



Use this report to: Analyze the political, economic, social, technological, legal and environmental (PESTLE) structure of a country to identify its potential as an investment destination. Insights on PESTLE factors can be used as a strategic tool to understand market dynamics, business potential and direction of operations in the economy.

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Finland

In-depth PESTLE Insights

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Overview

Catalyst

This profile analyzes the political, economic, social, technological, legal, and environmental (PESTLE) structure in Finland. Each of the PESTLE factors is explored on four parameters: current strengths, current challenges, future prospects, and future risks.

Summary

Key findings

Strong democratic setup and high freedom scores; increasing asylum granted can pose a threat

Finland is a parliamentary republic with a multi-party system, where the president is the head of state, and the prime minister is the head of government. The Parliament, known as the Eduskunta, exercises legislative power. According to the World Bank, *Worldwide Governance Indicators* (2023), the country was ranked in the 98.6 percentile in terms of the voice and accountability parameter in 2022. This parameter reflects perceptions of the extent to which a country's citizens can participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. In comparison, its neighboring nation Russia had a score of 14.5. According to Freedom House, *Freedom in the World Index* (2024), Finland was termed a "FREE" nation, with a score of 100 out of 100. The country scored 40 out of 40 in terms of political rights and 60 out of 60 in terms of civil liberties. Additionally, according to Reporters without Borders, *World Press Freedom Index* (2023), Finland was ranked fifth out of 180 nations due to the country's comparatively liberal attitude towards the press.

The Finnish Immigration Services reported a 7.8% decrease in asylum applications in 2023 compared to 2022, with 5,372 applications received. Of these, 23.8% were registered at Finland's eastern border in autumn 2023. Most applicants were men aged 20–30, primarily from Syria, Somalia, and Yemen. However, the Finnish Immigration Service estimates 3,500–4,500 new asylum applications in 2024, anticipating heightened migration pressure in the European Union (EU) that will eventually affect Finland. Finnish authorities noted that Russians have not significantly contributed to this year's application rates, unlike in 2022 when asylum requests from Russians increased due to the war in Ukraine. In 2024, heightened migration pressure is expected in the EU, which is projected to affect Finland. Contributing factors include ongoing conflicts, especially in countries closely relevant to Finland, and the strained refugee situation in transit countries.

Strong diverse economy; heavy dependence on major economies for trade a challenge

Finland has several economic strengths that have contributed to its success as a competitive economy. The key areas of strength include i) Education: Finland has a highly educated workforce, with a strong emphasis on science, technology, engineering, and mathematics (STEM) education; ii) Technology and innovation: Finland is known for its strong technology and innovation sector, with a particular focus on Information and Communications Technology (ICT) and cleantech industries; iii) Infrastructure: Finland has a well-developed infrastructure, including modern transportation networks, advanced telecommunication systems, and a reliable power grid, which has facilitated trade and investment, and made Finland an attractive destination for foreign companies looking to establish a presence in the Nordic region; and iv) Social welfare system: Finland has a comprehensive social welfare system that provides universal healthcare, education, and a range of other public services. This has helped to create a stable and secure environment for businesses and contributed to Finland's high quality of life and overall well-being.

The Finnish economy is highly dependent on international trade, especially with major economies. In 2023, major economies, including the US, Sweden, Germany, the Netherlands, and China, accounted for more than 40.0% of the country's total trade. According to the International Trade Centre (ITC) Trade Map, the US accounted for 11.0% of the total exports, followed by Sweden (10.5%), Germany (10.4%), the Netherlands (8.0%), and China (4.5%) in 2023. To negate the shocks within the Finnish economy and strengthen its overall export sector, the country needs to diversify its export destinations. According to IMF estimates, the country's volume of exports of goods and services recorded a contraction of 1.8% in 2023, following a 3.6% growth in 2022. High level of dependence on major economies for trade would make the economy more vulnerable to external economic shocks should there be any negative impact on its major trading partners.

Performed well on human development parameters; aging population remains a challenge

According to the United Nations Development Programme, *Human Development Report (2023–24)*, Finland ranked 12th among 193 nations, with an impressive human development index value of 0.942 out of one. This indicates the country's exceptional social system improvement over the years, as its score rose from 0.811 in 1990 to 0.942 in 2022, a remarkable increase of 16.2%. Finland has a very high level of human development, as evidenced by its long life expectancy at birth, standing at 82.0 years as of 2023, according to MarketLine. Such progress reflects Finland's commitment to enhancing its citizens' well-being and quality of life. Finland has also topped the World Happiness Report as the happiest country for seven consecutive years. Since 2024, the World Happiness Report has been jointly published by Gallup, the Wellbeing Research Centre at the University of Oxford, and the UN Sustainable Development Solutions Network. The ranking, based on self-assessed life evaluations, places Finland at the top, with a score of 7.741 out of 10. Factors contributing to Finland's high happiness include strong community ties, altruism, and a sense of purpose among its people.

Finland faces the challenge of a disproportionate increase in the number of elderly people, compared to the young population. The old-age dependency ratio (the number of people older than 65 years per 100 people of working age (20–64)) is also increasing because of increased life expectancy and a falling fertility rate. This will affect government finances, as the working-age population's contributions to support the non-working will decrease in the future. This will lead to growing pressure on the social security system, which may become unsustainable as the number of contributors declines. According to the Organisation for Economic Co-operation and Development (OECD), the old-age dependency ratio is forecast to reach 50.3 in 2050. According to the OECD, the old-age dependency ratio in Finland was 41.4 as of 2023.

Performs well on various technological indicators; increasing cyberattacks a concern

According to the World Intellectual Property Organization, *Global Innovation Index (2023)*, Finland ranked sixth out of 132 economies. According to the index, the nation ranked fourth out of 132 countries on the overall information and communication technologies (ICTs) parameter. According to the European Commission, *European Innovation Scoreboard (2023)*, Finland was termed an Innovation Leader, with performance recorded at 134.3% of the overall EU average. According to the European Innovation Scoreboard (2023), Finland's relative strength included public-private co-publications, lifelong learning, innovative small and medium enterprises (SMEs) collaborating with others, and international scientific co-publications. Moreover, according to UNCTAD, *Technology and Innovation Report (2023)*, Finland ranked eighth out of 166 nations on the overall indicator of utilizing frontier technologies. Frontier technologies refer to artificial intelligence (AI), the Internet of Things (IoT), big data, blockchain, 5G, 3D printing, robotics, drones, gene editing, and nanotechnology.

As of January 2024, the NoName ransomware group, suspected of having Russian affiliations, has reportedly intensified its cyberattacks on Finland. The recent increase in distributed denial-of-service (DDoS) attacks has targeted a wide array of critical sectors in Finland. The NoName cyberattacks have specifically targeted the Energy Industry Association, which plays a pivotal role in overseeing the nation's energy policies. In the first week of January 2024, NoName launched a series of cyberattacks on several Finnish government organizations. The targets included critical entities such as Traficom, the National Cyber Security Centre Finland (NCSC-FI), the railways, The Agency for Regulation and

Development of Transport and Communications Infrastructure of Finland, and multiple subdomains of the Finnish Road Agency. Moreover, the Central Chamber of Commerce, the Bank of Finland, the Helsinki Region Chamber of Commerce, and The Finland Arbitration Institute were also victims of the NoName DDoS attacks. In May 2024, hackers potentially accessed personal data of up to 80,000 students and their guardians, as well as 40,000 city employees, in a cyberattack on the city of Helsinki. The attack targeted a data network used by the city's Education Division, which oversees Helsinki's education system from early childhood to upper secondary education. This extensive cyberattack occurred on April 30, 2024, as reported by Finland's cybersecurity center.

Strong performance across several rule of law indicators; high tax wedge hindrance to attracting talent

According to the World Justice Project, *Rule of Law Index (2023)*, Finland ranked third out of 142 nations on the overall rule of law index. The country ranked fifth and third out of 142 nations on the indicators of absence of corruption and constraints of government powers, respectively. Finland ranked third each out of 142 countries on the parameters of regulatory enforcement and fundamental rights, respectively. The nation ranked sixth out of 142 countries on the civil justice indicator, which measures whether the civil justice system is accessible, affordable, and free of discrimination, corruption, and improper influence by public officials. Finland ranked first out of 142 nations on the criminal justice indicator and ninth out of 142 countries on the order and security parameter, which measures how well a society ensures the security of its individuals and property.

According to the OECD, Finland had one of the highest total tax wedges (income tax, employer and employee social security contributions, and pay roll tax as a percentage of labor cost) among the OECD countries as of 2023. According to the OECD, Finland's tax wedge as of 2023 stood at 43.5%, compared to the OECD average of 34.8% during the same period. According to the OECD, Finland had the sixth-highest tax wedge in 2023 among 38 OECD member nations. Income tax and employer social security contributions account for 80.0% of the total tax wedge in the country, compared to the OECD average of 77.0%. High taxes on labor deter prospective skilled migrants who wish to migrate to Finland. This can affect businesses by acting as a barrier to attracting talent.

Increase in the use of renewable energy; decreasing natural forest a cause of concern

According to the Energy Institute, *Statistical Review of World Energy (2024)*, the total renewable consumption (combined renewable electricity and biofuels primary energy input consumption) for Finland increased from 0.28 exajoules (input-equivalent) in 2013 to 0.43 exajoules (input-equivalent) in 2023. In addition, renewable energy generation (including hydropower) increased from 25.6 terawatt hours (TWh) in 2013 to 41.9TWh in 2023. The increase in the overall use of renewable energy will help decarbonize the environment. Finland has become a frontrunner in many environmental areas and invested heavily in technological development and innovation to support its green transition.

According to the Global Forest Watch, in 2010, Finland had 17.3 million hectares (Mha) of natural forest, covering 68.0% of its land area. By 2023, it had lost 141,000ha (kha) of natural forest. Between 2001 and 2023, Finland experienced a loss of 4.62Mha of tree cover, a 21.0% decrease since 2000. The top two regions accounted for 60.0% of this tree cover loss during this period. Western Finland experienced the highest loss, with 1.6Mha, compared to the average of 924.0kha. In Finland, the peak fire season usually starts in early January and lasts about two weeks. From January 1 to 8, 2024, there was one VIIRS fire alert reported, considering only high confidence alerts. This is unusually high compared to previous years dating back to 2012.

PESTLE highlights

Political landscape

- Alexander Stubb of the National Coalition Party won the Finnish presidential runoff on February 11, 2024, securing 51.6% of the vote against Pekka Haavisto's 48.4%. Stubb will play a key role in shaping Finland's NATO policies amid rising security concerns about Russia.
- As of June 2024, Norway, Finland, and Sweden have agreed to establish a military transport corridor running through their northern territories.

Economic landscape

- According to Statistics Finland, the country recorded a trade surplus of EUR0.13 billion (\$0.14 billion) in May 2024, shifting from a deficit of EUR0.19 billion (\$0.21 billion) in May 2023. This marks the first trade surplus since November, as exports declined less sharply than imports.
- According to Bank of Finland, Finland's foreign exchange reserves rose to EUR15.54 billion (\$16.80 billion) in February 2024, up from EUR15.52 billion (\$16.78 billion) in January 2024.

Social landscape

- According to the World Economic Forum, *Global Gender Gap Report* (2024), Finland ranked second out of 146 nations on the overall gender gap report. Additionally, the country ranked 33rd and 10th on the educational attainment and economic participation and opportunity parameters, respectively.
- According to MarketLine, life expectancy at birth was high at 82.0 years as of 2023. Additionally, the adult literacy rate was registered at 100.0% in 2023.

Technological landscape

- In June 2024, Metso, a leader in sustainable technologies, announced a EUR150.0 million (\$162.2 million) investment in a state-of-the-art technology center in Tampere, Finland. Construction is set to begin in July 2024 and will feature assembly and testing facilities to produce mobile crushers, as well as storage facilities for components and materials used in aggregates equipment.
- As of January 2024, Finland is making a significant advancement in the field of quantum technology. The Research Council of Finland has announced a substantial EUR13.0 million (\$14.1 million) funding increase for the Finnish Quantum Flagship (FQF).

Legal landscape

- As of April 2024, the Finnish government is advocating for a series of reforms to its asylum and citizenship laws. The proposed changes aim to reduce benefits for refugees and asylum seekers, shorten the duration of residency permits for refugees, and extend the required residency period for most foreigners before they can become citizens.
- As of March 2024, the Finnish government announced plans to introduce temporary legislation enabling border authorities to prevent asylum seekers from entering the country from Russia.

Environmental landscape

- As of June 2024, the University of Vaasa, in collaboration with the Finnish non-profit research institution VTT, has initiated a new research project aimed at advancing reusable packaging systems in Finland. The project, titled 'Reusify', is a 30-month co-innovation effort supported by 21 stakeholder organizations. It is primarily funded by Business Finland, with a total budget of EUR2.0 million (\$2.1 million).
- According to Finland's Meteorological Institute, temperatures in the northwest region of Lapland plummeted to a record low of -44.3°C in the early hours of January 1, 2024. The institute said that there have been only three instances of temperatures below -42°C this century.

Key macroeconomic updates

Key economic updates

GDP growth rate

According to Statistics Finland, the country's economy grew by 0.2% quarter-on-quarter in the first three months of 2024, down from initial estimates of a 0.5% increase, following an upwardly revised 0.8% contraction in the previous period. The growth was mainly driven by a slight increase in private consumption (1.0% compared to 0.9% in the previous quarter) and government spending (2.2% compared to 2.1%). However, fixed investments declined further (-4.8% compared to -0.6%). In terms of net trade, exports fell by 4.6% (compared to -0.8%), while imports dropped by a milder 0.5% (compared to -0.9%). On a yearly basis, the economy contracted by 1.2%, following a downwardly revised 1.5% decline in the previous three-month period.

Trade, retail sales and industrial production

Trade: According to MarketLine, merchandise exports contracted by 8.2% during November 2023–April 2024, compared to a contraction of 6.2% registered during May–October 2023. According to MarketLine, merchandise imports contracted by 8.2% during November 2023–April 2024, compared to a contraction of 15.4% registered during May–October 2023.

Industrial production: According to Statistics Finland, in May 2024, industrial production in Finland contracted by 5.3% year-on-year, following a revised 6.3% decline in the previous month. This marked the third consecutive month of contraction in industrial production, although it was the smallest decline in this period. Manufacturing production decreased by 4.8%, compared to a 6.1% drop in April, while mining and quarrying experienced a faster increase of 15.2%, up from 11.5%. Conversely, the supply of electricity, gas, steam, and air-conditioning continued to fall, dropping by 12.8% compared to a 5.2% decline in the previous month. On a seasonally adjusted monthly basis, industrial production grew by 1.2%, following an upwardly revised 0.3% increase in the preceding month.

According to MarketLine, industrial production recorded an average contraction of 4.6% during December 2023–May 2024, compared to a contraction of 2.3% registered during June–November 2023.

Retail sales: According to Statistics Finland, in March 2024, retail sales in Finland decreased by 0.4% compared to the corresponding month in the previous year. According to MarketLine, the retail sales growth contracted by 0.5% during October 2023–March 2024, compared to a growth rate of 1.3% registered during April–September 2023.

Unemployment rate

According to Statistics Finland, in May 2024, unemployment rate in the country climbed to 10.2% from 9.0% in the corresponding month of the previous year, marking the highest unemployment rate since May 2021. The number of unemployed individuals increased by 33,000 year-on-year to 299,000. Meanwhile, the unemployment rate for those aged 15–24 reached 30.3%, a rise of 2.9% from the previous year. Conversely, the employment rate dropped to 73.2% from 75.0% a year earlier, with the number of employed persons declining by 35,000 to 2.645 million. Additionally, the activity rate fell to 70.9% from 71.4%.

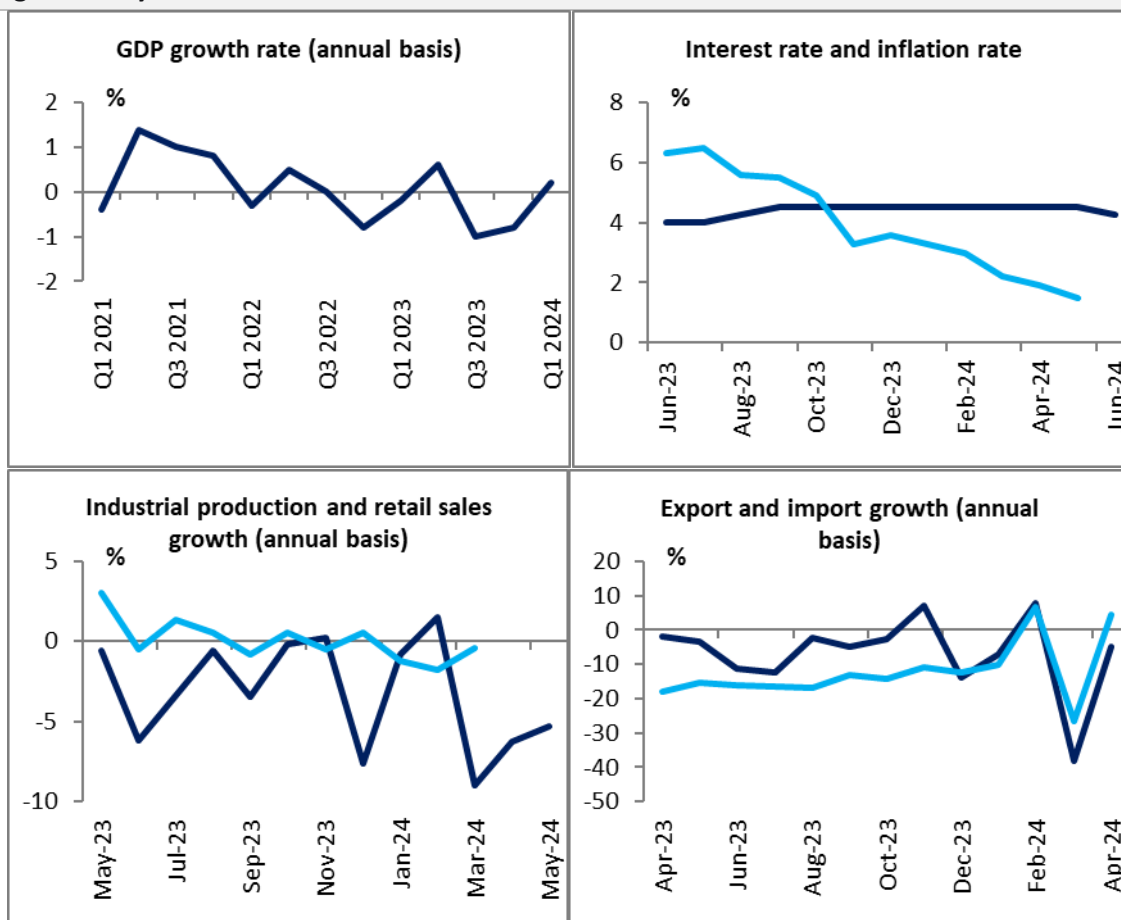
Inflation and interest rate

According to Statistics Finland, the annual inflation rate in Finland eased to 1.5% in May 2024 from 1.9% the previous month, marking the lowest rate since March 2021. This decline was driven by a milder increase in the average interest rate on housing loans and consumer credits. Price growth moderated for housing and utilities (2.2% in May 2024 compared to 3.0% in April 2024), recreation and culture (1.8% compared to 2.6%), restaurants and hotels (3.1% compared to 3.3%), and miscellaneous goods and services (3.8% compared to 4.6%). Meanwhile, deflation occurred in

food, beverages, and tobacco (-0.6% compared to -0.3%), transport (-0.9% compared to -0.8%), and furnishings, household equipment, and maintenance (-2.1% compared to -2.2%). On a monthly basis, consumer prices fell by 0.1% in May 2024, following a flat reading in April 2024.

In June 2024, the ECB lowered the three key interest rates by 25.0 basis points, ending nine months of stable rates, following a more than 2.5 percentage point decline in inflation since September 2023. The main refinancing operations rate was reduced to 4.25%, the deposit facility rate to 3.75%, and the marginal lending rate to 4.5%. Despite these adjustments, domestic price pressures remain high, indicating ongoing inflationary challenges. The ECB plans to keep policy rates sufficiently restrictive, maintaining a data-dependent approach.

Figure 1: Key economic indicators trend



Note: Retail sales data only available until March 2024

Source: MarketLine analysis based on inflation from Statistics Finland, World Trade Organization, and the European Central Bank

Key fundamentals

	2021	2022	2023	2024f	2025f	2026f	2027f	2028f
GDP, constant 2010 prices (\$ billion)	273.1	277.5	274.7	274.4	278.2	281.2	285.6	289.8
GDP growth rate (%)	2.8	1.6	-1.0	-0.1	1.4	1.1	1.6	1.5
GDP, constant 2010 prices, per capita (\$)	49,218.5	49,881.5	49,509.3	49,427.5	50,071.8	50,575.0	51,335.2	52,080.9
Inflation (%)	2.2	7.1	6.3	1.4	1.7	1.8	1.8	1.7
Volume of imports growth (%)	6.1	8.4	-7.4	2.2	3.2	3.3	3.3	3.3
Volume of exports growth (%)	6.2	3.6	-1.8	0.1	3.2	3.3	3.3	3.2
Mid-year population (million)	5.55	5.56	5.55	5.55	5.56	5.56	5.56	5.56
Unemployment rate (%)	7.7	6.8	7.2	7.6	7.4	7.3	7.2	7.0
Mobile penetration (per 100 people)	129.2	128.7	129.1	129.5	129.9	130.2	130.6	131.0

Source: MarketLine analysis based on information from Statistics Finland, Finance Finland, the IMF, the World Bank, and Eurostat

Key Facts and Geographic Location

Key facts

Table 2: Key facts, 2024	
Country and capital	
<i>Full name</i>	Republic of Finland
<i>Capital city</i>	Helsinki
Government	
<i>Government type</i>	Parliamentary Republic
<i>Head of state</i>	President Alexander Stubb (since March 2024)
<i>Head of government</i>	Prime Minister Petteri Orpo (since June 2023)
Population (2023)	5.5 million
Currency	Euro (EUR)
GDP per capita adjusted by purchasing power parity (2023)	\$59,574.7
Internet domain	.fi
Demographic details	
<i>Life expectancy (2023)</i>	82.0 years (total population)
	85.0 years (women)
	79.1 years (men)
<i>Ethnic composition</i>	Finnish, Swedish, Russian, Estonian, Romani, Sami
<i>Major religions (2022)</i>	Lutheran (66.6%), Greek Orthodox (1.1%), other (1.7%), none (30.6%)
Country area	338,145km ² (total)
Language	Finnish (official) (85.9%), Swedish (official) (5.2%), Russian (1.7%), Other (7.2%)
Major export items	Paper, refined petroleum, steel, wood pulp, wood
Major import items	Crude petroleum, refined petroleum, cars, garments, electricity
Source: MarketLine analysis based on information from The CIA World Factbook	

Geographic location

Finland is located in Northern Europe. To the northwest, Finland shares a border with Sweden, while Norway lies to its north. Russia is situated to the east, while the Gulf of Bothnia is located to the west and the Gulf of Finland to the south, opposite Estonia. Its capital city Helsinki is the northernmost national capital on the European continent.

Figure 2: Map of Finland, 2024



PESTLE Analysis

Summary

Sanna Marin of the SDP succeeds as the Prime Minister following the breakdown of the previous government in December 2019. The general elections were held in April 2023, where Finland's left-wing Prime Minister Sanna Marin conceded defeat. The incumbent prime minister is Petteri Orpo of the National Coalition Party. Orpo was sworn in on June 20, 2023. Alexander Stubb is the 13th president of Finland and took office on March 1, 2024.

Finland's economy is characterized by its advanced industrial sector, robust technology and innovation industries, and strong emphasis on sustainability. The country benefits from a highly educated workforce and a well-developed infrastructure, contributing to its competitiveness in global markets. However, dependence on major economies for trade continues to pose a challenge for the Finnish economy.

Finland's social landscape is marked by high standards of living, strong social welfare systems, and a focus on equality and inclusivity. The country has an excellent education system and comprehensive healthcare, contributing to its citizens' overall well-being. However, challenges such as an aging population and regional disparities in services persist, prompting ongoing policy efforts to ensure social cohesion and equal opportunities for all. Finland remains committed to fostering a progressive and inclusive society.

Finland's technological landscape is defined by its strong emphasis on innovation, research, and development, particularly in sectors such as telecommunications, information technology, and biotechnology. The country is a leader in 5G technology and digital infrastructure, supporting a thriving startup ecosystem. The government and private sectors' collaboration fosters a conducive environment for technological advancements, making Finland a hub for cutting-edge solutions and sustainable tech practices. This robust tech landscape underpins Finland's economic growth and global competitiveness.

Finland's legal landscape is characterized by a strong adherence to the rule of law, transparency, and a well-functioning judicial system. The country focuses on modernizing its legal frameworks to address emerging issues such as digital privacy, cybersecurity, and climate-related regulations. Ongoing legal challenges include balancing innovation with regulation and ensuring that new laws effectively protect citizens' rights while fostering economic growth. Finland has a high tax wedge, which restricts the country's ability to attract and retain highly skilled jobs and employees.

Finland's environmental landscape is characterized by a strong commitment to sustainability and climate action, with significant investments in renewable energy and circular economy practices. The country focuses on preserving its extensive forests and freshwater ecosystems while addressing climate change challenges such as rising temperature and altered precipitation patterns. Finland remains a global leader in environmental stewardship and sustainable development.

Political analysis

Overview

Finland’s performance on governance indicators has remained impressive in terms of voice and accountability. The new Finnish government has announced a strategic program to put the economy on a path to sustainable growth and development. Deteriorating relations between Russia and Finland are a cause for concern. The country is concerned with China’s increasing espionage and political influence in democratic countries. Finland's conservative National Coalition Party, led by Petteri Orpo, claimed victory in the country's closely contested general election on April 2, 2023. The far-right party secured a record score, coming in second, while Prime Minister Sanna Marin's Social Democrats finished third. Orpo announced plans to negotiate a government, which could potentially include the far-right Finns Party or the Social Democrats, despite differences on various issues. Alexander Stubb is a Finnish politician who has been serving as the 13th president of Finland since March 1, 2024, after winning the 2024 presidential election.

