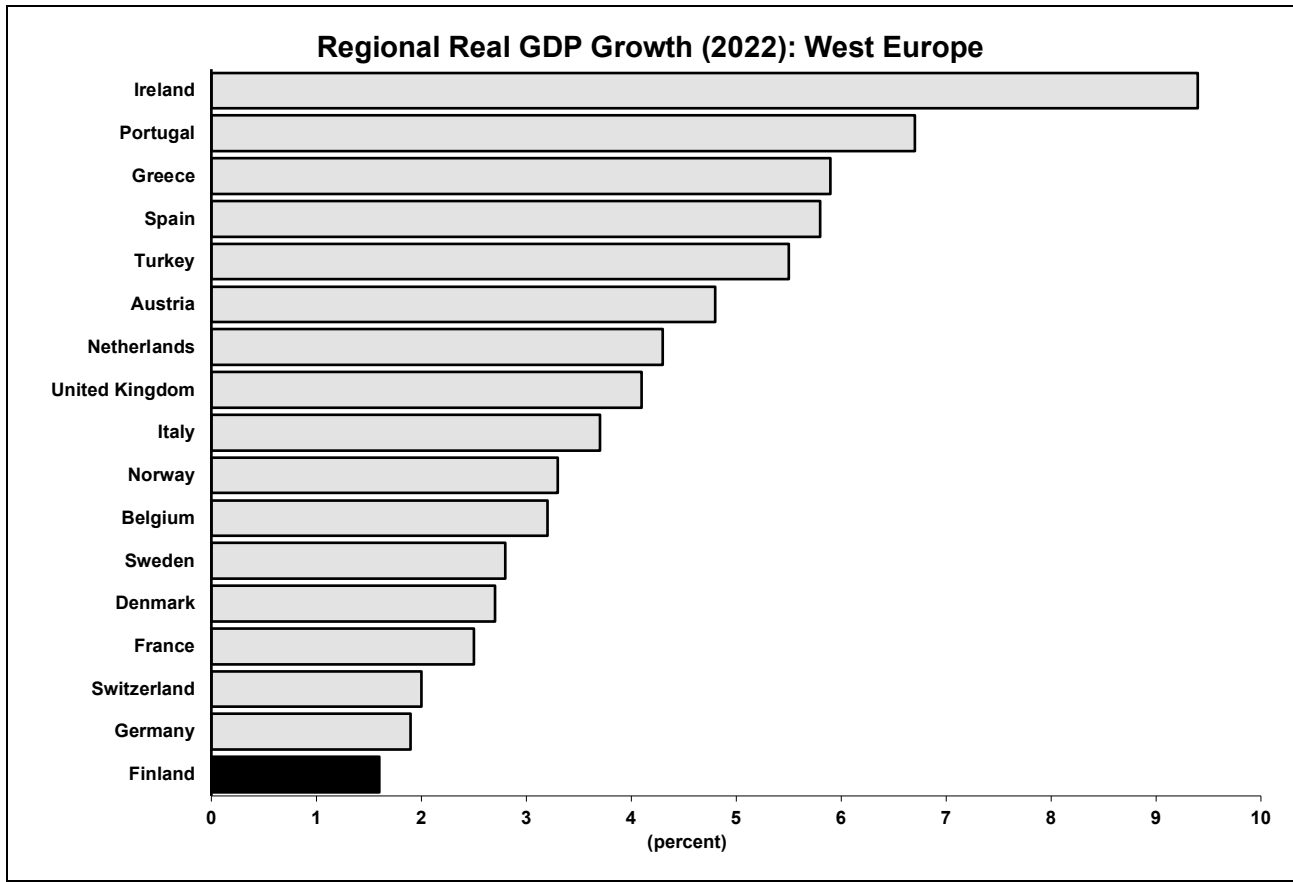
Finland Econometric Data

	2013-2017 Average	2018-2022 Average	2013	2014	2015	2016	2017
Domestic Economic Indicators							
GDP (Nominal, \$bn)	255.82	278.88	271.34	274.76	234.35	240.62	258.04
Per Capita GDP (\$)	46692	50249	49879	50322	42765	43749	46746
Real GDP Growth Rate (%)	1.0	0.9	-0.9	-0.4	0.5	2.8	3.2
Inflation Rate (%)	0.9	2.4	2.2	1.2	-0.2	0.4	0.8
Capital Investment (\$bn)	56.69	66.79	59.72	59.00	49.75	54.73	60.25
Capital Investment/GDP (%)	22.2	23.9	22.0	21.5	21.2	22.8	23.4
Budget Revenues (\$bn)	63.06	68.26	67.17	67.80	57.65	59.40	63.30
Budget Revenues/GDP (%)	24.7	24.5	24.8	24.7	24.6	24.7	24.5
Budget Expenditures (\$bn)	70.71	75.37	77.20	78.07	64.63	65.73	67.90
Budget Expenditures/GDP (%)	27.6	27.0	28.5	28.4	27.6	27.3	26.3
Budget Balance (\$bn)	-7.64	-7.11	-10.03	-10.27	-6.98	-6.33	-4.60
Budget Balance/GDP (%)	-3.0	-2.6	-3.7	-3.7	-3.0	-2.6	-1.8
Money Supply (M1, \$bn)	150.96	194.68	140.74	153.03	143.96	151.27	165.81
Change in Real Wages (%)	-0.4	0.6	-2.0	-0.5	0.2	-1.2	1.6
Unemployment Rate (%)	8.9	7.3	8.3	8.8	9.6	9.0	8.8
International Economic Indicators							
Foreign Direct Investment (\$bn)	10.56	7.98	-5.04	17.55	17.39	5.11	17.77
Forex Reserves (\$bn)	6.58	7.26	6.69	6.41	6.23	6.52	7.05
Gross Reserves (ex gold, \$bn)	8.88	10.88	9.37	8.77	8.34	8.68	9.25
Gold Reserves (\$bn)	2.04	2.58	1.90	1.89	1.67	1.83	2.89
Gross reserves (inc gold, \$bn)	10.92	13.46	11.27	10.66	10.01	10.51	12.14
Total Foreign Debt (\$bn)	517.84	606.56	563.28	596.86	493.47	468.51	467.10
Total Foreign Debt/GDP (%)	202.2	217.7	207.6	217.2	210.6	194.7	181.0
Debt Service (\$bn)	4.53	5.56	4.71	4.75	4.02	4.12	5.04
