



Economic focus

Finnish government finances

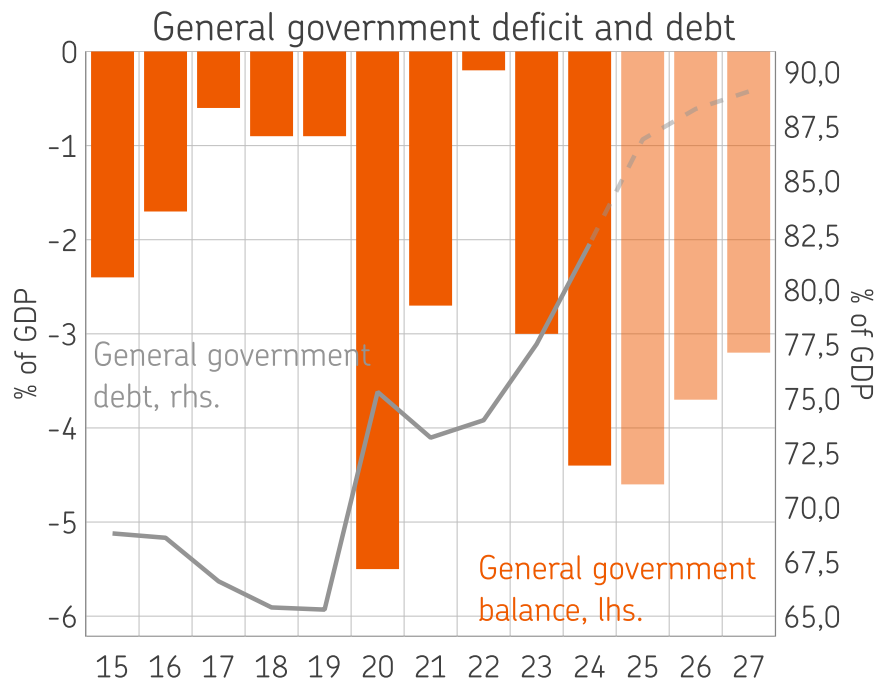
OP Pohjola Economists
11/2025



The excessive deficit procedure reinforces the objective of stabilizing public debt development.

- › The EU is placing Finland's public finances under the excessive deficit procedure. The goal of the excessive deficit procedure is to accelerate the reduction of countries' public deficits below the three percent criterion. Currently, there are already nine countries in the procedure, including France, Italy, Austria, and Belgium.
- › This procedure does not conflict with the objectives of the Finnish government; rather, it fundamentally strengthens the achievement of those goals.
- › At the beginning of 2026, a new fiscal policy rule will be introduced, based on parliamentary cooperation and aimed at ensuring compliance with EU regulations.
- › The reason for Finland entering the procedure is primarily an excessively high public deficit, which the EU does not expect to fall below the criterion in the coming years without additional measures.
- › OP Pohjola's economists have a more optimistic forecast than the Commission, but according to them, the deficit will still be above three percent of GDP in 2027.

The public finances are improving slowly



Sources: Macrobond, StatFin, OP

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- › According to the OP Pohjola's economists' forecast the public deficit is set to diminish gradually mostly due to improving cyclical situation.

General government finances

2024	2025f	2026f	2027f	
Surplus, % of GDP	-4.4	-4.6	-3.7	-3.2
Debt, % of GDP	82.1	86.9	88.3	89.1

Sources: Statistics Finland and OP

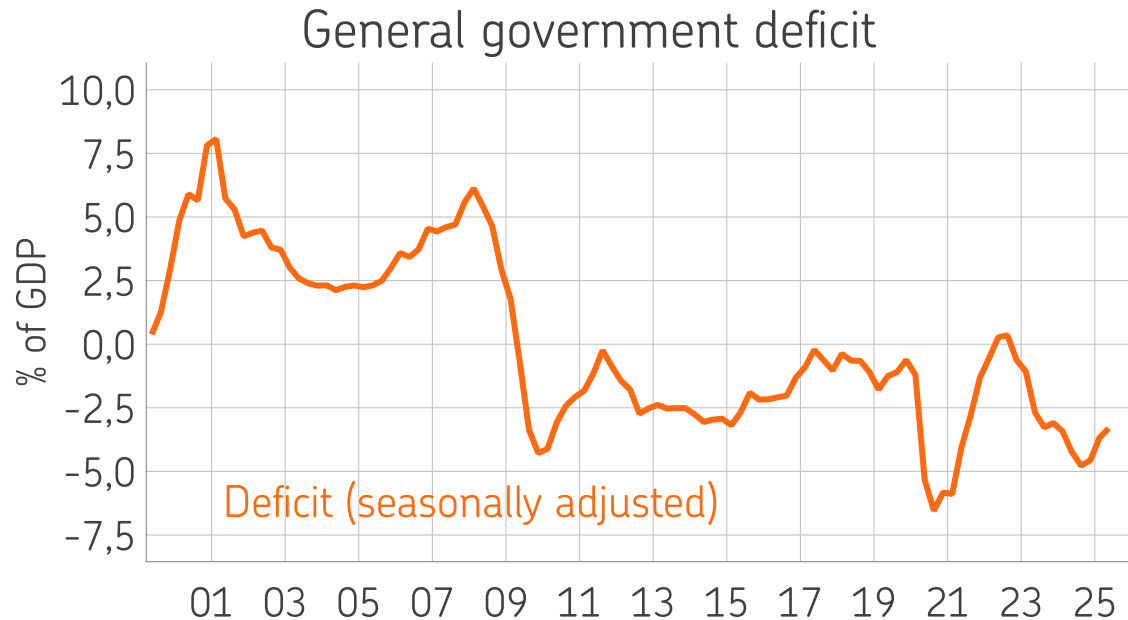
- › According to the EU Commission the deficit would not decline as much especially in 2027.