Table 3: Analysis of political landscape	
Current strengths	Current challenges
<ul style="list-style-type: none"> • Strong position in global politics • Strong democratic setup and high freedom scores 	<ul style="list-style-type: none"> • Deteriorating relations with Russia
Future prospects	Future risks
<ul style="list-style-type: none"> • Strategic policy for the Arctic region • Finland to double defense production • Key agreement with other nations 	<ul style="list-style-type: none"> • Increasing asylum granted in Finland

Source: MarketLine

Current strengths

Strong position in global politics

Finland is a small country, but it has an important position in global politics. Finland is a member of the EU, the United Nations (UN), and the OECD, among other international organizations. As a member of the EU, Finland participates in decision-making process related to EU policies and programs, and benefits from the free movement of goods, services, people, and capital within the EU. Finland also contributes to the EU's common foreign and security policy and has been actively involved in the EU's efforts to address climate change, promote sustainable development, and promote human rights and democracy around the world. On April 4, 2023, Finland became the 31st member of the world’s largest military alliance as the country joined NATO. In addition, Finland has a strong focus on promoting global education, equality, and human rights. Finland also supports the work of international organizations that promote gender equality, human rights, and sustainable development. Overall, Finland is a respected member of the international community and is known for its commitment to peace, stability, and social justice on the global stage.

Strong democratic setup and high freedom scores

Finland is a parliamentary republic with a multi-party system, where the President is the head of state, and the Prime Minister is the head of government. The Parliament, known as the Eduskunta, exercises legislative power. According to the World Bank, *Worldwide Governance Indicators* (2023), the country was ranked in the 98.6 percentile on the voice and accountability parameter in 2022. This parameter reflects perceptions of the extent to which a country's citizens

can participate in selecting their government, as well as freedom of expression, freedom of association, and free media. In comparison, its neighboring nation Russia had a score of 14.5. According to Freedom House, *Freedom in the World Index* (2024), Finland was termed a "FREE" nation, with a score of 100 out of 100. The country scored 40 out of 40 in terms of political rights and 60 out of 60 in terms of civil liberties. Additionally, according to Reporters without Borders, *World Press Freedom Index* (2023), Finland was ranked fifth out of 180 nations due to the country's comparatively liberal attitude towards the press.

Current challenges

Deteriorating relations with Russia

With Finland joining NATO, relations between Finland and Russia continue to deteriorate. In May 2023, Russia declared the discontinuation of a bilateral agreement with Finland concerning additional military assessment visits. Prior to the COVID-19 pandemic, both countries regularly conducted these visits on an annual basis. Consequently, another confidence-building measure within the military domain comes to an end.

As of April 2024, Russian media report that the Kremlin plans to deploy ballistic missiles near its border with Finland. This is the latest in a series of military and hybrid threats Russia has made against the Nordic state since it joined NATO in April 2023 following Moscow's invasion of Ukraine. According to Russian newspaper *Izvestia*, a new brigade will be stationed in the Karelia region bordering Finland, equipped with the Iskander-M ballistic missile system. The report quoted Admiral Vladimir Valuev, an ex-commander of Russia's Baltic Fleet, who stated that "the formation of a missile brigade is a very timely decision. This is an adequate response to Finland's accession to NATO."

Future prospects

Strategic policy for the Arctic region

Arctic policy issues are becoming increasingly important in international politics due to climate change and the petroleum and other natural resources found in the region. Finland shares common concerns and goals with its Nordic neighbors in terms of security issues. Finland's strategy for the Arctic region aims to create new business opportunities and be an active player in the Arctic region. The government should work in cooperation with its Nordic neighbors, as well as Russia, in relation to climate change and environmental protection, along with the sustainable exploration of business opportunities. In December 2019, the EU president expedited the Arctic policy to continue the close political and economic partnership with the region. In February 2021, the Prime Minister's Office sent a draft of Finland's Arctic policy strategy for a broad round of consultations until March 12, 2021. The strategy covers two parliamentary terms and is going to extend to 2030.

Finland to double defense production

As of December 2023, Finland has announced plans to double its production of artillery ammunition, investing EUR130.0 million (\$140.6 million) to expand the capacity of its defense industry. This decision by the Helsinki government aims to enhance production capabilities over the next three to four years. The production increase will cover almost all components of ammunition, including capacities for explosive materials, propellants, shell casings, and the loading of shells with explosives. The expansion will focus on 155mm artillery ammunition as well as 81mm and 120mm mortar ammunition. The Finnish division of the Nammo group will remain the primary producer of this ammunition. Western media outlets report that the Finnish government's decision is partly driven by the ongoing need to support Ukraine militarily. However, even with Finland's increased production capabilities, it may not be sufficient to meet all demands.

Key agreement with other nations

US: On July 1, 2024, Finland's parliament unanimously approved a defense treaty with the US, allowing the US military presence and storage of defense materials in Finland. The US-Finnish Defense Cooperation Agreement, signed in December 2023, grants the US access to 15 Finnish military bases and permits the deployment of US defense

equipment, supplies, and personnel. The agreement also establishes exclusive military zones for use by the US and enhances bilateral crisis cooperation. Kimmo Kiljunen, chairman of the Foreign Affairs Committee, called the treaty a "historic moment" for Finland. Unlike Sweden, Finland has ensured the treaty adheres to national laws prohibiting nuclear weapons. The agreement respects Finland's sovereignty and international obligations, following NATO membership negotiations initiated in May 2022.

Italy: On April 22, 2024, Italy and Finland presented a joint document at the EU Foreign Affairs Council in Luxembourg, focusing on migration issues. This unprecedented agreement between a southern and northern European country emphasizes combating human trafficking and the political exploitation of migrants. Both countries highlighted the Kremlin's influence, with Finland noting increased asylum seekers from Russia and Italy, stressing Mediterranean border security. The document suggests a proactive approach and calls for the EU border agency Frontex to operate in third countries, using the Tunisia memorandum as a model for future partnerships.

Estonia: On October 10, 2023, Estonia and Finland signed a green corridor MoU to accelerate marine decarbonization between the two nations. The MoU involves the cities and ports of Helsinki and Tallinn, shipping companies Rederi AB Eckerö, Tallink Grupp, Viking Line, the Estonian Ministry of Climate, and the Finnish Ministry of Transport and Communications. Helsinki Mayor Juhana Vartiainen highlighted the seamless cooperation between the capitals and emphasized the importance of Baltic Sea protection and sustainability, aiming for concrete improvements through this agreement.

Israel: Israel's Defense Ministry has finalized a landmark agreement to sell the David's Sling air defense system to Finland, marking the first international sale of this system. The deal, valued at approximately EUR317.0 million (NIS1.3 billion), was signed on November 12, 2023. The signing event, held at the Defense Ministry's headquarters, included notable attendees such as Finland's Ambassador to Israel Nina Nordström and Finnish Defense Attaché Col. Oula Asteljoki. David's Sling, developed by Rafael Advanced Defense Systems, is designed to intercept ballistic missiles, cruise missiles, aircraft, and drones within a 40.0–300.0km range.

Poland: On May 9, 2024, Poland and Finland joined the Baltic Customs Initiative, expanding the agreement on uniform sanctions control measures signed by Lithuania, Latvia, and Estonia. The agreement, signed in Vilnius, aims to prevent the circumvention of sanctions against Russia by applying consistent control measures across member states. These measures include requiring a manufacturer's declaration for exports to ensure they do not enter Russia. Lithuania, recognized for its stringent enforcement, reports a decrease in exports to Central Asia, demonstrating the effectiveness of these measures.

Future risks

Increasing asylum granted in Finland

The Finnish Immigration Services reported a 7.8% decline in asylum applications in 2023 compared to 2022, totaling 5,372 applications. Of these, 23.8% were registered at Finland's eastern border in autumn 2023. Most applicants were men aged 20–30, primarily from Syria, Somalia, and Yemen. However, the Finnish Immigration Service estimates 3,500–4,500 new asylum applications in 2024. Finnish authorities noted that Russians have not significantly contributed to this year's application rates, unlike in 2022 when asylum requests from Russians increased due to the war in Ukraine. In 2024, heightened migration pressure is expected in the EU, which is projected to affect Finland. Contributing factors include ongoing conflicts, especially in countries closely relevant to Finland, and the strained refugee situation in transit countries.

Since joining NATO, Finland has warned of varied security and hybrid threats from Russia. In the second half of 2023, following Finland's accession to the alliance, over 1,300 migrants from countries such as Yemen, Syria, and Somalia began arriving at the Finnish-Russian border to seek asylum. Helsinki closed all crossing points along the frontier in November 2023, accusing the Kremlin of weaponizing migration. These points were briefly reopened but quickly closed again after another increase in migrant arrivals. The closure was extended indefinitely in early April 2024. Finland is seeking assistance from the EU to prevent any future migrant crises. Moscow has described Finland's accession to NATO as a "historic mistake" that would force it to take "countermeasures."

Economic analysis

Overview

Finland’s heavy dependence on European countries for trade, and the integration of its financial systems with other banks in the Eurozone make the country vulnerable to crisis in the Euro area. Because of the country’s energy measures, the government deficit is increasing. Moreover, household debt as a percentage of gross disposable income has been increasing in Finland, making households vulnerable to interest rate risks. Another major concern for the country is the high level of household debt.

Table 4: Analysis of economic landscape	
Current strengths	Current challenges
<ul style="list-style-type: none"> • Strong and diverse economy • Leads in green logistics with major sustainability initiatives 	<ul style="list-style-type: none"> • Low productivity in terms of labor • Need for continued financial prudence • Rising household debt
Future prospects	Future risks
<ul style="list-style-type: none"> • Infrastructure investments • Austerity measures • General Government Fiscal Plan 2025–28 • Tourism surge with new visa-free policy 	<ul style="list-style-type: none"> • Heavy dependence on major economies for trade
Source: MarketLine	

Current strengths

Strong and diverse economy

Finland has several economic strengths that have contributed to its success as a competitive economy. The key areas of strength include i) Education: Finland has a highly educated workforce, with a strong emphasis on science, technology, engineering, and mathematics (STEM) education. This has helped to develop a culture of innovation and entrepreneurship, as well as attract foreign investment in high-tech industries; ii) Technology and innovation: Finland is known for its robust technology and innovation sector, with a particular focus on ICT (Information and Communications Technology) and cleantech industries. The country is home to several world-class research institutions and has a strong history of innovation in fields such as mobile communications and renewable energy; iii) Infrastructure: Finland has a well-developed infrastructure, including modern transportation networks, advanced telecommunications systems, and a reliable power grid. This has facilitated trade and investment and made Finland an attractive destination for foreign companies looking to establish a presence in the Nordic region; and iv) Social welfare system: Finland has a comprehensive social welfare system that provides universal healthcare, education, and a range of other public services. This has helped to create a stable and secure environment for businesses and individuals and contributed to Finland's high standard of living and overall well-being.

Leads in green logistics with major sustainability initiatives

Finland is making significant strides in green logistics, reinforcing its economic strength. Ranked second globally in the World Bank, *Logistics Performance Index (2023)*, Finland's robust infrastructure includes roads, railways, waterways,

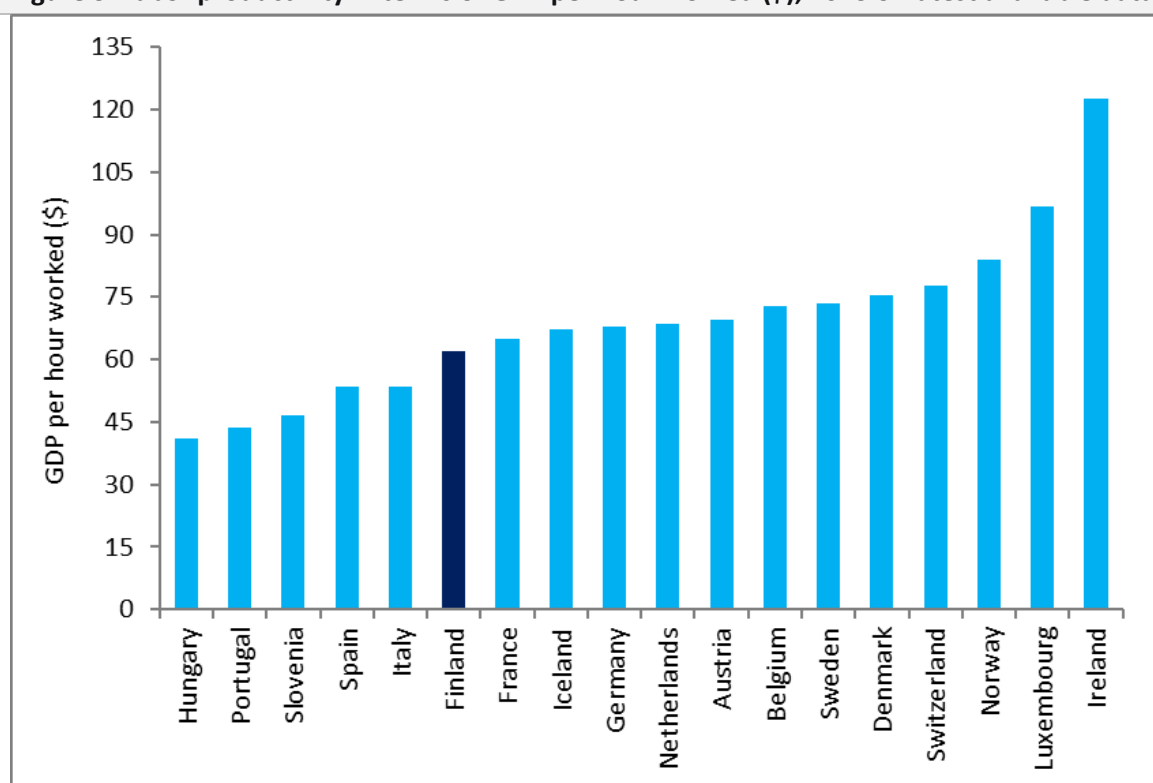
and sea lanes. The country aims to halve domestic traffic emissions by 2030 and eliminate them by 2045, focusing on electrified road transport. By 2030, one-third of road kilometers will be electrically powered, with a rapid expansion in EV infrastructure, including a 120.0% increase in high-power charging stations in 2022. Finland's airports are also advancing, with 20 out of 24 being carbon-neutral and major hubs such as Helsinki Airport aiming for zero net emissions by 2025. Port electrification is progressing, with the Port of Hanko set to be fully carbon-neutral by 2024 and the Port of Helsinki by 2035. These efforts position Finland as a global leader in sustainable logistics, aligning with its ambitious sustainability goals.

Current challenges

Low productivity in terms of labor

Labor productivity in Finland is relatively low, compared to its Nordic counterparts such as Sweden and Norway. This is evident by Finland's comparatively low GDP per capita and low labor productivity, measured in terms of GDP per hour worked. In 2023, GDP per hour worked in Finland was \$61.9, compared to \$73.6 in Sweden and \$83.9 in Norway. The suboptimal utilization of labor and low productivity in Finland are partly due to strict labor laws. These rigidities and inefficiencies are at odds with the favorable business environment Finland tries to promote to investors.

Figure 3: Labor productivity in terms of GDP per hour worked (\$), 2023 or latest available data



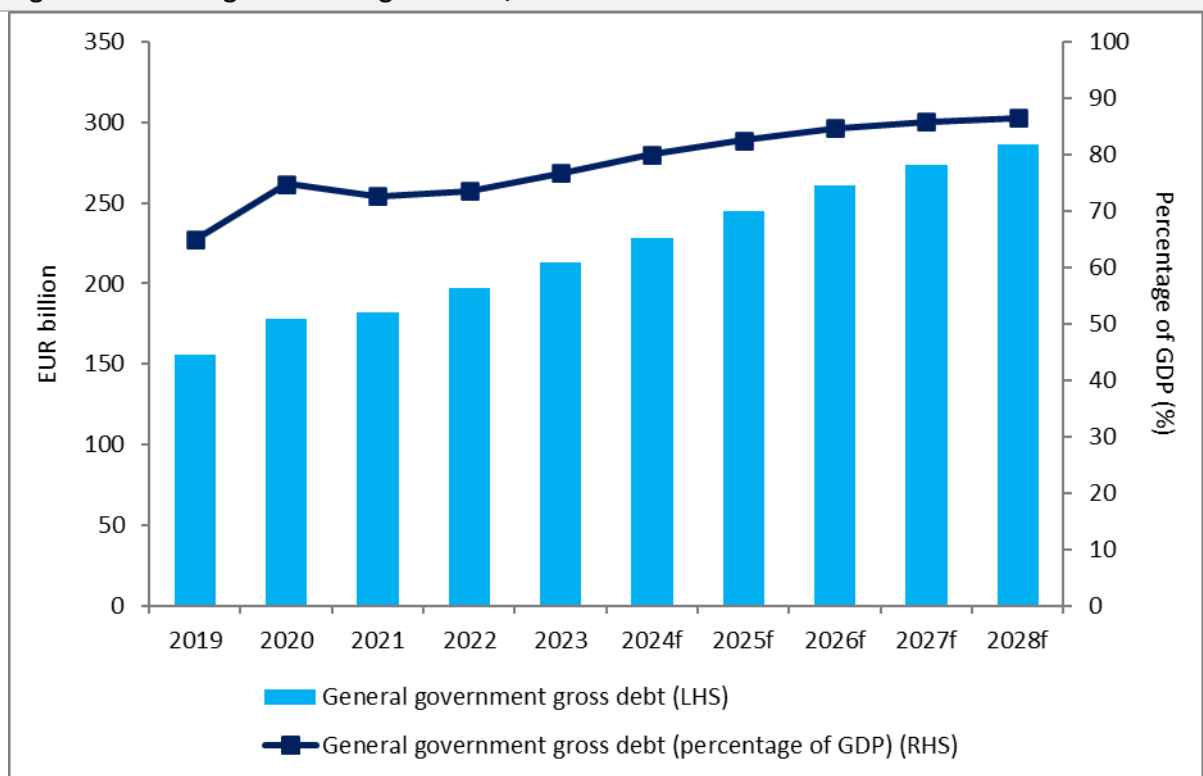
Source: MarketLine analysis based on information from the OECD

Need for continued financial prudence

Historically, Finland has been able to maintain healthy public finances, which helped the country avoid stringent consolidation measures in the aftermath of the global financial crisis in 2008. However, rising expenditure due to higher pension and healthcare costs because of the aging population and stimulus measures to revive the economy from the pandemic have been draining government finances. The general government gross debt was recorded at 72.6% of GDP in 2021, 73.5% in 2022, and 76.7% of GDP in 2023. The government debt is forecast to average 83.9% during 2024–28.

The increasing government debt is a threat to the country’s macroeconomic stability in the long term. The government needs to continue with fiscal consolidation to halt the growing debt level, which seems a far-ended task, with measures taken to support small businesses affected by the pandemic and energy measures due to the Russia-Ukraine conflict. This indicates the need for prudent fiscal balancing policies in the future. However, this will only be possible if the ongoing health and social services reforms help the government reduce its public spending liabilities.

Figure 4: General government gross debt, 2019–28f

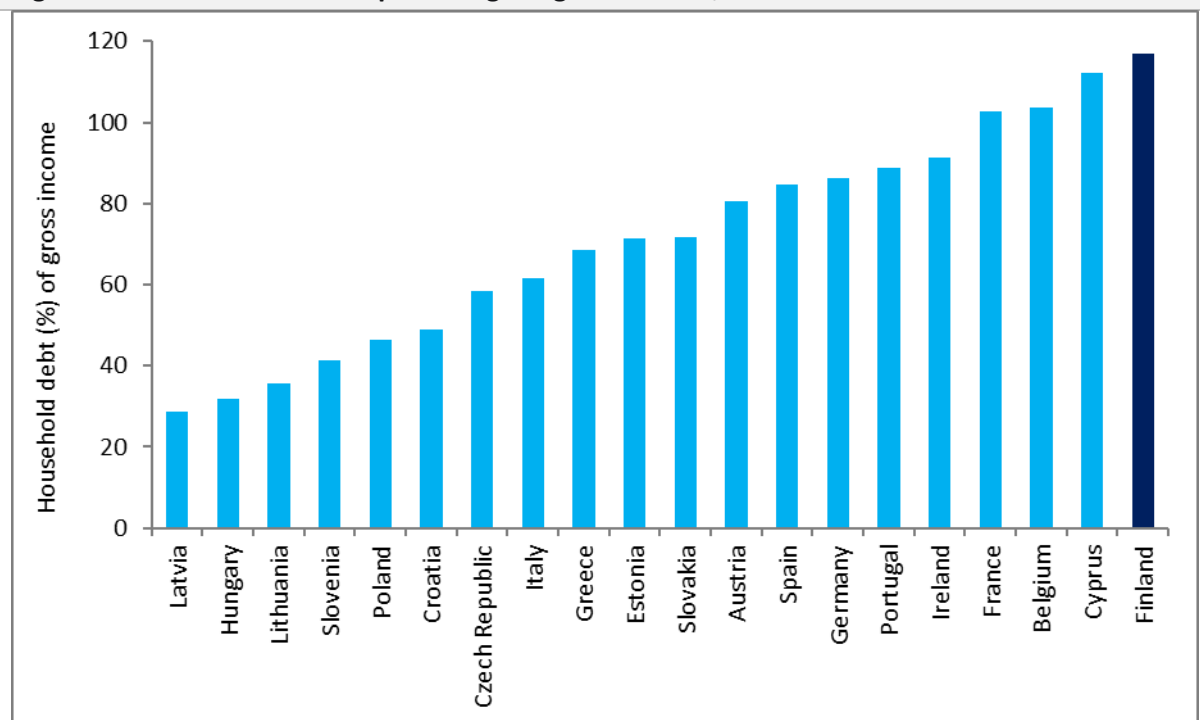


Source: MarketLine analysis based on information from the IMF

Rising household debt

Households have continued to accumulate debt for decades and household indebtedness reached historically high levels in 2022. Lower borrowing costs and longer repayment terms have made mortgages cheaper in Finland. Increasing indebtedness may cause repayment problems if interest rates increase in the future. Most mortgages are based on variable interest rates, exposing households to risks in the event of a sharp increase in interest rates. Increasing household debt could pose a risk in terms of financial stability and the overall economy. Asset prices should be monitored, and pre-emptive action should be taken to contain the risks associated with rising debt levels. Finland’s household debt at 117.0% of gross income was one of the highest in European countries as of 2022. The high level of household debt increases systemic risk since, during an economic slowdown, high house prices cannot be sustained for long and debt servicing becomes more expensive.

Figure 5: Household debt as a percentage of gross income, 2022



Source: MarketLine analysis based on information from Eurostat

Future prospects

Infrastructure investment

The investment program for 2023–30 is a proposal for new rail, road, and waterway projects submitted by the Finnish Transport Infrastructure Agency. The framework of the investment program is as follows:

- Development projects amounting to approximately EUR2.7 billion (\$2.8 billion)
- Basic infrastructure improvement projects amounting to approximately EUR744.0 million (\$804.5 million)

The investment program includes 15 rail projects, 29 core infrastructure improvement projects, 14 improvement projects in the rest of the road network, and 50 basic infrastructure improvement projects.

The investment program empowers industries to expand their transportation capacities, fostering regional growth in the long run. This growth in production not only enhances regional development but also facilitates more cost-effective, predictable, and manageable transportation. It leads to reduced travel time, making journeys smoother, safer, and more predictable. Although direct climate impact of the investment program is limited, improvement in transport efficiency and transitioning between different modes of transportation will contribute to reduction of climate emissions in the future.

Austerity measures

In April 2024, the Finnish government, led by Prime Minister Petteri Orpo, announced austerity measures totaling EUR3.0 billion (\$3.21 billion) to balance public finances. The general value-added tax (VAT) rate will increase from 24.0% to 25.5%, and taxes on high-income pensioners will be tightened. Public spending will be reduced, and many state-funded services will be curtailed. Finland's new VAT rate will be the second-highest in the EU, after Hungary. The government expects the increase to generate over EUR1.0 billion (\$1.1 billion) annually for the state treasury. Despite these measures, Finland's public finances remain weak. The announced austerity measures are insufficient to stabilize

the expenditure-to-debt ratio by 2027. Without additional actions, public debt is projected to approach 90.0% of GDP by 2028. However, the current measures are expected to prevent the economy from spiraling out of control, curb the growth of public debt, and keep Finland from facing the EU's excessive deficit procedure (EDP).

General Government Fiscal Plan 2025–28

In April 2024, the Finnish government unveiled its fiscal plan for 2025–28. The General Government Fiscal Plan encompasses the central government, well-being service counties, municipalities, statutory earnings-related pension funds, and other social security funds. The plan aims to guide decision-making on general government finances and support the achievement of set financial goals. The General Government Fiscal Plan and the Stability Programme within it have been drafted in accordance with EU and domestic fiscal policy legislation. Prime Minister Petteri Orpo's government aims to stabilize and permanently reduce the general government debt-to-GDP ratio after this parliamentary term. The government is committed to maintaining the general government deficit below 3.5% of GDP in 2024.

The plan estimates the following for 2025's on-budget activities:

- Revenues of EUR76.9 billion (\$83.1 billion), excluding net borrowing (compared to EUR75.1 billion (\$81.2 billion) in 2024, including the first supplementary budget)
- Expenditures of EUR87.6 billion (\$94.7 billion) (compared to EUR88.1 billion (\$95.3 billion) in 2024)
- A deficit of EUR10.7 billion (\$11.6 billion) (compared to EUR12.9 billion (\$13.9 billion) in 2024)

The plan includes decisions on spending limits for general government finances, requiring ministries to prepare their budget proposals in line with the decisions made in the General Government Fiscal Plan.

