

Country Insight Snapshot

Finland

October 2022



OVERALL COUNTRY/REGION RISK INDICATOR

Current Risk Indicator:



- Last change: March 2022 (DB2c → DB3a)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **DETERIORATING**

SLIGHT RISK Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

WorldWatch Headline

Increasing energy prices impact businesses' competitiveness, including in key export sectors like transportation and machinery, which are also affected by weaker demand among major trade partners.

Recent Changes

- Elevated inflation depresses demand and reduces business opportunities.
- Although inflation remains below the euro-area average, prices are at a multi-year high, leading us to revise the forecast for 2022 average inflation to 6.5% and anemic growth in 2023.
- On the back of these developments, we have downgraded the market potential score, the short-term economic score the market environment outlook by one quartile.

Events to Watch

- We expect a relatively good real GDP growth performance in 2022 (2.1%) before a 0.5%-growth in in 2023.
- Monitor the ECB's hawkish turn; it is the steepest in the history of the institution.

Call to Action

- Be aware that the Russia-Ukraine crisis will continue to have a negative impact on Finland and the wider region.
- Closely monitor confidence levels to gauge the path of business and household demand as the crisis continues to evolve.
- Expect consumer prices to remain elevated because of high energy prices and ongoing supply disruption.
- Watch the cash flow of energy-intensive companies closely and expect consumer spending to be adversely affected as the cost of living increases.
- Hedge against FX risk due to a relatively weak but volatile euro.

COUNTRY INSIGHT HEADLINES

CREDIT ENVIRONMENT

Current Risk Indicator:



- Last change: March 2022 (DB3a → DB3b)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **DETERIORATING**

SLIGHT RISK Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

Risks and Opportunities

- Inflation in 2022 will be close to 7%, but still below the euro-area average, while economic growth will decelerate.
- Poorer growth prospects, higher inflation and a significant deterioration of the euro zone trade fundamentals have led to a weaker euro.
- In March, we downgraded the credit environment score from DB3a to DB3b and the rating outlook from 'stable' to 'deteriorating'.

Trade Terms

Description	Terms
Minimum Terms	OA
Recommended Terms	OA
Usual Terms	30 days

Note: OA: Open Account; SD: Sight Draft (Documentary Collection); LC: Letter of Credit; CLC: Confirmed Letter of Credit; CiA: Cash in Advance. **Source:** Dun & Bradstreet

Export Credit Cover

Agency	Cover
Eksport Kredit Fonden (EKF)	Full cover available, conditions apply
US Eximbank	Full cover available
ECGD	Medium- or long- term cover only
Euler Hermes AG	Medium- or long- term cover available, limited short-term cover

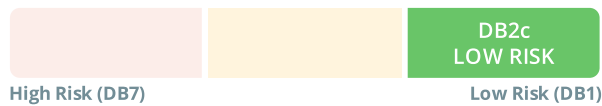
Source: Export Credit Agencies

Call to Action

- Closely monitor the impact that the military, economic and political unfolding of the Russia-Ukraine crisis has on businesses.
- Watch confidence levels to gauge the path of business and household demand as the crisis evolves.
- Be mindful that external demand conditions in the EU and beyond will affect the performance of Finnish exporters and their appetite for investment.

SUPPLY ENVIRONMENT

Current Risk Indicator:



- Last change: April 2022 (DB2b → DB2c)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **DETERIORATING**

LOW RISK Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.

Risks and Opportunities

- With Finland inching towards formally joining NATO, political risk has increased, leading to a one-notch downgrade in the supply environment risk.
- Supply chains remain disrupted as the effects of the pandemic are coupled with the impact of the Russia-Ukraine crisis: logistical difficulties remain and the risk of business failure might increase.
- Although Finland's infrastructure is well developed and logistics operations are normally efficient, the dependence on gas from Russia might affect business continuity, and the country's political situation has been shaken by the Russia-Ukraine conflict.

Call to Action

- Monitor the effect of the Russia-Ukraine conflict and take note of changes in sanctions and other measures; adjust your commercial exposure accordingly.
- Be prepared for supply chains to remain disrupted for some in 2022; explore ways to make supply chains more resilient.
- Track the political debate on the relationship with NATO because political developments might have significant economic implications.

MARKET ENVIRONMENT

Current Risk Indicator:



- Last change: September 2022 (DB2d → DB3a)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **DETERIORATING**

SLIGHT RISK Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

Risks and Opportunities

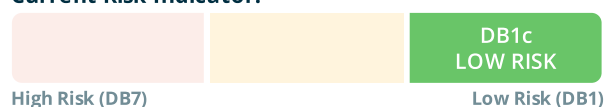
- Finland has good access to other EU markets and stands to benefit from the bloc's growing number of free trade agreements.
- However, in the short term, historically high inflation and a recession in sight in Europe reduce Finland's market potential.
- For these reasons, the market environment rating outlook remains at 'deteriorating' and the market environment score from DB2d to DB3a.