General government finances

2024	2025f	2026f	2027f	
Surplus, % of GDP	-4.4	-4,5	-4,0	-3,9
Debt, % of GDP	82,1	88,1	90,9	92,3

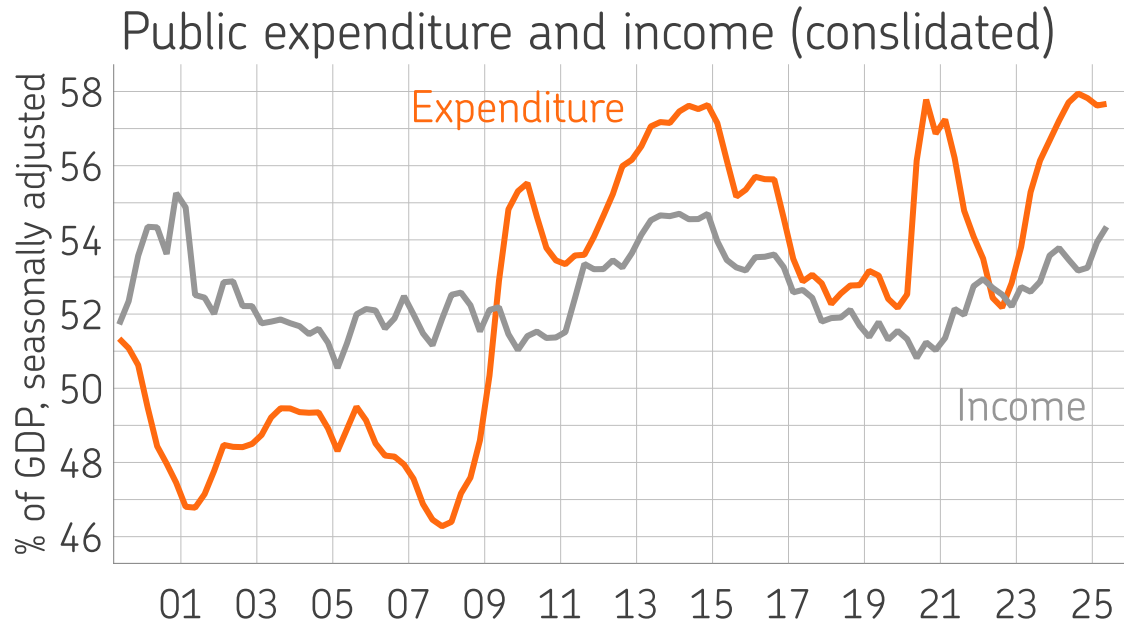
Source: EU

Preliminary data for 2025 so far more positive than forecasts



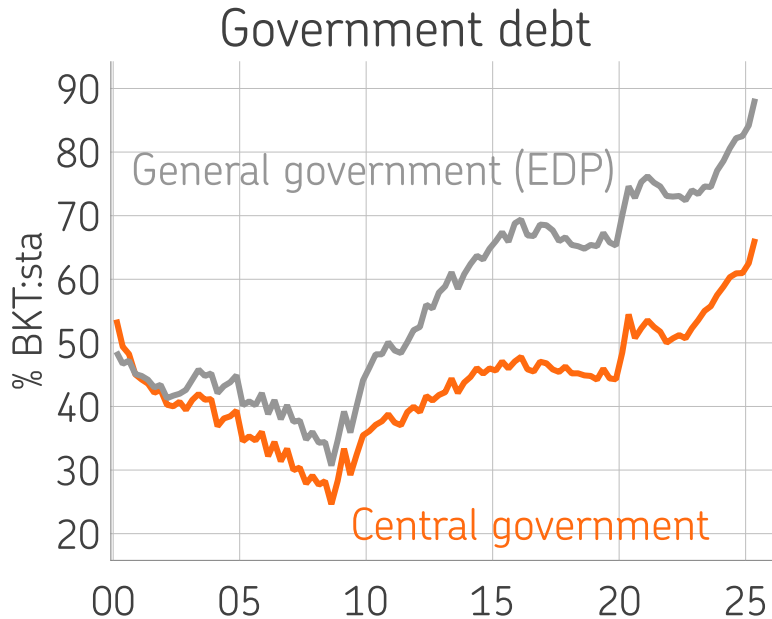
Source: Macrobond, StatFin, OP

Expenditure growth paused in H1 2025



Lähde: Macrobond, StatFin, OP

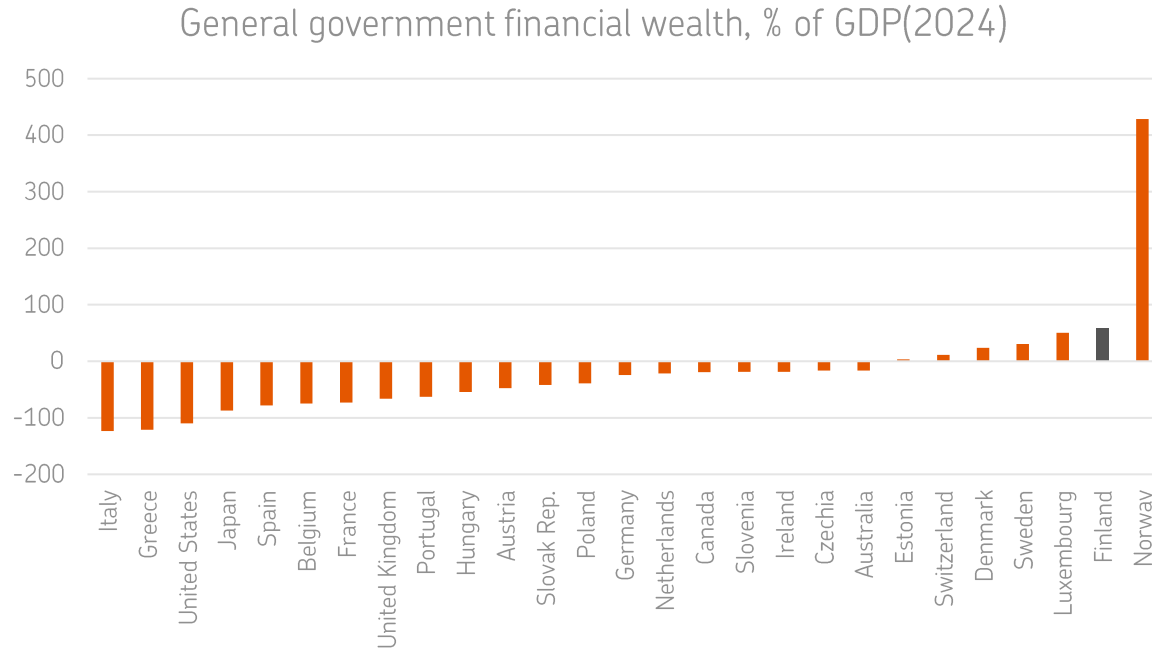
Central government debt $\frac{3}{4}$ of general government debt