Tourism surge with new visa-free policy

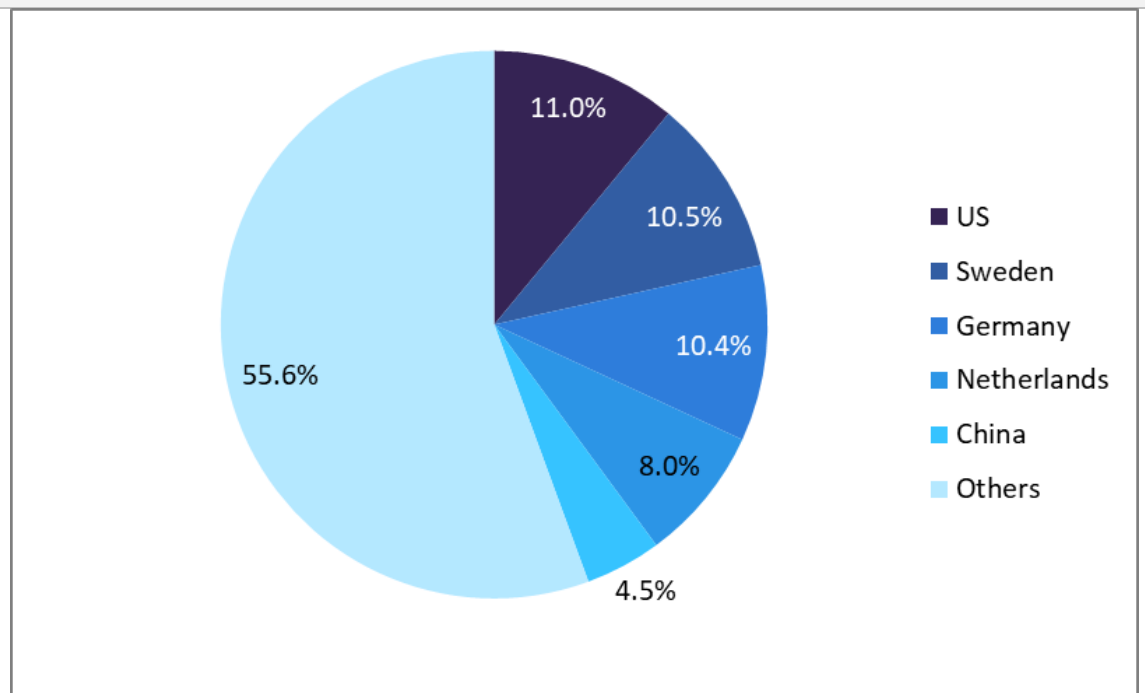
As of June 24, 2024, Finland is expected to see a significant increase in tourism, as a result of a newly implemented visa-free entry policy for citizens of 72 countries, including Schengen nations, Portugal, the US, and Taiwan. This initiative simplifies travel procedures and is expected to draw a large number of visitors keen on exploring Finland's unique blend of adventure, culture, and luxury. Highlights include the UNESCO-listed Suomenlinna Sea Fortress and the historic town of Porvoo. Finland's varied landscapes, from the Northern Lights in Lapland to serene lakes and archipelagos, offer year-round activities such as husky sledding in winter and kayaking in summer. Urban centers such as Helsinki and Turku draw visitors with their vibrant cultural scenes and rich histories. The policy also boosts Finland's appeal for business travel, with Helsinki becoming a key location for international conferences and corporate events. This strategic initiative is expected to drive significant economic growth, particularly in niche markets such as culinary tourism, adventure travel, and wellness retreats.

Future risks

Heavy dependence on major economies for trade

The Finnish economy is highly dependent on international trade, especially with major economies. In 2023, major economies, including the US, Sweden, Germany, the Netherlands, and China, accounted for more than 40.0% of the country's total trade. According to the International Trade Centre (ITC) Trade Map, the US accounted for 11.0% of the total exports, followed by Sweden (10.5%), Germany (10.4%), the Netherlands (8.0%), and China (4.5%) in 2023. To negate the shocks within the Finnish economy and strengthen its overall export sector, the country needs to diversify its export destinations. According to IMF estimates, the country's volume of exports of goods and services recorded a contraction of 1.8% in 2023 and is forecast to grow by 0.1% in 2024. The high level of dependence on major economies for trade would make the economy more vulnerable to external economic shocks should there be any negative impact on its major trading partners.

Figure 6: Finland's export destinations share as % of total exports, 2023



Source: MarketLine analysis based on information from the International Trade Centre (ITC) Trade Map

Social analysis

Overview

Finland has made significant investments in higher education, compared to most other OECD countries. However, many Finnish firms are facing skills shortages and have, thus, been looking to recruit labor from other countries, particularly from Central and Eastern Europe. The current retirement age in Finland is one of the lowest among the Nordic countries, and reform measures that aim to increase the retirement age to 65 have been initiated. Starting in January 2017, the retirement age in Finland has been gradually increased by three months each year. The objective is to reach a retirement age of 65 years by 2027. The aging population in Finland will cause an increase in social security expenditure and a decrease in tax revenues. The already tight labor market will feel the impact in the coming years.

Table 5: Analysis of social landscape

Table 5: Analysis of social landscape	
Current strengths	Current challenges
<ul style="list-style-type: none"> • High score on human development parameters • Strong in terms of education 	<ul style="list-style-type: none"> • Mental health and well-being • Human rights violations against Sámi people
Future prospects	Future risks
<ul style="list-style-type: none"> • Reforms within the Finnish society • Social initiatives under Finland’s Recovery and Resilience Plan • Social security changes for Finland 	<ul style="list-style-type: none"> • Aging population
Source: MarketLine	

Current strengths

High score on human development parameters

According to the United Nations Development Programme, *Human Development Report (2023–24)*, Finland ranked 12th among 193 nations, with an impressive human development index value of 0.942 out of one. This indicates the exceptional improvement in the country's social system over time, as its score rose from 0.811 in 1990 to 0.942 in 2022, a remarkable increase of 16.2%. According to MarketLine, Finland has a very high level of human development, with a long life expectancy at birth of 82.0 years as of 2023. Such progress reflects Finland's commitment to enhancing its citizens' well-being and quality of life.

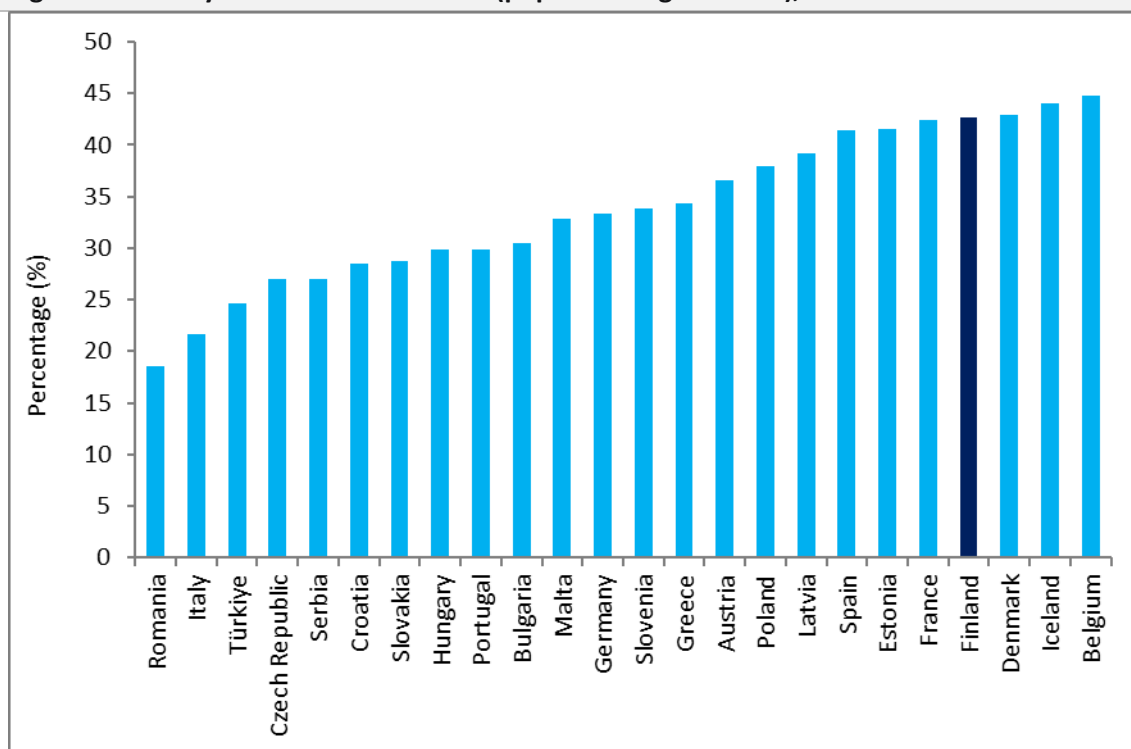
Finland has also topped the World Happiness Report as the happiest country for seven consecutive years. Since 2024, the World Happiness Report has been jointly published by Gallup, the Wellbeing Research Centre at the University of Oxford, and the UN Sustainable Development Solutions Network. The ranking, based on self-assessed life evaluations, places Finland at the top, with a score of 7.741 out of 10. Factors contributing to Finland’s high happiness include strong community ties, altruism, and a sense of purpose among its people.

Strong in terms of education

The country has a strong education system. The number of Finnish people with upper secondary education and tertiary education is above the OECD average. According to the OECD, in 2023, 42.6% of the population aged 25–64 years has

completed tertiary education in Finland, compared to other OECD nations, including Slovakia (28.8%), Germany (33.3%), and Austria (36.6%). Finnish teachers enjoy good working conditions and high salaries, compared to those in other OECD countries. Moreover, in the OECD Programme for International Student Assessment (PISA), which has become the world's leading measure for assessing the quality, equity, and efficiency of school systems, Finland performs better than its OECD peers. The score indicates Finland's strong education standards.

Figure 7: Tertiary education attainment (population aged 25–64), 2023



Source: MarketLine analysis based on information from the OECD

Current challenges

Mental health and well-being

One significant social challenge in Finland is the growing concern over mental health and well-being. Despite its high standard of living and extensive social welfare system, Finland faces increasing rates of mental health issues, particularly among young people. Factors such as academic pressure, social isolation, and the stigmatization of mental health problems contribute to this issue. The COVID-19 pandemic exacerbated these challenges, leading to higher levels of anxiety, depression, and loneliness. Addressing this requires not only improving access to mental health services but also promoting a more supportive and open societal attitude towards mental health, reducing stigma, and fostering community support networks. According to the Finnish Institute for Health and Welfare, as of January 2024, one out of six Finns experienced mental health issues, with the most common being depression, anxiety, and substance abuse.

Human rights violations against Sámi people

As of March 2024, according to the UN, Finland faces a critical social challenge in addressing historical human rights violations against the Sámi people. The legacy of assimilation policies, including forced boarding school accommodation and cultural suppression, persists despite legislative reforms since the 1990s. Reports highlight ongoing discrimination and hate speech against the Sámi community, affecting their rights to language, culture, and self-determination. While initiatives such as the Truth and Reconciliation Commission and Sámi Psychosocial Support Unit (Uvja) aim to provide reparations, challenges remain in implementing comprehensive compensation and restitution measures. Memorialization efforts, crucial for acknowledging past injustices, are also insufficiently scaled. Urgent action is needed

to revise the Sámi Parliament Act to align with international standards and ensure full respect for Sámi rights. Finland's commitment will be scrutinized in the upcoming Human Rights Council report in 2024, demanding tangible progress and justice for the Sámi people.

Future prospects

Reforms within the Finnish society

The General Government Fiscal Plan for 2023–26, which aims for sustainable growth and security, was adopted in April 2022. The Finnish government aims to bring forward an index increase in social benefits corresponding to the cost of living. The government aims to implement the seven-day maximum waiting time guarantee and reinforce the funding base for vocational education and training by EUR50.0 million (\$59.7 million) from 2023 onwards. In addition, the personal income limit of students, with respect to study grants, will be increased by 50.0% (compared to 2021) from 2023.

Additionally, the objective of the economic policy is to enhance overall welfare and prosperity. Following the decisions reached during the deliberations on government spending limits, the necessary funding will be secured to initiate the functioning of wellbeing services counties, as well as ensure a maximum waiting time of seven days for accessing healthcare. Furthermore, the financial foundation for vocational education and training will be reinforced in alignment with the Ministry of Finance proposal.

The economic policy pursued by the government focuses on attaining economically and socially sustainable growth, ensuring high employment levels, and maintaining sustainable general government finances. To achieve this, the government has decided to implement permanent savings of EUR370.0 million (\$389.6 million), which were determined in the previous year, by reducing expenditure ceiling. Additionally, a portion of these savings, amounting to EUR328.0 million (\$345.4), will be allocated to administrative branches.

Social initiatives under Finland's Recovery and Resilience Plan

In January 2023, the European Commission approved Finland's updated Recovery and Resilience Plan. The total funding provided under the plan amounts to EUR1.95 billion (\$2.1 billion).

The plan bolsters economic and social resilience by allocating EUR90.0 million (\$97.3 million) to reform the Public Employment Services, aiming to increase the employment rate. As part of its recovery and resilience plan (RRP), Finland intends to invest EUR371.8 million (\$402.0 million) (20.4% of the RRP's total budget) to address the backlog in social and health services caused by the COVID-19 pandemic. This investment aims to promote equal access, strengthen primary healthcare, revamp service delivery models, and enhance the digitalization of the health system. Additionally, the plan designates EUR254.0 million (\$274.6 million) for research, development, and innovation related to the green and digital transitions.

Social security changes for Finland

As of September 2023, the Finnish government plans to implement a series of substantial changes to the country's social security system in 2024, affecting benefit rates and eligibility criteria. These changes, outlined in the government program, will be introduced gradually throughout the year. Pensions provided by Kela, including the national and guarantee pensions, disability allowances, and front-veterans' supplements, will undergo annual adjustments based on the National Pensions Index. The exact percentage increase will be announced on October 13, 2023, and will take effect on January 1, 2024. The eligibility criteria for the housing allowance for pensioners are expected to remain the same as in 2023.

Child benefits will see an initial increase at the beginning of 2024, with additional increase later in the year, affecting benefits for single parents with children under three and introducing higher rates for the fourth child and beyond. Childcare allowances will not be adjusted for inflation at the beginning of the year, pending parliamentary approval of an indexation freeze, keeping rates at 2023 levels. Basic social assistance rates will be adjusted for inflation on January

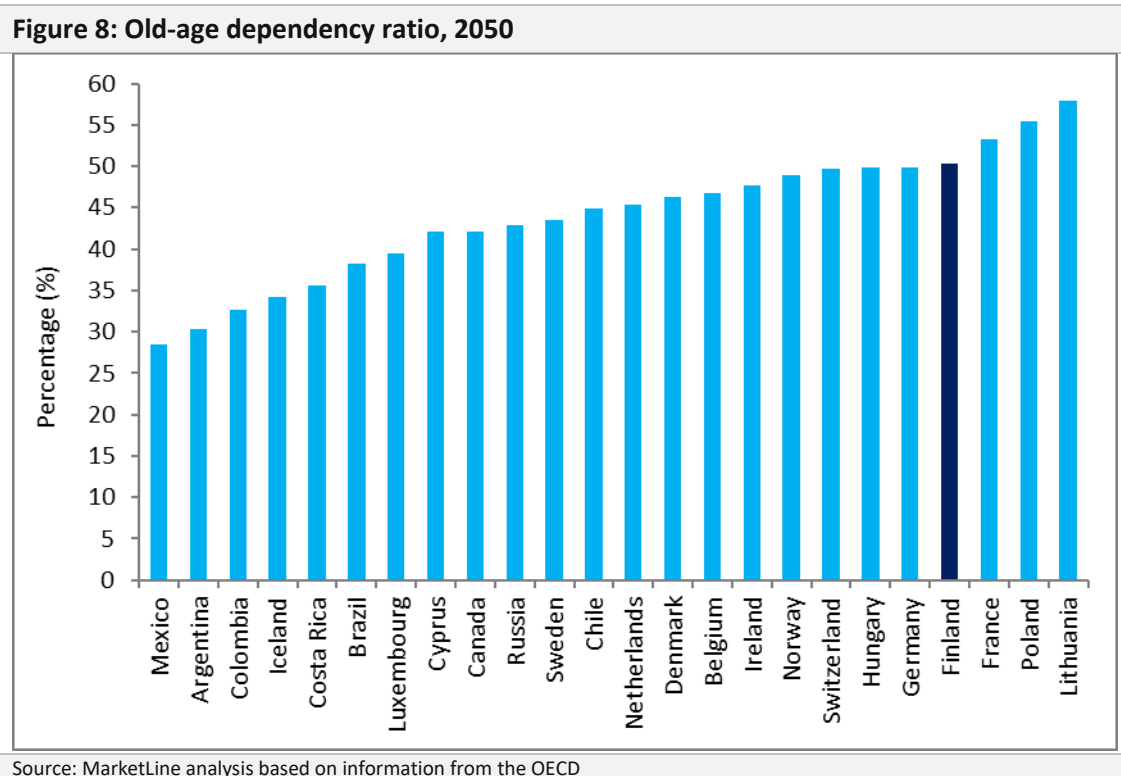
1, 2024, following a 10.0% increase in children's basic amounts for 2023, which ends on December 31, 2023. Legislative changes will also clarify and tighten the recognition of housing costs in 2024.

From January 1, 2024, the minimum rate of the rehabilitation allowance for young individuals and vocational rehabilitation will be reduced from EUR36.9 (\$39.9) to EUR32.0 (\$34.6) per working day, a reduction of approximately 13.0%. Additionally, reimbursements for private doctor visits will see a significant increase from the current average of EUR8.0 (\$8.7) starting January 1, 2024.

Future risks

Aging population

Finland faces the challenge of a disproportionate increase in the number of elderly people, compared to the young population. The old-age dependency ratio (the number of people older than 65 years per 100 people of working age (20–64)) is also increasing because of increased life expectancy and a falling fertility rate. This will affect government finances, as the working-age population’s contributions to support the non-working will decrease in the future. This will lead to growing pressure on the social security system, which may become unsustainable as the number of contributors declines. According to the OECD, the old-age dependency ratio is forecast to reach 50.3 in 2050. According to the OECD, the old-age dependency ratio in Finland was 41.4 as of 2023.



Technological analysis

Overview

Finland's technological landscape is distinguished by its advanced digital infrastructure, significant R&D investments, and a strong culture of innovation. With one of the highest internet penetration rates globally and extensive 5G networks, Finland supports robust ICT and gaming industries, home to notable companies such as Nokia and Supercell. The country excels in health technology and clean technology, driven by cutting-edge developments in telemedicine, medical devices, renewable energy, and circular economy solutions. The supportive startup ecosystem, exemplified by events such as the Slush conference and government initiatives such as the Digital Finland Framework and national AI strategy, fosters continuous growth and positions Finland as a leading European tech hub despite various challenges, including an aging population and global competition.

Table 6: Analysis of technological landscape

Table 6: Analysis of technological landscape	
Current strengths	Current challenges
<ul style="list-style-type: none"> • Strong performance across various technological indicators 	<ul style="list-style-type: none"> • Low government subsidies for business R&D expenditure
Future prospects	Future risks
<ul style="list-style-type: none"> • Finland's artificial intelligence program • Pioneers in 5G and 6G initiatives • Digital transition under Finland's Recovery and Resilience Plan • Investments towards quantum technology • Technological investments in Finland 	<ul style="list-style-type: none"> • Increased risk of cyberattacks
Source: MarketLine	

Current strengths

Strong performance across various technological indicators

According to the World Intellectual Property Organization, *Global Innovation Index (2023)*, Finland ranked sixth out of 132 economies. According to the index, the nation ranked fourth out of 132 nations on the overall information and communication technologies (ICTs) parameter. Additionally, out of 132 countries, Finland ranked seventh and 28th on the ICT use and ICT access indicators, respectively.

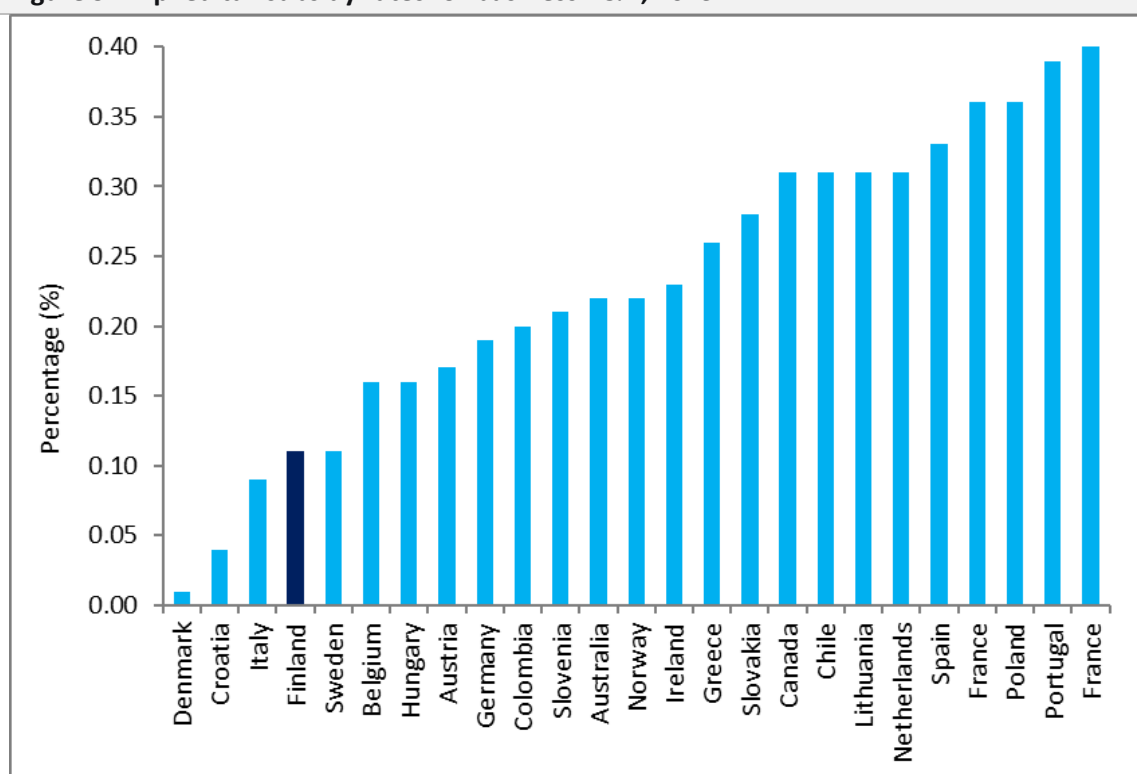
According to the European Commission, *European Innovation Scoreboard (2023)*, Finland was termed an Innovation Leader, with performance recorded at 134.3% of the overall EU average. According to the European Innovation Scoreboard (2023), Finland's relative strength included public-private co-publications, lifelong learning, innovative small and medium enterprises (SMEs) collaborating with others, and international scientific co-publications. Moreover, according to UNCTAD, *Technology and Innovation Report (2023)*, Finland ranked eighth out of 166 nations on the overall indicator of utilizing frontier technologies. Frontier technologies refer to artificial intelligence (AI), the Internet of Things (IoT), big data, blockchain, 5G, 3D printing, robotics, drones, gene editing, and nanotechnology.

Current challenges

Low government subsidies for business R&D expenditure

The government's incentives to foster R&D are low, compared to Finland's Nordic peers Norway and Iceland, and many other OECD countries. The Finnish government's implied tax subsidy rates (for profitable SMEs) accounted for just 0.1% of GDP in 2023, according to the OECD. In comparison, Norway and France had implied tax subsidy rates of 0.22% and 0.36% of GDP, respectively, in 2023. Low tax subsidy rate for R&D investment could be harmful in the long run as smaller companies will find it less attractive to invest in R&D over the long term. The government should increase its support for business R&D funding, especially for smaller businesses, in order to foster innovation.

Figure 9: Implied tax subsidy rates for business R&D, 2023



Source: MarketLine analysis based on information from the OECD

Future prospects

Finland's artificial intelligence program

Finland's artificial program, which was launched in 2017, aims at enhancing the country's position in the global of artificial intelligence, and build partnerships with national, European, and international stakeholders by 2025.

As of August 2021, Finland established a new project, AI Technology Innovation Ecosystem for Competitiveness of SMEs (AI-TIE), coordinated by Haaga-Helia University of Applied Sciences, which aims to focus on the health, social care, cleantech, and wellbeing sectors. Additionally, the project aims to develop AI competencies and support collaborative networking between solution providers, RDI institutions, and expert organizations.

The other objectives include displaying the country's potential with respect to innovation and business development and supporting competitiveness of the Finnish industrial and technology sectors, especially in the field of artificial intelligence. The following are some of the primary objectives of the program:

- Encouraging business competitiveness through the use of artificial intelligence
- Ensuring effective utilization of data across all sectors and speeding up the deployment of 5G technology in Finland and Europe.
- Retaining top-level expertise, attracting digital talents and expertise in the field of artificial intelligence and machine learning, and promoting leadership and entrepreneurial skills.
- Making Finland a forerunner in the age of artificial intelligence and improving resilience to the disruptive effects of technology.

Pioneers in 5G and 6G initiatives

In November 2021, DNA's 5G network reached more than 3.5 million Finns in nearly 140 towns because of new 5G frequency band. During the same month, most of DNA's best-selling phones were 5G models. The company aims to increase the network's coverage up to 10km from base stations at lower frequency, so 5G connections can be provided in sparsely populated areas as well. In May 2022, the Finnish government unveiled its 6G initiative. The aim is to build new international partnerships, intensify national 6G cooperation, and increase the impact of Finnish 6G expertise globally. The country aims to commercially launch 6G systems by 2030 and begin the first phase of standardization by 2025.

Digital transition under Finland's Recovery and Resilience Plan

In January 2023, the European Commission approved Finland's updated Recovery and Resilience Plan. The total funding provided under the plan for amounts to EUR1.95 billion (\$2.1 billion). Of the total funding, 28.9% would go towards digital transition. The following are some of the main projects under the digital transition:

Finland's recovery and resilience plan supports the digital transition through investments and reforms totaling EUR32.0 million (\$34.7million) for high-speed broadband infrastructure across the country. The plan allocates EUR85.0 million (\$92.4 million) to the Digirail project, which aims to implement the European Rail Traffic Management System on the entire national railway network by 2040, alongside the 4G and 5G-based Future Railway Mobile Communication System.

Digital innovations in social welfare and healthcare services receive support with EUR100.0 million (\$108.7 million), while investments in continuous learning are allocated EUR32.0 million (\$34.8 million). Additionally, EUR25.0 million (\$27.2 million) is dedicated to accelerating key technologies such as microelectronics, 6G, artificial intelligence, and quantum computing. The plan also includes EUR20.0 million (\$21.7 million) to streamline work- and education-based immigration and facilitate international recruitment.

Investments towards quantum technology

As of January 2024, Finland is taking a bold step in quantum technology with the Research Council of Finland announcing a significant EUR13.0 million (\$14.1 million) funding boost for the Finnish Quantum Flagship (FQF). This substantial investment initiates an ambitious eight-year project set to begin in March 2024. The first five years will see this initial funding matched by equal contributions from member organizations. Led by Professor Peter Liljeroth from Aalto University, the FQF aims to strengthen Finland's already strong reputation in the quantum field. The FQF's focus extends beyond fostering national collaboration; one of its key goals is to address the ongoing challenge of attracting and retaining international talent in the quantum sector. With this funding, the FQF will launch new research activities, industrial collaborations, and promote quantum technology awareness through open-access educational programs and training. The FQF, situated within InstituteQ, Finland's quantum institute established in 2021, will serve as a catalyst for research excellence, technological adoption, commercial opportunities, and national training programs in quantum science and technology. This flagship project, with its multifaceted approach and international collaborations, aims to solidify Finland's position as a leader in the rapidly evolving quantum technology landscape.