Debt Service/XGS (%)	4.0	4.1	3.8	3.8	3.9	4.0	4.3
Current Account (\$bn)	-3.53	-2.07	-4.87	-3.67	-2.20	-4.81	-2.08
Current Account/GDP (%)	-1.4	-0.8	-1.8	-1.3	-0.9	-2.0	-0.8
Current Account/XGS (%)	-3.1	-1.4	-3.9	-2.9	-2.1	-4.7	-1.8
Exports (\$bn)	67.34	78.06	77.80	74.45	58.32	58.32	67.79
Imports (\$bn)	65.99	76.39	74.68	72.57	58.30	58.30	66.09
Trade Balance (\$bn)	1.35	1.67	3.12	1.88	0.02	0.02	1.70
Exports of Services (\$bn)	26.22	32.96	25.35	25.79	25.43	25.43	29.10
Income, credit (\$bn)	19.25	23.56	19.27	22.82	17.79	17.79	18.60
Transfers, credit (\$bn)	1.65	1.95	1.42	1.98	1.56	1.56	1.74
Exports G&S (\$bn)	114.46	136.53	123.84	125.04	103.10	103.10	117.23
Liabilities (\$bn)	1.24	4.01	0.70	0.00	0.75	1.80	2.97
Net Reserves (\$bn)	9.67	9.46	10.57	10.66	9.26	8.71	9.17
Liquidity (months import cover)	1.8	1.5	1.7	1.8	1.9	1.8	1.7
Currency Exchange Rate	0.838	0.883	0.753	0.753	0.902	0.904	0.877
Currency Change (%)	-2.3	-1.2	3.3	0.0	-16.5	-0.2	1.8
Social Indicators							
Population (million)	5.48	5.55	5.44	5.46	5.48	5.50	5.52
Population Growth (%)	0.4	0.1	0.6	0.4	0.4	0.4	0.4
Infant Deaths/1000	3	3	3	3	3	3	3
Persons under Age 15 (%)	16	16	16	16	16	16	16
Urban Population (%)	84	85	84	84	84	84	85
Urban Growth (%)	0.7	0.6	0.6	0.4	0.4	0.4	1.5
Literacy % pop.	99	99	99	99	99	99	99
Agricultural Work Force (%)	4	4	4	4	4	4	4
Industry-Commerce Work Force (%)	23	22	23	23	23	23	24
Services Work Force (%)	73	74	73	73	73	73	72
Unionized Work Force (%)	63	60	63	63	63	63	62
Energy - total consumption (10 ¹⁵ Btu)	1.21	1.18	1.22	1.18	1.20	1.22	1.21
Energy - consumption/head (10 ⁹ Btu)	0.22	0.21	0.22	0.22	0.22	0.22	0.22

