



Finland: Staff Concluding Statement of the 2026 Article IV Mission

FOR IMMEDIATE RELEASE

A Concluding Statement describes the preliminary findings of IMF staff at the end of an official staff visit (or 'mission'), in most cases to a member country. Missions are undertaken as part of regular (usually annual) consultations under [Article IV](#) of the IMF's Articles of Agreement, in the context of a request to use IMF resources (borrow from the IMF), as part of discussions of staff monitored programs, or as part of other staff monitoring of economic developments.

The authorities have consented to the publication of this statement. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF Executive Board for discussion and decision.

A team from the International Monetary Fund (IMF), led by Mr. Alex Pienkowski, held discussions in Helsinki and Tampere during October 28-November 7 for the 2026 Article IV Consultation. The team met with Minister of Finance Riikka Purra, Governor Olli Rehn, other senior officials, and representatives from the private sector, banks, labor unions, and other stakeholders.

Helsinki, Finland – November 10, 2025: The Finnish economy continues to underperform amid slow productivity growth and persistently weak private demand. While a stronger recovery is expected beginning next year, downside risks remain. Despite consolidation efforts, the fiscal deficit has widened. Key policy priorities include:

- Committing to credible consolidation efforts to lower debt over the medium term.
- Enhancing productivity by strengthening tertiary education, supporting AI adoption, and reducing trade barriers within the European Union.
- Strengthening financial sector resilience by expanding the macro-prudential toolkit, while maintaining existing borrower-based measures.

Delayed Recovery and Persistent Fiscal Challenges

The recovery of the Finnish economy has been slow, but growth is expected to accelerate next year. Productivity growth has been weaker-than-expected, and the cyclical recovery has been slow. In fact, following a contraction in 2023, real GDP grew by 0.4 percent in 2024 but slowed again in 2025. Looking back, heightened uncertainty, falling house prices, and the increase in interest rates since 2022 dampened private consumption, while private investment, including in construction, fell significantly. On the external side, net exports supported growth despite higher tariffs. Activity this year is expected to remain subdued, with annual growth projected at ¼ percent. Looking ahead, output is projected to increase by 1½ percent in both 2026 and 2027, supported by a gradual recovery in domestic private demand as real wages rise, the housing market starts to recover, and several large investment projects begin.

Inflation has remained contained at around 2 percent. Headline inflation has moderated, with falling energy prices offsetting stronger core inflation. Price moderation and higher wages have allowed real incomes to return to 2019 levels. Headline inflation is expected to remain at 2 percent in the medium term.

The fiscal position has deteriorated significantly. The fiscal deficit widened by 1.5 percent of GDP, reaching 4.5 percent in 2024. Despite consolidation efforts, weak revenue growth, higher defense spending, and pressure from health and social services will likely keep the 2025 deficit broadly unchanged. As a result, public debt - already exceeding levels observed in Nordic peers - is expected to approach 90 percent of GDP in 2025.

Risks are tilted to the downside. On the external front, risks include escalating trade tensions and geoeconomic uncertainty. Domestically, challenges stem from a slower-than-expected labor market recovery, sharper declines in house prices, and further labor productivity weakness. Larger spending needs and higher long-term interest rates may also pose risks to public debt.

Restarting Fiscal Consolidation

Some welcome fiscal adjustment is expected next year, but deficits will remain high over the medium term. Despite reductions in personal and corporate income tax rates and increased defense spending, previous consolidation efforts and the anticipated economic rebound will lead to some modest but welcome deficit reduction in 2026. However, further out, the overall fiscal deficit is projected to remain above 3 percent, while the debt will approach 95 percent of GDP by the end of the decade. This will limit policy space to deal with future shocks and could erode market confidence over debt sustainability.

Further consolidation efforts are needed to place public debt on a downward trajectory. The authorities should seek to consolidate by ½ percent of GDP (€1.5 billion) annually, until the fiscal balance is closed and debt begins to decline. Consolidation measures must be well-targeted and efficient, with attention given to both revenue and expenditure.

The new national fiscal framework demonstrates a strong cross-party commitment to consolidation. The Parliamentary Pact for Fiscal Policy helps to build political consensus over the need to steadily reduce debt over many parliamentary cycles. If successful, the new rules will help to anchor fiscal policy, build policy space, and reduce risks to market confidence.

Incentivizing Labor Supply, Bolstering Skills, and Raising Productivity

Recent reforms have laid the ground for stronger growth, but further efforts are needed to increase the labor supply and reduce labor market rigidities. There is evidence that recent labor market reforms and increased immigration have supported a much-needed increase in labor supply. The government continues to streamline the unemployment benefit system and ease labor market regulations to strengthen work incentives. Additionally, attention must be given to tertiary education attainment, which has stagnated in recent years at levels below peer countries. Upskilling the labor force, along with adapting active labor market policies, will also be crucial to facilitate AI adoption.

Reducing barriers to firm growth will boost productivity. Finland has a strong foundation to create innovative start-up firms. However, these businesses often face barriers to scale-up, which reduces economic dynamism, limits their ability to compete internationally, and

constrains productivity growth of the economy. Domestic red tape should be reviewed to ease regulatory barriers, while the efforts to improve access to funding and investment should continue.

Finland also has an important role in reducing barriers to trade within the EU. Faced with weak productivity growth, high debt, and increasing geoeconomic fragmentation, significant economic gains could be achieved by reducing barriers to trade within the EU. Finland should continue to advocate for further European integration, including through compromise on challenging issues such as energy, in the interests of wider and more ambitious progress.

Safeguarding Financial Stability

While the banking system remains resilient and systemic risks are contained, vulnerabilities persist. Banks maintain strong capital positions and profitability, and stress tests indicate that they could withstand a severe economic slowdown. Nevertheless, vulnerabilities remain, including from weaker real estate and construction market activity, elevated household debt, and significant cross-country interconnectedness. In this context, staff supports the preparatory work to perform a joint Nordic-Baltic banking sector stress test in 2026. Despite a prolonged rise in cyber threats, the impact on financial stability has so far remained contained.

The macroprudential toolkit should be further enhanced to strengthen the resilience of the banking sector. The systemic risk buffer on credit institutions should be maintained at 1 percent given structural vulnerabilities and the authorities should gradually phase in a *positive* neutral rate for the Counter-Cyclical Capital Buffer. Given elevated household debt, existing borrower-based measures—particularly loan-to-value limits and loan maturity limits—should be maintained at current levels. Debt-to-income and debt-service to income limits should also be incorporated into the policy toolkit. Finally, maintaining a clear macroprudential framework with a well-defined objective is essential to safeguard financial stability.

The IMF team is grateful to the authorities and private sector counterparts for their close collaboration and helpful and constructive discussions.