Technological investments in Finland

Metso: As of June 2024, Metso announced plans to relocate its current operations in Hatanpää, Tampere, to a new Lokomotion Technology Center in Lahdesjärvi, Tampere. At this new site, Metso will design, test, and manufacture technologies, equipment, and components for the production of aggregates and sand. The Lokomotion Technology Center, acquired by Metso in 2021, spans 23 hectares (ha) and will accommodate over 900 employees. The initial construction will cover about 6.6ha, with the first phase occupying approximately 3.4ha.

The investment for the first phase is around EUR150.0 million (\$162.2 million), spread over three years. Construction is set to begin in July 2024 and will include assembly and testing facilities for manufacturing mobile crushers, as well as storage facilities for components and materials used in aggregates equipment. The estimated investment for 2024 is around EUR30.0 million (\$32.4 million). Production of the track-mounted crushing plants, Lokotracks, is expected to commence in Lahdesjärvi during the third quarter of 2027. According to the plan, the crusher factory, research center, maintenance workshop, and office facilities will move from Hatanpää to Lahdesjärvi at a later stage. The new technology center is projected to be fully completed by the mid-2030s. The Lokomotion project's goal is to develop a modern technology center that facilitates sustainable manufacturing operations, providing an environment and facilities that meet the highest sustainability and environmental standards.

Google: In May 2024, Alphabet-owned Google announced a substantial investment of EUR1.0 billion (\$1.1 billion) to expand its data campus in Hamina, Finland, aimed at strengthening its artificial intelligence (AI) capabilities in Europe. This strategic decision highlights Google's commitment to advancing its AI infrastructure while promoting sustainability through the use of renewable energy sources common in the Nordic region. Finland is an ideal location for Google's data center expansion due to its strong renewable energy infrastructure and supportive government policies. The Hamina data center, primarily powered by wind energy, exemplifies Finland's dedication to renewable energy. In 2022, Finland's wind power capacity peaked at 5,677MW, significantly reducing energy prices during windy times. Google leverages this by securing long-term wind power contracts, ensuring a stable and sustainable energy supply for its data center operations.

Google's expansion in Hamina has significant economic and environmental implications. Economically, the investment is expected to create jobs and stimulate local businesses, providing a substantial boost to the Finnish economy. Environmentally, the focus on renewable energy aligns with global sustainability goals. The Finnish data center is powered by 97.0% renewable energy, underscoring Google's commitment to reducing carbon footprint and promoting green energy. Additionally, the heat generated by the data center will be repurposed to support the district heating network in Hamina, benefiting local households, schools, and public service buildings. This innovative approach not only enhances energy efficiency but also provides a practical solution for energy utilization, demonstrating Google's commitment to sustainability and community support.

The investment in Finland's data center is also a significant advancement for AI development. AI applications require substantial computational power, which in turn demands high energy consumption. By expanding its data center capabilities, Google can support more complex AI models and applications, driving innovation in various fields such as healthcare, finance, and autonomous systems.

Future risks

Increased risk of cyberattacks

As of January 2024, the NoName ransomware group, suspected of having Russian affiliations, has reportedly intensified cyberattacks on Finland. The recent increase in distributed denial-of-service (DDoS) attacks has targeted a wide array of critical sectors in Finland. The NoName cyberattacks have specifically targeted the Energy Industry Association, which plays a critical role in overseeing the nation's energy policies. Additionally, Technical Academic TEK, representing technical professionals and engineers, has also been attacked, indicating a deliberate assault on key intellectual and technical expertise in the country. The cyber onslaught has extended to Oikeus.fi, Finland's legal information portal, highlighting the hacker group's intent to disrupt legal infrastructure.

In the first week of January 2024, NoName launched a series of cyberattacks on several Finnish government organizations. The targets included critical entities such as Traficom, the National Cyber Security Centre Finland (NCSC-FI), the railways, The Agency for Regulation and Development of Transport and Communications Infrastructure of Finland, and multiple subdomains of the Finnish Road Agency. Moreover, the Central Chamber of Commerce, the Bank of Finland, the Helsinki Region Chamber of Commerce, and The Finland Arbitration Institute were also victims of the NoName DDoS attacks.

In May 2024, hackers potentially accessed personal data of up to 80,000 students and their guardians, as well as 40,000 city employees, in a cyberattack on the city of Helsinki. The attack targeted a data network used by the city's Education Division, which oversees Helsinki's education system from early childhood to upper secondary education. This extensive cyberattack occurred on April 30, 2024, as reported by Finland's cybersecurity center.

Legal analysis

Overview

Finland's legal landscape is characterized by a robust adherence to the rule of law, with a comprehensive legislative framework grounded in the Constitution, which guarantees fundamental rights and delineates the separation of powers. The judiciary, renowned for its independence and efficiency, includes general, administrative, and specialized courts. As an EU member, Finland integrates EU laws into its national system, significantly influencing various legal areas. Current legal challenges include enhancing climate change legislation, addressing digitalization and data privacy, managing immigration and asylum laws, and implementing judicial reforms to improve efficiency. Finland is committed to maintaining transparency, human rights, and adapting its laws to contemporary issues.

Table 7: Analysis of legal landscape

Table 7: Analysis of legal landscape	
Current strengths	Current challenges
<ul style="list-style-type: none"> • Strong performance across several rule of law indicators 	<ul style="list-style-type: none"> • Compliance with carbon neutrality goals • Increase in abuses
Future prospects	Future risks
<ul style="list-style-type: none"> • Stricter asylum and citizenship laws • New law to safeguard critical infrastructure • Reform of the Integration Act 	<ul style="list-style-type: none"> • High tax wedge
Source: MarketLine	

Current strengths

Strong performance across several rule of law indicators

According to the World Justice Project, *Rule of Law Index* (2023), Finland ranked third out of 142 nations on the overall rule of law index. The country ranked fifth and third out of 142 nations on the indicators of absence of corruption and constraints of government powers, respectively. Finland ranked third out of 142 countries on the parameters of regulatory enforcement and fundamental rights. The nation ranked sixth out of 142 countries on the civil justice indicator, which measures whether the civil justice system is accessible, affordable, and free of discrimination, corruption, and improper influence by public officials. Finland ranked first out of 142 nations on the criminal justice

indicator and ninth out of 142 countries on the order and security parameter, which measures how well a society ensures the security of its individuals and property.

Current challenges

Compliance with carbon neutrality goals

One significant legal challenge in Finland in 2024 is ensuring compliance with its ambitious carbon neutrality goals. The Finnish government has committed to achieving carbon neutrality by 2035, a target that necessitates sweeping reforms across various sectors, including energy, transportation, and industry. This transition involves implementing stringent regulations to reduce GHG emissions, promoting renewable energy sources, and enforcing environmental standards. Legal disputes are likely to arise as industries adapt to these new regulations, particularly in areas where economic interests clash with environmental objectives. Additionally, the government must navigate the complexities of integrating these changes within existing EU frameworks and international environmental agreements. Ensuring legal compliance while fostering innovation and maintaining economic stability presents a significant challenge for Finland's legal and regulatory systems.

Increase in abuses

According to Statistics Finland, the country experienced a significant rise in reported sexual offenses in 2023, with 7,100 cases recorded, up 29.6% from the previous year. This increase, which represents 1,600 more cases than in 2022, coincided with the introduction of new sexual offense legislation at the beginning of 2023. The new law redefined and expanded the scope of sexual crimes, shifting the definition of rape from being based on violence or threats to being based on consent. It also broadened the definition of sexual harassment to include non-physical forms and introduced new offenses such as the unauthorized distribution of sexual images.

Under the new law, there were 1,408 reported cases of rape, in addition to 480 cases under the old law, totaling 1,888 rape offenses in 2023, an increase of 219 from 2022. Of these incidents, 416 were child rape cases. Additionally, there were 1,139 reports of sexual harassment as defined by the new law, with 343 of these offenses occurring online in 2023. The unauthorized distribution of sexual images accounted for 146 reports, with 120 of these taking place on the internet. Overall, there were 43,000 reported crimes against life and health in 2023, a 6.5% increase from the previous year. Assaults totaled 40,700 in 2023, up 6.8% from 2022. This data reflects a shifting landscape of crime in Finland, with sexual offenses on the rise amid legal changes, painting a complex picture of the nation's public safety and legal challenges.

Future prospects

Stricter asylum and citizenship laws

As of April 2024, the Finnish government is advocating for several reforms to its asylum and citizenship laws. These reforms aim to reduce benefits for refugees and asylum seekers, shorten the duration of residency permits for refugees, and lengthen the residency requirement for most foreigners before they can obtain citizenship. The government plans to reduce the reception allowance for asylum seekers and refugees to the minimum allowed by the Constitution and the Reception Conditions Directive, according to the Interior Ministry. Additionally, the Finnish government wants to shorten the length of residency permits for refugees and individuals with international protection, facilitating the withdrawal of their status.

"A refugee would receive a residence permit for three years instead of the current four years. The duration of an extended permit would be reduced from four years to three years," the Finnish Interior Ministry stated. The government also seeks to prevent asylum seekers and refugees from applying for a residency permit for work or education during or after their application process. The proposed changes to international protection laws would make it easier to revoke residency permits for those who have committed a serious crime, are accused of a serious crime, or are deemed dangerous. The threshold for withdrawing protection would be slightly lower for those with subsidiary protection compared to those with refugee status. According to the Interior Ministry, the Finnish cabinet also intends

to prevent individuals from applying for asylum if they are considered a danger to society as a result of committing a particularly serious offense. A new "border procedure" for asylum applications would be introduced for cases lodged at or near the EU's external border, particularly Finland's border with Russia and its international airports, that are likely to be unfounded.

Furthermore, the Finnish government plans to extend the residency requirement for citizenship. Most migrants and refugees would need to reside in the country for eight years instead of the current five years to qualify for citizenship. For children aged 15 or older, spouses of Finnish citizens, stateless persons, and those who meet a language proficiency requirement, the minimum residency period would be extended to five years from the current four, according to the Finnish Interior Ministry.

New law to safeguard critical infrastructure

As of January 2024, Finland plans to enhance protection against attacks on critical infrastructure and boost societal resilience through a new Europe-wide project. This initiative focuses on key sectors such as energy, transport, banking, and drinking water, and includes measures to protect critical infrastructure data via security clearances. The project involves incorporating the Directive of the European Parliament and of the Council on the resilience of critical entities, which came into effect in January 2023, into national law. This directive introduces new requirements for Finland, such as identifying and supervising critical entities. Within the EU, the prevalence of cross-border services has increased, along with member states' mutual reliance on each other's physical and digital infrastructure. The directive aims to enhance the EU internal market's functionality and manage security environment changes by preparing for hybrid threats. The legislative project and the directive encompass 11 sectors: energy, transport, banking, financial market infrastructure, health, food, drinking water, wastewater, digital infrastructure, public administration, and space.

The legislative proposal, prepared by the Ministry of the Interior, outlines a general act for protecting critical infrastructure and improving resilience. It sets arrangements for official activities, common requirements, criteria, and key obligations for all actors involved. Additionally, the Ministry of Justice has proposed extending the Security Clearance Act to allow standard security clearances for individuals accessing non-disclosable critical infrastructure information. Security clearances would be mandatory for employees with access to critical information at international ports. The consultation period for these proposals will last six weeks, with the legislative project continuing until the end of 2024. The government plans to submit the proposal to Parliament during the 2024 spring session, aiming for the national legislation to come into effect in October 2024.

Reform of the Integration Act

As of February 2024, the Finnish government is taking up a comprehensive reform of the national Integration Act, which is set to take effect on January 1, 2025. This reform will give municipalities a more significant role in providing integration services. In the future, municipalities will be responsible for promoting services related to migrant integration, skills development, and employment. The new municipal integration program aims to improve service coordination and clarify the roles of different authorities involved in integration work. Besides municipal initiatives, national wellbeing services and the Social Insurance Institution of Finland (Kela) will also promote integration in cooperation with communities, organizations, and associations.

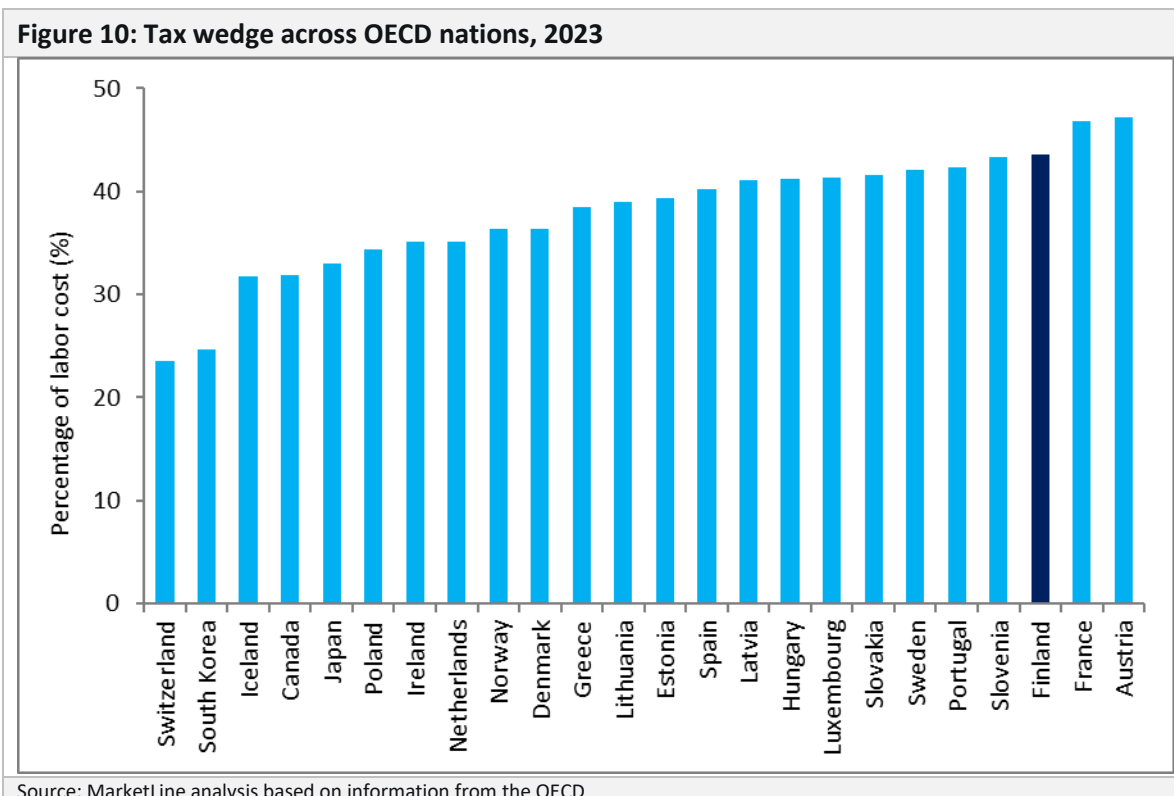
Overall, the reformed Integration Act seeks to enhance the integration, employment, and social inclusion of immigrants in Finland. Its goals include increasing gender equality, providing more equal opportunities for migrants, and fostering positive interactions between different sections of the Finnish population. The government has outlined specific aims for the reform:

- Faster integration and enhanced early-stage integration services
- Integration services fully managed by municipalities
- Improved employment opportunities for migrant women
- Enhanced quality of language classes and exams
- Consideration of business needs in these changes
- Increased involvement of the third sector and liberal adult education

Future risks

High tax wedge

According to the OECD, Finland had one of the highest total tax wedges (income tax, employer and employee social security contributions, and pay roll tax as a percentage of labor cost) among OECD countries as of 2023. According to the OECD, Finland’s tax wedge, as of 2023, stood at 43.5%, compared to the OECD average of 34.8% during the same period. According to the OECD, Finland had the sixth-highest tax wedge in 2023 among 38 OECD member nations. Income tax and employer social security contributions account for 80.0% of the total tax wedge in the country, compared to the OECD average of 77.0%. High taxes on labor are expected to deter prospective skilled migrants from shifting to Finland. This can affect businesses by acting as a barrier to attracting talent.



Environmental analysis

Overview

After Finland joined the EU in 1995, its legislation was harmonized with that of the union, particularly in the areas of environmental protection and nature conservation. Since the 1990s, the Finnish government has been introducing measures to protect the biodiversity of the country’s forests and foster sustainable forest management. The proportion of Finland’s forests under strict protection is almost four times the European average. Finland aims to halt the ongoing decline in biodiversity, but this continues to be a challenge for the government. In November 2020, India and Finland signed an agreement to cooperate in the field of environmental protection and biodiversity conservation. In June 2019, the country set the climate goal to be carbon neutral by 2035.

Table 8: Analysis of environmental landscape

Table 8: Analysis of environmental landscape	
Current strengths	Current challenges
<ul style="list-style-type: none"> • Harmonization of Finland’s legislation with EU laws • Measures to protect biodiversity • Decreasing air pollution • Increase in the use of renewable energy • Global environmental agreements 	<ul style="list-style-type: none"> • High municipal waste
Future prospects	Future risks
<ul style="list-style-type: none"> • Nuclear energy • Green transition under Finland’s Recovery and Resilience Plan • Hydrogen plants in Finland • Finland takes comprehensive approach to reducing carbon footprint in construction and buildings 	<ul style="list-style-type: none"> • Balancing environmental protection with economic development • Decreasing natural forest
Source: MarketLine	

Current strengths

Harmonization of Finland’s legislation with EU laws

After joining the EU in 1995, legislation in Finland was widely harmonized with that of the union, particularly where environmental protection and nature conservation were concerned. Legislation on waste, air protection, and water protection were all renewed during the 1990s. The country follows strict regulation regarding environmental impact assessments and compensation for environmental damage.

Measures to protect biodiversity

Forests cover three quarters of Finland’s land area, a total of 22 million ha, making it the second-most forested country in Europe, after Sweden. The country’s progression from an undeveloped, agrarian society to a prosperous, post-industrial nation has largely been due to forestry and forest industries, with the sector accounting for as much as 80.0% of exports in the 1950s. About one-fifth of Finland’s export income still comes from the forest sector – especially high-tech paper products. Since the 1990s, the Finnish government has been introducing measures to protect the biodiversity of the country’s forests and foster sustainable forest management. About 2.9 million ha of forests are protected or under restricted use. The proportion of Finland’s forests under strict protection is almost four times the European average. Most protected areas are in the sparsely populated regions in eastern and northern Finland. The

government has launched a new program to safeguard forest biodiversity in the south of the country. Finland's forest resources have been increasing, as natural growth in forests has been strong enough to compensate for the amount of timber logged. In 2019, the Finnish forest sector announced plans to pursue the sustainable use of forest products.

Decreasing air pollution

Because of the government's idea to promote "green growth," emissions since 1990 have dropped considerably. This has also contributed to lower levels of deaths due to air pollution in comparison to other nations in the Eurozone. Finland has abundant resources in terms of water and clean air. Its share of clean energy is also one of the highest in Europe. Any increase in energy requirement is planned efficiently, within the purview of cleaner sources of energy. According to the Energy Institute, *Statistical Review of World Energy (2024)*, CO2 emissions decreased from 52.0 million tonnes in 2013 to 31.7 million tonnes in 2023.

Increase in the use of renewable energy

According to the Energy Institute, *Statistical Review of World Energy (2024)*, the total renewable consumption (combined renewable electricity and biofuels primary energy input consumption) for Finland increased from 0.28 exajoules (input-equivalent) in 2013 to 0.43 exajoules (input-equivalent) in 2023. In addition, the renewable energy generation (including hydropower) increased from 25.6TWh in 2013 to 41.9TWh in 2023. The increase in the overall use of renewable energy will help decarbonize the environment. Austria has become a frontrunner in many environmental areas and invested heavily in technological development and innovation to support its green transition.

Global environmental agreements

Finland is an active participant in global environmental agreements, reflecting its commitment to addressing various environmental issues. The following are some key global environmental agreements that Finland is part of:

- **Paris Agreement:** Finland is committed to the Paris Agreement, which aims to limit global warming to well below 2.0 degrees Celsius above pre-industrial levels, with efforts to limit it to 1.5 degrees Celsius. Finland has set ambitious targets to reduce GHG emissions and is working towards carbon neutrality by 2035.
- **Kyoto Protocol:** Finland is a signatory to the Kyoto Protocol, an international treaty that committed state parties to reduce GHG emissions, based on the premise that global warming exists and human-made CO2 emissions have caused it.
- **Convention on Biological Diversity (CBD):** Finland is a party to the CBD, which aims to conserve biological diversity, promote sustainable use of its components, and ensure fair and equitable sharing of benefits arising from genetic resources.
- **United Nations Framework Convention on Climate Change (UNFCCC):** Finland is an active participant in the UNFCCC, which provides a framework for intergovernmental efforts to tackle the challenge posed by climate change.
- **Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES):** Finland is a member of CITES, which aims to ensure that international trade in specimens of wild animals and plants does not threaten their survival.
- **Montreal Protocol:** Finland is a signatory to the Montreal Protocol, which is designed to protect the ozone layer by phasing out the production of numerous substances responsible for ozone depletion.
- **Stockholm Convention on Persistent Organic Pollutants (POPs):** Finland is a party to this convention, which aims to eliminate or restrict the production and use of persistent organic pollutants.
- **Basel Convention:** Finland is a member of the Basel Convention, which controls the transboundary movements of hazardous wastes and their disposal, aiming to protect human health and the environment.
- **Ramsar Convention:** Finland is a contracting party to the Ramsar Convention, which provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources.

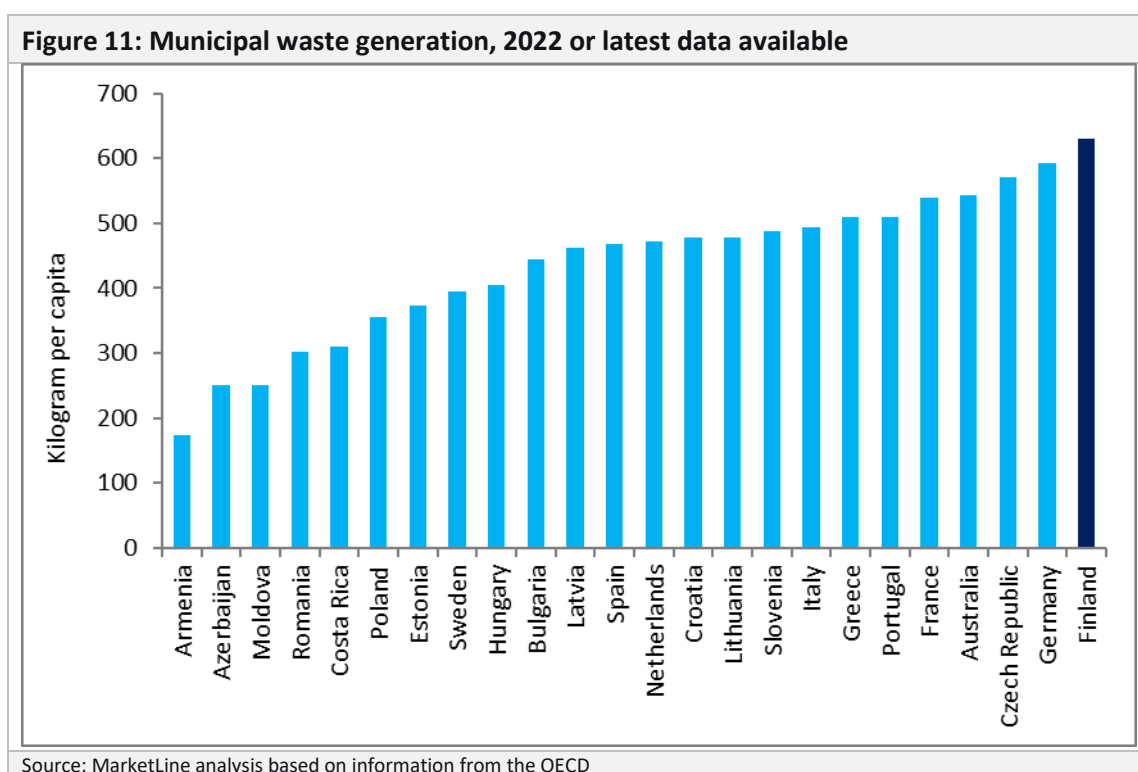
- Convention on Long-Range Transboundary Air Pollution (CLRTAP):** Finland is involved in CLRTAP, which aims to protect the human environment against air pollution and gradually reduce and prevent air pollution, including long-range transboundary air pollution.

Finland’s active participation in these agreements highlights its dedication to addressing global environmental challenges through international cooperation and sustainable practices.

Current challenges

High municipal waste

Municipal waste constitutes a very small portion of the total waste generated, but often more than one-third of public sector financial resources are used for its management and treatment to control pollution. According to the OECD, municipal waste generation intensity per capita in Austria was 630.1kg in 2021, compared to other OECD nations, including Greece (509.2kg/capita), Portugal (510.3kg/capita), and Latvia (461.3kg/capita). High amounts of waste generation will not only lead to pollution, but also require government expenditure to manage and treat it.



Future prospects

Nuclear energy

Finland continues to back nuclear power despite the nuclear accident at Fukushima Daiichi plant in Japan in 2011. The country has four reactors, which account for around 30.0% of Finland's total electricity demand. After the Fukushima disaster, several countries, including Germany, Switzerland, and Italy, began reducing their reliance on nuclear power. Finland, however, is pressing ahead with its plans to increase nuclear power production. The country’s fifth nuclear reactor in Hanhikivi is under construction and there are proposals for a sixth reactor. With these additional two reactors

in place, the country aims to generate 60.0% of its electricity supply from nuclear energy, reducing Finland's dependence on coal and other fossil fuels in the long run.

Finland's energy sector relies heavily on nuclear power, playing a crucial role in the government's pursuit of carbon neutrality and reducing dependence on energy imports. In 2021, nuclear energy accounted for 33.0% of the country's total electricity generation, and this percentage is projected to surpass 40.0% with the anticipated commencement of commercial operations at the Olkiluoto 3 reactor in 2023, according to the IEA. Notably, this will mark Europe's first new nuclear plant in 15 years. Finland is also recognized globally for its leadership in nuclear waste management and disposal. The Onkalo nuclear waste disposal facility, currently under construction near Olkiluoto, is scheduled to become operational in 2025, establishing itself as the world's inaugural permanent disposal facility for spent nuclear fuel.

Green transition under Finland's Recovery and Resilience Plan

In January 2023, the European Commission approved Finland's updated Recovery and Resilience Plan. The plan amounts to EUR1.95 billion (\$2.1 billion). The main aim of the program includes building a carbon-neutral welfare society, achieving carbon neutrality by 2035. Of the available funds, 52.3% would be used for supporting climate objectives.

Finland's Recovery and Resilience Plan includes an amendment to the Climate Act, solidifying the country's ambitious 2035 target into law. A reform of the Waste Act will increase recycling and reuse targets. The plan also includes the phase-out of coal in energy production and a reform of energy taxation to promote cleaner technologies.