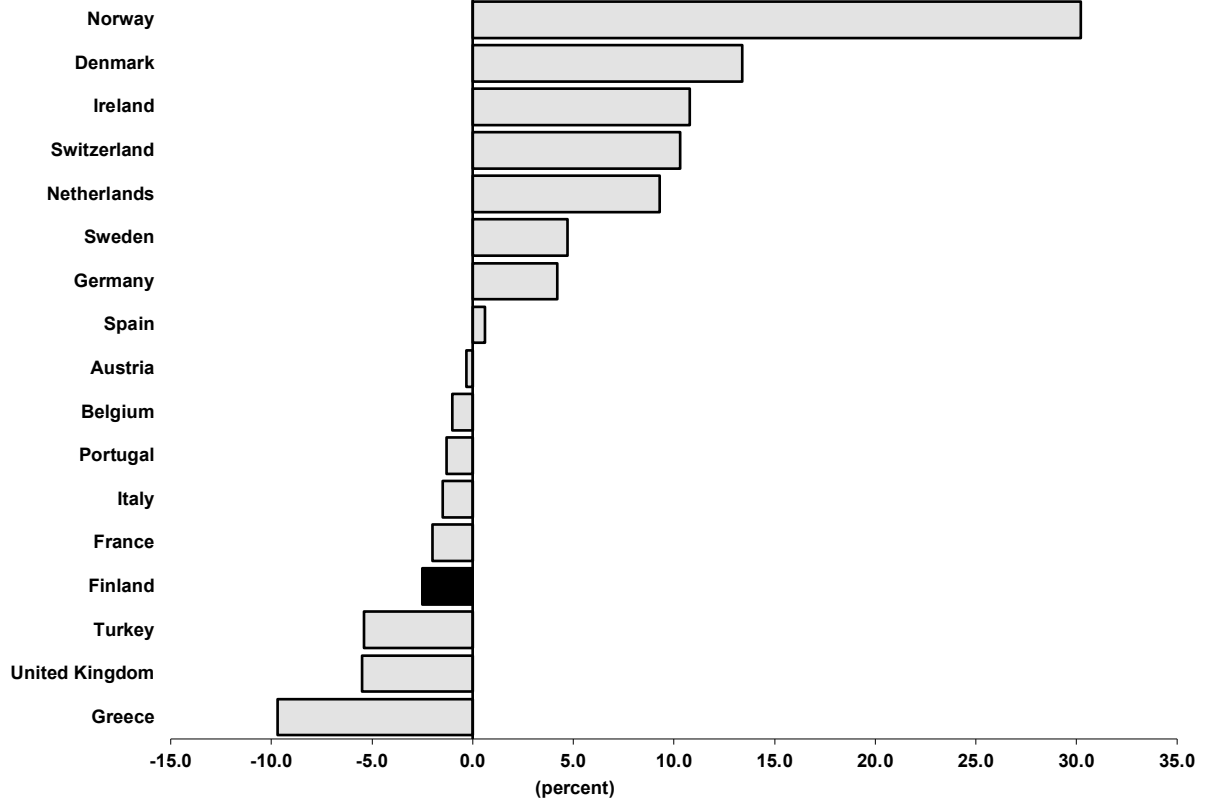
Finland Econometric Data

	2013-2017 Average	2018-2022 Average	2018	2019	2020	2021	2022
Domestic Economic Indicators							
GDP (Nominal, \$bn)	255.82	278.88	275.31	268.60	271.42	296.60	282.49
Per Capita GDP (\$)	46692	50249	49695	48309	48993	53441	50808
Real GDP Growth Rate (%)	1.0	0.9	1.1	1.2	-2.4	3.2	1.6
Inflation Rate (%)	0.9	2.4	1.2	1.1	0.4	2.1	7.1
Capital Investment (\$bn)	56.69	66.79	66.28	64.00	65.26	69.95	68.44
Capital Investment/GDP (%)	22.2	23.9	24.1	23.8	24.0	23.6	24.2
Budget Revenues (\$bn)	63.06	68.26	67.95	66.15	64.69	72.54	69.98
Budget Revenues/GDP (%)	24.7	24.5	24.7	24.6	23.8	24.5	24.8
Budget Expenditures (\$bn)	70.71	75.37	71.42	69.06	79.66	82.27	74.43
Budget Expenditures/GDP (%)	27.6	27.0	25.9	25.7	29.4	27.7	26.4
Budget Balance (\$bn)	-7.64	-7.11	-3.47	-2.91	-14.97	-9.73	-4.45
Budget Balance/GDP (%)	-3.0	-2.6	-1.3	-1.1	-5.5	-3.3	-1.6
Money Supply (M1, \$bn)	150.96	194.68	182.15	163.24	197.85	221.59	208.55
Change in Real Wages (%)	-0.4	0.6	3.9	2.2	1.2	0.2	-4.6
Unemployment Rate (%)	8.9	7.3	7.4	6.7	7.8	7.6	6.8
International Economic Indicators							
Foreign Direct Investment (\$bn)	10.56	7.98	-10.87	15.62	-2.27	23.83	13.59
Forex Reserves (\$bn)	6.58	7.26	6.02	6.80	7.51	8.55	7.42
Gross Reserves (ex gold, \$bn)	8.88	10.88	8.16	9.00	9.76	14.49	13.01
Gold Reserves (\$bn)	2.04	2.58	1.90	2.39	2.78	3.00	2.83
Gross reserves (inc gold, \$bn)	10.92	13.46	10.06	11.39	12.54	17.49	15.84
Total Foreign Debt (\$bn)	517.84	606.56	601.03	602.68	604.36	618.17	606.58
Total Foreign Debt/GDP (%)	202.2	217.7	218.3	224.4	222.7	208.4	214.7
Debt Service (\$bn)	4.53	5.56	5.00	5.30	5.19	6.12	6.21