- › Debt classified as public debt according to the EU definition includes local government and social security fund debt, as well as, for example, the ARA loans (government subsidized housing loans) and guarantees to the EFSF.
- › The ratio of the ARA loans to GDP was 6.6 % in the end of 2024.

Source: Macrobond, Finnish Treasury, StatFin, Eurostat, OP

Due to pension assets and state property, the Finnish public sector is a net creditor

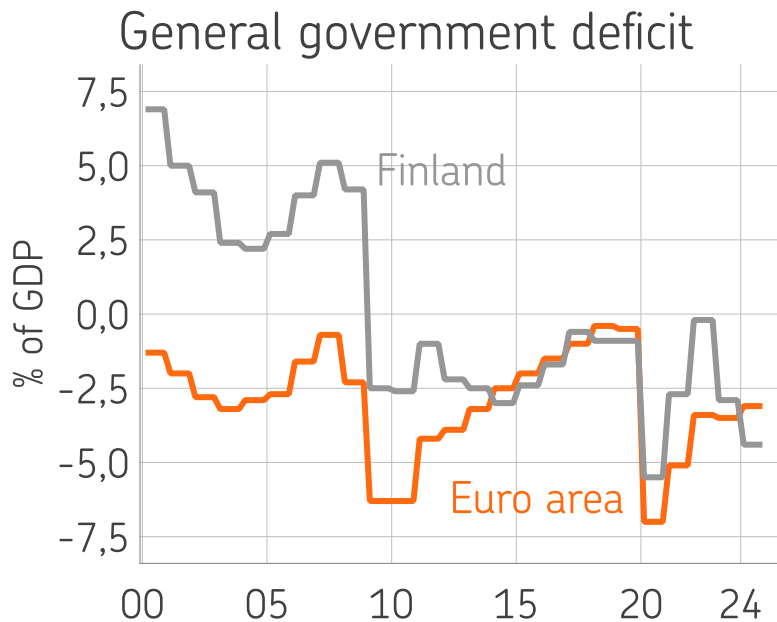


> Central government net debt was 36,1 % of GDP in 2024.