To support the green transition, EUR319.0 million (\$344.9 million) will be invested in decarbonizing the energy sector, focusing on energy transmission, distribution, and new energy technologies. An additional EUR136.0 million (\$147.1 million) will be allocated to low-carbon hydrogen projects across the hydrogen value chain, as well as to carbon capture, storage, and recovery initiatives. In green transportation, EUR13.6 million (\$14.7 million) will be invested in expanding private and public charging points for electric cars and in developing gas charging and refueling infrastructure.

Hydrogen plants in Finland

Plug Power, a fuel-cell company based in New York, has unveiled plans to build three hydrogen plants in Finland, with a combined green hydrogen capacity of 850 tonnes per day by the end of the decade. The sites are estimated to create about 1,000 permanent jobs in Finland and are part of the country's efforts to reduce carbon emissions. Plug Power is expected to make a final investment decision on the projects in 2025-26. The company sees Finland as an ideal location due to its robust infrastructure and commitment to reducing emissions. Finland's access to emission-free energy production and a well-functioning industrial ecosystem makes it suitable for such plants.

Finland takes comprehensive approach to reducing carbon footprint in construction and buildings

Finland is taking steps to address the carbon footprint of construction projects through its new Building Act, which will be effective from the beginning of 2025. The legislation not only limits the carbon emissions of these projects, but also includes circular economy requirements, emphasizing material accountability for both new constructions and demolitions. The built environment currently accounts for a third of Finland's emissions, making it a significant focus area for climate action. In line with this, Finland aims to increase the use of wood in construction to replace carbon-intensive materials such as concrete. Using wood in construction has the added benefit of sequestering carbon within the structures. Additionally, Finland is implementing energy efficiency measures within buildings, such as consumer awareness campaigns and smart meters, to reduce energy consumption. The country also offers subsidies for homeowners to switch from fossil fuel boilers to heat pumps and has a comprehensive renovation strategy to significantly reduce buildings' CO2 emissions by 2050. Furthermore, Finland's investments in nuclear plants, hydropower, and advancements in energy technologies, such as batteries and heat pumps, position it well to achieve its carbon neutrality goals.

Future risks

Balancing environmental protection with economic development

Striking a balance between economic development and environmental protection will remain an issue in the near-term. While economic development and concurrent technological developments have some positive influences on the environment, they also have overwhelming detrimental effects. In Finland, the relative decline of the industrial sector has meant that there is less pressure on the environment, although the transition to a services-driven economy has not erased the harmful impact that overall economic development is having on the planet. Moreover, Finland's development will not be sustainable unless the government focuses on "green growth."

Decreasing natural forest

According to the Global Forest Watch, in 2010, Finland had 17.3 million hectares (Mha) of natural forest, covering 68.0% of its land area. By 2023, it had lost 141,000 hectares (kha) of natural forest. Between 2001 and 2023, Finland experienced a loss of 4.62Mha of tree cover, a 21.0% decrease since 2000. The top two regions accounted for 60.0% of this tree cover loss during this period. Western Finland experienced the highest loss, with 1.6Mha, compared to the average of 924kha. In Finland, the peak fire season usually starts in early January and lasts about two weeks. From January 1 to 8, 2024, there was one VIIRS fire alert reported, considering only high confidence alerts. This is unusually high compared to previous years dating back to 2012.

Political Landscape

Summary

Finnish politics is consensual by nature, with a legacy of stable coalition governments, which has helped to maintain macroeconomic stability. Finland is an active participant in the EU and its policy formations. Finland has held the EU presidency for two terms: in 1999 and 2006. The country assumed its third EU presidency in July 2019. In the April 2015 parliamentary elections, Juha Petri Sipilä from the Centre Party was elected prime minister. The incumbent Finnish government is a coalition comprising the Centre Party, Blue Reform, and the National Coalition Party. The Centre Party won 49 out of 200 parliamentary seats, with 21.1% of the vote. In April 2019, parliamentary elections were held in which the Social Democratic Party won the highest number of seats (40), followed by the Finns Party (39) and National Coalition Party (38). A coalition government was formed by five parties, led by Antti Rinne. However, the government collapsed in December 2019 and Sanna Marin was elected prime minister. Finland's conservative National Coalition Party, led by Petteri Orpo, claimed victory in the country's closely contested general election on April 2, 2023. The far-right party secured a record score, coming in second, while Prime Minister Sanna Marin's Social Democrats finished third. Orpo announced plans to negotiate a government, which could potentially include the far-right Finns Party or the Social Democrats, despite differences on various issues. The general elections were held in April 2023, where Finland's left-wing Prime Minister Sanna Marin conceded defeat. The incumbent prime minister is Petteri Orpo of the National Coalition Party. Orpo was sworn in on June 20, 2023. Alexander Stubb is the 13th president of Finland since March 1, 2024.

Evolution

Significant political events in Finland's history are shown below.

Figure 12: Timeline of key political events

1919–45

- Finland became a republic in 1919 and Kaarlo Stahlberg became its first president.
- Finland declared neutrality before the beginning of World War II, in 1939, and yet the Soviet Union invaded the country.
- In 1940, the Finns were forced to concede and the Treaty of Moscow was signed that gave around 10% of Finnish territory to the Soviet Union.
- Finland launched a military campaign in 1941 to retake territory lost under the Treaty of Moscow.
- Finland conceded more land to the Soviet Union and agreed to pay millions of dollars in war reparations in 1944.

1946–90

- Finland signed the peace treaty with the Soviet Union in 1947.
- Finland signed friendship treaty with the Soviet Union and agreed to resist any attack through its territory on the Soviet Union in 1948.
- Finland finished the payment of reparations in 1952.
- Finland joined the United Nations and Nordic Council in 1955.
- Trade agreements were signed with the European Economic Community and Comecon in 1973.

1991–2000

- The Soviet Union recognized Finland's neutrality in 1989.
- Economic difficulties increased in 1990 due to the collapse of the former Soviet Union and Eastern European countries.
- Austerity measures were introduced by The Centre Party in 1991.
- Friendship treaty with the Soviet Union was declared null and void in 1992.
- Finland became a member of the European Union in 1995.
- Tarja Halonen was elected as Finland's first female president in 2000.

2001–05

- The euro replaced the Finnish mark in 2002.
- The Finnish parliament approved the construction of a fifth nuclear reactor in 2002.
- Anneli Jaattemaki's Centre Party defeated Lipponen's Social Democrats in the general election in 2003.
- Prime Minister Jaatteenmaki resigned over a row regarding a leak involving confidential Foreign Ministry documents. Matti Vanhanen took over as prime minister in June 2003.
- Anneli Jaattemaki was acquitted of all charges in 2004.

2002
onwards

- Tarja Halonen was re-elected for a second term as president in 2006.
- The parliament ratified the EU constitution in 2008.
- Jyrki Katainen became the prime minister in June 2011 after the emergence of the National Coalition Party (KOK) as the largest party in 200 member parliament.
- In the April 2015 parliamentary election, Juha Sipila was elected as the prime minister.
- The Finnish presidential elections were held in January 2018, and the incumbent Sauli Niinisto got re-elected for his second term.
- In April 2019, parliamentary elections were held and a coalition government was formed led by Antti Rinne of the Social Democratic Party.
- Sanna Marin of SDP succeeds as the Prime Minister following the breakdown of the previous government in December 2019.
- The general elections were held in April 2023, where Finland's left-wing Prime Minister Sanna Marin conceded defeat.
- The incumbent prime minister is Petteri Orpo of the National Coalition Party. Orpo was sworn in on 20 June 2023.
- Alexander Stubb is the 13th president of Finland since March 1, 2024.

Source: MarketLine analysis

Structure and policies

Key political figures

The leading political figures in Finland are:

- President Alexander Stubb
- Prime Minister Petteri Orpo

Figure 13: Key political figures



Alexander Stubb is a Finnish politician who has been serving as the 13th president of Finland since March 1, 2024, after winning the 2024 presidential election. He was Prime Minister of Finland from 2014–15. Elected to the Finnish Parliament for the first time in 2011 with the second-highest vote count, he was subsequently appointed Minister for European Affairs and Trade in Jyrki Katainen's Cabinet.



Petteri Orpo is a Finnish politician who has been serving as the prime minister of Finland since 2023 and has led the National Coalition Party since 2016. Following the 2023 parliamentary election, he briefly held the position of Speaker of the Parliament of Finland. His previous roles include Deputy Prime Minister from 2017–19, Minister of Finance from 2016–19, Minister of the Interior from 2015–16, and Minister of Agriculture and Forestry from 2014–15.

Source: MarketLine analysis

Structure of government

The legislative branch of Finland is represented by a unicameral Parliament known as the Eduskunta, consisting of 200 seats. Among these, 199 members are directly elected through a proportional representation vote in single- and multi-seat constituencies. Additionally, one member is directly elected by simple majority vote in the province of Åland. Members of Parliament serve terms lasting four years, with elections held periodically to ensure representation across the country's diverse constituencies.

Key political parties

The National Coalition Party (Kok) is a major political force in Finland, known for its center-right ideology. As of the latest elections in April 2023, Kok secured 24.0% of the vote, earning 48 seats in the 200-member Eduskunta. The party focuses on economic liberalism, advocating for market-oriented policies and fiscal responsibility. Kok has been influential in coalition governments, contributing to Finland's policies on economic growth, international relations, and social reforms.

The Finns Party (PS) is a prominent political entity in Finland, characterized by its nationalist and populist stance. In the April 2023 elections, PS garnered 23.0% of the vote, securing 46 seats in the 200-member Eduskunta. The party emphasizes anti-immigration policies, Euroscepticism, and national sovereignty. PS has influenced Finnish politics through its advocacy for stricter immigration controls, social conservatism, and critiques of EU integration. It plays a significant role in shaping debates on Finland's identity, welfare state, and international relations.

The Social Democratic Party (SDP) is a major political force in Finland, known for its social democratic principles and advocacy for welfare policies. In the April 2023 elections, SDP secured 21.5% of the vote, earning 43 seats in the 200-member Eduskunta. Founded in 1899, SDP has historically championed workers' rights, healthcare reforms, and progressive taxation. It has played a pivotal role in coalition governments, influencing Finland's social policies and economic direction. SDP continues to be a major player in shaping Finland's domestic agenda and international relations.

The Center Party of Finland, known for its agrarian roots and centrist policies, garnered 11.5% of the vote in the April 2023 elections, securing 23 seats in the 200-member Eduskunta. Established in 1906, it has historically focused on rural issues, agriculture, and regional development. The party advocates for decentralization, rural welfare, and environmental sustainability. Center Party has been influential in coalition governments, particularly in shaping agricultural and economic policies. It continues to play a crucial role in Finnish politics, balancing urban and rural interests.

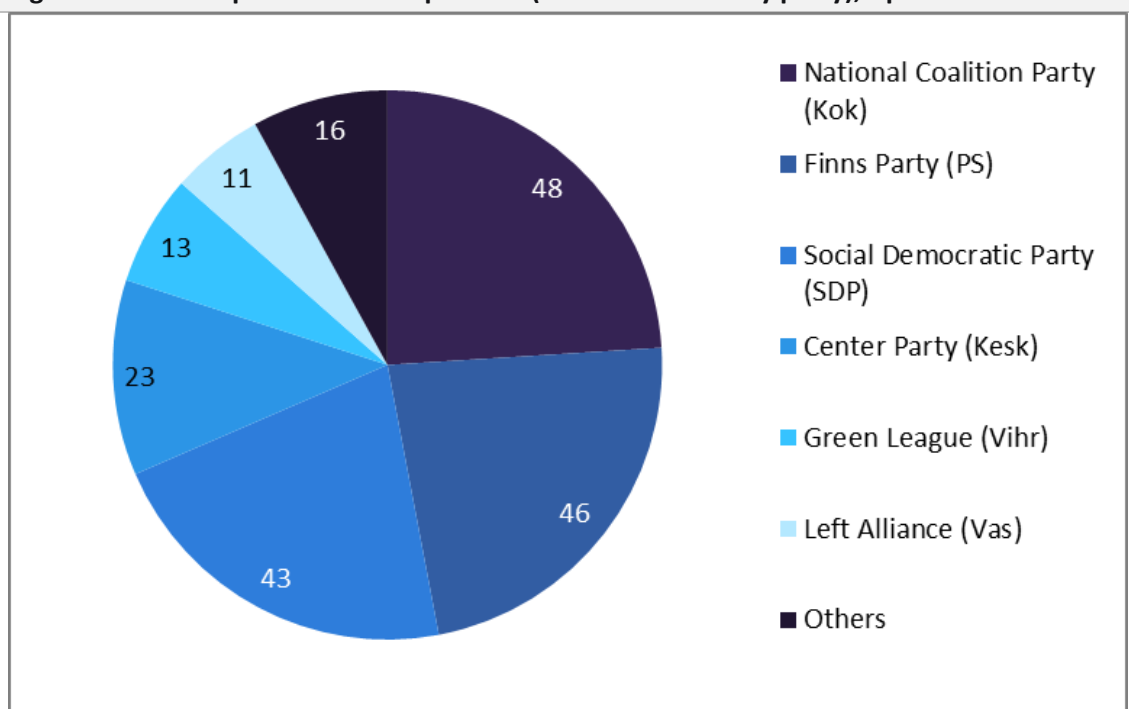
Composition of government

In the most recent legislative elections held on April 2, 2023, Finland saw the following results: the National Coalition Party (Kok) garnered 24.0% of the vote, followed closely by the Finns Party (PS) with 23.0% and the Social Democratic Party (SDP) with 21.5%. The Center Party secured 11.5% of the vote, while the Greens (Vihr) received 6.5%, and the Left Alliance (Vas) obtained 5.5%. The Swedish People's Party (SFP) received 4.5% of the vote, and the Christian Democrats (KD) secured 2.5%. The Åland Coalition (Aland) and the Movement Now party each received 0.5% of the vote.

In terms of seats in Parliament, the distribution is as follows: Kok holds 48 seats, PS 46 seats, SDP 43 seats, Center Party 23 seats, Vihr 13 seats, Vas 11 seats, SFP 9 seats, KD 5 seats, while both Aland and Movement Now have 1 seat each. The composition of Parliament includes 108 men and 92 women, with women constituting 46.0% of the total members.

These elections set the stage for the next electoral cycle scheduled for April 30, 2027.

Figure 14: Finland parliament composition (number of seats by party), April 2023 elections



Source: MarketLine analysis based on information from The CIA World Factbook

Key policies

Economic and social policies

In December 2023, the Finnish parliament approved the 2024 state budget. The proposed state budget for 2024 is approximately EUR87.9 billion (\$95.0 billion), which is about EUR6.5 billion (\$7.0 billion) more than the actual budget for 2023. This increase is due to factors such as financing welfare areas, index revisions, interest expenses, and investments in security and supporting Ukraine. The state's income without net borrowing is estimated to be around EUR76.4 billion (\$82.6 billion) in 2024. Consequently, the state budget will have a deficit of approximately EUR11.4 billion (\$12.3 billion), which will be covered by taking on debt. The Finance Committee has increased budget expenditures by EUR50.0 million (\$54.1 million), which will be allocated to the repair of transport routes, the strengthening of national defense and overall security, enhancing know-how, and promoting outdoor activities.

As of April 2024, the government led by Prime Minister Petteri Orpo (NCP) announced a plan to implement EUR1.6 billion (\$1.7 billion) in spending cuts and EUR1.4 billion (\$1.5 billion) in tax increases to avoid triggering the EU's excessive deficit procedure. The government confirmed an increase in the general value-added tax (VAT) rate by 1.5%, bringing it to 25.5%, which is expected to raise the prices of products and services such as clothes, petrol, and hair salon services. This VAT hike is projected to generate approximately EUR1.0 billion (\$1.1 billion) annually. The VAT on food will be set at 14.0%. Additionally, the ruling parties agreed to increase taxes on pensioners and high-income earners, aiming to generate an extra EUR200.0 million (\$216.3 million) in tax revenue. The spending cuts will target areas such as education and social and healthcare services.

The care guarantee, which dictates the maximum allowed waiting time, will be extended from two weeks to three months for basic healthcare and to six months for basic dental care. Customer fees will be raised by EUR100.0 million (\$108.1 million), focusing on special healthcare, while the service offerings for social and special healthcare will be streamlined, with some services such as sterilizations being entirely privatized. The government decided to cut funding for vocational education by EUR100.0 million (\$108.1 million), specifically targeting students who have already completed a post-primary degree. The housing supplement for student financial aid will be reinstated, replacing the general housing allowance for students. Additionally, students will lose their right to free textbooks in the year they turn 18.

Foreign

Finland is a member of the UN, the OECD, and the World Trade Organization (WTO). The country acceded to the EU in 1995, having been an associate member of the European Free Trade Association (EFTA) since the 1960s and a full EFTA member since 1987. Close co-operation with the EU is a key priority of Finland's foreign policy. Finland's consensual approach to domestic policymaking was transferred effectively to the European stage, facilitating substantial progress in a range of areas, including the accession of Eastern and Southern European states to the union. Finland's links with the other Scandinavian states, including those outside the EU, are particularly strong. Finland joined the Nordic Council in 1955. The general population's attitude towards the EU remains less enthusiastic than the political elite, although support for the euro as a guarantor of economic stability is relatively strong.

Finland was one of the eight member states of the Arctic Council to publish its own strategy for the region. In June 2010, the cabinet committee on EU affairs adopted Finland's strategic policy for the region. The country shares security concerns and goals with its Nordic neighbors. The increased interest from various countries regarding the exploration for mineral resources may threaten the country's environment. As a result, Finland has a vested interest in ensuring strong bilateral cooperation with all the countries in the Arctic Council.

Finland is active in several pan-European security arrangements, including the Euro-Atlantic Partnership Council and the Organization for Security and Co-operation in Europe. The Finnish parliament has preserved the option of applying for NATO membership at any time. Russia is upset about the deepening ties between Finland and NATO, and occasionally warns Finland against such moves.

Despite pressure from Russia, Finland took part in NATO's "Exercise Trident Juncture 2018" (NATO's biggest military exercise since the end of the Cold War) during October–November 2018, which is seen as bringing Finland closer to NATO. During these exercises, Finland claimed that GPS signals over Finnish airspace were jammed, endangering commercial flights. Russia is allegedly behind these actions, and the Prime Minister of Finland has expressed the need to stand up against such invasive actions. If Finland joins NATO due to concerns over security and increasing Russian interference over Finland's geographical authority, relations between the two countries are expected to deteriorate. According to a study conducted by the Finnish government in May 2020, there might be negative implications for bilateral relations between the two countries if Finland decides on possible NATO membership. In April 2023, Finland became the 31st member of the world's largest military alliance as the country joined NATO.

As part of the 2023 budget, Finland's government aims to enhance its defense capabilities by proposing an increase of approximately EUR 1.0 billion (\$1.1 billion) in the appropriation for the Ministry of Defence's administrative branch for 2023, compared to the previous year. This includes a boost of around EUR137.0 million (\$144.3 million) for the Defence Forces' operating expenditure and about EUR765.0 million (\$805.6 million) for defense material procurement. Furthermore, the proposal allocates EUR163.0 million (\$171.6 million) for the Border Guard to acquire new surveillance aircraft and approximately EUR59.0 million (\$62.1 million) to improve cybersecurity preparedness.

The government has announced several measures to compensate households for the significant rise in electricity prices. These include reducing the VAT rate on electricity from the current 24.0% to 10.0% between December 2022 and April 2023. Additionally, a temporary tax credit and financial support specifically for electricity expenses will be introduced. To address the exceptional circumstances of the energy crisis, the government suggests that energy companies offer extended payment deadlines for consumers facing large electricity bills. Furthermore, preparations will be made for implementing a windfall profit tax on electricity producers, according to the government's decision.

Despite a weakened economic outlook, the employment situation remains favorable. The government emphasizes the importance of ongoing investments in research, development, and innovation, as well as education and knowledge. It will continue to enhance long-term financing for such activities. Finland aims to increase R&D expenditure to 4.0% of GDP by 2030. The projected total amount of state funding for R&D in 2023 is estimated to be EUR2.4 billion (\$2.5 billion).

In November 2023, CSC – IT Center for Science in Finland and the National Computational Infrastructure (NCI) of the Australian National University entered into a collaborative partnership agreement to advance and share knowledge in high-performance computing and data management.

As of December 2023, Norway and Finland have acquired the K9 artillery system from South Korea. This agreement simplifies collaboration between Norway and Finland by allowing the shipment of spare parts between the two nations without requiring approval from South Korea.

In March 2024, Finland and the US strengthened their cooperation on cybersecurity. The agreement will enable the exchange of cybersecurity information between the Finnish Ministry of Finance and the US Treasury Department.

In June 2024, IBK Industrial Bank signed an agreement with Finnvera, a Finnish policy finance institution, in Helsinki. The agreement aims to enhance financial support for SMEs, including startups, promote mutual cooperation for SME development, and exchange research on key SME-related issues. This collaboration coincides with growing demand for cooperation between South Korea and Finland in future innovation sectors such as ICT, science and technology, and healthcare.

Performance

Governance indicators

The World Bank report on levels of governance uses factors, such as voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption, as indicators

for 214 countries and territories. For any country, a percentile rank of zero corresponds to the lowest possible score and a percentile rank of 100 corresponds to the highest possible score.

According to the World Bank, *Worldwide Governance Indicators* (2023), Finland scored in the 98.6 percentile on the voice and accountability parameter. This measures the extent to which a country's citizens can participate in selecting their government, as well as freedom of expression, freedom of association, and freedom of the media. In comparison, Sweden scored in the 96.6 percentile.

Finland scored in the 79.7 percentile on the political stability and absence of violence indicator. This measures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism. In comparison, Sweden scored in the 80.2 percentile.

In terms of government effectiveness, Finland scored in the 96.7 percentile. This parameter measures the quality of public and civil services and the degree of governmental independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. In comparison, Sweden scored in the 94.8 percentile.

Finland's score for regulatory quality was in the 97.2 percentile. This parameter measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. In comparison, Sweden scored in the 96.2 percentile.

Finland scored in the 100.0 percentile on the rule of law indicator. This measures the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence. In comparison, Sweden scored in the 93.9 percentile.

Finland's score on the control of corruption indicator was in the 99.5 percentile. Corruption remains a problem in the country and includes bribe-taking by municipal officials, financial irregularities in state-owned companies, and procurement irregularities in ministries. In comparison, Sweden scored in the 97.6 percentile.

Outlook

Finland's political landscape shifted with the election of Alexander Stubb as president in February 2024, succeeding Sauli Niinistö. Stubb, a member of the National Coalition Party, won on a platform advocating for closer ties with NATO amid regional security concerns heightened by Russia's actions in Ukraine. His victory reflects Finland's evolving stance on defense and foreign policy, marking a departure from Niinistö's cautious diplomacy. Stubb's tenure is expected to emphasize a "more European" NATO integration approach. This election underscores Finland's strategic alignment with Western security alliances amid geopolitical tensions, shaping its foreign policy direction in the years ahead.

Economic Landscape

Summary

During the 1980s, structural developments in the Finnish economy paralleled those in other Western European economies. The real GDP growth averaged 4.8% during 1994–2000, while inflation remained subdued. During 2001–06, Finland's growth averaged 2.9%. Finnish economic growth peaked in 2007 to reach 5.3%, before dropping to 0.8% in 2008. In 2009, the Finnish economy was hit hard by an economic crisis, following the collapse in international trade in 2008. The economy contracted by 8.1% in 2009, before recovering in 2010 with a growth rate of 3.2%. The lingering debt crisis took a toll, with growth dipping to 2.5% in 2011. In 2012, the economy contracted by 1.4%. Recession continued in 2013 as the economy contracted by 0.9%. After an economic contraction in two consecutive years, real GDP contracted again by 0.4% in 2014. Domestic structural factors and weak external environment were the main causes for the recession. The economy started recovering from 2015 onwards and posted growth of 0.5% in 2015 and 2.8% in 2016. Favorable financing conditions, improving global demand, better cost-competitiveness, and increasing household consumption resulted in 3.2% growth in 2017, according to MarketLine. In 2018, the country maintained its strong macroeconomic fundamentals and registered growth of 1.1%. According to MarketLine, the national GDP growth rate marginally slowed to 1.2% in 2019 due to poor trade activity. The economy contracted by 2.4% in 2020 amid the pandemic. The economy recovered in 2021 and recorded a growth rate of 2.8%, followed by a growth rate of 1.6% in 2022. According to MarketLine, the economy contracted by 1.0% in 2023 due to economic uncertainty stemming from the war and energy crisis. The Finnish economy remains in recession, with GDP projected to contract by 0.1% in 2024. Slow export market growth and high prices and interest rates are dampening private consumption and investment.

Evolution

1950–90

In the 1950s, Finland's exports to the Soviet Union, particularly in the metalworking industries, proved a boon, as the country faced little competition from other Western nations. Moreover, extensive investment in infrastructure, agriculture, and industry were possible due to Finland's borrowing from Western financial markets. Protected by import controls until the end of decade, the consumer goods and construction sectors flourished.

Finland's national product grew 4.7% from 1961–74. However, growth was unstable due to the country's excessive dependence on lumber exports. The country's transformation from agriculture to manufacturing was faster than other Western nations, but displaced farm workers did not transfer into the industry despite the increase in manufacturing output. Furthermore, inflation in Finland was higher than in the economies of its major trading partners, which necessitated regular currency devaluations.

Although the austerity package pursued after 1978 slowed growth in terms of personal consumption, the consensus approach to wage and benefit negotiations remained intact. In addition, many Finnish workers proved willing to accept transfers from declining sectors to those in which the country enjoyed a comparative advantage. Because of competent macroeconomic management and favorable trading relations with both Eastern and Western Europe, Finland was able to sustain GDP growth at an average rate of about 3.2% during 1980–86.