Debt Service/XGS (%)	4.0	4.1	3.9	4.0	4.3	4.2	4.0
Current Account (\$bn)	-3.53	-2.07	-5.08	-0.84	1.44	1.23	-7.11
Current Account/GDP (%)	-1.4	-0.8	-1.9	-0.3	0.5	0.4	-2.5
Current Account/XGS (%)	-3.1	-1.4	-4.0	-0.6	1.2	0.8	-4.6
Exports (\$bn)	67.34	78.06	74.21	72.71	67.23	83.02	93.14
Imports (\$bn)	65.99	76.39	73.90	70.13	64.09	80.30	93.52
Trade Balance (\$bn)	1.35	1.67	0.31	2.58	3.14	2.72	-0.38
Exports of Services (\$bn)	26.22	32.96	31.70	34.42	29.90	33.95	34.83
Income, credit (\$bn)	19.25	23.56	20.42	23.51	21.85	26.79	25.25
Transfers, credit (\$bn)	1.65	1.95	1.90	1.93	1.82	2.04	2.04
Exports G&S (\$bn)	114.46	136.53	128.23	132.57	120.80	145.80	155.26
Liabilities (\$bn)	1.24	4.01	3.51	1.61	2.35	6.37	6.19
Net Reserves (\$bn)	9.67	9.46	6.55	9.78	10.19	11.12	9.65
Liquidity (months import cover)	1.8	1.5	1.1	1.7	1.9	1.7	1.2
Currency Exchange Rate	0.838	0.883	0.848	0.893	0.877	0.846	0.951
Currency Change (%)	-2.3	-1.2	4.6	-5.0	1.8	3.7	-11.0
Social Indicators							
Population (million)	5.48	5.55	5.54	5.56	5.54	5.55	5.56
Population Growth (%)	0.4	0.1	0.4	0.4	-0.4	0.2	0.2
Infant Deaths/1000	3	3	3	3	3	3	3
Persons under Age 15 (%)	16	16	16	16	16	16	16
Urban Population (%)	84	85	85	85	85	86	86
Urban Growth (%)	0.7	0.6	0.4	0.4	0.5	1.3	0.2
Literacy % pop.	99	99	99	99	99	99	99
Agricultural Work Force (%)	4	4	4	4	4	4	4
Industry-Commerce Work Force (%)	23	22	22	22	22	22	22
Services Work Force (%)	73	74	74	74	74	74	74
Unionized Work Force (%)	63	60	61	61	60	60	60
Energy - total consumption (10 ¹⁵ Btu)	1.21	1.18	1.22	1.20	1.14	1.16	1.18
Energy - consumption/head (10 ⁹ Btu)	0.22	0.21	0.22	0.22	0.21	0.21	0.21