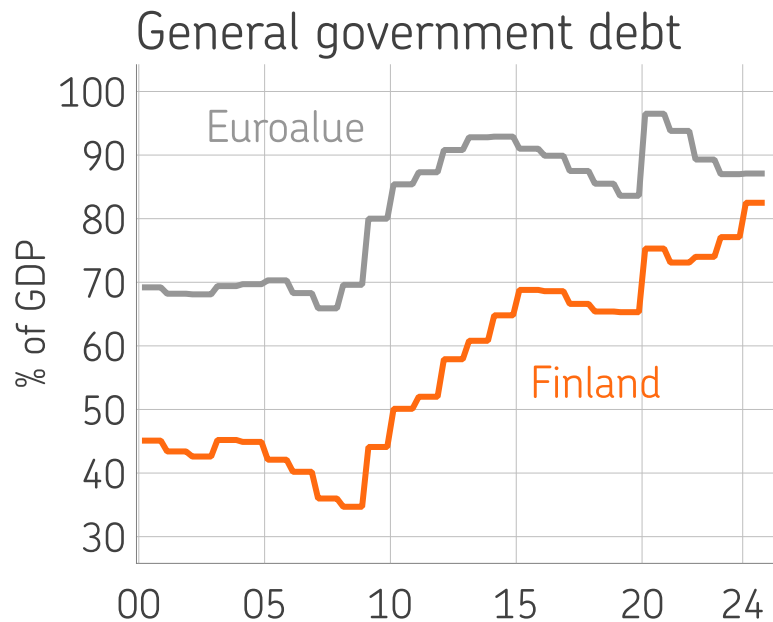
Source: OECD



Finnish government finances have become mediocre measured by deficit and gross debt

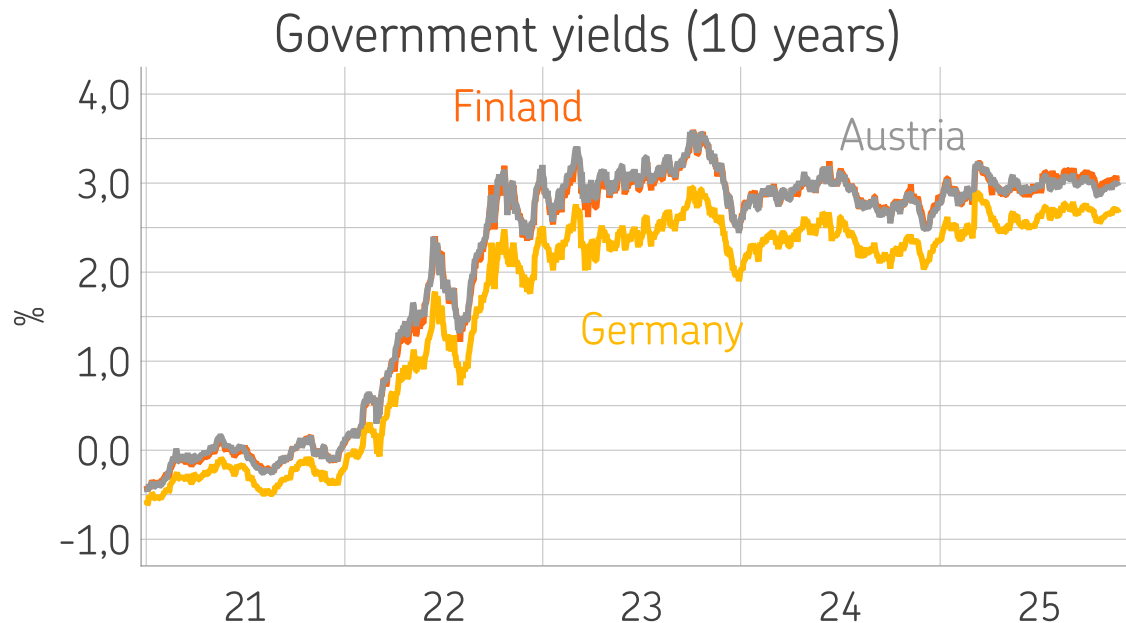


Source: Macrobond, StatFin, Eurostat, OP



Source: Macrobond, StatFin, Eurostat, OP

The spread between German and Finnish government debt has narrowed slightly



Source: Macrobond, OP

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