1991–2020

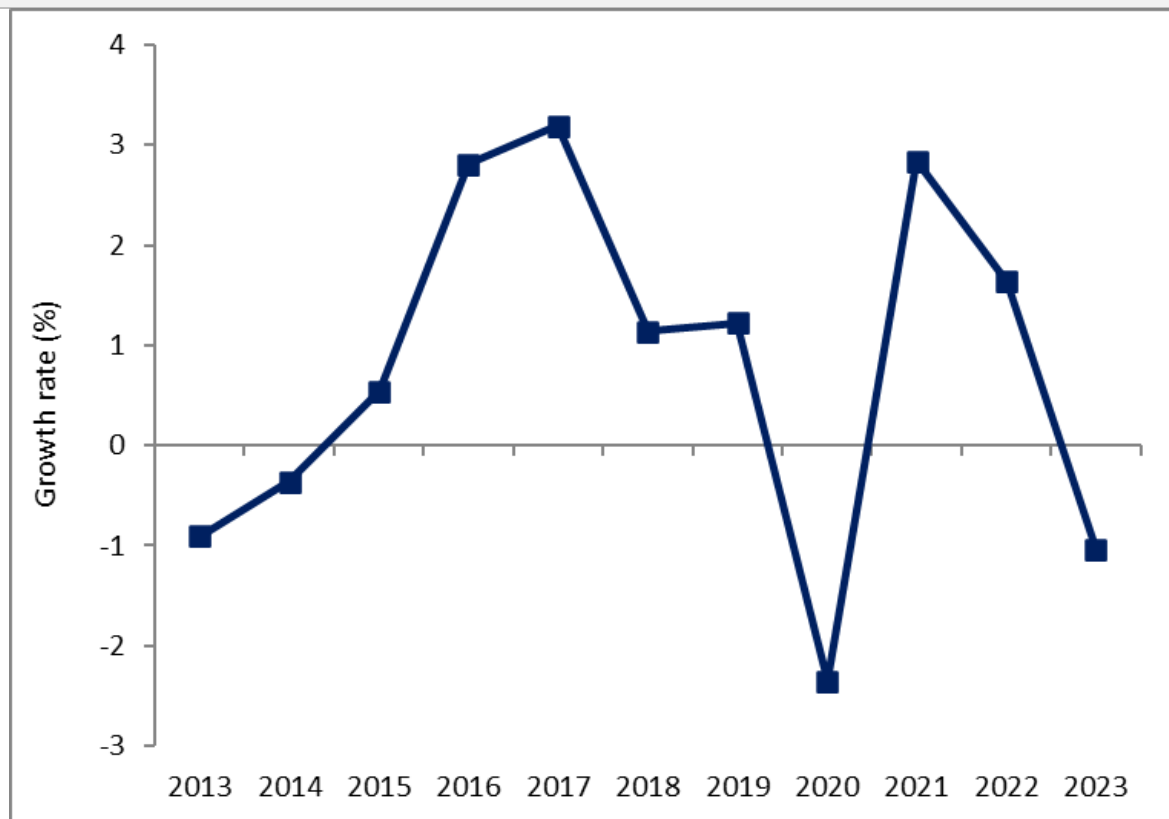
The collapse of the Soviet Union hurt the Finnish economy, and authorities responded with reforms and fiscal austerity, which combined with the mid-1990s boom in the mobile telephony sector to transform Finland's economy. The real GDP growth averaged 4.8% during 1994–2000, while inflation remained subdued. The fiscal austerity program transformed a series of large deficits into healthy surpluses, allowing the authorities to pay down the national debt.

The conservative fiscal stance and low inflation made it easy for the country to meet the Maastricht convergence criteria for adoption of the euro, allowing Finland to join the single currency upon its launch in January 1999. Strong employment growth over the second half of 1990s enabled a sustained reduction in the unemployment rate, which had ballooned from 3.2% of the workforce in 1990 to 16.6% by 1994. By 2001, the rate had fallen to around 9.1%.

At the peak of Finland's long economic boom, the information and communications technology (ICT) sector accounted for as much as half of Finland's economic growth. The sector experienced a sharp slowdown in 2001 and the wider economy was hit hard as a result. The real GDP growth fell from 5.8% in 2000 to around 2.6% in 2001. The slowdown also caused a decline in the fiscal surplus. Inflationary pressures, which had been building during 2000, became more subdued in 2001 as the slowdown squeezed margins.

In 2002, the economy grew moderately, registering GDP growth of around 1.7%. Consumer confidence showed signs of improvement, while export growth accelerated. The real GDP grew 2.0% in 2003. In 2004, the Finnish economy rebounded and registered growth of 4.0%. The ICT and telecommunications sectors played a significant role in this revival. The GDP growth declined slightly in 2005 (the economy grew by 2.8%) largely due to a strike in the paper industry, one of the key contributors to the economy. The economy continued to grow in the first half of 2006, backed by robust domestic and foreign demand, with YoY growth of around 4.0%. The country's GDP growth peaked at 5.3% in 2007 before dipping to 0.8% in 2008. The economy experienced a downturn during the second half of 2008, and real GDP contracted by 8.1% in 2009. The country bounced back in 2010, recovering to register growth of 3.2%; however, the lingering debt crisis took a toll in 2011, with growth dipping to 2.5%. The economy slipped into recession, with a contraction of 1.4% in 2012. In 2013 and 2014, the real GDP contracted by 0.9% and 0.4%, respectively. GDP growth remained sluggish due to a weak global economy, struggling exports, weak domestic demand, rising unemployment, diminishing cost competitiveness, and the country's aging population. In 2015, real GDP grew by 0.5%. Rising from an extended economic downturn, the economy recorded real GDP growth of 2.8% in 2016. The Finnish economic recovery strengthened as the growth rate increased for six consecutive quarters for the first time since the global financial crisis. In 2017, due to an increase in employment, improving consumer confidence, and improving international trade prospects, the country recorded 3.2% growth. Uncertainties due to the terms of Brexit and a slowdown in the effects of fiscal stimulus and international trade led to a slower growth of 1.1% in 2018 and recorded a growth rate of 1.2% in 2019. Due to the COVID-19 pandemic and loss of jobs, coupled with closure of businesses, the economy contracted by 2.4%. The economy recovered in 2021 and registered a growth rate of 2.8% as domestic lockdown measures were eased. With the pickup in external demand, the economy recorded a growth rate of 1.6% in 2022. In 2023, the economy contracted by 1.0%. The Finnish economy contracted in 2023 due to rising prices and interest rates, which dampened consumption and investment, especially in the construction sector affected by declining housing demand and higher costs.

Figure 15: Historical GDP growth rate, 2013–23



Source: MarketLine analysis based on information from Eurostat and the World Bank

Structure and policies

Financial system

Overview

Finland is a member of the EU and has relinquished control of its monetary policy to the European Central Bank (ECB). The Bank of Finland (Suomen Pankki) is the country's central bank and is responsible for the implementation of monetary policy. As a member of the Eurozone, Finland participates in the preparation of monetary policy and its implementation.

Financial authorities/regulators

The Bank of Finland is responsible for the monetary and financial stability of the country. It follows the directives of the ECB and manages Finland's foreign exchange reserves. The central bank also manages a portion of the ECB's reserves and is responsible for producing euro banknotes. As a supervisory authority, the bank is responsible for ensuring the prudent management of commercial banks and other financial institutions. It also performs the country's banking functions, such as treasury management, and manages the nation's public debt. The Bank of Finland endeavors to maintain and develop stable, reliable, and efficient financial and payment systems, and aims to prevent potential financial market crises, while ensuring effective crisis management.

The Finnish Financial Services Authority (FIN-FSA) supervises financial markets and the parties operating in these markets. Examples of these entities are banks, investment service institutions, fund management companies, and the stock exchange. The FIN-FSA evaluates the financial standing, risk-bearing capacity, and risk management systems of supervised organizations, and investigates cases of insider information abuse and other securities market crimes.

The Insurance Supervisory Authority scrutinizes and controls insurance and pension institutions, and other operators in the insurance industry. The authority also controls and evaluates the supervised institutions' solvency, internal control, and risk management systems, as well as the reliability of their administration. It issues regulations, instructions, and statements concerning the parties under its supervision, makes decisions at their request (registration decisions, for example), and issues statements to various authorities and the European Commission (EC). The Insurance Supervisory Authority keeps an eye on adherence to the rules and regulations concerning the prevention of money laundering and maintains various statutory registers.

Performance

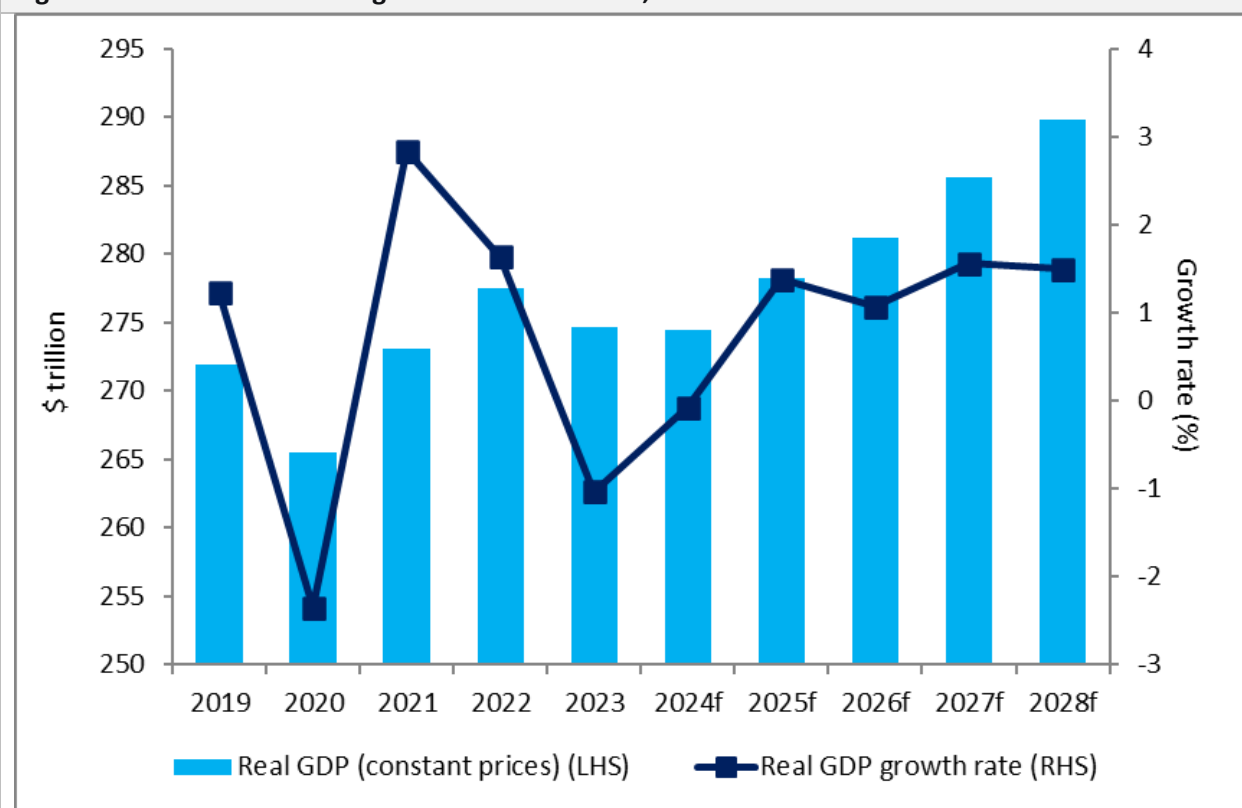
GDP and GDP growth rate

In 2020, the economy contracted by 2.4% due to COVID-19 restrictions, which affected almost all sectors of the economy. In 2021, as lockdowns were eased, the economy recorded a growth rate of 2.8% and in 2022, the economy recorded a growth rate of 1.6%.

In 2023, Finland's economy contracted by 1.0% due to rising prices and interest rates, which suppressed consumption and investment. The construction sector was particularly affected by declining housing demand and higher input costs. Government spending on social and healthcare provided some support, but external demand weakened, leading to a drop in exports. Although imports declined more sharply, contributing positively to net exports, the overall economic sentiment remained weak.

In 2024, the Finnish economy is expected to contract by 0.1% as slow growth in export markets and high prices and interest rates continue to weigh on private consumption and investment.

Figure 16: Real GDP and GDP growth rate in Finland, 2019–28f

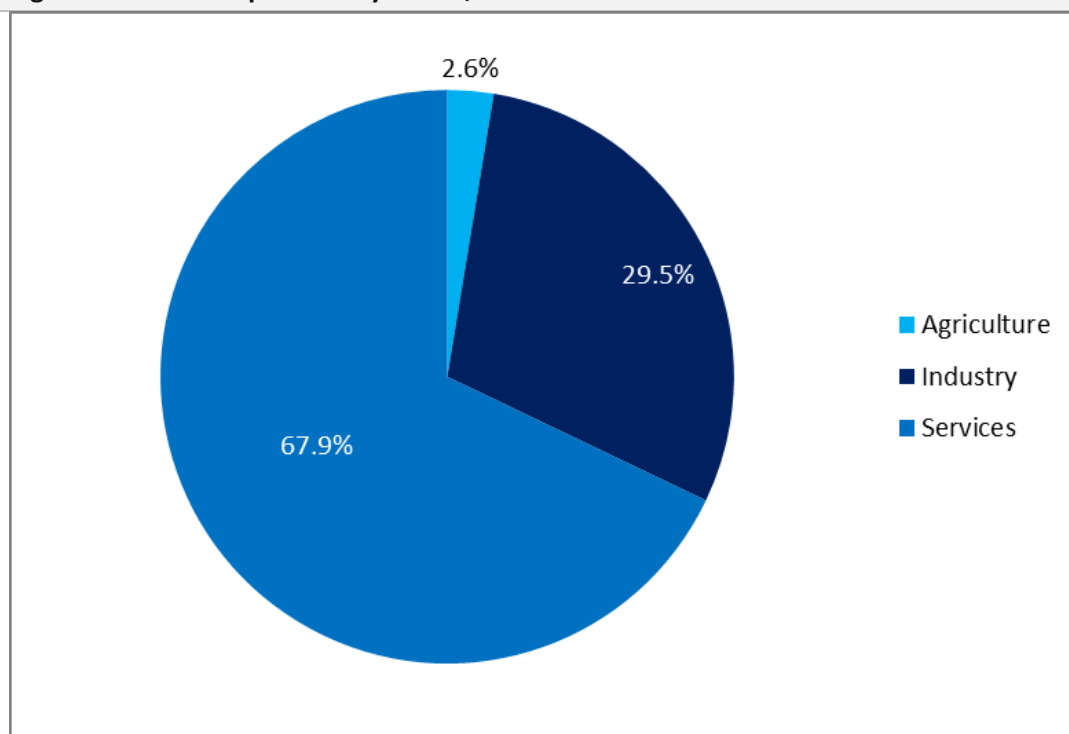


Source: MarketLine analysis based on information from Eurostat and the World Bank

GDP composition by sector

The service sector is the major contributor to the Finnish economy, with a share of 67.9% of GDP in 2023, according to MarketLine. It is followed by industry and agriculture, which contributed 29.5% and 2.6% of GDP, respectively, during the same period.

Figure 17: GDP composition by sector, 2023



Source: MarketLine analysis based on information from the United Nations Statistics Division

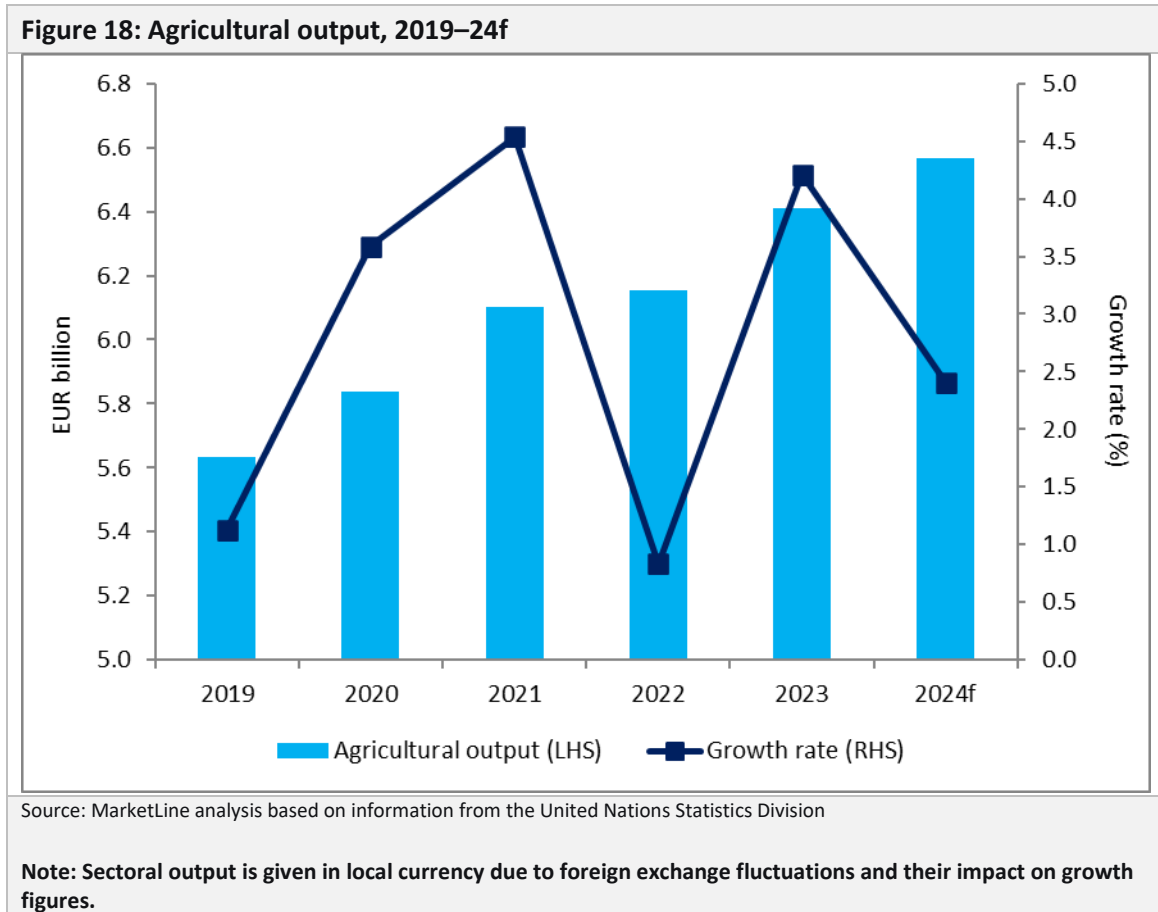
Note: Sectoral output is given in local currency due to foreign exchange fluctuations and their impact on growth figures.

Agriculture

Agriculture in Finland is limited to maintaining self-sufficiency in terms of basic products. Due to the country's harsh climate, it imports most of its food. According to MarketLine, agricultural output recorded a growth of 4.2% in 2023. The sector is forecast to grow by 2.4% in 2024.

Although Finland's agricultural sector is small in comparison to other EU nations, it plays a critical role in rural employment and regional development, adapting uniquely to its northern climate and short growing seasons. The major crops include barley, oats, wheat, potatoes, and various vegetables, with forage crops supporting a robust livestock farming industry. Dairy farming is particularly prominent, known for high-quality milk production, alongside significant beef, pork, and a smaller poultry sector. Organic farming is growing, driven by domestic demand and EU sustainability policies, positioning Finland among the EU leaders in organic farmland. The sector leverages advanced technology and substantial R&D investments in crop resilience and sustainable practices. Challenges include climate change, global competition, and an aging farmer population. Support comes from the EU's Common Agricultural Policy and national programs focused on rural development and environmental conservation. Finnish agricultural exports,

primarily dairy products, cereals, and meat, target EU markets with ambitions to expand into Asia, emphasizing high-quality and organic products.



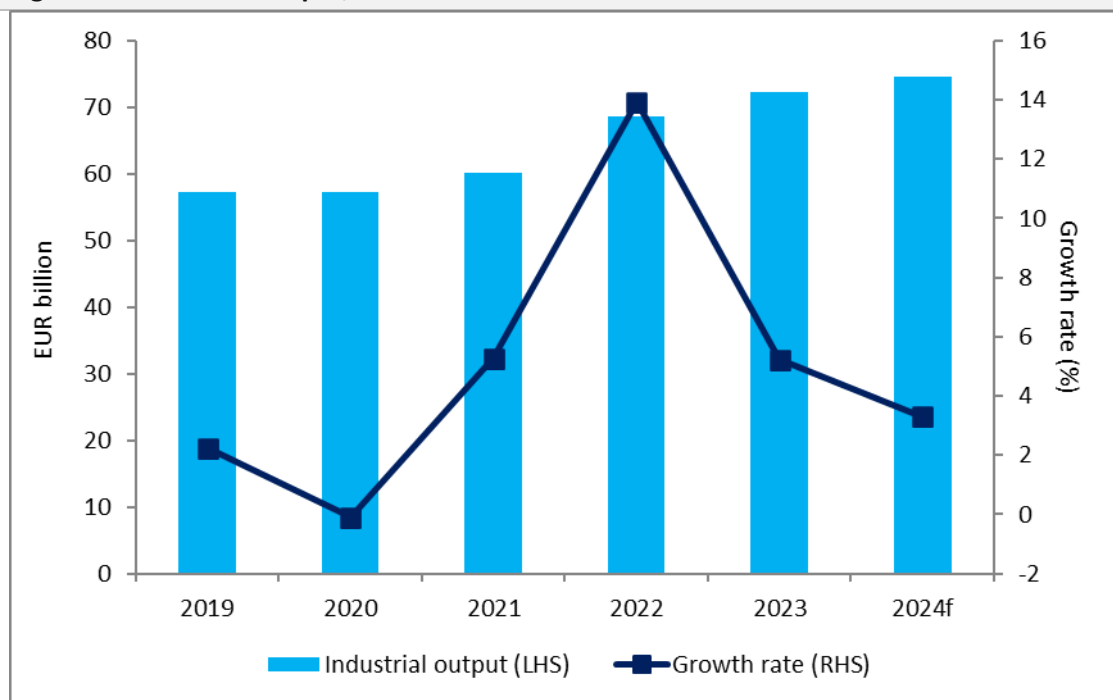
Industry

According to MarketLine, industrial output in Finland recorded a growth of 5.2% in 2023. The sector is forecast to grow by 3.3% in 2024.

According to MarketLine, the construction and manufacturing sectors recorded a growth rate of 5.1% and 5.2%, respectively, in 2023. Both sectors are forecast to grow by 3.2% and 3.2%, respectively, in 2024.

Finland's industrial sector is a cornerstone of its economy, characterized by advanced technology, innovation, and a focus on high-value products. Key industries include manufacturing, particularly machinery, electronics, and metal products, with a strong emphasis on export-oriented production. The paper and pulp industry remains significant due to Finland's abundant forest resources, complemented by the growing importance of the chemical and engineering sectors. The country excels in high-tech industries, including telecommunications and information technology, aided by substantial investments in R&D. Despite facing challenges such as global competition and economic fluctuations, Finland's industrial sector benefits from a skilled workforce, robust infrastructure, and supportive government policies aimed at fostering innovation and sustainability.

Figure 19: Industrial output, 2019–24f



Source: MarketLine analysis based on information from the United Nations Statistics Division

Note: Sectoral output is given in local currency due to foreign exchange fluctuations and their impact on growth figures.

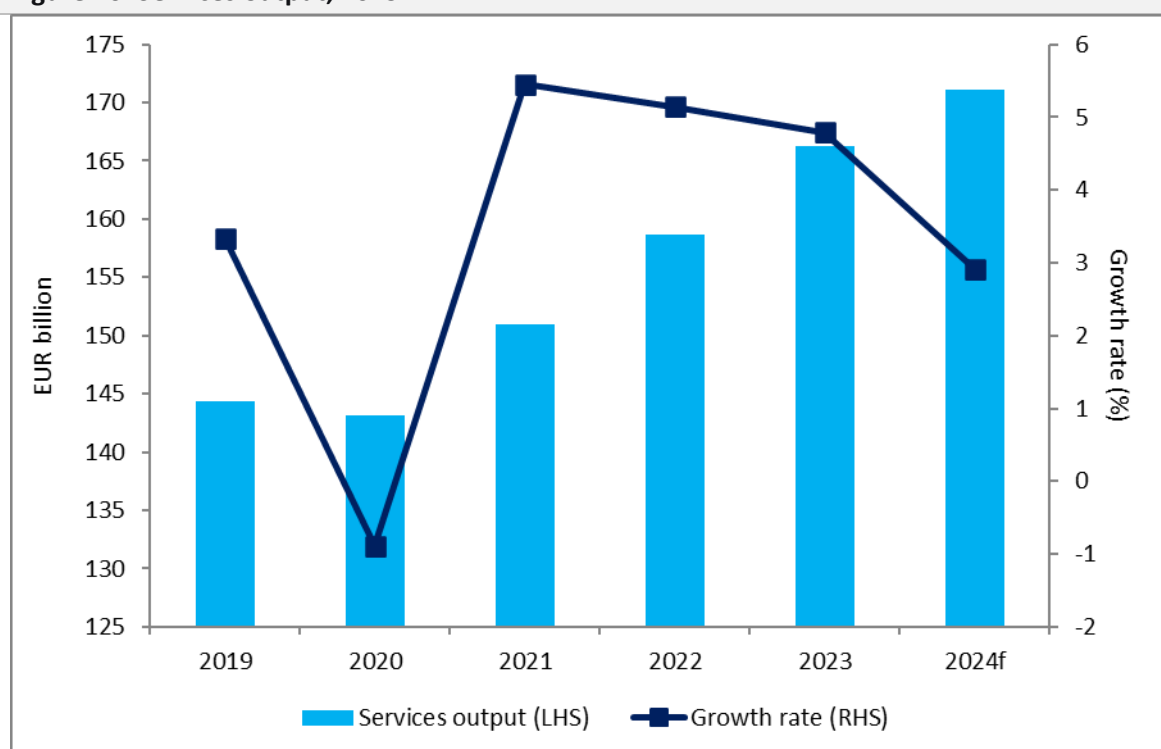
Services

According to MarketLine, the service sector recorded a growth of 4.8% in 2023. The sector is forecast to grow by 2.9% in 2024.

According to MarketLine, transport, storage, and communication; wholesale, retail trade, and hotels; and financial intermediation, real estate, and business activities recorded a growth rate of 5.4%, 4.1%, and 5.2%, respectively, in 2023. These three sectors are forecast to grow by 3.4%, 2.3%, and 3.2%, respectively, in 2024.

Finland's service sector is the largest contributor to the nation's GDP, reflecting a diversified and modern economy. The major areas include telecommunications, information technology, financial services, and education, which benefit from Finland's advanced technological infrastructure and high-quality education system. The healthcare sector is robust, providing comprehensive and accessible services. Tourism, both domestic and international, also plays a significant role, driven by Finland's natural beauty and cultural heritage. The sector is characterized by a high degree of digitalization and innovation, with a strong focus on sustainable and customer-oriented services. Despite challenges such as demographic changes and global competition, the Finnish service sector remains dynamic, supported by government policies that promote entrepreneurship, innovation, and digital transformation.

Figure 20: Services output, 2019–24f



Source: MarketLine analysis based on information from the United Nations Statistics Division

Note: Sectoral output is given in local currency due to foreign exchange fluctuations and their impact on growth figures.