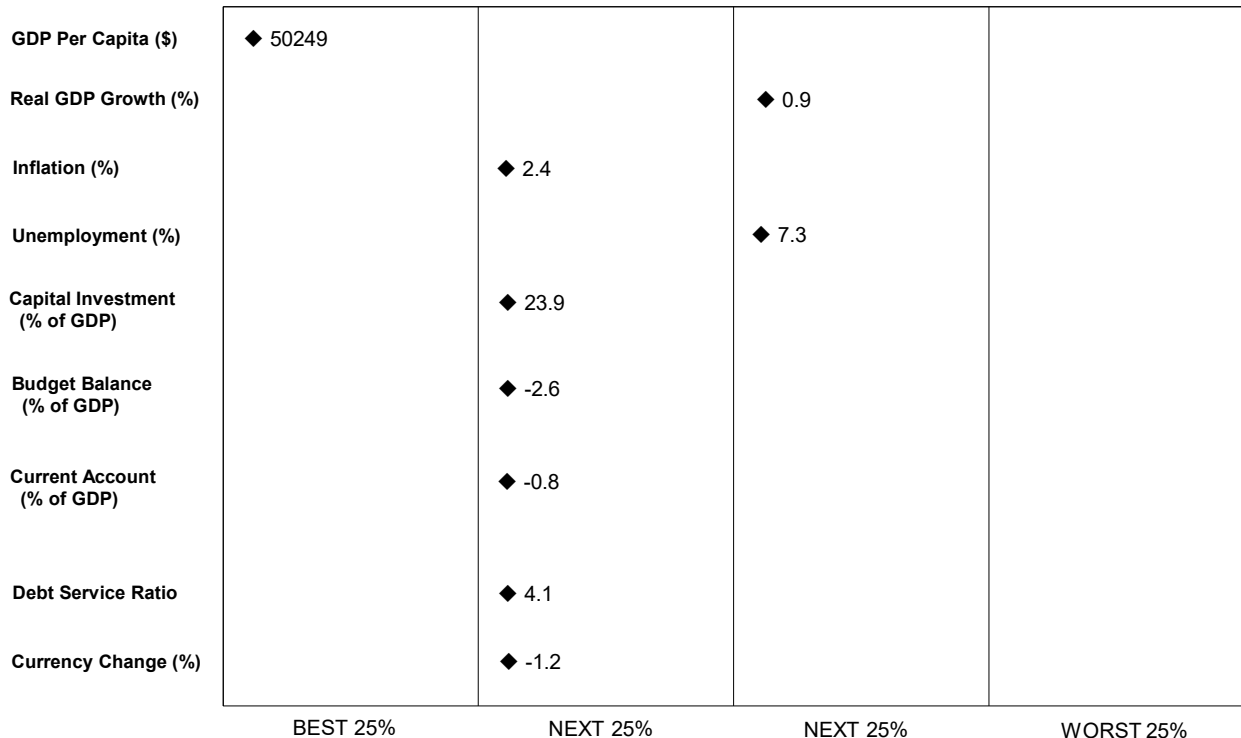
INTRA-REGIONAL COMPARISONS



Regional Current Account/GDP (2022): West Europe



Economic Performance Profile Country's Ranking Relative to All Countries Covered by Political Risk Services 2018-2022



GEOPOLITICAL & ECONOMIC ANALYSIS

ELECTION PRODUCES RIGHTWARD SHIFT

The center-left government led by Sanna Marin's Social Democratic Party (SDP) suffered a decisive defeat at parliamentary elections held in April. Although Marin won praise for her handling of the security threat posed by the Russian invasion of Ukraine last year, which included successfully steering Finland into the NATO defense alliance, the SDP and its allies proved incapable of countering opposition attacks that focused on economic concerns such as high inflation and a growing debt burden, and the far-right Finns Party (PS) successfully exploited public fears related to immigration. The SDP managed to increase its vote share to 19.9%, up from 17.7% in 2019, but finished in third place, trailing both the conservative National Coalition Party (KOK) and the PS, which won 20.8% and 20.1% of the vote, respectively.

Following seven weeks of coalition talks (which is long by Finnish standards), KOK leader Petteri Orpo sealed coalition agreements with the PS, the Swedish People's Party (RKP), and the Christian Democrats (KD), forming a government that controls 109 seats in the 200-member Eduskunta, the national parliament. In addition to tighter restrictions on immigration demanded by the PS, the government's policy plans include deep cuts to social spending designed to restore fiscal discipline while leaving room for NATO-related increases in defense expenditures, as well as business-friendly changes to workplace rules.

The ideological incompatibility of the euroskeptic and unashamedly xenophobic PS and the centrist, pro-European, and socially liberal RKP poses the most obvious threat to the government's survival for a full four-year term. The PS controls 46 seats and the RKP only 10, but the defection of either would cost Orpo his majority.

That possibility reared its head less than a month after the government was formed, when the newly appointed economy minister, Vilhelm Junnila, a member of the PS, came under fire over racist and pro-Nazi comments he made at a far-right gathering in 2019. Seven members of the RKP backed Junnila's removal in a confidence vote held in late June, which he survived thanks to abstentions and the absence of more than a dozen lawmakers. PS leader Riikka Purra accused the RKP of jeopardizing the stability of the government, but fresh revelations of Junnila's crude racism prompted the KD to join the calls for the minister's removal, and he resigned on June 30.

Other members of the PS, including Purra and Wille Rydman, who replaced Junnila as economy minister, were also targeted by the opposition over past inflammatory comments. For his part, Orpo adopted a posture of non-interference in the personnel decisions of his coalition partners and implored the governing parties to work together in the interest of national security, citing the threat posed by alleged

acts of “hybrid warfare” by Russia, purportedly in retaliation for Finland’s decision to join NATO. In the event, the RKP and the KD backed the ministers in confidence votes held in September.

Orpo’s generous sharing of the political spoils with the PS provides Purra and her party colleagues with a strong incentive to stick with the government. In addition to the Finance portfolio, which is held by Purra, who also serves as deputy prime minister, the PS has been given control of the ministries of Economy, Foreign Trade, Interior, Justice, and Health.

