CONCLUDING STATEMENT

Finland: 2027 Article IV mission:

Summary of the Concluding Statement

The recovery is strengthening, but unemployment remains high. Real GDP grew by 0.8 percent in 2025 and is projected to expand by 1.7 percent in 2026 and 1.6 percent in 2027, supported by exports, investment, and stronger consumption. Housing construction is expected to recover gradually amid lingering oversupply and weak demand. Inflation is projected to average 2.7 percent in 2026 but is expected to moderate toward 2 percent in 2027. Risks to the outlook are tilted to the downside but there is growth upside from data center investment.

The fiscal position remains challenging. The overall deficit narrowed to 3¾ percent of GDP in 2025 but is projected to widen again in 2026. Public debt is projected to exceed 90 percent of GDP in 2026 and, absent further consolidation, continue rising over the medium term.

Steady, growth-friendly fiscal consolidation should begin in 2027. Structural consolidation of ½ percent of GDP annually should aim to eliminate the overall deficit by 2035 and put debt firmly on a downward path. A credible multi-year consolidation package should rely primarily on expenditure measures, complemented by growth-friendly revenue measures. It should be comprehensive and involve expenditure reprioritization, reductions in selected benefits, greater private financing of public services, and efficiency gains, while protecting vulnerable households and spending that supports long-term growth.

The financial system remains resilient, but vulnerabilities warrant continued vigilance. Banks are well capitalized, liquid, and profitable, but real estate exposures, reliance on wholesale funding, and elevated household indebtedness are vulnerabilities. The housing downturn remains broadly orderly. The authorities should avoid further easing of borrower-based measures and restore the standard loan-to-collateral cap as housing market conditions normalize. As relevant EU reforms progress, the capital buffer framework could be simplified while maintaining current buffer levels.

Financial stability should remain the primary objective of the Finnish Financial Supervisory Authority. Adding an objective to promote economic growth and competition could conflict with prudential goals and blur accountability. If an additional objective is introduced, it should be clearly secondary and subordinated to financial stability.

Policies should raise employment and reverse the decline in education outcomes. Prolonged high unemployment risks becoming entrenched, while high youth unemployment threatens skills development and future employment. Recent reforms to strengthen work incentives should be fully implemented, and further reforms to active labor market policies should improve job matching and labor market integration especially for young and long-term unemployed workers. Education priorities include strengthening basic skills, better aligning vocational education with labor market needs, and raising tertiary attainment and timely degree completion, with well-targeted spending supported by stronger data collection and policy evaluation.

Raising productivity will require enabling productive firms to expand and realizing the potential of AI. Efforts should continue to expand scale-up funding, reduce administrative burdens and entry barriers in services, and deepen European integration, including through the Savings and Investment Union and the single market for services. Education and training should equip workers with skills that complement AI. Deeper European energy integration and timely investment in generation and grid capacity would support growth and resilience as electricity demand rises.