Fiscal situation

Fiscal deficit/surplus situation

According to IMF estimates, the country’s general government net borrowing was recorded at 2.8% of GDP in 2023. The general government net borrowing is forecast to increase to 3.5% of GDP in 2024.

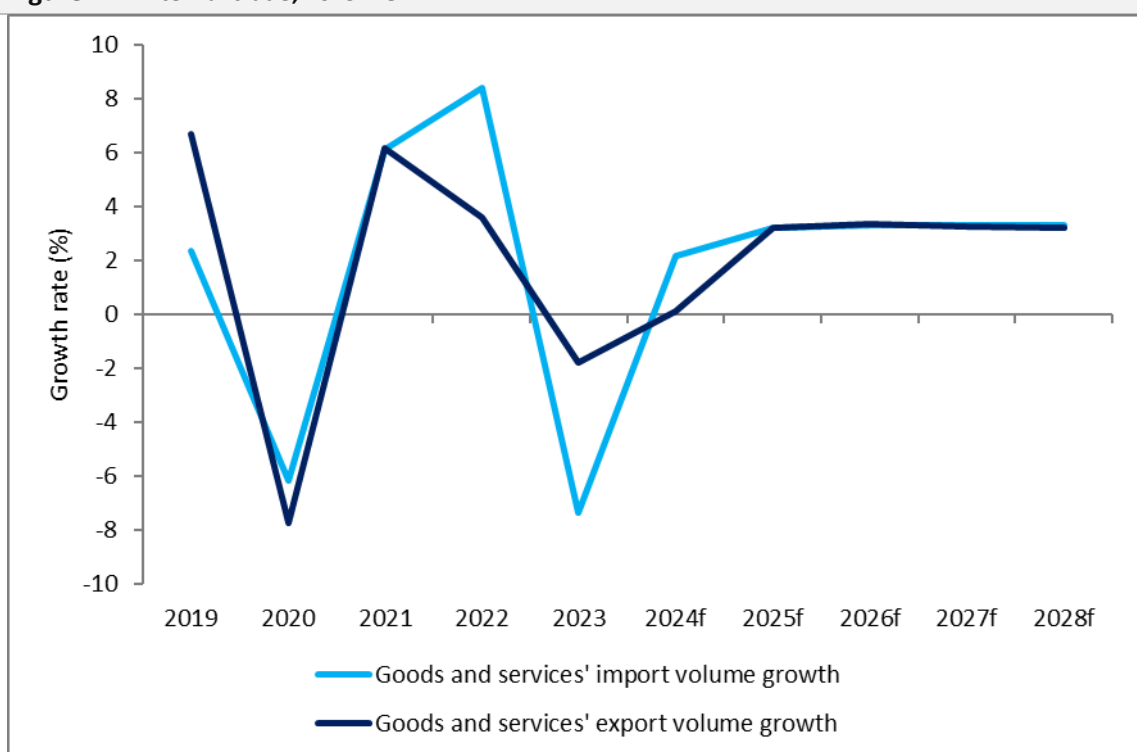
International trade

Exports and imports

In 2023, the growth in the total volume of imports and exports of goods and services was recorded at (-7.4%) and (-1.8%), respectively, according to the IMF. In 2024, the total volume of imports and exports of goods and services is forecast to grow by 2.2% and 0.1%, respectively.

According to International Trade Centre (ITC) Trade Map, Finland's main export partners are the US (11.0%), Sweden (10.5%), Germany (10.4%), the Netherlands (8.0%), and China (4.5%) as of 2023. Its main import partners are Sweden (16.9%), Germany (14.9%), the Netherlands (8.2%), Norway (7.6%), and China (4.2%) during the same period.

Figure 21: External trade, 2019–28f



Source: MarketLine analysis based on information from the IMF

Government debt

According to the IMF, the general government gross debt of Finland was recorded at 76.7% of GDP in 2023 and is forecast to increase to 80.0% of GDP in 2024.

Current account

According to the IMF, the current account deficit of Finland was recorded at 1.0% of GDP in 2023 and is forecast to decrease to 0.6% of GDP in 2024.

International investment position

Total foreign investments

According to the United Nations Conference on Trade and Development, *World Investment Report* (2024), foreign direct disinvestment (FDI) into Finland stood at \$1.7 billion in 2023, compared to \$5.8 billion in the previous year.

Additionally, FDI stock stood at \$149.6 billion in 2023, compared to \$83.0 billion in the previous year.

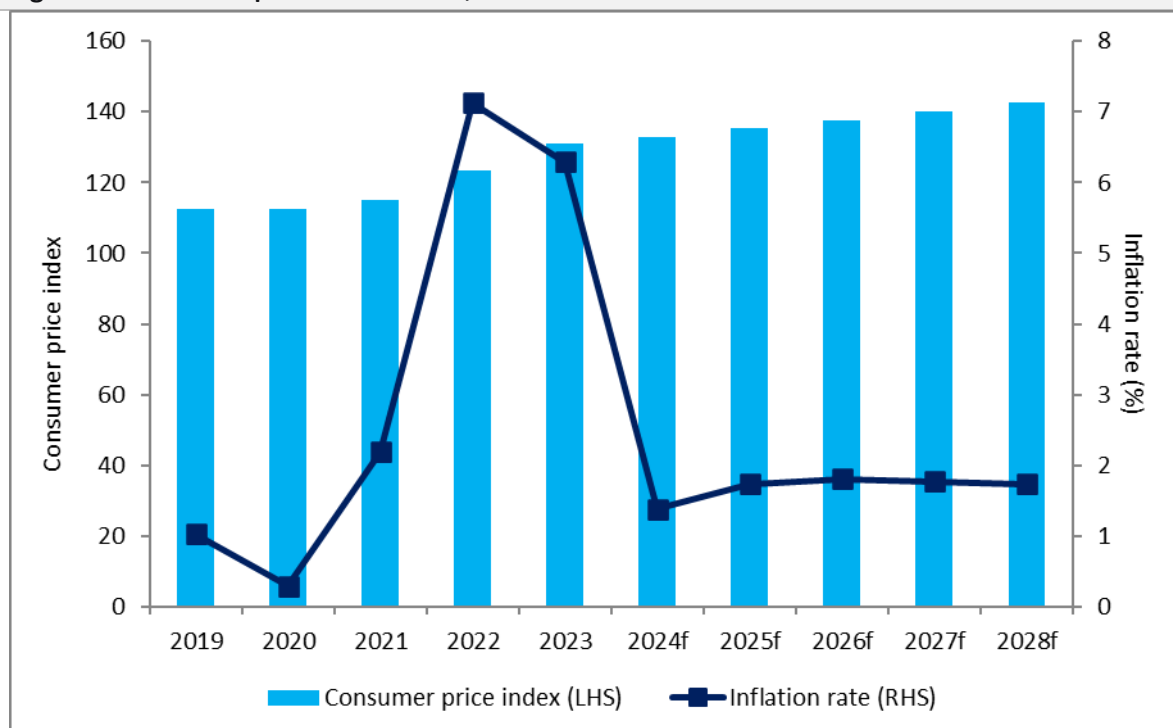
Monetary situation

Inflation

According to MarketLine, the inflation rate was recorded at 6.3% in 2023. It is forecast to decrease to 1.4% in 2024.

According to Statistics Finland, the country's annual inflation rate dropped to 1.5% in May 2024 from 1.9% the previous month, marking the lowest rate since March 2021. This decline is attributed to a slower increase in the average interest rates on housing loans and consumer credits. Price growth eased for housing and utilities (2.2% compared to 3.0% in April), recreation and culture (1.8% compared to 2.6%), restaurants and hotels (3.1% compared to 3.3%), and miscellaneous goods and services (3.8% compared to 4.6%). At the same time, deflation was recorded in food, beverages, and tobacco (-0.6% compared to -0.3%), transport (-0.9% compared to -0.8%), and furnishings, household equipment, and maintenance (-2.1% compared to -2.2%). On a monthly basis, consumer prices decreased by 0.1% in May 2024 after remaining stable in April 2024.

Figure 22: Consumer price index and CPI, 2019–28f



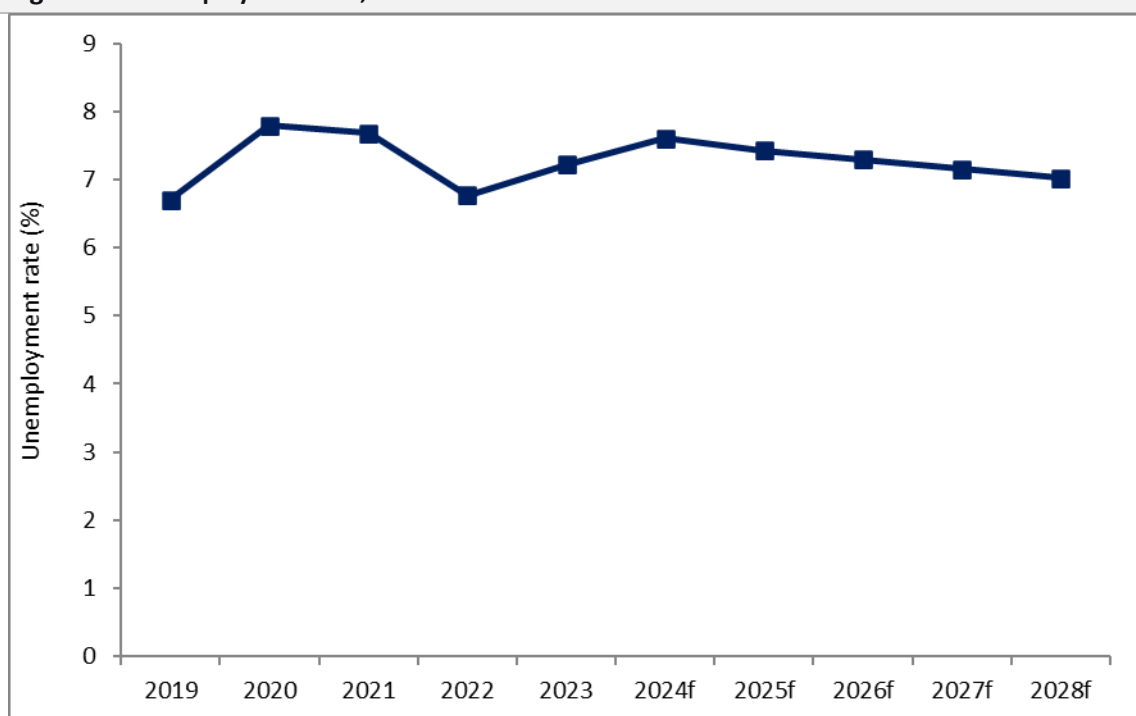
Source: MarketLine analysis based on information from Statistics Finland and the World Bank

Employment

According to MarketLine, the unemployment rate in Finland stood at 7.2% in 2023. However, it is forecast to increase to 7.6% in 2024 due to lower economic activity.

According to Statistics Finland, in May 2024, unemployment rate in Finland climbed to 10.2% from 9.0% in the corresponding month in the previous year, marking the highest unemployment rate since May 2021. The number of unemployed individuals increased by 33,000 year-on-year to 299,000. Meanwhile, the unemployment rate for those aged 15–24 reached 30.3%, up 2.9% from the previous year. Conversely, the employment rate dropped to 73.2% from 75.0% a year earlier, with the number of employed persons declining by 35,000 to 2.645 million. Additionally, the activity rate fell to 70.9% from 71.4%.

Figure 23: Unemployment rate, 2019–28f



Source: MarketLine analysis based on information from Statistics Finland, Finance Finland, European Commission, and the IMF

Outlook

Finland's economic outlook for 2024 is cautiously optimistic, driven by steady growth in key sectors such as technology, manufacturing, and services. The country's advanced technological infrastructure and strong emphasis on innovation continue to attract investments, particularly in high-tech and green industries. Export demand, especially for machinery, electronics, and forest products, is expected to remain robust, supported by stable trade relationships within the EU and expanding markets in Asia. However, challenges such as global economic uncertainties, inflationary pressures, and an aging population may temper growth. Overall, Finland's economy is poised for moderate growth, aided by its strengths in innovation, sustainability, and a well-educated workforce.

Social Landscape

Summary

The social landscape of Finland is characterized by a high standard of living, robust social welfare systems, and a strong emphasis on equality and education. Finns enjoy extensive public services, including universal healthcare and education, contributing to high levels of well-being and life satisfaction. Society is marked by a high degree of trust in government and public institutions. Finland is also known for its progressive stance on issues such as gender equality, LGBTQ+ rights, and environmental sustainability. The country faces challenges such as an aging population and integrating immigrants, but overall, Finland's social fabric is resilient and cohesive.

Evolution

The social security system in the Nordic countries is characterized by the universality of coverage and flat-rate pensions available to all, once individuals reach a certain age. Payments are made irrespective of what people have contributed to the plan, and national health plans are based on medical needs rather than financial means. Furthermore, the citizens of Finland have a legal right to the benefits provided by their welfare systems, as in any other Nordic country. Finland's social security system became consistent with Nordic standards in the 1980s.

In October 2023, the Finnish government proposed approximately EUR16.2 billion (\$17.5 billion) in appropriations for the Ministry of Social Affairs and Health and its administrative branch for 2024. This represents an increase of over EUR134.0 million (\$144.9 million) compared to the 2023 Budget, primarily due to changes in pension needs assessments and the implementation of reforms outlined in the Government Programme. The proposal includes adjustments to unemployment security and the general housing allowance. Additionally, reimbursements from the Social Insurance Institution of Finland (Kela) for doctor appointments will be increased, and funding for shelters for domestic violence victims will be secured. The proposal also outlines several enhancements to child benefits, and improvements in rehabilitation services for children and young people with neuropsychological disorders, through Kela's discretionary rehabilitation under a fixed-term program.

The budget proposal also incorporates several social security reforms aimed at reducing the need for appropriations. Index increases for benefits linked to the national pension index and the consumer price index will be frozen, excluding social assistance, pensions, front-line veterans' supplements, disability benefits, child maintenance allowance, and the annual maximum limit on out-of-pocket costs for medicines. Of the appropriations for the Ministry of Social Affairs and Health and its administrative branch, approximately 33.0% will be allocated to pensions, 29.0% to offsetting family and housing costs and basic social assistance, around 15.0% to unemployment security, about 14.0% to health insurance, roughly 2.0% to support for healthcare and social welfare, and about 2.0% to grants for promoting health and social wellbeing.

In December 2023, the Finnish Parliament passed a series of reforms affecting unemployment benefits, set to be rolled out throughout 2024. These changes, including cuts to basic unemployment allowances, labor market subsidies, and the general housing allowance, will alter how benefits are calculated and distributed. Starting January 1, 2024, the waiting period before an individual can receive unemployment benefits will be extended from five to seven days. Additionally, end-of-service holiday compensation will now affect the start of benefit entitlement, with the compensation amount divided by the individual's average daily wage to determine the delay in benefit commencement. Significantly, the EUR300.0 (\$324.4) monthly exempt amount, which allowed benefit recipients to earn without reducing their unemployment benefits, will be removed starting on or after April 1, 2024. This means every euro earned will reduce the unemployment benefit by 50 cents, affecting those with part-time jobs or occasional work. The child increases supplementing unemployment benefits, paid for each child under 18, will be discontinued from April 1, 2024. This change coincides with scheduled increases in child benefits as part of a broader family policy package approved by Parliament. The work requirement for employees will be extended from six months to 12 months,

effective September 2, 2024. The requirement will now be based on wage income, with earnings of at least EUR930.0 (\$1,005.6) per month counting as one full month towards meeting the work requirement. Despite these changes, no increases to unemployment benefits are planned for 2024. The labor market subsidy and basic unemployment allowance will remain at EUR37.2 per day (\$40.2), with the supplementary amount fixed at EUR5.3 (\$5.7) per day. The additional 20.0% increase in child increases for unemployment benefits, a temporary measure for 2023, will expire at the end of the year. These adjustments are part of a broader effort to streamline Finland's unemployment benefit system, reflecting the government's ongoing reassessment of social security expenditures and policies.

Structure and policies

Demographic composition

Age and gender composition

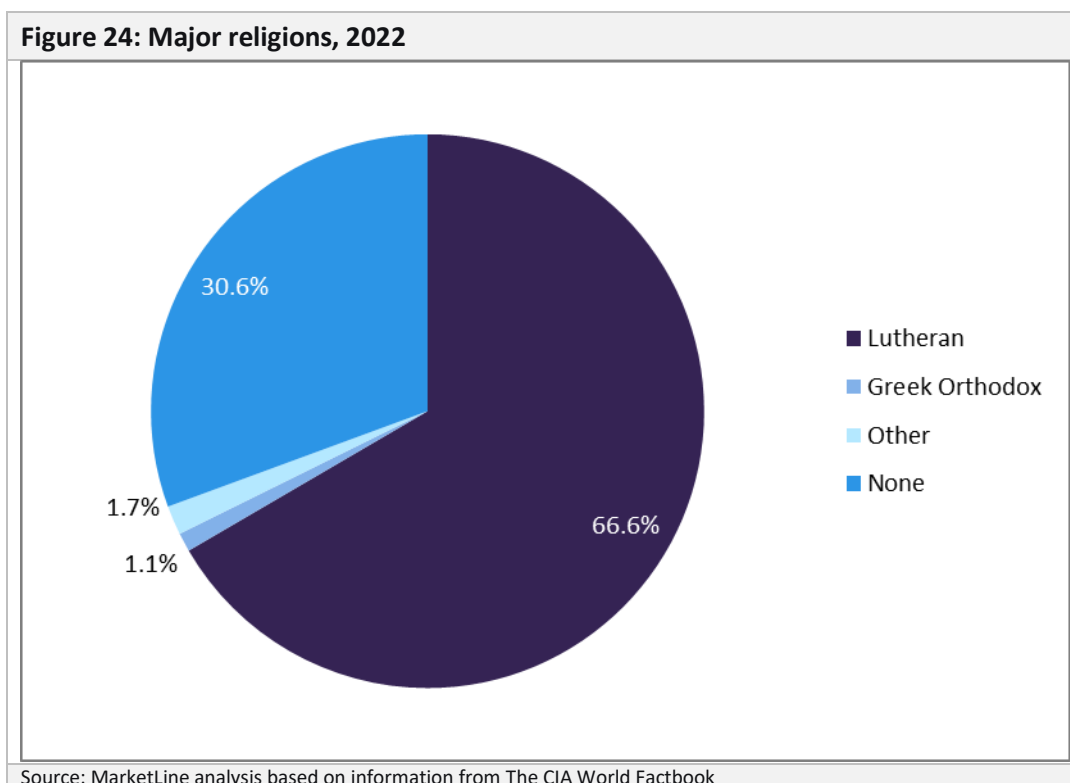
In 2023, 23.5% of the Finnish population was aged 65 years or above, 61.5% were aged between 15 and 64, and 15.0% were in the 0–14 years range. This structure is similar to the demographic trend in the rest of Europe, where the population is aging and fewer people are entering the workforce.

Age group	Female	Male
0–4	4.0	4.4
5–9	5.0	5.3
10–14	5.5	5.9
15–19	5.3	5.8
20–24	5.3	5.7
25–29	5.9	6.4
30–34	6.3	6.9
35–39	6.2	6.8
40–44	6.1	6.6
45–49	5.8	6.2
50–54	5.8	6.0
55–59	6.5	6.6
60–64	6.4	6.4
65–69	6.5	6.1
70–74	6.5	5.9
75–79	5.4	4.5
80+	7.4	4.5

Source: MarketLine analysis based on information from Eurostat

Religious composition

Around 66.6% of the Finnish population follows the Lutheran Church of Finland, according to The CIA World Factbook in 2022. Other groups include the Greek Orthodox Church (1.1%) and other religious denominations (1.7%), while 30.6% of the Finnish population has no specificities regarding their religion, according to the latest data.



Healthcare

In Finland, the healthcare system revolves around public healthcare services that are accessible to all residents of the country. The Constitution of Finland mandates that public authorities are responsible for ensuring suitable social, health, and medical services for everyone. Furthermore, Finland also accommodates a variety of private healthcare services alongside the public sector.

In Finland, municipalities are responsible for organizing and funding healthcare. Each municipality has the option to arrange services independently, in collaboration with other municipalities, or by procuring services from private companies or organizations. If necessary, treatment can also be obtained from abroad. The healthcare system is divided into primary healthcare and specialized medical care. Primary healthcare services are typically offered at municipal health centers, while specialized medical care is primarily provided at hospitals. Municipalities come together to form hospital districts, which are responsible for delivering specialized medical care within their respective regions. Additionally, joint municipal authorities are part of five catchment areas for highly specialized medical care, centered around the University Hospitals of Helsinki, Turku, Tampere, Oulu, and Kuopio. These catchment areas focus on providing the most complex and demanding treatments.

On June 26, 2024, Finland will become the first country to offer preemptive bird flu vaccinations to high-risk workers, such as lab technicians and poultry farmers. This initiative follows a joint EU procurement of up to 40 million doses from CSL Seqirus, with Finland purchasing vaccines for 10,000 people. Despite no human cases detected in Finland, the country prioritizes this measure due to the transmission risks at its fur farms. Each recipient will receive two injections to help prevent exposure to avian influenza (H5N1).

According to MarketLine, the total number of hospital beds per 1,000 people in Finland was 2.7 in 2023. Additionally, the total number of doctors was 24,097 whereas the total number of nurses was 79,900 in 2022.

Education

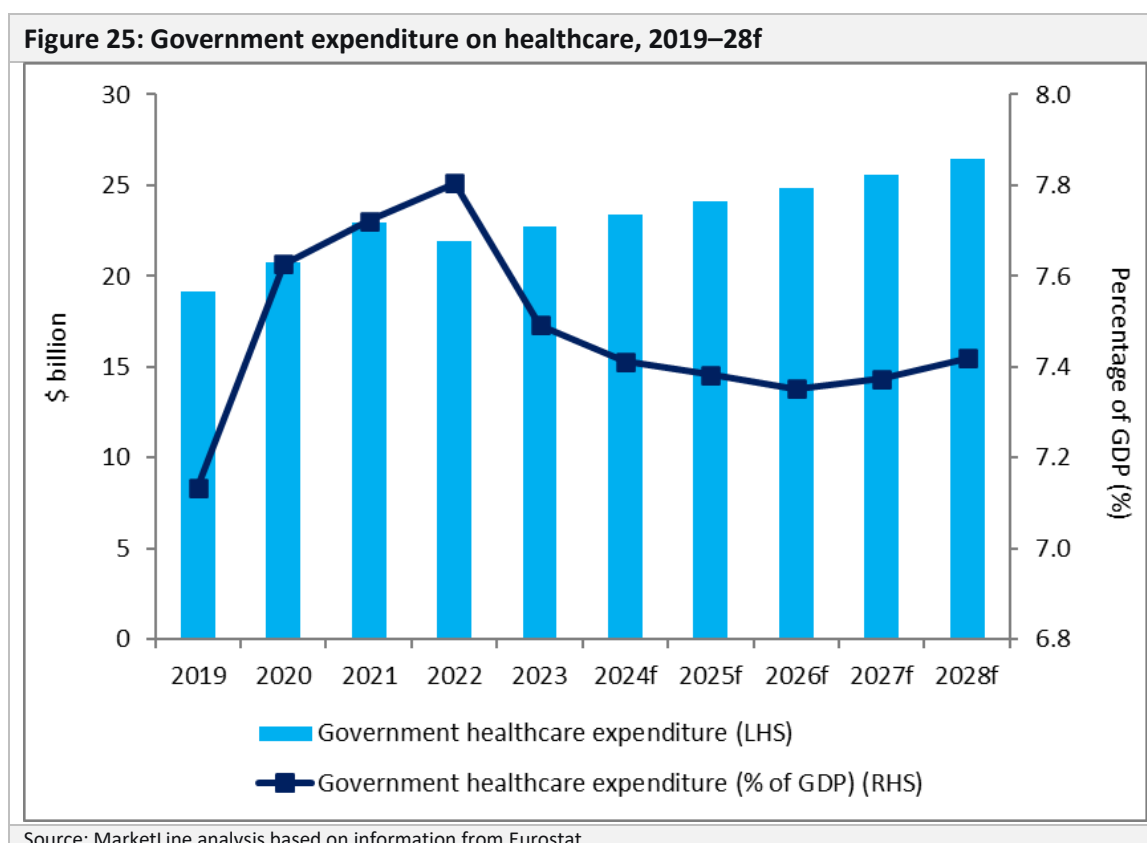
There was a two-track elementary school system in Finland until 1968, when it was abolished by the School System Act passed that year. The new system comprises a single comprehensive school with a nine-year course of study, compulsory for all children between the ages of seven and 16, which is now uniform throughout the country. Private schools became part of the educational system in the late 1970s. Classes are divided into two parts: a lower level for the first six grades and an upper level for grades seven through nine. Students go to either vocational schools or more demanding vocational institutes after completing their initial course of study. Many students choose vocational training to prepare them for commercial and technical occupations.

By 2030, Finland intends to attract 15,000 international students, with a particular emphasis on Indian students and workers. Every year, Finland welcomes 7,500 international students, and there has been a notable increase in the number of students from India enrolling in Finnish higher education institutions. Experts predict that this trend will continue to grow in the future. Since April 15, 2022, Finland has implemented new regulations benefiting international students, resulting in several relaxations. Foreign nationals pursuing academic studies in Finland no longer need to renew their permits annually; instead, they will have permits valid for two years. Additionally, jobseeker permits have also been extended to two years, and students are now permitted to work 30 hours per week, an increase from the previous limit of 25 hours. These changes reflect Finland's response to the increasing demand for a skilled workforce in the country.