Purra has apologized for her self-described “absurd” past comments, but RPK leader Anna-Maja Henriksson has warned that her party’s continuation in the government hinges on the commitment of all parties to zero-tolerance for racism, a condition that is unlikely to be met. The most recent polling points to a slight erosion of support for the RPK that likely reflects discomfort with the party’s decision to team up with the PS. Fresh developments that make it harder to justify the alliance could increase the risk of the RPK’s defection to the opposition.

UNPOPULAR AGENDA FACES RESISTANCE

Otherwise, it remains to be seen whether the unity of the coalition can be sustained in the face of an expected strong backlash against the government’s policy program. The left-leaning parties have embraced a strategy of aggressive opposition and the government also faces resistance from the country’s powerful trade unions and other interest groups.

Earlier this month, the SDP, the Left Alliance, and the Greens made another attempt to topple Orpo’s government in a confidence vote, characterizing proposed cuts to spending on support programs for students and the scaling back of environmental protections as tantamount to a form of generational warfare. As previously, the government survived the threat, but failed to obtain the support of all government-affiliated lawmakers.

The move followed a student-led occupation of Helsinki University that inspired protests on other campuses (including some high schools) and attracted expressions of support from high-placed education officials and prominent religious leaders. Students have also voiced opposition to proposed changes to immigration rules that would require foreign students to leave the country if they have not found a job within three months of graduation, a concession to the PS that critics argue will be detrimental to Finland’s ability to compete in the areas of innovation and technology.

The trade unions have pledged to force the government to abandon what labor leaders characterize as “reverse Robin Hood” policies that steal from the poor while rewarding the rich by such means as tax cuts for high-wage earners. A campaign of targeted strikes has already commenced, and industry leaders have expressed concerns that the unions are preparing for a general strike in early 2024, when the

government is scheduled to unveil labor reforms that are likely to include limitations on the right to strike.

The government gives no indication that it intends to retreat, but the near-term economic outlook points to strengthening political headwinds over the coming weeks that could force policy makers to rethink some of the most controversial proposals. A combination of economic stagnation and rising unemployment will undoubtedly test the electorate's tolerance for painful reforms and anticipated near-term increases in both the fiscal deficit and the debt burden figure to compound the government's challenges on that score.

SLOW RECOVERY FOR THE ECONOMY

Real GDP growth averaged close to 3.5% (year-on-year) in the first half of 2022, but a combination of high inflation and rising interest rates contributed to a pronounced deceleration of activity that resulted in a mild recession in the second half of the year, holding annual real growth to just 1.6%. Positive contributions from public consumption and net exports (reflecting decreased demand for imports) underpinned small sequential gains in the first two quarters of 2023, but the economy contracted slightly compared to the first half of 2022, registering an average real decline of 0.2% in the period.

Economic activity slumped again in the third quarter, as above-target inflation and higher interest rates dampened household spending (as indicated by steadily weaker growth of retail sales) and a steep year-on-year fall in merchandise exports limited the growth contribution from the external sector. With new orders continuing to register steep year-on-year declines through the third quarter and employment indicators showing signs of slack in the labor market, there is little chance of more than a very modest revival (at best) in the immediate near term.

Harmonized inflation eased to 2.4% (year-on-year) in October, the lowest reading in more than two years, but the headline rate, which factors in the impact of higher interest rates on household expenditures is still running closer to 5%. A favorable base effect and the lagged impact of tightening by the ECB will help to maintain the downward trajectory of inflation, but the persistence of the headline rate above the 2% target will limit the potential for a strong revival of private-sector spending.

Overall economic growth will remain weak in 2024, with downside risks predominating. Troubling signs for China's economy create uncertainty for growth (and, by extension, demand for Finnish exports) in Germany, the US, and other key trading partners. A decrease in residential construction resulting from higher interest rates has negative connotations for the strength of an economic rebound next year.

The poor near-term outlook for the economy means that policy makers will not be able to count on a rapid expansion of GDP to facilitate the tasks of shrinking the fiscal deficit and reducing the public-

sector debt burden. The government has set a target of narrowing the general government deficit to 1% of GDP by 2027, to be achieved mostly through spending cuts totaling €6 billion (equivalent to 2.2% of the 2022 GDP).

However, the deficit is on track to widen to 2.5% of GDP this year (from just 0.8% of GDP in 2022), the result of a combination of weak revenue growth, spending on measures to soften the impact of rising living costs, and increased outlays for inflation-indexed social benefits. On that basis, the public-sector debt, which is approaching 75% of GDP, is projected to continue rising, even assuming the government can hit its deficit targets in 2024 and 2025, ruling out any chance of Finland regaining a AAA credit rating in the current term.

INTERNATIONAL COUNTRY RISK GUIDE (ICRG) RATINGS

PRS' Country Reports and Economic Forecasts (CREF) and the International Country Risk Guide (ICRG) have been independently back-tested for accuracy and relevance for over 40 years.