Call to Action

- Factor in business disruption and a distorted market environment until inflation remains elevated.
- Expect inflation to stay at elevated levels for another one to three quarters.
- Explore opportunities to provide goods and services for Finland's ageing population: by 2030, more than a quarter of Finns will be aged over 65.
- Consider opportunities arising from Finland's strong links with the EU and the bloc's growing number of third-party trade deals.
- Be alert to opportunities arising from emerging sectors, such as data sciences, artificial intelligence, green-energy production and battery storage.

POLITICAL ENVIRONMENT

Current Risk Indicator:



- Last change: March 2022 (DB1b → DB1c)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **DETERIORATING**

LOW RISK Lowest degree of uncertainty associated with expected returns, such as export payments, and foreign debt and equity servicing.

Risks and Opportunities

- In March, because of the Russia-Ukraine crisis, we maintained the rating outlook at 'deteriorating' and downgraded the political environment score to DB1c.
- Finland's democratic and legal processes are resilient: the overall level of political risk is still low but could deteriorate rapidly because of Finland's relationship with Russia.
- Finland has been progressively increasing its military readiness in response to the Russia/Ukraine tension and has formally applied to join the NATO alliance.
- The coalition is pursuing an ambitious agenda, but differences over fiscal policy are likely to resurface ahead of the election in 2023.

Call to Action

- Note that although public support for Finland joining NATO has traditionally been low, this has changed rapidly now that threats at the border have intensified: Finland has made a formal request to join the NATO alliance.
- Most allies have now approved the accession of Finland (and Sweden) into the NATO military alliance; others are likely to follow suit shortly.
- Be aware that Russia has threatened retaliation in case of Finland's accession to NATO; as a consequence, in April, we downgraded political/insecurity risk by one notch, following a two-notch downgrade in March.
- Expect fiscal policy to remain supportive of the economy over the short term; be prepared for the possibility of higher taxes.

STATISTICAL REFERENCE

KEY INDICATORS AND FORECASTS

Key Indicators and Forecasts

Historical Data/Forecasts

Metric	2017	2018	2019	2020	2021	2022f	2023f	2024f	2025f	2026f
Real GDP growth (%)	3.2	1.1	1.2	-2.2	3	2.1	0.5	1.6	2.6	1.9
Nominal GDP in USDbn	255	276	269	268	291	279	272	287	301	314
Nominal GDP in local currency	226.3bn	233.5bn	239.9bn	235.5bn	247.3bn	268.5bn	278.0bn	287.4bn	298.4bn	307.2bn
GDP per Capita in USD	46,310	49,972	48,631	48,543	52,590	50,441	49,094	51,640	54,243	56,470
Population (year-end, m)	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.6	5.6
Exchange rate (yr ave, USD-LCU)	0.9	0.8	0.9	0.9	0.8	1	1	1	1	1
Current Account in USDbn	-2	-5.2	-0.9	2	2.7	1.1	-1.4	-1.5	-1.6	-1.8
Current Account (% of GDP)	-0.8	-1.9	-0.3	0.8	0.9	0.4	-0.5	-0.5	-0.5	-0.6
FX reserves (year-end, USDbn)	353.2	378.4	386.6	422.9	568.7	591.8	622	673.2	743.1	836.4
Import Cover (months)	1.4	1.3	1.4	1.6	2	2.2	2.3	2.4	2.5	2.6
Inflation (annual ave, %)	0.8	1.2	1.1	0.4	2.1	6.5	3	1.8	1.2	1.1
Govt Balance (% GDP)	-0.7	-0.9	-0.9	-5.5	-2.6	-3	-2	-1.2	-1.1	-1

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Finland	Denmark	Norway	Sweden	Germany
Income per Capita (USD)	50,441	63,144	82,420	62,757	49,883
Country Population (m)	5.5	5.8	5.4	10.5	83.4
Internet users (% of population)	92.2	96.5	97	94.5	89.8

Source: Various sources/Dun & Bradstreet

Transfer Situation

Type	Delay
FX/Bank Delays	No delays reported
Local Delays	0-1 month

Note: Length of delay for completion of local and foreign transfers Source: Dun & Bradstreet

Trade Payment Restrictions

Trade Payment Restriction	Finland	The Nordics	OECD Average
Restrictions on non-Residents' Accounts	0	0	0.06
Restrictions on Payments for Imports	0	0.2	0.06
Restrictions on Payments for Invisible and other Current Transfers	0	0.6	0.35

Note: for a definition of the Trade Payment Restrictions please see the online [user guide](#) Source: International Monetary Fund



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User Guide

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