Performance

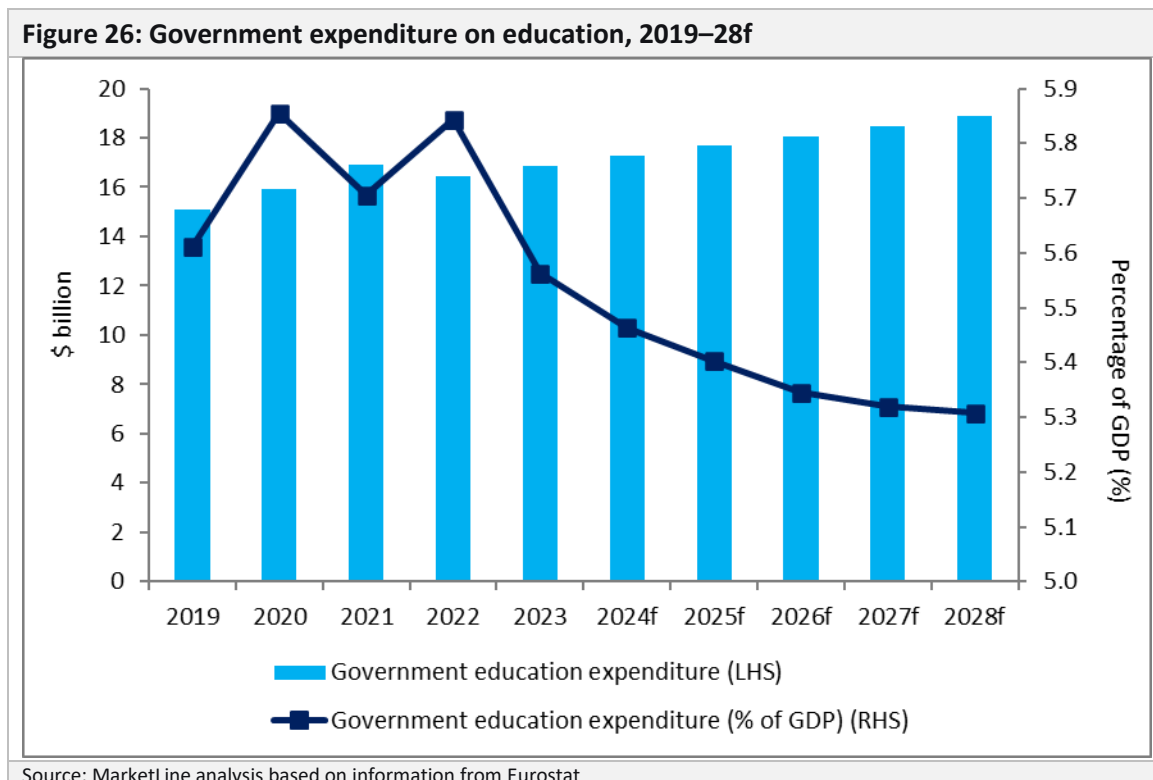
Healthcare

In 2023, the national healthcare expenditure stood at \$22.7 billion, or 7.5% of GDP, according to MarketLine.



Education

In 2023, government education expenditure as a percentage of GDP was 5.6%, down from 5.8% in the previous year.



Outlook

The country has a highly developed social security system but is currently facing challenges relating to a shortage of skilled labor, an early retirement age, and high unemployment. Many Finnish firms are facing a shortage of skilled workers, forcing them to recruit labor from other countries, particularly Central and Eastern European nations. Government spending has been high and resulted in a deterioration of public finances. The shortage of skilled labor makes it important for the government to educate and train individuals in line with market requirements so that they can be easily integrated into the workforce. The government has taken up measures to ease the pressure on social security but much more needs to be done to achieve long-term sustainability. In the present scenario, the expenditure related to an aging population and social benefits will continue to balloon the social security budget in 2023 and is expected to remain a cause for concern in the long term.

Technological Landscape

Summary

Finland is an innovation leader, according to the European Commission, *European Innovation Scoreboard (2023)*. Finland is a global leader in digital development, consistently ranking high in various international indices for digital innovation and infrastructure. The country has a robust digital economy characterized by widespread high-speed internet access, advanced mobile networks, and a tech-savvy population. The Finnish government actively promotes digital literacy and e-governance, ensuring that public services are easily accessible online. Finland's education system integrates digital tools effectively, preparing students for a digital future. The nation's emphasis on cybersecurity, innovation, and public-private partnerships has fostered a thriving tech ecosystem, making Finland a hub for digital startups and a model for digital transformation.

According to WIPO, *Global Innovation Index (2023)*, Finland was ranked sixth among 132 economies. In 2023, Finland ranked 5th in innovation inputs, an improvement from the previous year. In terms of innovation outputs, Finland holds the 9th position, consistent with the previous year's ranking. The country's key innovation strengths include ranking 1st in finance for startups and scaleups, ICT services exports as a percentage of total trade, and patent families per billion PPP\$ GDP.

Evolution

By the 1950s, the manufacturing and processing sectors replaced agriculture and forestry as the leading contributors to the economy, while the service sector surpassed industry in terms of the total production and employment in the late 1970s. However, the industrial sector remained the major export earner, making it possible for the country to pay for its imports of energy and raw materials. The Finnish industry faced severe challenges in the early 1980s due to increased competition in world markets for manufactured goods. Many observers argued that Finns would have to shift from heavy industry to high-technology products to maintain industrial exports.

Since the 1950s, Finnish firms have been able to dominate world markets for products such as icebreakers, wood and paper processing machinery, and environmental protection equipment. Buyers of such products were often less sensitive to price increases than they were to technical innovations, quality, and durability. At the same time, Finland avoided structural weaknesses such as excessive investment in declining product lines that plagued other Nordic economies. The industrial structure of the economy has been facing risks since the early 2000s. According to the Finnish Ministry of Transport and Communication, the Act on Electronic Communications Services entered into force on January 1, 2021. It aims to improve consumer protection, promote investments in communication networks and gain access to communication services, and improve network security. In March 2022, the Finnish government approved a resolution on technology policy based on the work of the Finnish Technology Advisory Board. The resolution was set with the common purpose that Finland will be the most successful and best-known country in the world, which generates wellbeing from research, development, and utilization of technology. The objectives include the following: Finland would be one of the most competitive nations in the world for technology companies; be home to many of the world's best-known and most attractive concentrations of technology education, research, skills, and investment; and benefit extensively from boldly developing and applying technologies that respond to global challenges.

In December 2023, Finnish mobile network operator Elisa announced the expansion of its 5G network to Myrskylä and Pukkila in the Uusimaa region. This expansion brings increased network capacity and faster mobile connections to the residents of these municipalities. As of December 2023, Elisa's 5G network is available in 264 locations across Finland, covering 90.0% of the population. According to Elisa, in Myrskylä, 5G will initially serve the central area and its surroundings, and in Pukkila, 5G will also first become available in the central area and nearby regions. The company noted that the 5G network's capacity is significantly higher, allowing it to accommodate more users than before.

In January 2024, Business Finland made a strategic move to enhance the nation's competitive edge and sustainable growth by allocating EUR726.0 million (\$785.0 million) in funding for 2023. A significant portion, EUR416.0 million (\$449.8 million), was specifically designated for innovation, underscoring Finland's commitment to fostering a thriving environment for groundbreaking ideas and technologies. Out of the total funding, EUR599.0 million (\$647.7 million) was directly granted to businesses, emphasizing the country's focus on nurturing corporate innovation. Additionally, EUR127.0 million (\$137.3 million) was allocated to research initiatives, highlighting the critical role of R&D in driving national progress.

In February 2024, Finnish communications service provider Elisa and Nokia announced that they were the first in the Nordics to demonstrate 5G-Advanced L4S technology for real-time applications in congested network environments. Nokia and Elisa explained that this new technology, called Low Latency, Low Loss, Scalable Throughput (L4S), in 5G Advanced standalone networks, allows users to stream content seamlessly even in crowded radio network environments, such as concerts or sports events.

In March 2024, Elisa, in collaboration with Ericsson, commercially launched a 5G standalone (SA) network, introducing the most advanced mobile connectivity available in Finland. Powered by Ericsson's dual mode 5G Core, Elisa's new 5G standalone network offers a premium service to its customers. Additionally, home broadband is provided through Fixed Wireless Access (FWA). This new mobile service delivers lightning-fast speeds, stable and consistent connectivity, and Elisa estimates up to 50.0% lower latency compared to non-standalone (NSA) networks. Devices connected to the 5G standalone network will also benefit from 15.0–20.0% longer battery life.

As of April 2024, UK-headquartered shared network specialist Boldyn Networks, through its newly acquired Edzcom division, will supply a private 5G network to Oulu University Hospital in Finland. Boldyn Networks described this initiative as the "first-ever private 5G network to be deployed at an operating hospital in Europe." The project, 'HOLA 5G Oulu,' will initially focus on providing patients with wearable 5G health monitors, starting on one floor of a patient ward and in selected operating theaters.

Structure and policies

The Ministry of Education handles matters relating to education and science policy, while the Ministry of Employment and the Economy deals with matters relating to industrial and technology policy. The Science and Technology Policy Council of Finland, established in March 1987 and chaired by the prime minister, advises the Council of State and its ministries on important matters concerning research and technology. The council plays a crucial role in promoting science, technology, and relevant education. It is responsible for the strategic development and coordination of Finnish science and technology policy, and the nation's innovation system.

Finland, a nation known for its intellectual and educational reform, has implemented numerous innovative and straightforward changes over the years, leading to a complete revolution of its educational system. As a result, it surpasses the US and is steadily catching up to Eastern Asian countries.

In Finland, standardized tests are non-existent, except for the optional National Matriculation Exam taken by upper-secondary school students (equivalent to American high school). Instead, each child in Finland is assessed individually based on a personalized grading system established by the teachers. The Ministry of Education monitors overall progress by sampling groups from various types of schools across the country.

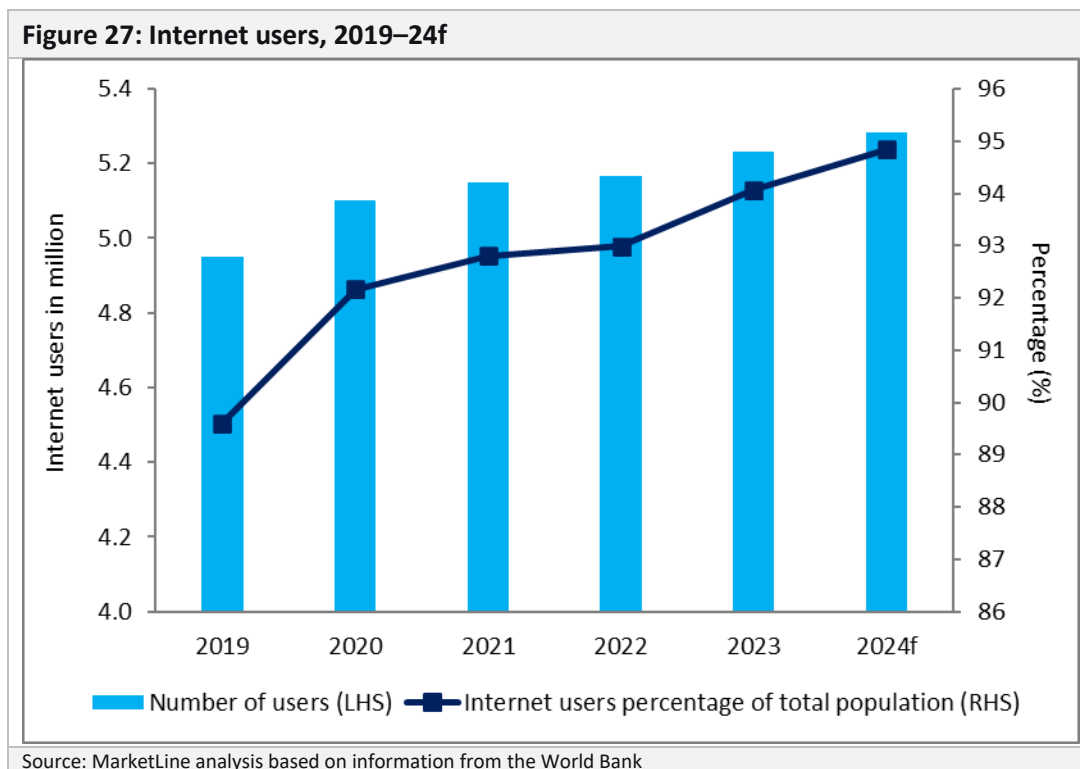
Intellectual property

According to data from the United States Patent and Trademark Office (USPTO), the number of patents granted to Finland was 1,282 in 2023. In comparison, Germany was granted 14,988 patents, followed by France (6,027 patents), Italy (3,007 patents), Sweden (2,998 patents), and the Netherlands (2,358 patents).

Performance

Mobile and internet users

According to MarketLine, mobile penetration stood at 129.1 subscriptions per 100 people in 2023, with subscribers totaling 7.2 million. Internet users, as a percentage of the total population, stood at 94.1% in 2023, with a total of 5.2 million users.



R&D

Research and development expenditure declined in terms of overall business enterprises; however, expenditure has increased in specific areas such as computer programming, consultancy, and related activities. According to MarketLine, the country’s R&D expenditure was 3.0% of GDP in 2022.

Opportunity Sectors

Information and communications technology (ICT), forest-based industries (forest bio-economy industries), and biotechnology have been identified as important sectors for investment in Finland.

ICT

- Several of the world’s top internet security companies are based in Finland.
- Online banking is so well-established that individuals engaging in traditional banking are in minority. Finnish individuals use less physical cash per capita than any other nation.

Biotechnology

- Around 10.0% of European companies in the biotechnology sector are from Finland.

- Finland has five biotechnology science parks. These "excellence centers" are located in Helsinki, Turku, Kuopio, Tampere, and Oulu.
- The country's strengths in biotechnology range from enzyme production to treatments for major ailments such as cancer and AIDS.

Outlook

In 2024, Finland's technological landscape is poised for significant advancements, cementing its status as a global leader in digital innovation. The widespread deployment of 5G networks, including the pioneering use of private 5G in healthcare and the commercial launch of 5G standalone networks, underscores Finland's commitment to cutting-edge connectivity. Initiatives such as the Hola 5G Oulu project at Oulu University Hospital and the introduction of 5G-Advanced L4S technology highlight the nation's focus on leveraging advanced technology for real-time applications and improved user experiences. The robust support for innovation, with substantial funding allocated by Business Finland, fosters a thriving environment for R&D. This strategic investment not only nurtures corporate innovation but also emphasizes the importance of sustainability and competitive growth. Overall, Finland's technological landscape in 2024 is characterized by rapid advancements in digital infrastructure, a strong emphasis on innovation, and a commitment to integrating technology into various sectors to enhance the quality of life and drive economic progress.

Legal Landscape

Summary

Finland's legal system is heavily influenced by Sweden, and the Swedish General Code of 1734 was part of the country's legislation until the late 1980s. Two officials oversee the country's justice system: The Chancellor of Justice, who is the country's highest guardian of the law and its chief prosecutor, and the Parliamentary Ombudsman. Finland welcomes foreign investment and provides an attractive environment for foreign investors due to its macroeconomic stability, well-educated workforce, openness to technology, and cheap electricity and telecommunications services. However, the labor system in Finland is overregulated, which hinders employment opportunities and productivity growth. Non-salary costs are high, and dismissing a redundant employee is a relatively costly process. Moreover, restrictions on the number of work hours remain rigid. The country updated its new Working Hours Act on January 1, 2020, with new flexible working hours and a limit on the maximum number of working hours while remaining neutral in relation to place of work. In April 2022, Finland passed a new law granting students residence permits for the entire duration of their studies. The change was implemented to attract more global talent to Finland.

Evolution

The division of the Finnish courts into general courts and administrative courts began in 1634. The general courts deal with civil suits and criminal cases, while the administrative courts regulate the actions of the country's bureaucracy. This structure was formalized in 1918, when the Department of Justice in the senate became the Supreme Court. The section dealing with finance in the senate became the Supreme Administrative Court. The two court systems are entirely separate and have no jurisdiction over one another. As in other Nordic countries, there is no constitutional court. The Chancellor of Justice and the Parliamentary Ombudsman are both required to submit an annual report of their activities to Parliament. The Chancellor of Justice is appointed for life by the president and is a member of the Council of State, whereas the Parliamentary Ombudsman is chosen for a four-year term by the Finnish Parliament.

On September 1, 2024, Finland will implement stricter entry and residency rules for foreigners. The new law will clearly specify conditions for denying residence permits, such as providing false information, illegal stay, or employment, and

arranged marriages. Additionally, applicants for international protection or those denied asylum will no longer be eligible for residence permits based on work, self-employment, or study. These measures aim to increase transparency, efficiency, and align with Prime Minister Petteri Orpo's agenda to tighten immigration policies and expedite the departure of rejected asylum seekers.

Structure and policies

Judicial system

Structure of the system

The legal system in the country has three layers: lower courts, courts of appeal, and the Supreme Court. There are town courts across the country and circuit courts in different judicial districts. Appeals from lower courts are addressed to the courts of appeal located in Helsinki, Turku, Vaasa, Kouvola, Kuopio, and Rovaniemi. The Supreme Court is in Helsinki. It hears cases involving appeals of decisions from appellate courts where serious errors are alleged to have occurred, or where important precedents might be involved. The administrative courts system consists of county courts, and the Supreme Administrative Court, which is in Helsinki. Land-related disputes are settled by land courts, and their decisions may be appealed in the Supreme Court.

Tax regulations

Income tax

Income tax is progressive to a maximum of 44.0% as of June 2024.

Corporate tax

As of June 2024, corporate entities are subject to a 20.0% tax in Finland.

Trade regulations

Finland's general trade policy focuses on dismantling barriers to trade and investment and participating in an open world economy. Membership in the EU has changed the operating environment of Finland, and the EU's negotiating power has significantly strengthened its trade policy position. Finland believes that it has a responsibility to ensure the viability of agriculture in the country and maintain the foundations of the welfare state.

Corporate governance

Corporate governance in Finland consists of both legal regulations and recommendations based on self-regulation. The objectives of corporate governance in the country are to have a high standard of administration at listed companies and transparency of operations. One of the pillars of Finnish corporate governance is self-regulation, which implies that institutions control, supervise and, if necessary, sanction the behavior of their own members.

One of the acts pertaining to corporate governance is the Finnish Limited Liability Companies Act, which contains provisions on share-related rights such as the exercise of voting rights, the shareholder's right to request information and take initiative, the right to participate in a general meeting, and convocation of a general meeting. The act also contains requirements for the equal treatment of shareholders. The country's corporate governance code has been prepared in accordance with the "comply or explain" principle, according to which, companies must comply with the code, but if they opt to depart from a recommendation, they must account for the departure and justify it.

Performance

Effectiveness of legal system

Finland's labor system is overregulated, which impedes employment opportunities and productivity growth. Non-salary costs are high, and dismissing a redundant employee is relatively costly. Moreover, restrictions on the number of work hours remain rigid. Nevertheless, the country has high business freedom, according to the Heritage Foundation, *Index of Economic Freedom* (2024). The country scored 76.3 out of 100 and ranked 12th out of 184 countries on the Index of Economic Freedom. It also has very high levels (a score between 75 and 100) of investment freedom (85.0), monetary freedom (75.4), and business freedom (88.8). The Finnish police force and the judiciary are mostly corruption-free and have one of the most efficient systems in the world.

Outlook

Finland has an excellent record as one of the least corrupt countries in the world. However, stringent regulations in the product and services sector, especially in retail, are harming competition and leading to price distortion. The government has taken measures to improve the ease of doing business, but this is expected to be a gradual process. A high tax wedge is also a deterrent to attracting talent, especially when the economy is facing a shortage of skilled labor.

Environmental Landscape

Summary

The Ministry of the Environment defines environmental policies, sets administrative controls, and makes strategic plans at the national level. The ministry also sets targets for environmental protection, drafts and develops environmental legislation, and oversees international cooperation. Finland and other EU countries intend to halt the ongoing decline in biodiversity. On March 9, 2021, Finland announced its climate strategy for the ICT sector to solve climate-related problems and provide solutions through its expertise in information and communications technology. The country aims to cut carbon emissions by 14 million tonnes by 2035. The emission control measures are aimed at road traffic, agriculture, manufacturing, waste management, and fluorinated greenhouse gases.

Evolution

The country's environmental concerns began early with the passing of the Nature Conservation Act of 1923, which enabled the establishment of nature preserves when needed. Since then, Finland has passed many laws covering different aspects of environmental protection, including water purity, control of pesticides, establishment of an oil pollution fund, waste management, prevention of marine and air pollution, and noise reduction. In the mid-1980s, a study found that only 11.0% of Finnish respondents would place economic growth above environmental protection, with many believing that ecological conditions were worsening. Another indication of Finland's environmental awareness was the creation of the Green League in the early 1980s, with the new party proving to be relatively successful in subsequent elections.

As of February 2024, NIB and Pahkakosken Energia Oy, a special purpose company owned by the Nordic renewable energy firm Ilmatar, have signed a 15-year loan agreement to build a 186MW onshore wind farm in North Ostrobothnia, Finland. The total loan amount of EUR50.0 million (\$54.1 million) is supported by the EU under the InvestEU program. This marks the first loan agreement NIB has signed under the InvestEU program. The transaction falls under NIB's Clean Energy Transition Framework Operation, which was approved by the InvestEU Investment Committee in May 2023. The Pahkakoski wind farm will feature 30 turbines provided by Vestas Wind Systems. The

project will not receive any public support scheme. Its electricity production will be partly secured through a power purchase agreement with a commercial off-taker and will also be exposed to the wholesale power market.

As of April 2024, the European Investment Bank (EIB) has signed a EUR150.0 million (\$162.2 million) loan agreement with Helen Ltd, a leading Finnish energy company wholly owned by the City of Helsinki, to finance two new renewable energy projects in the district heating sector. The total investment amounts to EUR209.0 million (\$226.0 million), with the EIB contributing 72.0%. The funding will be used to build a new heat pump plant and convert fuel use from coal to biomass pellets in one of Helen's heating plants in Helsinki. Helen, one of the largest energy companies in Finland, serves over half a million customers with electricity, district heating, and cooling services. Helen aims to achieve 100.0% carbon neutrality in its energy production by 2030. The company is making significant investments in a sustainable and modern energy system, building capacity to replace more than 2,000MW of installed fossil energy production capacity by 2025.

Finland experienced exceptionally warm weather in May 2024, with temperatures significantly higher than normal, both day and night, across much of the country. The Nordic nation recorded 16 heatwave days, surpassing the previous record of 14 in 2018. According to the Finnish Meteorological Institute, a heatwave is defined as days when temperatures reach 25°C. Average temperatures were 3-4°C above normal in the south and west, and 1-3°C above normal in the north and east. The Hattula Lepaa observation station recorded a temperature of 29.9°C on May 31, 2024, marking it as the warmest day of the month.

As of June 2024, the city of Los Angeles and Finland signed an agreement to promote cooperation on the climate and economic development.

Structure and policies

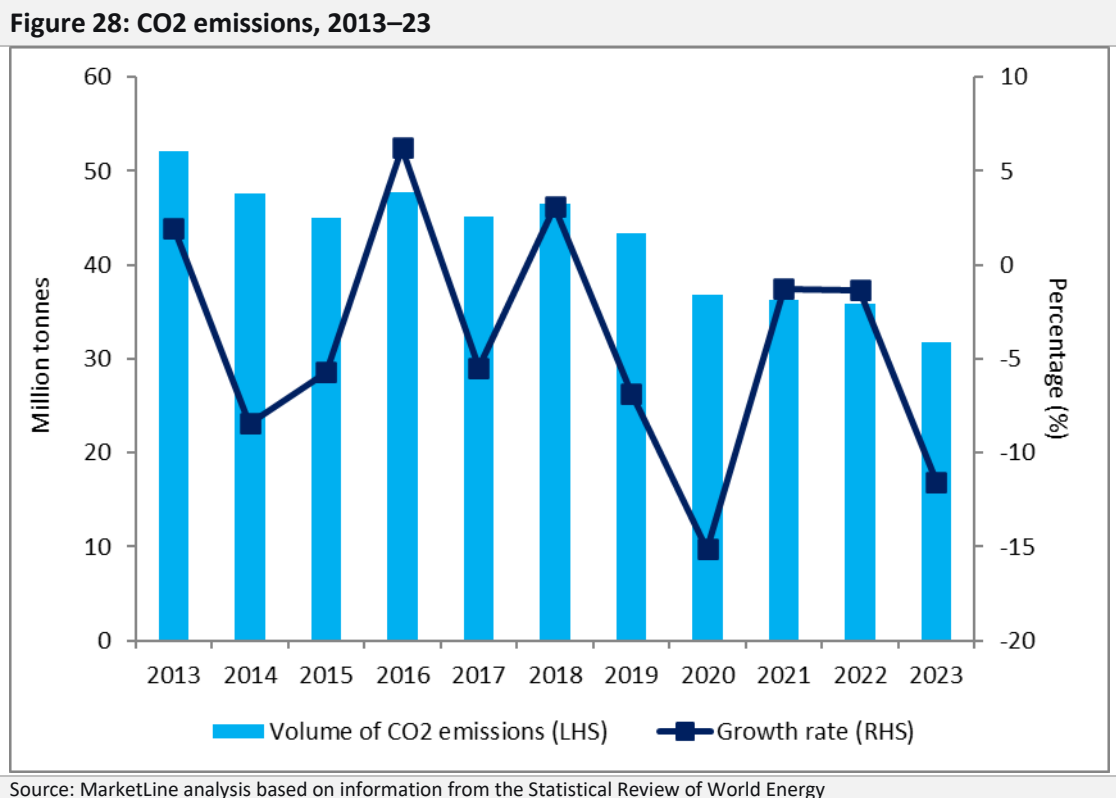
Environmental regulations

- In September 2002, the Finnish government set maximum annual limits for emissions of sulfur dioxide, nitrogen oxides, ammonia, and volatile organic compounds.
- In April 2002, the government adopted Finland's Program for the Protection of the Baltic Sea. Under the program, steps are to be taken to combat eutrophication, decrease the risk caused by hazardous substances, reduce the risk of maritime traffic, protect biodiversity, and increase environmental awareness and research.
- The government adopted a new set of national Water Protection Policy Outlines in November 2006.
- In March 2015, the Finnish Parliament passed the Climate Change Act, with a target of 80.0% emissions reduction from 1990 levels by 2050.
- In November 2019, the government announced plans to amend the Climate Change Act. Furthermore, the country aims to achieve carbon neutrality by 2035.

Performance

Environmental impact

According to the Energy Institute, *Statistical Review of World Energy* (2024), Finland decreased its per capita primary energy consumption from 226.2 gigajoules per capita in 2013 to 215.6 gigajoules per capita in 2023. The country decreased its CO2 emissions from 52.0 million tonnes in 2013 to 31.7 million tonnes in 2023.



Outlook

In 2024, Finland's environmental landscape is marked by a continued commitment to sustainability and climate action. The country is investing heavily in renewable energy sources, particularly wind and solar power, aiming to reduce its carbon footprint and achieve carbon neutrality by 2035. Efforts to protect biodiversity and manage natural resources sustainably are also in focus, with significant attention to preserving its extensive forests and freshwater ecosystems. Policies promoting circular economy practices are being strengthened, encouraging recycling and reducing waste. However, Finland faces challenges related to climate change, such as increasing temperatures and changing precipitation patterns, which affect its ecosystems and traditional industries such as forestry and agriculture. Overall, Finland remains a global leader in environmental stewardship, balancing economic growth with ecological responsibility.

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