In a landmark 2014 study published in the International Journal of Business Studies* – using data on political risk claims and a unique textual-based database of risk realizations – both CREF and ICRG forecasts were found to have “predictive power for both political risk insurance claims as well as political risk events measured by news coverage.”

It is therefore instructive to present the scores from Table 1 of the ICRG for a complimentary look at the composite risk scores – calculated by using a combination of the overall political, financial, and economic risk metrics – for the 141+ countries covered each month. Please contact custserv@prsgroup.com for more information.

TABLE 1
COUNTRY RISK, RANKED BY COMPOSITE RISK RATING
NOVEMBER 2023 VERSUS DECEMBER 2022

RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
<i>Very Low Risk</i>					
1	Norway	86.3	87.0	-0.8	2
2	Switzerland	86.0	87.3	-1.3	1
3	Denmark	85.0	84.8	0.3	6
4	Taiwan	84.8	84.3	0.5	7
5	Singapore	84.3	86.0	-1.8	3
6	Luxembourg	84.0	86.0	-2.0	3
7	Ireland	83.8	82.3	1.5	7
8	Saudi Arabia	82.5	85.5	-3.0	5
9	Brunei	81.5	81.8	-0.3	10
10	Qatar	80.8	80.0	0.8	17
11	Canada	80.5	81.8	-1.3	10
11	Iceland	80.5	80.5	0.0	15

* C Harvey, et al., “Political Risk Spreads,” Journal of International Business Studies, (2014), 471-493.

TABLE 1
COUNTRY RISK, RANKED BY COMPOSITE RISK RATING
NOVEMBER 2023 VERSUS DECEMBER 2022

RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
11	United Arab Emirates	80.5	82.3	-1.8	7
14	Netherlands	80.3	80.5	-0.3	15
15	Kuwait	80.0	81.0	-1.0	13
Low Risk					
16	Australia	79.5	81.8	-2.3	10
17	Botswana	79.3	77.3	2.0	24
17	Japan	79.3	76.5	2.8	26
19	Sweden	79.0	81.0	-2.0	13
20	New Zealand	78.8	76.0	2.8	28
21	Germany	78.5	79.0	-0.5	18
21	Hong Kong	78.5	74.3	4.3	35
21	Korea, Republic	78.5	78.3	0.3	20
24	Finland	77.5	78.3	-0.8	20
25	Bahamas	76.8	74.3	2.5	35
25	Trinidad & Tobago	76.8	77.5	-0.8	23
27	Austria	76.5	78.3	-1.8	20
27	Costa Rica	76.5	72.3	4.3	47
27	Oman	76.5	78.5	-2.0	19
27	Portugal	76.5	75.3	1.3	32
31	Czech Republic	76.0	76.0	0.0	28
32	Guyana	75.5	75.5	0.0	31
32	Kazakhstan	75.5	76.5	-1.0	26
34	Uzbekistan	74.8	73	2.3	43
35	Belgium	74.5	74.5	0.0	34
36	Italy	74.3	73.3	1.0	41
37	Latvia	74.0	71.8	2.3	51
37	Malaysia	74.0	74.0	0.0	39
37	Slovenia	74.0	73.0	1.0	42

TABLE 1
COUNTRY RISK, RANKED BY COMPOSITE RISK RATING
NOVEMBER 2023 VERSUS DECEMBER 2022

RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
40	Azerbaijan	73.8	72.5	1.3	43
40	Libya	73.8	70.8	3.0	58
40	Panama	73.8	73.5	0.3	40
40	Uruguay	73.8	75.3	-1.5	32
44	Croatia	73.5	74.3	-0.8	35
44	Israel	73.5	76.0	-2.5	28
44	Malta	73.5	74.3	-0.8	35
44	United Kingdom	73.5	76.8	-3.3	25
48	Jamaica	72.5	72.3	0.3	47
48	Poland	72.5	71.3	1.3	54
48	Spain	72.5	72.5	0.0	43
51	Dominican Republic	72.0	72.3	-0.3	47
52	Chile	71.8	71.5	0.3	52
52	France	71.8	72.5	-0.8	43
52	Philippines	71.8	70.8	1.0	58
55	Brazil	71.5	70.0	1.5	64
55	Vietnam	71.5	71.3	0.3	54
57	India	71.3	70.5	0.8	61
58	Bulgaria	71.0	70.8	0.3	58
58	China, Peoples' Rep.	71.0	69.3	1.8	66
58	Hungary	71.0	71.3	-0.3	54
58	Paraguay	71.0	64.3	6.8	93
58	Thailand	71.0	65.5	5.5	87
63	Guatemala	70.5	71.0	-0.5	57
63	United States	70.5	72.3	-1.8	47
Moderate Risk					
65	Gabon	69.8	66.8	3.0	82
65	Lithuania	69.8	70.5	-0.8	61

TABLE 1
COUNTRY RISK, RANKED BY COMPOSITE RISK RATING
NOVEMBER 2023 VERSUS DECEMBER 2022

RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
67	Cyprus	69.3	70.0	-0.8	64
68	Bahrain	69.0	68.8	0.3	71
68	Indonesia	69.0	68.3	0.8	75
68	Papua New Guinea	69.0	69.3	-0.3	66
71	Greece	68.8	68.5	0.3	73
72	Congo, Republic	68.5	64.3	4.3	93
72	Iraq	68.5	70.5	-2.0	61
72	Mexico	68.5	68.0	0.5	77
72	Peru	68.5	68.0	0.5	77
72	Slovakia	68.5	68.8	-0.3	71
77	Estonia	68.3	71.5	-3.3	52
77	Namibia	68.3	69.3	-1.0	66
79	Algeria	68.0	69.3	-1.3	66
79	Russia	68.0	66.0	2.0	86
81	Ecuador	67.5	68.5	-1.0	73
81	El Salvador	67.5	63.3	4.3	99
81	Romania	67.5	66.8	0.8	82
84	Armenia	66.8	60.0	6.8	111
84	Gambia	66.8	65.3	1.5	88
84	Honduras	66.8	66.8	0.0	82
84	Morocco	66.8	64.5	2.3	90
88	Mongolia	66.5	64.5	2.0	90
88	South Africa	66.5	67.8	-1.3	79
90	Tanzania	66.3	65.0	1.3	89
91	Serbia	65.8	67.0	-1.3	80
92	Guinea-Bissau	65.3	64.0	1.3	95
93	Zambia	65.0	62.8	2.3	100
94	Albania	64.5	63.8	0.8	98

TABLE 1
COUNTRY RISK, RANKED BY COMPOSITE RISK RATING
NOVEMBER 2023 VERSUS DECEMBER 2022

RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
95	Iran	64.3	66.8	-2.5	82
96	Bangladesh	64.0	62.5	1.5	102
96	Bolivia	64.0	67.0	-3.0	80
96	Cote d'Ivoire	64.0	62.3	1.8	104
99	Jordan	63.8	64.5	-0.8	90
99	Nicaragua	63.8	62.8	1.0	100
101	Togo	63.5	62.3	1.3	104
102	Colombia	63.3	64.0	-0.8	95
103	Madagascar	63.0	62.5	0.5	102
104	Suriname	62.5	58.5	4.0	116
105	Moldova	62.3	59.0	3.3	114
106	Cuba	61.8	69.0	-7.3	70
107	Cameroon	61.3	61.0	0.3	107
108	Ukraine	61.0	51.8	9.3	132
109	Ghana	60.5	58.5	2.0	116
110	Angola	60.3	68.3	-8.0	75
111	Mozambique	60.0	54.5	5.5	127
111	Uganda	60.0	59.5	0.5	112
High Risk					
113	Guinea	59.8	57.5	2.3	123
113	Tunisia	59.8	61.0	-1.3	107
115	Liberia	59.5	58.0	1.5	121
115	Sri Lanka	59.5	48.8	10.8	137
117	Belarus	59.3	57.0	2.3	125
118	Mali	58.8	58.8	0.0	115
118	Senegal	58.8	58.3	0.5	120
120	Burkina Faso	58.5	59.5	-1.0	112
121	Myanmar	58.3	56.0	2.3	126

TABLE 1
COUNTRY RISK, RANKED BY COMPOSITE RISK RATING
NOVEMBER 2023 VERSUS DECEMBER 2022

RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
122	Zimbabwe	58.0	61.5	-3.5	106
123	Argentina	57.5	64.0	-6.5	95
123	Ethiopia	57.5	58.5	-1.0	116
125	Egypt	57.3	57.5	-0.3	123
126	Kenya	57.0	58.5	-1.5	116
127	Haiti	56.8	54.0	2.8	129
127	Sierra Leone	56.8	53.5	3.3	130
129	Congo, Dem. Republic	56.3	60.3	-4.0	109
130	Nigeria	55.8	60.3	-4.5	109
130	Yemen, Republic	55.8	48.3	7.5	138
132	Turkey	55.5	54.3	1.3	128
133	Venezuela	55.0	58.0	-3.0	121
134	Somalia	51.8	52.0	-0.3	131
<i>Very High Risk</i>					
135	Pakistan	49.8	51.3	-1.5	134
136	Korea, D.P.R.	49.3	51.0	-1.8	135
137	Malawi	49.0	51.0	-2.0	135
138	Niger	47.8	51.8	-4.0	132
139	Syria	44.5	44.0	0.5	139
140	Sudan	43.5	43.3	0.3	140
141	Lebanon	34.5	41.3	-6.8	141

Copyright of Political Risk Yearbook: Finland Country Report is the property of PRS Group, Inc. and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.